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

FORM 10-K

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

For the fiscal year ended November 30, 2020

or

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

For the transition period from to

Commission file number: 1-5721

JEFFERIES FINANCIAL GROUP INC.

(Exact Name of Registrant as Specified in its Charter)

New York	13-2615557
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

520 Madison Avenue	New York, New York	10022
(Address of principal executive offices)		(Zip Code)

(212) 460-1900

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value $1 per share	JEF	New York Stock Exchange

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

None.

(Title of Class)

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

Aggregate market value of the voting stock of the registrant held by non-affiliates of the registrant at May 31, 2020 (computed by reference to the last reported closing sale price of the Common Shares on the New York Stock Exchange on such date): $3,513,705,737.

On January 21, 2021, the registrant had outstanding 251,070,970 Common Shares.

DOCUMENTS INCORPORATED BY REFERENCE:

Certain portions of the registrant's Definitive Proxy Statement pursuant to Regulation 14A of the Securities Exchange Act of 1934 in connection with the 2021 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

LOCATION OF EXHIBIT INDEX

The index of exhibits is contained in Part IV on page 71.

PART I

Item 1. Business.

Overview

Jefferies Financial Group Inc. ("Jefferies," "we," "our" or the "Company") is engaged in investment banking and capital markets, asset management and direct investing. Jefferies Group LLC ("Jefferies Group"), our largest subsidiary, was established in 1962 and is now the largest independent full-service global investment banking firm headquartered in the U.S.

Our strategy focuses on strengthening and expanding our core businesses of Investment Banking and Capital Markets and Asset Management, while continuing to simplify our structure and return capital to our shareholders. We are simplifying our structure through a managed transformation of our direct investing, or "Merchant Banking," business, which, to date, has included divestitures, special distributions to shareholders of assets, as well as transfers of financial assets out of our Merchant Banking portfolio and into Jefferies Group. We anticipate additional transactions as our transformation is completed. Some of these transactions have generated significant excess liquidity; some of these transactions have also reduced the future receipt of periodic distributions from subsidiaries to the parent company. In keeping with our strategy, a meaningful portion of the proceeds of these transactions has been returned to shareholders through share repurchases. During the past three fiscal years, we have returned to shareholders almost $3.4 billion through share repurchases and dividends.

Our executive offices are located at 520 Madison Avenue, New York, NY 10022, as is the global headquarters of Jefferies Group. Our primary telephone number is (212) 460-1900 and our website address is www.jefferies.com. At November 30, 2020, we had 4,945 full-time employees, including 3,922 full-time employees at Jefferies Group. Jefferies Group retains a credit rating separate from Jefferies and remains a U.S. Securities and Exchange Commission ("SEC") reporting company.

The discussion in this Annual Report on Form 10-K should be read in conjunction with the Risk Factors presented in Item 1A of Part I and the Cautionary Statement for Forward-Looking Information and Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 7 of Part II.

Recent Events

During the first quarter of 2020, we changed our internal structure with regard to our operating segments. Previously, our segments consisted of (1) Investment Banking, Capital Markets and Asset Management, which included all of the financial results of Jefferies Group; (2) Merchant Banking; and (3) Corporate. In the first quarter, we appointed co-Presidents of Asset Management and created a separate fourth operating segment that consists of the asset management activity previously included in our Investment Banking, Capital Markets and Asset Management segment, together with asset management activity previously included in our Merchant Banking segment.

During 2020, we repurchased a total of 42,134,910 of our common shares for $812.7 million, or an average price per share of $19.29.

Investment Banking and Capital Markets

Investment Banking and Capital Markets focuses on Investment Banking, Equities and Fixed Income. We primarily serve institutional investors, corporations and government entities.

Investment Banking

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

Over 950 investment banking professionals operate in the Americas, Europe and Asia Pacific, and are organized into industry, product and geographic coverage groups. Our industry coverage groups include Consumer; Energy; Financial Services; Healthcare; Industrials; Technology; Media and Telecommunications; Real Estate; Gaming and Lodging; Financial Sponsors and Public Finance. Our product coverage groups include advisory (which comprises both mergers and acquisitions and restructuring and recapitalization expertise), equity underwriting and debt underwriting. Our geographic coverage groups include teams based in major cities in the United States, London, Frankfurt, Paris, Milan, Amsterdam, Stockholm, Mumbai, Hong Kong, Singapore, Sydney, Tokyo and Zurich.

Advisory Services

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

Equity Underwriting

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

Debt Underwriting

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

Corporate Lending

Jefferies Finance LLC ("Jefferies Finance"), a 50/50 joint venture between Jefferies Group and Massachusetts Mutual Life Insurance Company, is a commercial finance company that structures, underwrites and syndicates primarily senior secured loans to corporate borrowers and manages proprietary and third-party investments in middle market and broadly syndicated loans. Jefferies Finance conducts its operations primarily through two business lines, Leveraged Finance Arrangement and Portfolio and Asset Management. Jefferies Finance typically syndicates to third-party investors substantially all of its arranged volume. Its Portfolio and Asset Management business line manages a broad portfolio of assets under management comprised of portions of loans it has arranged, as well as loan positions that it has purchased in the primary and secondary markets. The Portfolio and Asset Management business is comprised of three registered Investment Advisors: Jefferies Finance, Apex Credit Partners LLC and JFIN Asset Management LLC, which each separately focus on investments in cash flow and traditional asset-based revolving credit, collateralized loan obligations which invest in predominately broadly syndicated loans and proprietary and third-party investments in middle market loans held in private funds and separately managed accounts.

Equities

Equities Research, Capital Markets

We provide our clients full-service equities research, sales and trading capabilities across global securities markets. We earn commissions or spread revenue by executing, settling and clearing transactions for clients across these markets in equity and equity-related products, including common stock, American depository receipts, global depository receipts, exchange-traded funds, exchange-traded and over-the-counter ("OTC") equity derivatives, convertible and other equity-linked products and closed-end funds. Our equity research, sales and trading efforts are organized across three geographical regions: the Americas; Europe and the Middle East and Africa; and Asia Pacific. Our clients are primarily institutional market participants such as mutual funds, hedge funds, investment advisors, pension and profit sharing plans, and insurance companies. Through our global research team and sales force, we maintain relationships with our clients, distribute investment research and strategy, trading ideas, market information and analyses across a range of industries and receive and execute client orders. Our equity research covers over 2,500 companies around the world and a further more than 700 companies are covered by eight leading local firms in Asia Pacific with which we maintain alliances.

Equity Finance

Our Equity Finance business provides financing, securities lending and other prime brokerage services. We offer prime brokerage services in the U.S. that provide hedge funds, money managers and registered investment advisors with execution, financing, clearing, outsourced trading, reporting and administrative services. We finance our clients' securities positions through margin loans that are collateralized by securities, cash or other acceptable liquid collateral. We earn an interest spread equal to the difference between the amount we pay for funds and the amount we receive from our clients. We also operate a

matched book in equity and corporate bond securities, whereby we borrow and lend securities versus cash or liquid collateral and earn a net interest spread. We offer selected prime brokerage clients the option of custodying their assets at an unaffiliated U.S. broker-dealer that is a subsidiary of a bank holding company. Under this arrangement, we directly provide our clients with all customary prime brokerage services.

Wealth Management

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

Fixed Income

Fixed Income Capital Markets

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

Our strategists and economists provide ongoing commentary and analysis of the global fixed income markets. In addition, our fixed income desk strategists provide ideas and analysis to clients across a variety of fixed income products.

Other

We make principal investments in private equity and hedge funds managed by third-parties as well as, from time to time, take on strategic investment positions.

Berkadia

Berkadia Commercial Mortgage Holding LLC ("Berkadia") is a 50/50 joint venture with Berkshire Hathaway, Inc. that provides capital solutions, investments sales advisory and mortgage servicing for multifamily and commercial real estate. Berkadia originates commercial real estate loans, primarily in respect of multifamily housing units, for Fannie Mae, Freddie Mac and the Federal Housing Authority using their underwriting guidelines and will typically sell the loans to such entities shortly after the loans are funded with Berkadia retaining the mortgage servicing rights. For loans sold to Fannie Mae, Berkadia assumes a shared loss position throughout the term of each loan, with a maximum loss percentage of approximately one-third of the original principal balance. Berkadia also originates and brokers commercial/multifamily mortgage loans which are not part of the government agency programs.

In addition, Berkadia originates loans for its own balance sheet. These loans provide interim financing to borrowers who intend to refinance the loan with longer-term loans from an eligible government agency or other third-party. Berkadia also provides services related to the acquisition and disposition of multifamily real estate projects, including brokerage services, asset review, market research, financial analysis and due diligence support and is a servicer of U.S. commercial real estate loans, performing primary, master and special servicing functions for U.S. government agency programs, commercial mortgage-backed securities transactions, banks, insurance companies and other financial institutions.

Asset Management

Our Asset Management segment includes both the asset management operations within Jefferies Group as well as those that were previously part of our Merchant Banking segment. Under the combined Leucadia Asset Management ("LAM") umbrella, we manage and provide services to a diverse group of alternative asset management platforms across a spectrum of investment strategies and asset classes. LAM offers institutional clients an innovative range of investment strategies through its affiliated managers. Our products are currently offered to pension funds, insurance companies, sovereign wealth funds, and other

institutional investors globally. The investment products under LAM range from multi-manager products, such as Schonfeld Fundamental Equities, Dymon Asia Capital and Weiss Multi-Strategy, to niche equity long/short strategies, such as Riposte Capital and Kathmandu, to credit strategies, such as Point Bonita Capital and 3|5|2 Capital. We offer our affiliated asset managers access to capital, operational infrastructure and global marketing and distribution. We often invest seed or additional strategic capital for our own account in the strategies offered by us and associated third-party asset managers in which we have an interest.

We continue to expand our asset management efforts. During 2020, we established a strategic relationship with Dymon Asia Capital (Asian multi-strategy) and FourSixThree Capital (distressed credit and special situations) and added Riposte Capital (contrarian long/short equity) and 3|5|2 Capital (consumer-focused asset-backed securities) to our LAM platform.

Merchant Banking

We own a diverse portfolio of businesses and investments that have the potential for significant value appreciation. The structure of each of our investments was tailored to the unique opportunity each transaction presented. Our investments may be reflected in our consolidated results as consolidated subsidiaries, equity investments, securities or in other ways, depending on the structure of our specific holdings. We continue to evaluate new investments, primarily in financial services. We are in the process of a managed transformation of Merchant Banking, with the intention of selling to third-parties or restructuring under LAM all of our Merchant Banking businesses. Continuing changes in the mix of our businesses and investments therefore should be expected.

Our Merchant Banking portfolio currently includes primarily investments in Linkem, 56% (fixed wireless broadband services in Italy); Vitesse Energy, LLC ("Vitesse Energy Finance"), 97%, and JETX Energy, LLC ("JETX Energy"), 98%, (oil and gas); real estate, primarily HomeFed LLC ("HomeFed"), 100%; Idaho Timber, 100% (manufacturing); and FXCM Group, LLC ("FXCM"), 50% voting interest in FXCM and a majority of all distributions in respect of the equity of FXCM (provider of online foreign exchange trading services). The net book value of our entire Merchant Banking portfolio was $1.9 billion at November 30, 2020.

Linkem

We own 56% (48% voting) of Linkem S.p.A., the largest fixed wireless broadband service provider in Italy with approximately 710,000 subscribers. Its broadband service utilizes its proprietary fixed wireless network on its valuable nationwide 3.5GHz spectrum holdings. The 3.5GHz frequency band has been designated globally as one of the core bands for 5G services, placing Linkem in a strong position to continue its growth in a 5G environment. Linkem launched its first 5G towers in late 2020 and plans to rapidly increase its network coverage and service offerings over the coming years as it upgrades to 5G, adds subscribers and leverages its assets. Expansion and customer acquisition costs are expected to result in operating losses over the next couple of years.

Our initial investment in Linkem was made in July 2011. Since that time, we have funded much of Linkem's growth and become its largest shareholder. We own approximately 42% of the common shares of Linkem, as well as convertible preferred stock, which is automatically convertible to common shares in 2022, and warrants. If all of our convertible preferred stock was converted and warrants were exercised, it would increase our ownership to approximately 56% of Linkem's common equity at November 30, 2020. We have approximately 48% of the total voting securities of Linkem. Additionally, we have made shareholder loans to Linkem with principal outstanding of $102.4 million at November 30, 2020. The net book value of our investment in Linkem was $199.0 million at November 30, 2020.

Vitesse Energy Finance

Vitesse Energy Finance is our 97% owned consolidated subsidiary that acquires, invests and monetizes non-operated working interests and royalties predominantly in the Bakken Shale of the Williston Basin in North Dakota. These non-operated interests include working interests in flowing wells, leases that are held by production and undeveloped drilling locations within drilling spacing units ("DSUs"). The DSUs are expected to be developed via horizontal wells in the future by Vitesse Energy Finance's dozen plus operating partners. As Vitesse Energy Finance's operators convert the DSUs (undeveloped acreage) into flowing horizontal wells, our working interests and minerals are converted into cash flows produced by the flowing wells. Vitesse Energy Finance has acquired more than 47,200 net acres of leaseholds and has an interest in over 5,000 producing wells (106 net wells) with current production as of November 2020 of 10,000 barrels of oil equivalent per day. In addition, Vitesse Energy Finance has an interest in approximately 600 wells (14 net wells) that are shut-in due to offset development activity or low oil prices. Vitesse Energy Finance also has 876 gross wells (22.5 net wells) that are currently drilling, completing, or permitted for

future drilling. Our strategic priorities for Vitesse Energy Finance are to selectively add to our core acreage, participate in future profitable horizontal wells, increase aggregate cash flow, limit the volatility of cash flows by appropriately hedging oil and profitably sell selective assets when appropriate. The net book value of our investment in Vitesse Energy Finance was $516.3 million at November 30, 2020.

Real Estate Assets

Our real estate assets primarily consist of our 100% ownership of HomeFed, a developer and owner of residential and mixed-use real estate properties in California, New York, Florida, Virginia and South Carolina. HomeFed's key assets include Otay Ranch, a master planned community that is under development in Chula Vista, CA, made up of approximately 4,450 acres of land entitled for 13,050 total units; and Renaissance Plaza, a mixed-use asset in Brooklyn, NY, comprised of an office building, garage and hotel. The net book value of our investment in real estate assets was $531.6 million at November 30, 2020.

Financial Information about Segments

Our operating and reportable segments consist of Investment Banking and Capital Markets; Asset Management; Merchant Banking; and Corporate. Our financial information regarding our reportable segments is contained in Note 27 in our consolidated financial statements.

Human Capital

We are focused on the durability, health and long-term growth and development of our business, as well as our long-term contribution to our shareholders, our clients, our employees, the communities in which we live and work, and society in general. Instrumental to all of this is our culture, which derives from our employees.

As of November 30, 2020, we had 4,945 employees located throughout the world. Our largest subsidiary, Jefferies Group, had 3,922 employees globally with approximately 64%, 24% and 12% of its workforce distributed across the Americas, Europe and Asia Pacific, respectively. Jefferies Group employees are predominately in our Investment Banking and Capital Markets segment or the support thereof. During fiscal 2020, Jefferies Group overall employee levels increased by 3% as we have continued to expand our presence in Asia, particularly in our Equities business, and we have continued to grow certain of our businesses in Europe. During fiscal 2020, there was a slight decline in the overall percentage of our employees in our Asset Management segment due to the wind down of a wholly-owned asset management platform during the year.

Our ability to develop and retain our clients depends on the reputation, marketing efforts, capabilities and knowledge of our employees and our firm. Jefferies Group workforce is predominately composed of employees in roles such as investment bankers, salespeople, trading professionals, research professionals and other revenue producing or specialized personnel. In order to compete effectively and continue to provide best in class service to our clients, we must attract, retain and motivate qualified professionals. During 2020, our voluntary turnover rate was 8%. Our overall retention rate is very high in our view. We believe our culture, our effort to maintain a meritocracy in terms of opportunity and our continued evolution and growth contribute to our success in attracting and retaining strong talent.

We had 931 employees in our Merchant Banking segment as of November 30, 2020, which were predominantly located in the U.S. The majority of these individuals are employed by our wholly-owned subsidiary, Idaho Timber. As with most manufacturing operations, safety is a key component of the overall process and Idaho Timber has a multitude of safety programs in place designed to protect the health and well-being of its employees. These programs and other employee-focused initiatives help Idaho Timber retain experienced employees who create operating efficiencies critical to our overall success.

The foundation of our culture is our approach to employee engagement, diversity, equity and inclusion, which is summed up in our Corporate Social Responsibility Principle: Respect People. We have implemented a number of policies and measures focused on non-discrimination, sexual harassment prevention, health and safety, training and education and Employee Resource Groups. We embrace diversity and inclusion, which we believe fosters creativity, innovation and thought leadership through the infusion of new ideas and perspectives. Our Board of Directors has underscored our commitment to diversity by appointing diverse candidates to fill the seats of one-third of our independent directors. We have also made a commitment to building a culture that provides opportunities for all employees regardless of our differences. As a result, we are able to pool our collective insights and intelligence to provide fresh and innovate thinking for our clients. Solid internal partnerships with Employee Resource Groups allow us to develop and retain our wealth of diverse talent and ensure continued growth and success. We encourage you to review our Environmental, Social and Governance Report ("ESG Report") (located on our website) for more detailed information regarding our human capital programs and initiatives. Nothing on our website, including our ESG Report

or sections thereof, is deemed incorporated by reference into this Report. In addition, for discussion of the risks relating to our ability to attract, develop and retain highly skilled and productive employees, see "Part 1. Item 1A. Risk Factors."

Competition

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

Regulation

Regulation in the United States. The financial services industry in which we operate is subject to extensive regulation. In the U.S., the SEC is the federal agency responsible for the administration of federal securities laws, and the Commodity Futures Trading Commission ("CFTC") is the federal agency responsible for the administration of laws relating to commodity interests (including futures, commodity options and swaps). In addition, the Financial Industry Regulatory Authority, Inc. ("FINRA") and the National Futures Association ("NFA") are self-regulatory organizations ("SROs") that are actively involved in the regulation of financial services businesses (securities businesses in the case of FINRA and commodities/futures businesses in the case of the NFA). In addition, broker-dealers that conduct securities activities involving municipal securities are subject to regulation by the Municipal Securities Rulemaking Board ("MSRB"). In addition to federal regulation, we are subject to state securities regulations in each state and U.S. territory in which we conduct securities or investment advisory activities. The SEC, FINRA, CFTC, NFA and state securities regulators conduct periodic examinations of broker-dealers, investment advisors, futures commission merchants ("FCMs") and swap dealers. The designated examining authority under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") for Jefferies LLC's activities as a broker-dealer is FINRA, and the designated self-regulatory organization under the U.S. Commodity Exchange Act for Jefferies LLC's non-clearing FCM activities is the NFA. Financial services businesses are also subject to regulation and examination by state securities regulators and attorneys general in those states in which they do business. In addition, broker-dealers, investment advisors, FCMs and swap dealers must also comply with the rules and regulation of clearing houses, exchanges, swap execution facilities and trading platforms of which they are a member.

Broker-dealers are subject to SEC, FINRA, MSRB and state securities regulations that cover all aspects of the securities business, including sales and trading methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure and requirements, anti-money laundering efforts, recordkeeping and the conduct of broker-dealer personnel including officers and employees (although state securities regulations are, in a number of cases, more limited). Registered investment advisors are subject to, among other requirements, SEC regulations concerning marketing, transactions with affiliates, custody of client assets, disclosures to clients, conflict of interest, insider trading and recordkeeping; and investment advisors that are also registered as commodity trading advisors or commodity pool operators are also subject to regulation by the CFTC and the NFA. FCMs, introducing brokers and swap dealers that engage in commodity options, futures or swap transactions are subject to regulation by the CFTC and the NFA. Additional legislation, changes in rules promulgated by the SEC, FINRA, CFTC, NFA, other SROs of which the broker-dealer is a member, and state securities regulators, or changes in the interpretation or enforcement of existing laws or rules may directly affect the operations and profitability of broker-dealers, investment advisors, FCMs, commodity trading advisors, commodity pool operators and swap dealers. The SEC, CFTC, FINRA, NFA, state securities regulators and state attorneys general may conduct administrative proceedings or initiate civil litigation that can result in adverse consequences for Jefferies LLC, its affiliates, including affiliated investment advisors, as well as its and their officers and employees (including, without limitation, injunctions, censures, fines, suspensions, directives that impact business operations (including proposed expansions), membership expulsions, or revocations of licenses and registrations).

SEC Regulation Best Interest ("Reg BI") requires that a broker-dealer and its associated persons to act in a retail customer's best interest and not place their own financial or other interests ahead of a retail customer's interests when recommending securities transactions or investment strategies, including recommendations of types of accounts. To meet this best interest standard, a broker-dealer must satisfy four component obligations including a disclosure obligation, a care obligation, a conflict of interest obligation, and a compliance obligation and both broker-dealers and investment advisors are required to provide disclosures about their standard of conduct and conflicts of interest.

In addition, certain states, have proposed or adopted measures that would make broker-dealers, sales agents and investment advisors and their representatives subject to a fiduciary duty when providing products and services to customers. The SEC did

not indicate an intent to pre-empt state regulation in this area and some of the state proposals would allow for a private right of action. Since our Wealth Management division makes recommendations to retail customers, it is required to comply with the obligations under the Reg BI and applicable state laws.

Regulatory Capital Requirements. Several of our entities are subject to financial capital requirements that are set by regulation. Jefferies LLC is a dually-registered broker-dealer and FCM and is required to maintain net capital in excess of the greater of the SEC or CFTC minimum financial requirements. As a broker-dealer, Jefferies LLC is subject to the SEC's Uniform Net Capital Rule (the "Net Capital Rule"). Jefferies LLC has elected to compute its minimum net capital requirement in accordance with the "Alternative Net Capital Requirement" as permitted by the Net Capital Rule, which provides that a broker-dealer shall not permit its net capital, as defined, to be less than the greater of 2% of its aggregate debit balances (primarily customer-related receivables) or $250,000 ($1.5 million for prime brokers). Compliance with the Net Capital Rule could limit Jefferies LLC's operations, such as underwriting and trading activities, and financing customers' prime brokerage or other margin activities, in each case, that could require the use of significant amounts of capital, limit its ability to engage in certain financing transactions, such as repurchase agreements, and may restrict its ability to (i) to make payments of dividends, withdrawals or similar distributions or payments to a stockholder/parent or other affiliate, (ii) to make a redemption or repurchase of shares of stock, or (iii) to make an unsecured loan or advance to such shareholders or affiliates. As a carrying/clearing broker-dealer, under FINRA Rule 4110, FINRA could impose higher minimum net capital requirements than required by the SEC, and could restrict a broker-dealer from expanding business or require the broker-dealer to reduce its business activities. If the broker dealer also carries accounts for other broker dealers which are engaged in proprietary trading, it may need net capital of $7 million or tentative net capital of $25 million, depending on circumstances. As a non-clearing FCM, Jefferies LLC is required to maintain minimum adjusted net capital of $1.0 million.

SEC registered broker-dealers that will also register with the SEC as security-based swap dealers engaging in principal transactions of security-based swaps ("SBS") are subject to rules regarding capital, segregation and margin requirements. The SEC rules establish similar standards for an entity registering as a standalone SBS dealer. The CFTC has also approved swap dealer capital rules. Both the SEC rules governing a standalone SBS dealer and the CFTC rules governing swap dealers are expected to come into effect in late 2021. Under the rules there is a minimum net capital requirement for, among others, an entity that acts as a dealer in SBS or swaps, which is the greater of $20 million or 2% (that the SEC could, in the future, increase up to 4% or 8%) of a risk margin amount. The risk margin amount means the sum of (i) the total initial margin required to be maintained by the SEC SBS dealer or CFTC swap dealer at each clearing agency with respect to SBS or swap transactions cleared for SBS or swap customers and (ii) the total initial margin amount calculated by the SEC SBS dealer or CFTC swap dealer with respect to non-cleared SBS under new SEC rules and swaps under the CFTC rules.

Jefferies Group has two entities provisionally registered with the CFTC as swap dealers - Jefferies Financial Services Inc. ("JFSI") and Jefferies Financial Products LLC ("JFP"). Both JFSI and JFP are expected to comply with the SEC and CFTC capital rules for SBS and swap dealers, respectively, in the fourth quarter of 2021.

Under the Exchange Act, state securities regulators are not permitted to impose capital, margin, custody, financial responsibility, making and keeping records, bonding, or financial or operational reporting requirements on registered broker-dealers that differ from, or are in addition to, the requirements in those areas established under the Exchange Act, including the rules and regulations promulgated thereunder.

For additional information see Item 1A. Risk Factors.

Jefferies Group LLC is not subject to any regulatory capital rules.

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 23 to our consolidated financial statements for additional discussion of net capital calculations.

Regulation outside the United States. We are an active participant in the international capital markets and provide investment banking services internationally, primarily in Europe and Asia Pacific. As in the U.S., our international subsidiaries are subject to extensive regulations proposed, promulgated and enforced by, among other regulatory bodies, the European Commission and European Supervisory Authorities (including the European Banking Authority and European Securities and Market Authority), U.K. Financial Conduct Authority, German Federal Financial Supervisory Authority ("BaFin"), Investment Industry Regulatory Organization of Canada, Hong Kong Securities and Futures Commission, the Japan Financial Services Agency, the Monetary Authority of Singapore and the Australian Securities and Investments Commission. Every country in which we do business imposes upon us laws, rules and regulations similar to those in the U.S., including with respect to some form of capital adequacy rules, customer protection rules, data protection regulations, anti-money laundering and anti-bribery rules, compliance with other applicable trading and investment banking regulations and similar regulatory reform.

Information about Jefferies on the Internet

We file annual, quarterly and current reports and other information with the SEC. These SEC filings are also available to the public from commercial document retrieval services and the website maintained by the SEC at www.sec.gov.

The following documents and reports are available on or through our website (www.jefferies.com) as soon as reasonably practicable after we electronically file such materials with, or furnish to, the SEC, as applicable:

- Code of Business Practice;
- Reportable waivers, if any, from our Code of Business Practice by our executive officers;
- Board of Directors Corporate Governance Guidelines;
- Charter of the Audit Committee of the Board of Directors;
- Charter of the Nominating and Corporate Governance Committee of the Board of Directors;
- Charter of the Compensation Committee of the Board of Directors;
- Annual reports on Form 10-K;
- Quarterly reports on Form 10-Q;
- Current reports on Form 8-K;
- Beneficial ownership reports on Forms 3, 4 and 5; and
- Any amendments to the above-mentioned documents and reports.

Shareholders may also obtain a printed copy of any of these documents or reports free of charge by sending a request to Jefferies Financial Group Inc., Investor Relations, 520 Madison Avenue, New York, NY 10022 or by calling (212) 460-1900.

Item 1A. Risk Factors.

Our business is subject to a number of risks. You should carefully consider the following risk factors, together with all of the other information included or incorporated by reference in this report, before you decide whether to purchase our securities. The risks set out below are not the only risks we face. In addition to the specific risks mentioned in this report, we may also be affected by other factors that affect businesses generally such as global or regional changes in economic, business or political conditions, acts of war, terrorism, pandemics, climate change or natural disasters. If any of such risks occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the trading price of our securities could decline, and you may lose all or part of your investment.

We have also set forth certain specific risks associated with certain of our investments. The inclusion or non-inclusion of these risks for specific investments should not be interpreted to mean that a mentioned or non-mentioned investment is more or less important or material than another. Additionally, some of our investments are in securities of issuers that file reports with the SEC. You should also carefully consider the additional risks disclosed by those issuers with the SEC as those risks may also impact your investment in our securities.

Market and Liquidity Risks

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

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

A credit rating agency downgrade could significantly impact our businesses. We and Jefferies Group have credit ratings issued by various credit rating agencies. Maintaining our credit ratings is important to our and Jefferies Group's business and financial condition. We advised certain credit rating agencies that we would target specific concentration and liquidity principles, expressed in the form of certain ratios and percentages. A failure to meet these ratios and percentages could trigger a ratings downgrade. We and Jefferies Group intend to access the capital markets and issue debt securities from time to time, and a decrease in our credit ratings or outlook could adversely affect our liquidity and competitive position, increase our borrowing costs, decrease demand for our debt securities and increase the expense and difficulty of financing our operations. In addition, in connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, Jefferies Group or us may be required to provide additional collateral to counterparties, exchanges and clearing organizations in the event of a credit rating downgrade. Such a downgrade could also negatively impact our and Jefferies Group's outstanding debt prices and our stock price. There can be no assurance that our or Jefferies Group's credit ratings will not be downgraded.

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

We are exposed to market risk. We are, directly and indirectly, affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. For example, changes in interest rates could adversely affect our net interest spread, the difference between the yield we earn on our assets and the interest rate we pay for sources of funding, which, in turn, impacts our net interest revenue and earnings. Changes in interest rates could affect the interest earned on assets differently than interest paid on liabilities. In our brokerage operations, a rising interest rate environment generally results in our earning a larger net interest spread. Conversely, in those operations, a falling interest rate environment generally results in our earning a smaller net interest spread. If we are unable to effectively manage our interest rate risk, changes in interest rates could have a material adverse effect on our profitability.

Market risk is inherent in the financial instruments associated with our operations and activities, including trading account assets and liabilities, loans, securities, short-term borrowings, corporate debt, and derivatives. Market conditions that change from time to time, thereby exposing us to market risk, include fluctuations in interest rates, equity prices, relative exchange rates, and price deterioration or changes in value due to changes in market perception or actual credit quality of an issuer.

In addition, disruptions in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate, or realize the value of security positions, thereby leading to increased concentrations. The inability to reduce our positions in specific securities may not only increase the market and credit risks associated with such positions, but also increase capital requirements, which could have an adverse effect on our business, results of operations, financial condition and liquidity.

We may be adversely affected by changes in or the discontinuance of Interbank Offered Rates ("IBORs"), in particular, London Interbank Offered Rate ("LIBOR"). Central banks and regulators in a number of major jurisdictions (for example, the U.S., U.K., European Union ("EU"), Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for IBORs. The U.K. Financial Conduct Authority, which regulates LIBOR, has announced that it will not compel panel banks to contribute to LIBOR after 2021 and possibly prior to then. We currently hold IBOR positions with maturities past 2020. In addition, we rely on vendor applications and data providers that support downstream IBOR data. We are reviewing our positions for a strategic conversion to alternative rates for each currency we deal in. Each jurisdiction has proposed an alternative to LIBOR and other IBORs based on a risk free rate (the Secured Overnight Funding Rate for U.S. Dollars, Sterling Overnight Index Average for Sterling markets, Euro Short Term Rate for Euros and Tokyo Overnight Average Rate for Japanese Yens). It is possible that the discontinuance of the IBORs will result in disruption in the financial markets, suppressed capital markets activities and liquidity, pricing volatility, loss of market share in certain products, adverse tax or accounting impacts, increased compliance, legal and operational costs, increased capital requirements and business continuity issues.

We continue to monitor and facilitate the transition from IBOR-referencing products to products referencing alternative reference rates. We have also been monitoring the development of the IBOR Fallbacks Protocol of the International Swaps and

Derivatives Association, which was published on October 23, 2020, and will enable market participants to incorporate the revisions into their legacy non-cleared derivatives trades with other counterparties as part of IBOR transition.

Our business, financial condition and results of operations are dependent upon those of our individual businesses, and our aggregate investments in particular industries. We are a holding company with investments in businesses and assets in a number of industries. Jefferies Group is our largest investment and we have significant additional investments in the financial services industry. Our business, financial condition and results of operations are dependent upon our various businesses and investments. Any material adverse change in one of our businesses or investments, or in a particular industry in which we operate or invest, may cause material adverse changes to our business, financial condition and results of operations. The more capital we devote to a particular investment or industry may increase the risk that such investment could significantly impact our financial condition and results of operations, possibly in a material adverse way.

As a holding company, we depend on dividends, distributions and other payments from our subsidiaries to fund payments on our obligations, including debt obligations. Many of our subsidiaries, including our broker-dealer subsidiaries, are subject to regulation that restrict dividend payments or reduce the availability of the flow of funds from those subsidiaries to us. In addition, our broker-dealer subsidiaries are subject to restrictions on their ability to lend or transact with affiliates and to minimum regulatory capital requirements.

From time to time we may invest in securities that are illiquid or subject to restrictions. From time to time we may invest in securities that are subject to restrictions which prohibit us from selling the subject securities for a period of time. Such agreements may limit our ability to generate liquidity quickly through the disposition of the underlying investment while the agreement is effective.

Economic Environment Risks

The effects of the outbreak of the novel coronavirus ("COVID-19") have negatively affected the global economy, the United States economy and the global financial markets, and may disrupt our operations and our clients' operations, which could have an adverse effect on our business, financial condition and results of operations. The ongoing COVID-19 global and national health emergency has caused significant disruption in the international and United States economies and financial markets. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, labor shortages, supply chain interruptions and overall economic and financial market instability. The United States now has the world's most reported COVID-19 cases, and all 50 states and the District of Columbia have reported cases of infected individuals. Several states, including New York, where we are headquartered, have declared states of emergency. Similar impacts have been experienced in every country in which we do business. Impacts to our business could be widespread and global, and material impacts may be possible, including the following:

- Employees contracting COVID-19
- Reductions in our operating effectiveness as our employees work from home or disaster-recovery locations
- Unavailability of key personnel necessary to conduct our business activities
- Unprecedented volatility in global financial markets
- Reductions in revenue across our operating businesses
- Closure of our offices or the offices of our clients
- De-globalization
- Potential regulatory scrutiny of our ability to adequately supervise our activities in accordance with applicable regulatory requirements

We are taking necessary and recommended precautions to protect the safety and well-being of our employees and customers, including by means of conducting certain business activities and operations remotely. However, no assurance can be given that the steps being taken will be deemed to be adequate or appropriate, nor can we predict the level of disruption which will occur to our employees' ability to provide customer support and service.

Although the onset of the COVID-19 pandemic resulted in meaningfully lower stock prices for many companies, as well as the trading prices for our own securities, the markets have not only stabilized but returned to near pre-COVID-19 levels. However, the further spread of the COVID-19 outbreak may materially negatively impact stock and other securities prices and materially disrupt banking and other financial activity generally and in the areas in which we operate. This would likely result in a decline in demand for our products and services, which would negatively impact our liquidity position and our growth strategy. Any one or more of these developments could have a material adverse effect on our and our consolidated subsidiaries' business, operations, consolidated financial condition, and consolidated results of operations.

We may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks, extreme weather events or other natural disasters. The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic, such as COVID-19, or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks, extreme terrestrial or solar weather events or other natural disasters, could create economic and financial disruptions, and could lead to operational difficulties (including travel limitations) that could impair our ability to manage our businesses.

Abrupt changes in market and general economic conditions have in the past adversely affected, and may in the future adversely affect, our business and profitability and cause volatility in our results of operations. Economic and market conditions have had, and will continue to have, a direct and material impact on our results of operations and financial condition because performance in the financial services industry is heavily influenced by the overall strength of general economic conditions and financial market activity.

Our investment banking revenue, in the form of advisory services and underwriting, is directly related to general economic conditions and corresponding financial market activity. When the outlook for such economic conditions is uncertain or negative, financial market activity generally tends to decrease, which reduces our investment banking revenues. Reduced expectations of U.S. economic growth or a decline in the global economic outlook could cause financial market activity to decrease and negatively affect our investment banking revenues.

A sustained and continuing market downturn could lead to or exacerbate declines in the number of securities transactions executed for customers and, therefore, to a decline in the revenues we receive from commissions and spreads. Correspondingly, a reduction of prices of the securities we hold in inventory or as investments would lead to reduced revenues.

Revenues from our asset management businesses have been and may continue to be negatively impacted by declining securities prices, as well as widely fluctuating securities prices. Because our asset management businesses hold long and short positions in equity and debt securities, changes in the prices of these securities, as well as any decrease in the liquidity of these securities, may materially and adversely affect our revenues from asset management.

Similarly, our merchant banking businesses may suffer from the above-mentioned impacts of COVID-19 including employee and customer illnesses and quarantines, cancellations of events and travel, reductions in business activity and financial transactions, labor shortages, supply chain interruptions and overall economic and financial market instability. As an example, an overall reduction in business activity has led to a decrease in global demand for oil and natural gas thereby causing lower prices for these commodities. Such dramatic price decreases may have a material adverse effect on our investments in Vitesse Energy Finance and JETX Energy.

In addition, global economic conditions and global financial markets remain vulnerable to the potential risks posed by certain events, which could include, among other things, political and financial uncertainty in the United States and the European Union, renewed concern about China's economy, complications involving terrorism and armed conflicts around the world, or other challenges to global trade or travel, such as those that have occurred due to the COVID-19 pandemic. More generally, because our business is closely correlated to the general economic outlook, a significant deterioration in that outlook or realization of certain events would likely have an immediate and significant negative impact on our business and overall results of operations.

Changing financial, economic and political conditions could result in decreased revenues, losses or other adverse consequences. These include economic conditions that may be specific to the industries in which our businesses and investments operate, as well as a general economic slowdown, prolonged recession or other market downturn or disruption. Adverse impacts may include the following:

- A market downturn could lead to a decline in the volume of transactions executed for customers and, therefore, to a decline in revenues we receive from commissions and spreads
- Adverse changes in the market could lead to decreases in the value of our holdings, both realized and unrealized.
- Unfavorable conditions or changes in general political, economic or market conditions could reduce the number and size of transactions in which we provide underwriting, financial advisory and other services. Our investment banking revenues, in the form of financial advisory and sales and trading or placement fees, are directly related to the number and size of the transactions in which we participate and could therefore be adversely affected by unfavorable financial, economic or political conditions. In particular, the increasing trend toward sovereign protectionism and deglobalization resulting from the current populist political movement has resulted or could result in decreases in free trade, erosion of traditional international coalitions, the imposition of sanctions and tariffs, governmental closures and no-confidence votes, domestic and international strife, and general market upheaval in response to such results, all of which could negatively impact our business

- Adverse changes in the securities markets could lead to a reduction in revenues from asset management fees and losses on our capital invested in managed funds. Even in the absence of a market downturn, below-market investment performance by our funds and portfolio managers could reduce asset management revenues and assets under management and result in reputational damage that might make it more difficult to attract new investors
- Adverse changes in the financial markets could lead to regulatory restrictions that may limit or halt certain of our business activities
- Limitations on the availability of credit can affect the ability of our businesses and investments to borrow on a secured or unsecured basis, which may adversely affect liquidity and results of operations. Global market and economic conditions have been particularly disrupted and volatile in the last several years and may be in the future. Our cost and availability of funding could be affected by illiquid credit markets and wider credit spreads
- Certain of our current and future businesses and investments may require additional third-party funding to succeed, such as venture capital funding, joint venture funding or other third-party capital. Failure to obtain such third-party funding may cause such business, investment or prospective investment to fail or progress slower than expected which could adversely affect its and our funding, liquidity, operations and profitability. In addition, such failure could also adversely affect our reputation which could adversely affect our business and future business prospects
- New or increased taxes on compensation payments such as bonuses may adversely affect our profits
- Should one or more of the competitors of our businesses or investments fail, business prospects and revenue could be negatively impacted due to negative market sentiment causing customers to cease doing business with us and our lenders to cease loaning us money, which could adversely affect our operations, funding and liquidity
- Unfavorable economic conditions could have an adverse effect on the demand for new loans and the servicing of loans originated by third-parties, which would have an adverse impact on the operations and profitability of some of our financial services businesses and investments

The United Kingdom's ("U.K.") exit from the EU could adversely affect our businesses and investments. The U.K. left the EU on January 31, 2020, with a transition period until December 31, 2020 during which time the U.K. followed EU rules and a U.K.-EU trade agreement was negotiated governing EU and U.K. relations from January 1, 2021 resulting in a Trade and Cooperation Agreement together with a Political Declaration covering a number of areas including financial services. The Trade and Cooperation Agreement does not include substantive provisions for financial services, in particular it does not allow U.K. investment firms to provide services into the EU under the Passporting regime.

The potential impacts related to the delivery of Brexit or the terms of the new economic and security relationship between the U.K. and the EU on the movement of goods, services, people and capital between the U.K. and the EU, customer behavior, economic conditions, interest rates, currency exchange rates, availability of capital or other matters are unclear and could adversely affect our businesses, including our revenues from trading and investment banking activities, particularly in Europe, and our results of operations and financial condition.

Jefferies Group operates substantial parts of its EU businesses from entities based in the U.K. and has taken steps to ensure that it is able to continue to provide services to clients located in the European Economic Area ("EEA") jurisdiction without interruption. As such, a Jefferies Group wholly-owned subsidiary, ("Jefferies GmbH"), has been established in Germany which is authorized as a MiFID investment firm by BaFin and client relationships have been migrated so that Jefferies GmbH can service EEA institutional clients across Investment Banking, Equities and Fixed Income sectors from its office in Frankfurt and branch offices in Amsterdam, Madrid, Milan, Paris and Stockholm. Due to considerations such as operating expenses, liquidity, leverage and capital, the modified European operating framework will be more complex, less efficient and more costly than would otherwise have been the case.

Operational Risks

Damage to our reputation could damage our business. Maintaining our reputation is critical to our attracting and maintaining customers, investors and employees. If we fail to deal with, or appear to fail to deal with, various issues that may give rise to reputational risk, we could significantly harm our business prospects. These issues include, but are not limited to, any of the risks discussed in this Item 1A, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money-laundering, cybersecurity and privacy, record keeping, sales and trading practices, failure to sell securities we have underwritten at the anticipated price levels, and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our products. A failure to deliver appropriate standards of service and quality, or a failure or perceived failure to treat customers and clients fairly, can result in customer dissatisfaction, litigation and heightened regulatory scrutiny, all of which can lead to lost revenue, higher operating costs and harm to our reputation. Further, negative publicity regarding us, whether or not true, may also result in harm to our prospects. Our operations in the past have been impacted as some clients either ceased doing business or temporarily slowed down the level of business they do, thereby decreasing our revenue. There is

no assurance that we will be able to successfully reverse the negative impact of allegations and rumors in the future and our potential failure to do so could have a material adverse effect on our business, financial condition and liquidity.

We may incur losses if our risk management is not effective. We seek to monitor and control our risk exposure. Our risk management processes and procedures are designed to limit our and certain of our subsidiaries' exposure to acceptable levels as we conduct our businesses. We and certain of our subsidiaries apply comprehensive frameworks of limits on a variety of key metrics to constrain the risk profile of our business activities. These limits reflect our risk tolerances for business activity. The frameworks may include inventory position and exposure limits on a gross and net basis, scenario analysis and stress tests, Value-at-Risk, sensitivities, exposure concentrations, aged inventory, amount of Level 3 assets, counterparty exposure, leverage, cash capital, and performance analysis. While we and certain of our subsidiaries employ various risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application, including risk tolerance determinations, cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. As a result, we may incur losses notwithstanding our risk management processes and procedures.

The ability to attract, develop and retain highly skilled and productive employees is critical to the success of our business. Our ability to develop and retain our clients depends on the reputation, judgment, business generation capabilities and skills of our professionals. To compete effectively, we must attract, retain and motivate qualified professionals, including successful financial advisors, investment bankers, trading professionals, portfolio managers and other revenue producing or specialized personnel, in addition to qualified, successful personnel in functional, non-revenue producing roles. Competitive pressures we experience with respect to employees could have an adverse effect on our business, results of operations, financial condition and liquidity.

Turnover in the financial services industry is high. The cost of retaining skilled professionals in the financial services industry has escalated considerably. Financial industry employers are increasingly offering guaranteed contracts, upfront payments, and increased compensation. These can be important factors in a current employee's decision to leave us as well as in a prospective employee's decision to join us. As competition for skilled professionals in the industry remains intense, we may have to devote significant resources to attracting and retaining qualified personnel.

If we were to lose the services of certain of our professionals, we may not be able to retain valuable relationships and some of our clients could choose to use the services of a competitor instead of our services. If we are unable to retain our professionals or recruit additional professionals, our reputation, business, results of operations and financial condition will be adversely affected. Further, new business initiatives and efforts to expand existing businesses frequently require that we incur compensation and benefits expense before generating additional revenues.

Moreover, companies in our industries whose employees accept positions with competitors often claim that those competitors have engaged in unfair hiring practices. We may be subject to such claims in the future as we seek to hire qualified personnel who have worked for our competitors. Some of these claims may result in material litigation. We could incur substantial costs in defending against these claims, regardless of their merits. Such claims could also discourage potential employees who work for our competitors from joining us.

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

Certain of our financial and other data processing systems rely on access to and the functionality of operating systems maintained by third-parties. If the accounting, trading or other data processing systems on which we are dependent are unable to meet increasingly demanding standards for processing and security or, if they fail or have other significant shortcomings, we could be adversely affected. Such consequences may include our inability to effect transactions and manage our exposure to risk.

In addition, despite the contingency plans we and certain of our subsidiaries have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are

located. This may include a disruption involving electrical, communications, transportation or other services used by us or third-parties with which we conduct business.

Any cyber attack, cybersecurity incident, or other information security breach of, or vulnerability in, our technology systems, or those of our clients, partners, counterparties, or other third-party service providers we rely on, could have operational impacts, subject us to significant liability and harm our reputation. Our operations rely heavily on the secure processing, storage and transmission of financial, personal and other information in our computer systems and networks. In recent years, there have been several highly publicized incidents involving financial services companies reporting the unauthorized disclosure of client or other confidential information, as well as cyber attacks involving theft, dissemination and destruction of corporate information or other assets, which in some cases occurred as a result of failure to follow procedures by employees or contractors or as a result of actions by third-parties. Cyber attacks can originate from a variety of sources, including third-parties affiliated with foreign governments, organized crime or terrorist organizations. Third-parties may also attempt to place individuals within our firm or induce employees, clients or other users of our systems to disclose sensitive information or provide access to our data, and these types of risks may be difficult to detect or prevent.

Like other financial services firms, we have been the target of attempted cyber attacks and we understand that cybersecurity incidents among financial services firms are on the rise. We are not aware of any material losses relating to cyber attacks or other information security breaches. The techniques used in these cyber attacks and cybersecurity incidents are increasingly sophisticated, change frequently and are often not recognized until launched. Although we seek to maintain reasonable security measures, including a suite of authentication and layered information security controls, no security measures are infallible, and we cannot guarantee that our safeguards will always work or that they would detect, mitigate or remediate these risks in a timely manner. Despite our implementation of reasonable security measures and endeavoring to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service attacks, computer viruses and other malicious code, and other events that could result in significant liability and damage to our reputation, and have an ongoing impact on the security and stability of our operations.

We also rely on numerous third-party service providers to conduct other aspects of our business operations, and we face similar risks relating to them. While we regularly conduct security assessments on these third-party vendors, we cannot be certain that their information security protocols are sufficient to withstand a cyber attack, cybersecurity incident, or other information security breach. In addition, in order to access our products and services, our customers may use computers and other devices that are beyond our security control systems and processes.

Notwithstanding the precautions we take, if a cyber attack, cybersecurity incident, or other information security breach were to occur, this could jeopardize the information we confidentially maintain, or otherwise cause interruptions in our operations or those of our clients and counterparties, exposing us to liability. As attempted attacks continue to evolve in scope and sophistication, we may be required to expend substantial additional resources to modify or enhance our reasonable security measures, to investigate and remediate vulnerabilities or other exposures or to communicate about cyber attacks, cybersecurity incidents, or other information security breaches to our customers, partners, third-party service providers, and counterparties. Though we have insurance against some cyber risks and attacks, we may be subject to litigation and financial losses that exceed our insurance policy limits or are not covered under any of our current insurance policies. A technological breakdown could also interfere with our ability to comply with financial reporting and other regulatory requirements, exposing us to potential disciplinary action by regulators. Successful cyber attacks, cybersecurity incidents, or other information security breaches at other large financial institutions or other market participants, whether or not we are affected, could lead to a general loss of customer confidence in financial institutions that could negatively affect us, including harming the market perception of the effectiveness of our reasonable security measures or the financial system in general, which could result in a loss of business.

Further, in light of the high volume of transactions we process, the large number of our clients, partners and counterparties, and the increasing sophistication of malicious actors, a cyber attack, cybersecurity incident, or other information security breach could occur and persist for an extended period of time without detection. We expect that any investigation of a cyber attack, cybersecurity incident, or other information security breach would take substantial amounts of time and resources, and that there may be extensive delays before we obtain full and reliable information. During such time we would not necessarily know the extent of the harm caused by the cyber attack, cybersecurity incident, or other information security breach or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated. All of these factors could further increase the costs and consequences of such a cyber attack, or cybersecurity incident. In providing services to clients, we manage, utilize and store sensitive or confidential client or employee data, including personal data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as U.S. federal, state and international laws governing the protection of personally identifiable information. If any person, including any of our associates, negligently disregards or intentionally breaches our established controls with respect to client or employee data, or

otherwise mismanages or misappropriates such data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client or employee data, whether through system failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients and related revenue. Depending on the circumstances giving rise to the information security breach, this liability may not be subject to a contractual limit or an exclusion of consequential or indirect damages.

Employee misconduct could harm us by impairing our ability to attract and retain clients and subject us to significant legal liability and reputational harm. There is a risk that our employees could engage in misconduct that adversely affects our business. For example, our business often requires that we deal with confidential matters of great significance to our clients. If our employees were to improperly use or disclose confidential information provided by our clients, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, current client relationships and ability to attract future clients. We are also subject to a number of obligations and standards arising from our asset management business and our authority over the assets managed by our asset management business. In addition, our financial advisors may act in a fiduciary capacity, providing financial planning, investment advice, and discretionary asset management. The violation of these obligations and standards by any of our employees would adversely affect our clients and us. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective against certain misconduct, including conduct which is difficult to detect. The occurrence of significant employee misconduct could have a material adverse financial effect or cause us significant reputational harm and/or legal and regulatory liability, which in turn could seriously harm our business and our prospects.

We may not be able to insure certain risks economically. We cannot be certain that we will be able to insure all risks that we desire to insure economically or that all of our insurers or reinsurers will be financially viable if we make a claim. If an uninsured loss or a loss in excess of insured limits should occur, or if we are required to pay a deductible for an insured loss, results of operations could be adversely affected.

Future acquisitions and dispositions of our businesses and investments are possible, changing the components of our assets and liabilities, and if unsuccessful or unfavorable, could reduce the value of our securities. Any future acquisitions or dispositions may result in significant changes in the composition of our assets and liabilities, as well as our business mix and prospects. Consequently, our financial condition, results of operations and the trading price of our securities may be affected by factors different from those affecting our financial condition, results of operations and trading price at the present time.

Our investment in Berkadia may not prove to be successful and may adversely affect our results of operations or financial condition. At November 30, 2020, we had an approximately $301.2 million investment in Berkadia. Many factors, most of which are outside of our control, can affect Berkadia's business, including loan losses in excess of reserves, a change in the relationships with U.S. Government-Sponsored Enterprises or federal agencies, a significant loss of customers, and other factors that directly and indirectly effect the results of operations, including the sales and profitability of Berkadia, and consequently may adversely affect our results of operations or financial condition.

If Berkadia suffered significant losses and was unable to repay its commercial paper borrowings, we would be exposed to loss pursuant to a reimbursement obligation to Berkshire Hathaway. Berkadia obtains funds generated by commercial paper sales of an affiliate of Berkadia. All of the proceeds from the commercial paper sales are used by Berkadia to fund new mortgage loans, servicer advances, investments and other working capital requirements. Repayment of the commercial paper is supported by a $1.5 billion surety policy issued by a Berkshire Hathaway insurance subsidiary and a Berkshire Hathaway corporate guaranty, and we have agreed to reimburse Berkshire Hathaway for one-half of any losses incurred thereunder. If Berkadia suffers significant losses and is unable to repay its commercial paper borrowings, we would suffer losses to the extent of our reimbursement obligation to Berkshire Hathaway. As of November 30, 2020, the aggregate amount of commercial paper outstanding was $1.47 billion.

Legal, Legislation and Regulation Risks

New legislation and regulation may significantly affect our businesses and investments. Significant new legislation and regulation affecting the financial services industry is regularly proposed and sometimes adopted. These legislative and regulatory initiatives affect not only us, but also our competitors and certain of our clients. These changes could have an effect on our revenue and profitability, limit our ability to pursue certain business opportunities, impact the value of assets that we hold, require us to change certain business practices, impose additional costs on us and otherwise adversely affect our business. Accordingly, we cannot provide assurance that legislation and regulation will not eventually have an adverse effect on our business, results of operations, cash flows and financial condition. In the U.S., such initiatives frequently arise in the aftermath of elections that change the party of the president or the majority party in the House and/or Senate.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and the rules and regulations adopted by the CFTC and the SEC have introduced a comprehensive regulatory regime for swaps and SBS and parties that deal in such derivatives (although some rules, including the SEC rules for SBS, have compliance dates that will occur in the future). Two of our subsidiaries are provisionally registered as swap dealers with the CFTC and are members of the NFA. We may also be required in the future to register one or more additional subsidiaries as SBS dealers with the SEC. Certain swaps have been made subject to mandatory clearing and exchange trading and additional swaps and SBS may become subject to such requirements in the future. Pursuant to regulations adopted by the CFTC and bank regulators, swap dealers are required to post and collect variation margin in connection with the trading of uncleared swaps. We have already incurred significant compliance and operational costs as a result of the Dodd-Frank Act swap business conduct and mandatory variation margin rules, and when the compliance dates for all the final rules contemplated by Title VII have been implemented, our swap dealer entities will also be subject to mandatory capital requirements that will likely have an effect on our business. Although there is uncertainty about the full impact of these changes, we expect we will continue to be subject to a complex regulatory framework that will require significant monitoring and compliance expenditures. Negative effects could result from an expansive extraterritorial application of the Dodd-Frank Act and/or insufficient international coordination with respect to adoption of rules for derivatives and other financial reforms in other jurisdictions.

The European Market Infrastructure Regulation ("EMIR") relating to derivatives entered into force during August 2012 and introduced certain requirements in respect of derivative contracts including: (i) the mandatory clearing of OTC derivative contracts declared subject to the clearing obligation; (ii) risk mitigation techniques in respect of uncleared OTC derivative contracts, including the mandatory margining of uncleared OTC derivative contracts; and (iii) reporting and record keeping requirements in respect of all derivative contracts. EMIR's requirements apply to "financial counterparties" such as EU authorized investment firms, credit institutions, insurance companies, undertakings for collective investment in transferable securities and alternative investment funds, and "non-financial counterparties" (being an EU entity which is not a financial counterparty). Members of our group who are EU entities or subsidiaries and, when transacting with in-scope EU counterparties, members of our group who are non-EU regulated entities or subsidiaries may be subject to additional obligations and/or costs that may not otherwise have applied. Amendments to EMIR entered into force during 2019 to make the rules more streamlined and proportionate. From January 1, 2021, following the end of the transition period agreed between the EU and the U.K., EMIR will no longer apply under U.K. law; it will be replaced by "U.K. EMIR", being EMIR as it forms part of U.K. domestic law by virtue of Section 3 of the European Union (Withdrawal) Act 2018. U.K. EMIR is therefore expected, at least initially, to impose substantially similar requirements on in-scope U.K. counterparties as those imposed on in-scope EU counterparties under EMIR.

The Markets in Financial Instruments Regulation and a revision of the Market in Financial Instruments Directive (collectively referred to as "MiFID II") imposes certain restrictions as to the trading of shares and derivatives including market structure-related, reporting, investor protection-related and organizational requirements, requirements on pre- and post-trade transparency, requirements to use certain venues when trading financial instruments (which includes shares and certain derivative instruments), requirements affecting the way investment managers can obtain research, powers of regulators to impose position limits and provisions on regulatory sanctions. The European Commission ("EC") has been reviewing MiFID II throughout 2020 and is expected to publish a legislative proposal for changes to MiFID II. The extent of the changes that will be proposed under the MiFID II review is not known; however, subject to certain conditions and exceptions we may be unable to trade shares or derivatives with in-scope counterparties other than as provided by MiFID II and we may also be unable to trade shares or derivatives with, or as, in-scope counterparties under the U.K.'s "onshored" version of MiFID II.

The EU capital and liquidity legislation for banks and investment firms implemented many of the finalized Basel III capital and liquidity standards, including in relation to the leverage ratio, market risk capital, and a net stable funding ratio. These changes will begin to take effect from June 2021.

Increasing regulatory focus on privacy and security issues and expanding laws could impact our businesses and investments and expose us to increased liability. The General Data Protection Regulation ("GDPR"), which went into effect in the EU in May 2018, imposes obligations including, among other things:

- accountability and transparency requirements, which require companies to demonstrate and record compliance with the GDPR and to provide more detailed information to data subjects regarding the processing of their personal data obligations to consider data protection when any new products or services are developed and to limit the amount of personal data processed
- compliance with the data protection rights of data subjects including a right of access to or correction of personal data and a right of erasure of personal data
- the prompt reporting of personal data breaches to the relevant data supervisory authority without undue delay unless the personal data breach is unlikely to result in a risk to the data subject's rights and freedoms

The GDPR also includes restrictions on the transfers of personal data from the European Union to jurisdictions that have not been deemed to provide essentially equivalent data protection safeguards through national laws outside of certain legal transfer mechanisms. The GDPR imposes significant fines for serious non-compliance of up to the higher of 4% of an organization's annual worldwide turnover or €20 million. Data subjects also have a right to compensation as a result of infringement of the GDPR for financial or non-financial losses.

Obligations under the GDPR and implementing member state legislation continue to evolve through legislation and regulatory guidance. In addition to other privacy legislation that is in effect in other regions, numerous proposals regarding privacy and data protection are pending before U.S. and non-U.S. legislative and regulatory bodies. The adopted form of such developing legislation and regulation will determine the level of any resources which we will need to invest to ensure compliance.

Extensive regulation of our businesses limits our activities, and, if we violate these regulations, we may be subject to significant penalties. We are subject to extensive laws, rules and regulations in the countries in which we operate. Firms that engage in providing financial services must comply with the laws, rules and regulations imposed by national and state governments and regulatory and self-regulatory bodies with jurisdiction over such activities. Such laws, rules and regulations cover many aspects of providing financial services.

Regulators supervise certain of Jefferies Group's business activities to monitor compliance with applicable laws, rules and regulations. In addition, if there are instances in which our regulators question our compliance with laws, rules, or regulations, they may investigate the facts and circumstances to determine whether we have complied. At any moment in time, we may be subject to one or more such investigations or similar reviews. At this time, all such investigations and similar reviews are insignificant in scope and immaterial to us. However, there can be no assurance that, in the future, the operations of our businesses will not violate such laws, rules, or regulations, or that such investigations and similar reviews will not result in significant or material adverse regulatory requirements, regulatory enforcement actions, fines or other adverse impact to the operation of our business.

Additionally, violations of laws, rules and regulations could subject us to one or more of the following events: civil and criminal liability; sanctions, which could include the revocation of our subsidiaries' registrations as investment advisors or broker-dealers; the revocation of the licenses of our financial advisors; censures; fines; or a temporary suspension or permanent bar from conducting business. The occurrence of any of these events could have a material adverse effect on our business, financial condition and prospects.

Certain of our subsidiaries are subject to regulatory financial capital holding requirements, such as the Net Capital Rule, that could impact various capital allocation decisions or limit the operations of our broker-dealers. In particular, compliance with the Net Capital Rule may restrict our broker-dealers' ability to engage in capital-intensive activities such as underwriting and trading, and may also limit their ability to make loans, advances, dividends and other payments.

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

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

A change in tax laws in key jurisdictions could materially increase our tax expense. We are subject to tax in the U.S. and numerous international jurisdictions. Changes to income tax laws and regulations in any of the jurisdictions in which we operate, or in the interpretation of such laws, or the introduction of new taxes, could significantly increase our effective tax rate and ultimately reduce our cash flow from operating activities and otherwise have an adverse effect on our financial condition.

If our tax filing positions were to be challenged by federal, state and local, or foreign tax jurisdictions, we may not be wholly successful in defending our tax filing positions. We record reserves for unrecognized tax benefits based on our assessment of the probability of successfully sustaining tax filing positions. Management exercises significant judgment when assessing the probability of successfully sustaining tax filing positions, and in determining whether a contingent tax liability should be

recorded and, if so, estimating the amount. If our tax filing positions are successfully challenged, payments could be required that are in excess of reserved amounts or we may be required to reduce the carrying amount of our net deferred tax asset, either of which result could be significant to our financial condition or results of operations.

Merchant Banking Risks

Our estimates of the fair values of holdings of certain merchant banking investments, which we will cease to provide, may differ from what can be realized and how these investments are reflected in our financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In our January 2021 and June 2020 earnings releases, we disclosed certain estimated fair values of our merchant banking investments, some of which are consolidated. These estimates may differ from how these investments are reflected in our financial statements prepared in accordance with GAAP. Factors to consider in connection with reviewing these estimates of fair value include, but are not limited to, the following:

- These estimates are forward-looking statements and should be read in connection with our Cautionary Statement for Forward-Looking Information
- Although we believe these estimates to be fair and reasonable, these estimates may differ materially from realized values or future estimates
- Our fair values are, indeed, estimates only and are subject to change
- Management does not necessarily use these estimates in making business decisions regarding the operation of our business or any decision relating to these investments
- These estimates may constitute non-GAAP financial measures and should be read in connection with disclosures relating to our use of non-GAAP financial measures
- We have decided to stop providing these estimates. In our January 4, 2021 earnings release, we stated that, going forward, we would be discontinuing this disclosure as we believe the wind-down of the portfolio diminishes the value of this information, which requires meaningful management time and expenditure to produce

The performance of our oil and gas production and development investments, Vitesse Energy Finance and JETX Energy, is impacted by uncertainties specific to the oil and gas industry which we cannot control and may adversely affect our results of operations or financial condition. At November 30, 2020, we had an approximately $526.6 million investment in Vitesse Energy Finance and JETX Energy. The oil and gas industry, by its nature, involves a high degree of risk. The value of these investments may be impacted by changes in the prices of oil, gas and natural gas liquids, which are affected by local, regional and global events or conditions that affect supply and demand and which have a history of significant price volatility. These investments are also exposed to changes in regulations affecting the industry, which could increase our cost of compliance, increase taxes or reduce or delay business opportunities. In addition, there are numerous uncertainties inherent in the estimation of future oil and gas production and future income streams associated with production. As a result, actual results could materially differ from those we currently anticipate and our ability to profitably grow these investments could be adversely affected.

Our investment in real estate may not prove to be successful and may adversely affect our results of operations or financial condition. At November 30, 2020, we had an approximately $531.6 million investment in real estate businesses, including HomeFed. Many factors, most of which are outside of our control, can affect HomeFed's business, including the state of the housing market in general and other factors that directly or indirectly affect the results of operations, including the sales and profitability of HomeFed, and consequently may adversely affect our results of operations or financial condition.

Our investment in Linkem may not prove to be successful and may adversely affect our results of operations or financial condition. At November 30, 2020, we had an approximately $199.0 million investment in Linkem. Many factors, most of which are outside of our control, can affect Linkem's business, including the state of the Italian economy and capital markets in general, competition in the Italian telecommunications markets and other factors that directly and indirectly affect the results of operations, including the sales and profitability of Linkem, and consequently may adversely affect our results of operations or financial condition.

Our investment in FXCM may not prove to be successful and may adversely affect our results of operations or financial condition. At November 30, 2020, we had an approximately $133.4 million investment in FXCM. Many factors, most of which are outside of our control, can affect FXCM's business, including the state of international market and economic conditions which impact trading volume and currency volatility, changes in regulatory requirements and other factors that directly or indirectly affect the results of operations, including the sales and profitability of FXCM, and consequently may adversely affect our results of operations or financial condition.

Our investment in Idaho Timber may not prove to be successful and may adversely affect our results of operations or financial condition. At November 30, 2020, we had an approximately $85.6 million investment in Idaho Timber. Many factors, most of which are outside of our control, can affect Idaho Timber's business, including demand for its products, prices and availability of raw materials and other factors that directly and indirectly affect the results of operations, including the sales and profitability of Idaho Timber, and consequently may adversely affect our results of operations or financial condition.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our global executive offices and principal administrative offices are located at 520 Madison Avenue, New York, New York under an operating lease arrangement.

Jefferies Group maintains offices in over 30 cities throughout the world including its global headquarters in New York City, its European headquarters in London and its Asia Pacific headquarters in Hong Kong. In addition, Jefferies Group maintains backup data center facilities with redundant technologies for each of its three main data center hubs in Jersey City, London and Hong Kong. Jefferies Group leases all of its office space, or contract via service arrangement, which management believes is adequate for its business.

HomeFed is the developer of various real estate properties and has an aggregate book value of approximately $446.8 million at November 30, 2020.

Our businesses lease other manufacturing, warehousing, office and headquarters facilities. The facilities vary in size and have leases expiring at various times, subject, in certain instances, to renewal options. See Note 13 to our consolidated financial statements.

Item 3. Legal Proceedings.

The information required by this Item 3 is incorporated by reference from the "Contingencies" section in Note 22 in the Notes to consolidated financial statements in Item 8 of Part II of this report, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Our common shares are traded on the NYSE under the symbol JEF. As of January 21, 2021, there were approximately 1,513 record holders of the common shares.

We paid quarterly cash dividends of $0.15 per share for each quarter of 2020. We paid quarterly cash dividends of $0.125 per share for each quarter of 2019, as well as $1.50 in a special distribution (we distributed all of our 7,514,477 Spectrum Brands Holdings, Inc. ("Spectrum Brands") shares through a special pro rata dividend effective on October 11, 2019 to our stockholders of record as of the close of business on September 30, 2019). We paid quarterly cash dividends of $0.125 per share for each of the last two quarters of 2018 and $0.10 per share for each of the first two quarters of 2018. On January 4, 2021, our Board of Directors increased our quarterly dividend by 33% to $0.20 per share. The payment of dividends in the future is subject to the discretion of our Board of Directors and will depend upon general business conditions, legal and contractual restrictions on the payment of dividends and other factors that our Board of Directors may deem to be relevant.

At November 30, 2019, we had approximately $203.6 million available for future share repurchases, based on the closing price of Jefferies common shares on November 30, 2019. In January 2020, the Board of Directors approved an additional $250.0 million share repurchase authorization. In March 2020, having completed the repurchase of shares under the previous authorization, the Board of Directors approved an additional share repurchase authorization of $100 million. In June 2020, the Board of Directors increased the share repurchase authorization by $176.7 million to $250.0 million. In September 2020, the Board of Directors increased the share repurchase authorization by $128.0 million to $250.0 million. During the twelve months ended November 30, 2020, we purchased a total of 42,134,910 of our common shares for $812.7 million, or an average price of $19.29 per share. At November 30, 2020, we had approximately $57.2 million available for future repurchases. In January 2021, the Board of Directors increased the share repurchase authorization to $250.0 million, including the $57.2 million.

Separately, during the twelve months ended November 30, 2020, we repurchased an aggregate of 127,941 shares in connection with our share compensation plans which allow participants to surrender shares to satisfy certain tax liabilities arising from the vesting of restricted shares and the distribution of restricted share units. The total number of shares purchased does not include unvested shares forfeited back to us pursuant to the terms of our share compensation plans.

There were no unregistered sales of equity securities during the period covered by this report.

The following table presents information on our purchases of our common shares during the three months ended November 30, 2020 (dollars in thousands, except per share amounts):

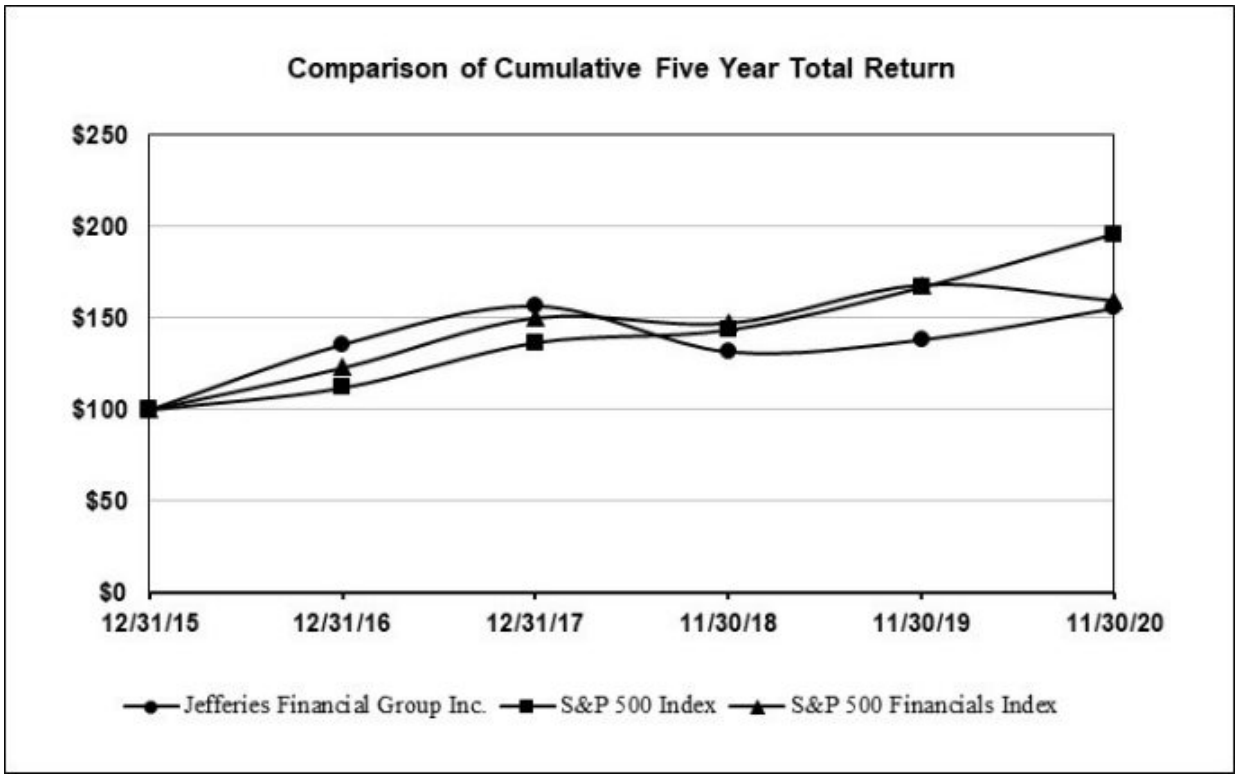
	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
September 1, 2020 to September 30, 2020	—	$ —	—	$ 121,987
October 1, 2020 to October 31, 2020	6,075,000	$ 19.52	6,075,000	$ 131,392
November 1, 2020 to November 30, 2020	3,432,707	$ 21.79	3,400,000	$ 57,242
Total	9,507,707		9,475,000	

(1) Includes an aggregate 32,707 shares repurchased other than as part of our publicly announced Board authorized repurchase program. We repurchased these securities in connection with our share compensation plans which allow participants to use shares to satisfy certain tax liabilities arising from the vesting of restricted shares and the distribution of restricted share units. The total number of shares purchased does not include unvested shares forfeited back to us pursuant to the terms of our share compensation plans.

(2) In September 2020, the Board of Directors increased the share repurchase authorization by $128.0 million to $250.0 million. At November 30, 2020, $57.2 million remains available for future purchases. In January 2021, the Board of Directors increased the share repurchase authorization to $250.0 million, including the $57.2 million.

Stockholder Return Performance Graph

Set forth below is a graph comparing the cumulative total stockholder return on our common shares against the cumulative total return of the Standard & Poor's 500 Stock Index and the Standard & Poor's 500 Financials Index for the period commencing December 31, 2015 to November 30, 2020. Index data was furnished by S&P Global Market Intelligence. The graph assumes that $100 was invested on December 31, 2015 in each of our common stock, the S&P 500 Index and the S&P 500 Financials Index and that all dividends were reinvested.



Item 6. Selected Financial Data.

The following selected financial data have been summarized from our consolidated financial statements. They should be read in conjunction with our consolidated financial statements and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report.

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016
			(In thousands, except per share amounts)		
Selected Statements of Operations Data (a)					
Net revenues	$ 6,010,874	$ 3,892,976	$ 3,764,034	$ 4,077,445	$ 3,035,374
Total expenses	4,868,308	3,617,363	3,524,957	3,396,042	3,202,564
Income (loss) related to associated companies	(75,483)	202,995	57,023	(74,901)	154,598
Income (loss) from continuing operations before income taxes	1,067,083	478,608	296,100	606,502	(12,592)
Income tax provision (benefit)	298,673	(483,955)	19,008	642,286	25,773
Income (loss) from continuing operations	768,410	962,563	277,092	(35,784)	(38,365)
Income from discontinued operations, including gain on disposal, net of taxes	—	—	773,984	288,631	232,686
Net (income) loss attributable to the redeemable noncontrolling interests	1,558	286	(37,263)	(84,576)	(65,746)
Net income attributable to Jefferies Financial Group common shareholders	$ 769,605	$ 959,593	$ 1,022,318	$ 167,351	$ 125,938
Per share:					
Basic earnings (loss) per common share attributable to Jefferies Financial Group common shareholders:					
Income (loss) from continuing operations	$ 2.68	$ 3.07	$ 0.82	$ (0.10)	$ (0.10)
Income from discontinued operations, including gain on disposal	—	—	2.11	0.55	0.44
Net income	$ 2.68	$ 3.07	$ 2.93	$ 0.45	$ 0.34
Diluted earnings (loss) per common share attributable to Jefferies Financial Group common shareholders:					
Income (loss) from continuing operations	$ 2.65	$ 3.03	$ 0.81	$ (0.10)	$ (0.10)
Income from discontinued operations, including gain on disposal	—	—	2.09	0.55	0.44
Net income	$ 2.65	$ 3.03	$ 2.90	$ 0.45	$ 0.34

(a) Prior to the fourth quarter of 2018, because our fiscal year end was December 31, we reflected Jefferies Group in our consolidated financial statements utilizing a one month lag. In connection with our change in fiscal year end to November 30, we eliminated the one month lag utilized to reflect Jefferies Group results beginning with the fourth quarter of 2018. Therefore, our results for the eleven months ended November 30, 2018, include twelve month results for Jefferies Group and eleven months for the remainder of our results.

	At November 30,			At December 31,	
	2020	2019	2018	2017	2016
	(In thousands, except per share amounts)				
Selected Statements of Financial Condition Data					
Total assets	$ 53,118,352	$ 49,460,234	$ 47,131,095	$ 47,169,108	$ 45,071,307
Long-term debt	8,352,039	8,337,061	7,617,563	7,885,783	7,380,443
Mezzanine equity	149,676	151,605	144,779	551,593	461,809
Shareholders' equity	9,403,893	9,579,705	10,060,866	10,105,957	10,128,100
Book value per common share	$ 37.65	$ 32.85	$ 32.72	$ 28.37	$ 28.18
Cash dividends per common share	$ 0.60	$ 0.50	$ 0.45	$ 0.325	$ 0.25
Total dividends per common share	$ 0.60	$ 2.00	$ 0.45	$ 0.325	$ 0.25

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

The purpose of this section is to discuss and analyze our consolidated financial condition, liquidity and capital resources and results of operations for the twelve months ended November 30, 2020 and 2019. For a discussion of our results of operations and liquidity and capital resources for the eleven months ended November 30, 2018, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended November 30, 2019, which was filed with the SEC on January 29, 2020, and Exhibit 99.1, Part II, Item 7 of our Form 8-K, which was filed with the SEC on June 3, 2020.

This analysis should be read in conjunction with the consolidated financial statements and related footnote disclosures contained in this report and the following "Cautionary Statement for Forward-Looking Information."

Cautionary Statement for Forward-Looking Information

Statements included in this report may contain forward-looking statements. Such statements may relate, but are not limited, to projections of revenues, income or loss, development expenditures, plans for growth and future operations, competition and regulation, as well as assumptions relating to the foregoing. Such forward-looking statements are made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted or quantified. When used in this report, the words "will," "could," "estimates," "expects," "anticipates," "believes," "plans," "intends" and variations of such words and similar expressions are intended to identify forward-looking statements that involve risks and uncertainties. Future events and actual results could differ materially from those set forth in, contemplated by or underlying the forward-looking statements.

Factors that could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted or may materially and adversely affect our actual results include, but are not limited to, those set forth in Item 1A. Risk Factors and elsewhere in this report and in our other public filings with the SEC.

Undue reliance should not be placed on these forward-looking statements, which are applicable only as of the date hereof. Except as may be required by law, we undertake no obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this report or to reflect the occurrence of unanticipated events.

Results of Operations

We are engaged in investment banking and capital markets, asset management and direct investing. Jefferies Group, our largest subsidiary, is now the largest independent full-service global investment banking firm headquartered in the U.S. During the first quarter of 2020, we changed our internal structure with regard to our operating segments. Previously, our segments consisted of (1) Investment Banking, Capital Markets and Asset Management, which included all of the financial results of Jefferies Group; (2) Merchant Banking; and (3) Corporate. In the first quarter of 2020, we appointed co-Presidents of Asset Management and created a separate fourth operating segment that consists of the asset management activity previously included in our Investment Banking, Capital Markets and Asset Management segment, together with asset management activity previously

included in our Merchant Banking segment. Our segments consist of: (1) Investment Banking and Capital Markets; (2) Asset Management; (3) Merchant Banking; and (4) Corporate.

In the fourth quarter of 2018, we changed our fiscal year end from a calendar year basis to a fiscal year ending on November 30. Our 2018 fiscal year consists of the eleven month transition period beginning January 1, 2018 through November 30, 2018. Jefferies Group has a November 30 year end. Prior to the fourth quarter of 2018, because our fiscal year end was December 31, we reflected Jefferies Group in our consolidated financial statements utilizing a one month lag. In connection with our change in fiscal year end to November 30, we eliminated the one month lag utilized to reflect Jefferies Group results beginning with the fourth quarter of 2018. Therefore, our results for the eleven months ended November 30, 2018, include twelve month results for Jefferies Group and eleven months for the remainder of our results.

The following tables present a summary of our financial results.

A summary of results of operations for the twelve months ended November 30, 2020 is as follows (in thousands):

	Investment Banking and Capital Markets	Asset Management	Merchant Banking	Corporate	Parent Company Interest	Consolidation Adjustments	Total
Net revenues	$ 4,989,138	$ 235,255	$ 764,460	$ 13,258	$ —	$ 8,763	$ 6,010,874
Expenses:							
Compensation and benefits	2,735,080	89,527	77,072	39,184	—	—	2,940,863
Cost of sales	241,083 (1)	25,509 (1)	338,588	—	—	—	605,180
Interest	—	—	31,425 (2)	—	53,445	—	84,870
Depreciation and amortization	82,334	5,247	67,362	3,496	—	—	158,439
Selling, general and other expenses	810,753	46,045	199,128	26,197	—	(3,167)	1,078,956
Total expenses	3,869,250	166,328	713,575	68,877	53,445	(3,167)	4,868,308
Income (loss) from continuing operations before income taxes and loss related to associated companies	1,119,888	68,927	50,885	(55,619)	(53,445)	11,930	1,142,566
Loss related to associated companies	—	—	(75,483)	—	—	—	(75,483)
Income (loss) from continuing operations before income taxes	$ 1,119,888	$ 68,927	$ (24,598)	$ (55,619)	$ (53,445)	$ 11,930	1,067,083
Income tax provision from continuing operations							298,673
Net income							$ 768,410

(1) Includes Floor brokerage and clearing fees.

(2) Interest expense within Merchant Banking of $31.4 million for the twelve months ended November 30, 2020 primarily includes $26.7 million for Foursight Capital and $4.7 million for Vitesse Energy Finance.

A summary of results of operations for the twelve months ended November 30, 2019 is as follows (in thousands):

	Investment Banking and Capital Markets	Asset Management	Merchant Banking	Corporate	Parent Company Interest	Consolidation Adjustments	Total
Net revenues	$ 3,035,988	$ 84,894	$ 735,213	$ 32,833	$ —	$ 4,048	$ 3,892,976
Expenses:							
Compensation and benefits	1,641,814	63,305	61,767	58,005	—	—	1,824,891
Cost of sales	202,425 (1)	20,715 (1)	319,641	—	—	—	542,781
Interest	—	—	34,129 (2)	—	53,048	—	87,177
Depreciation and amortization	77,549	2,042	69,805	3,475	—	—	152,871
Selling, general and other expenses	767,150	40,432	162,832	39,820	—	(591)	1,009,643
Total expenses	2,688,938	126,494	648,174	101,300	53,048	(591)	3,617,363
Income (loss) from continuing operations before income taxes and income related to associated companies	347,050	(41,600)	87,039	(68,467)	(53,048)	4,639	275,613
Income related to associated companies	—	474	202,453	—	—	68	202,995
Income (loss) from continuing operations before income taxes	$ 347,050	$ (41,126)	$ 289,492	$ (68,467)	$ (53,048)	$ 4,707	478,608
Income tax benefit from continuing operations							(483,955)
Net income							$ 962,563

(1) Includes Floor brokerage and clearing fees.

(2) Interest expense within Merchant Banking of $34.1 million for the twelve months ended November 30, 2019 primarily includes $29.0 million for Foursight Capital and $4.8 million for Vitesse Energy Finance.

A summary of results of operations for the eleven months ended November 30, 2018 is as follows (in thousands):

	Investment Banking and Capital Markets	Asset Management	Merchant Banking	Corporate	Parent Company Interest	Consolidation Adjustments	Total
Net revenues	$ 3,184,426	$ (14,280)	$ 577,278	$ 22,300	$ —	$ (5,690)	$ 3,764,034
Expenses:							
Compensation and benefits	1,715,915	47,363	50,155	50,222	—	(873)	1,862,782
Cost of sales	178,841 (1)	5,369 (1)	307,071	—	—	—	491,281
Interest	—	8,992	26,167 (2)	—	54,090	—	89,249
Depreciation and amortization	67,467	1,324	48,357	3,169	—	—	120,317
Selling, general and other expenses	757,290	57,394	112,587	35,049	—	(992)	961,328
Total expenses	2,719,513	120,442	544,337	88,440	54,090	(1,865)	3,524,957
Income (loss) from continuing operations before income taxes and income related to associated companies	464,913	(134,722)	32,941	(66,140)	(54,090)	(3,825)	239,077
Income related to associated companies	—	993	56,030	—	—	—	57,023
Income (loss) from continuing operations before income taxes	$ 464,913	$ (133,729)	$ 88,971	$ (66,140)	$ (54,090)	$ (3,825)	296,100
Income tax provision from continuing operations							19,008
Income from discontinued operations, net of income tax provision							130,063
Gain on disposal of discontinued operations, net of income tax provision							643,921
Net income							$ 1,051,076

(1) Includes Floor brokerage and clearing fees.

(2) Interest expense within Merchant Banking of $26.2 million for the eleven months ended November 30, 2018 primarily includes $20.6 million for Foursight Capital and $3.3 million for Vitesse Energy Finance.

The composition of our financial results has varied over time and we expect will continue to evolve. Our strategy is designed to transform Jefferies into a pure financial services firm and, as such, we are focused on the development of our Investment Banking and Capital Markets, and Asset Management segments, while we continue to realize the value of or otherwise transform our investments in Merchant Banking. The following factors and events should be considered in evaluating our financial results as they impact comparisons:

During March 2020, the global COVID-19 pandemic and initial actions taken in response wreaked havoc on the global economy and all financial markets, and adversely affected our businesses. Subsequently, with various government actions and more clarity from the U.S. Federal Reserve Bank on future interest rate policy, the equity markets have experienced a strong rebound and a supportive trading environment for investors has emerged along with renewed activity in the equity and debt new issue capital markets. Jefferies Group has experienced strong market volumes and increased client activity across its capital markets business with considerably improved performance, and mergers and acquisition activity was significant in the latter part of the year. We continue to monitor the impact of the pandemic on the operations and value of our investments. Our leadership is continuously monitoring circumstances around COVID-19, as well as economic and capital market conditions, and providing frequent communications to both our clients and our employees.

Our 2020 financial results from continuing operations were impacted by:

- Record pre-tax income of $1,177.5 million from Jefferies Group reflecting record total net revenues of $5,197.5 million, including:
  - Record Investment Banking net revenues of $2,398.2 million, including record advisory net revenues of $1,053.5 million, record equity underwriting net revenues of $902.0 million and debt underwriting net revenues of $546.0 million;
  - Record combined Capital Markets net revenues of $2,469.7 million, including record equities net revenues of $1,128.9 million and record fixed income net revenues of $1,340.8 million; and
  - Record Asset Management revenues (before allocated net interest) of $256.8 million.
- Pre-tax loss of $24.6 million related to our Merchant Banking businesses reflecting:
  - Record performance from Idaho Timber and a positive contribution from Vitesse Energy Finance;
  - A gain of $61.5 million from effective short-term hedges against mark-to-market and fair value decreases in some of our other investments within Merchant Banking;
  - A $44.2 million non-cash charge to write down the value of our investment in WeWork in the first half of 2020;
  - Non-cash charges of $73.9 million related to write-downs of real estate investments at HomeFed; and
  - Non-cash charge of $13.2 million to write down Vitesse Energy Finance's oil and gas assets in the Denver-Julesburg Basin ("DJ Basin") and $34.6 million to write down the value of our investment in JETX Energy to reflect the decline in oil prices.

Our 2019 financial results from continuing operations were impacted by:

- A nonrecurring tax benefit of $544.6 million related to the closing of our available for sale portfolio, which triggered the realization of lodged tax benefits from earlier years;
- The special dividend of our interest in Spectrum Brands of $451.1 million, removing the investment from our Merchant Banking portfolio going forward;
- A $205.0 million pre-tax gain on the sale of our remaining 31% interest in National Beef;
- A $72.1 million pre-tax gain on the revaluation of our 70% interest in HomeFed to fair value in connection with the acquisition of the remaining common stock of HomeFed; and
- A reduction during 2019 to the estimated fair value of WeWork of $182.3 million.

Our 2018 financial results from continuing operations were impacted by:

- A $418.8 million mark-to-market decrease in the value of our investment in Spectrum Brands/HRG Group, Inc. ("HRG");
- A $221.7 million pre-tax gain on the sale of our Garcadia interests;
- A $70.9 million increase in the estimated fair value of WeWork;
- A $62.1 million impairment loss related to our investment in FXCM; and
- A $47.9 million impairment loss related to our investment in Golden Queen Mining Company, LLC ("Golden Queen").

Investment Banking and Capital Markets, and Asset Management

Our Investment Banking and Capital Markets segment and Asset Management segment primarily consist of our investment in Jefferies Group. Jefferies Group was acquired on March 1, 2013. Jefferies Group financial data is presented in each year based on the twelve months ended November 30.

Investment Banking and Capital Markets

A summary of results of operations for our Investment Banking and Capital Markets segment is as follows (in thousands):

	2020	2019	2018
Net revenues	$ 4,989,138	$ 3,035,988	$ 3,184,426
Expenses:			
Compensation and benefits	2,735,080	1,641,814	1,715,915
Floor brokerage and clearing fees	241,083	202,425	178,841
Depreciation and amortization	82,334	77,549	67,467
Selling, general and other expenses	810,753	767,150	757,290
Total expenses	3,869,250	2,688,938	2,719,513
Income from continuing operations before income taxes	$ 1,119,888	$ 347,050	$ 464,913

Our Investment Banking and Capital Markets segment comprises many business units, with many interactions and much integration among them. Business activities include the sales, trading, origination and advisory effort for various equity, fixed income, commodities, foreign exchange and advisory services. Our Investment Banking and Capital Markets segment business, by its nature, does not produce predictable or necessarily recurring revenues or earnings. Our results in any given period can be materially affected by conditions in global financial markets, economic conditions generally, and our own activities and positions.

Revenues by Source

Net revenues presented for our Investment Banking and Capital Markets segment include allocations of interest income and interest expense as we assess the profitability of these businesses inclusive of the net interest revenue or expense associated with the respective activities, including the net interest cost of allocated long-term debt, which is a function of the mix of each business's associated assets and liabilities and the related funding costs.

The following provides a summary of net revenues by source (in thousands):

	2020	2019	2018
Advisory	$ 1,053,500	$ 767,421	$ 820,042
Equity underwriting	902,016	361,972	454,555
Debt underwriting	545,978	407,336	635,606
Total underwriting	1,447,994	769,308	1,090,161
Other investment banking	(103,330)	(14,617)	3,638
Total investment banking	2,398,164	1,522,112	1,913,841
Equities	1,128,910	773,979	665,557
Fixed income	1,340,792	681,362	559,712
Total capital markets	2,469,702	1,455,341	1,225,269
Other	121,272	58,535	45,316
Total Investment Banking and Capital Markets (1) (2)	$ 4,989,138	$ 3,035,988	$ 3,184,426

(1) Includes net interest revenues of $12.3 million, $74.0 million and $8.5 million for 2020, 2019 and 2018, respectively.
(2) Allocated net interest is not separately disaggregated in presenting our Investment Banking and Capital Markets reportable segment within Net Revenues by Source. This presentation is aligned to our Investment Banking and Capital Markets internal performance measurement.

Investment Banking Revenues

Investment banking is comprised of revenues from:

- advisory services with respect to mergers and acquisitions and restructurings and recapitalizations;
- underwriting services, which include underwriting and placement services related to corporate debt, municipal bonds, mortgage-backed and asset-backed securities and equity and equity-linked securities and loan syndication;
- our 50% share of net earnings from Jefferies Group's corporate lending joint venture, Jefferies Finance; and
- securities and loans received or acquired in connection with our investment banking activities.

The following table sets forth our investment banking activities (dollars in billions):

	Deals Completed			Aggregate Value		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Advisory transactions	228	195	195	$ 217.5	$ 241.6	$ 193.9
Public and private debt financings	639	779	969	$ 255.8	$ 190.7	$ 270.1
Public and private equity and convertible offerings	286	166	193	$ 103.5	$ 45.3	$ 43.3

Investment banking revenues were a record $2,398.2 million for 2020, 57.6% higher than 2019. This reflects record performance in mergers and acquisitions, record results in equity underwriting and solid performance in debt underwriting, while the results for 2019 were impacted by the significant industry-wide decline in equity and leverage finance activity across the U.S. and Europe during the year.

Our 2020 advisory revenues were a record $1,053.5 million, up $286.1 million, or 37.3% higher than 2019, reflecting a meaningful acceleration of activity in the second half of 2020. Our underwriting revenues for 2020 were $1,448.0 million, an increase of $678.7 million, or 88.2%, from 2019, due to record results in equity underwriting and solid performance in debt underwriting, as clients took advantage of both a strong rebound in equity valuations, and in loan and bond prices to raise capital after the initial market disruption from COVID-19 subsided. From equity and debt underwriting activities, we generated $902.0 million and $546.0 million in revenues, respectively, for 2020, compared with $362.0 million and $407.3 million in revenues, respectively, for 2019.

Other investment banking revenues were a loss of $103.3 million for 2020, compared with a loss of $14.6 million for 2019. The results for 2020 include a net loss of $37.5 million from our share of the net earnings of the Jefferies Finance joint venture, reflecting unrealized losses related to the write down of commitments and loans held-for-sale, as well as reserves recorded on the loan portfolio during the current year period, primarily due to the impact of COVID-19 on the markets and the economy. This compares with net revenues of $22.3 million during 2019, inclusive of $12.5 million in costs from refinancing its debt. The results in both years also include the amortization of costs and allocated interest expense related to our investment in the Jefferies Finance business. In addition, Other investment banking results for 2020 include unrealized write-downs of private equity investments received or acquired in connection with our investment banking activities.

Equities Net Revenues

Equities are comprised of net revenues from:

- services provided to our clients from which we earn commissions or spread revenue by executing, settling and clearing transactions for clients;
- advisory services offered to clients;
- financing, securities lending and other prime brokerage services offered to clients; and
- wealth management services.

In May 2020, Greenwich Associates named Jefferies Group as the top firm in helping clients navigate the markets as COVID-19 significantly impacted equity markets in mid-March, causing volatility and increased trading volumes. These results were based on a survey they had conducted of more than 75 buy-side institutions evaluating brokers' performances in providing clients with liquidity, hedging solutions, market color and insights.

Total equities net revenues were a record $1,128.9 million for 2020, an increase of 45.9%, over the $774.0 million for 2019. Our strong performance was a result of the continued expansion of our business both from a product and geographic perspective, increased market volumes and the continued momentum of our client franchise. We increased our market share globally, as we were well-positioned to respond to our clients' dynamic needs during the year.

Our overall results included record net revenues across each region, including the Americas, Europe, and Asia Pacific. Each of our regional businesses is continuing to benefit from our overall global expansion and network. We believe we provided consistent and exceptional advisory and execution capabilities to our clients globally throughout this unprecedented period.

On a product basis, our overall results included record net revenues in our global cash equities businesses and across most of our global electronic trading businesses, as well as our domestic and international convertibles businesses. Our electronic trading and convertibles franchises continued to maintain several market-leading positions, while our cash equities franchise continued to improve its market share and competitive positioning. In November 2020, Greenwich Associates ranked our international convertibles business as #1 in Europe and Asia, excluding Japan, with significant market share and continued momentum.

The record results in our global cash equities businesses were driven by increased client activity, market volumes and improved trading. While global market trading volumes and higher volatility drove an increase in commissions, our results in Asia Pacific were also driven by our expansion and investment in the region in 2019 and 2020 across advisory and execution capabilities. The record results in our global convertibles business was driven by strong primary and secondary trading activity and higher volatility, and also the expansion of the business in London we undertook in late 2018. Our global electronic trading business achieved record results, which were driven by increased global market volumes, volatility, and the continued strength of the global platform. Our exchange traded funds business had higher results driven by increased trading revenues and the better market environment.

Fixed Income Net Revenues

Fixed income is comprised of net revenues from:

- executing transactions for clients and making markets in securitized products, investment grade, high-yield, emerging markets, municipal and sovereign securities and bank loans, as well as foreign exchange execution on behalf of clients;
- interest rate derivatives and credit derivatives; and
- financing services offered to clients.

Fixed income net revenues totaled a record $1,340.8 million for 2020, an increase of 96.8% compared with net revenues of $681.4 million for 2019, a result of strong client activity both in primary and secondary markets across products and regions, as well as periods of elevated market volatility. Our overall results included record net revenues regionally in each of the Americas, Europe and Asia, as the business successfully managed through the markets' high volumes and levels of uncertainty during the year.

Our global rates businesses generated record net revenues for 2020, driven by higher volatility and wider bid-offer spreads, particularly during the second quarter. Our results for 2020 also benefited from low interest rates and a favorable market environment, compared to 2019 when economic challenges and uncertainties, such as Brexit, limited client activity and trading opportunities.

Record results in our leveraged credit, European and Asian credit and investment grade corporates businesses resulted from robust revenues across regions and products due to increased client activity and higher levels of volatility during 2020. Similarly, record revenues from our global emerging markets business benefited from more favorable market conditions driving strong investor demand, as well as an increase in new issuance.

Revenues in our U.S. securitized markets group were higher due to an increase in demand for new issuance in the securitization markets and as the relative higher yields on securitized products drove investor demand in the second half of 2020.

The record results were partially offset by lower revenues in our municipal securities business, which was impacted by a significant sell-off in the second quarter of 2020 before stabilizing and recovering over the second half of 2020.

Other

Other is comprised of revenues from:

- Berkadia and other investments (other than Jefferies Finance, which is included in Other investment banking);
- principal investments in private equity and hedge funds managed by third-parties or related parties and that are not part of our asset management platform; and
- investments held as part of employee benefit plans, including deferred compensation plans (for which we incur an equal and offsetting amount of compensation expenses).

Net revenues from our other business category totaled $121.3 million for 2020, an increase of $62.8 million compared with $58.5 million for 2019.

Results for 2020 include net revenues of $68.9 million due to our share of the net income of Berkadia compared with net revenues $88.2 million in 2019. The lower net revenues for 2020 are due to the impairment of mortgage servicing rights as a result of lower interest rates and a decline in loan originations due to the impact of COVID-19 in the second quarter of 2020, with increased volumes and improved valuations returning in the latter part of the year.

The results for 2020 also include gains of $61.5 million from hedges that were bought and sold in the first quarter as we took a negative view of the market due to the onset of the COVID-19 pandemic.

Compensation and Benefits

Compensation and benefits expense consists of salaries, benefits, commissions, annual cash compensation awards and share-based awards to employees. Cash awards are recorded during the year of the award unless there are future service period requirements. Those with future service requirements are amortized into compensation expense over the required service period. Share-based awards to employees and senior executive awards are also amortized over their respective vesting periods.

Compensation and benefits expense increased to $2,735.1 million in 2020 from $1,641.8 million in 2019. The following table provides a summary of compensation and benefits expense (dollars in thousands):

	2020	2019
Compensation expense without future service requirements	$ 2,242,701	$ 1,302,350
Amortization of share-based and cash-based awards	312,761	339,464
Amendment of certain service provisions	179,618	—
Total Compensation and benefits expense	$ 2,735,080	$ 1,641,814
Compensation and benefits expense as a percentage of Net revenues	54.8 %	54.1 %
Compensation and benefits expense as a percentage of Net revenues, excluding the impact of the amendment of certain service provisions	51.2 %	54.1 %

A significant portion of compensation expense remains variable. Compensation and benefits expense increased in line with the significant increase in net revenues. During the fourth quarter of 2020, Jefferies Group amended the service requirement provisions of certain cash-based awards that had been granted during previous years. Compensation expense of $179.6 million was recorded to reflect the acceleration of amortization that resulted from these amendments.

Non-Compensation Expenses

Non-compensation expenses include floor brokerage and clearing fees, underwriting costs, technology and communications expense, occupancy and equipment rental expense, business development, professional services, bad debt provision, impairment charges, depreciation and amortization expense and other costs. All of these expenses, other than floor brokerage and clearing fees and depreciation and amortization expense, are included in Selling, general and other expenses in the Consolidated Statements of Operations.

Non-compensation expenses were $1,134.2 million for 2020, an increase of $87.1 million, or 8.3%, compared with $1,047.1 million for 2019. Non-compensation expenses as a percentage of Net revenues were 22.7% and 34.5% for 2020 and 2019, respectively, demonstrating the operating leverage inherent in our business.

The increase in non-compensation expenses was primarily due to higher Floor brokerage and clearing fees due to record net revenues in equities and fixed income resulting from an increase in trading volumes. The increase was also due to higher underwriting costs, primarily due to record investment banking net revenues resulting from an increase in the number of transactions and higher technology and communication expenses, primarily related to costs associated with the development of various trading systems, increased market data and higher connectivity usage due to the expansion of certain businesses in Asia. Non-compensation expense also increased due to higher other expenses, which included our charitable donations of $8.6 million, in memory of Peg Broadbent, Jefferies Group's longstanding, esteemed CFO who tragically died from complications of COVID-19 in March. Additionally, other expenses also included $34.0 million attributed to our donation made to various charities in support of the Australian wildfire relief effort, costs associated with the early retirement of Jefferies Group's 6.875% senior notes in November 2020 and costs related to provisions for receivable losses. The increase in non-compensation expenses was partially offset by significantly lower business development expenses as business travel and hosted events were curtailed due to COVID-19.

Asset Management

Our asset management business is a diversified alternative asset management platform offering institutional clients an innovative range of investment strategies through us and our affiliated asset managers. We provide certain of our affiliated asset managers access to fully integrated global operational infrastructure and support. This may include strategy and product development, daily operations and finance-related activities, compliance, legal and human resources support, as well as all aspects of business development.

Collectively, we and our affiliated asset managers have net asset values or net asset value equivalent assets under management of approximately $26.8 billion as of November 30, 2020 and $20.7 billion as of November 30, 2019. Net asset values or net asset value equivalent assets under management are comprised of the fair value of the net assets of a fund, the net capital invested in a separately managed account, par value of collateralized loan obligations or notional account value. These include the following:

- $12.6 billion (2020) and $7.2 billion (2019) - This includes the assets under management raised by affiliated asset managers with whom we have an ongoing profit or revenue sharing arrangement. In some instances, due to the timing of payments and crystallization of profits or revenue, the majority of revenue related to these relationships will be realized at their calendar year-end (during our first fiscal quarter).
- $10.8 billion (2020) and $9.5 billion (2019) - Asset management activities within Jefferies Finance, our 50/50 joint venture with Massachusetts Mutual Life Insurance Company, which represent the aggregate par value of collateralized loan obligations managed by Jefferies Finance, including those consolidated by Jefferies Finance. Because management evaluates segment performance based on the inclusion of our share of the net earnings of our Jefferies Finance joint venture in our Investment Banking and Capital Markets segment, those activities are excluded from our Asset Management segment results.
- $2.6 billion (2020) and $2.8 billion (2019) - Net asset values of investments made by us in funds or separately managed accounts. At times, we will incubate strategies using our own capital during the institutional build-out phase before opening investments to outside capital. This net asset value includes our seed capital of $1.5 billion (2020) and $1.3 billion (2019) in addition to amounts financed of $1.1 billion (2020) and $1.5 billion (2019), invested in funds and separately managed accounts that are managed by us and our affiliated asset managers.
- $0.8 billion (2020) and $1.2 billion (2019) - This includes third-party investments actively managed by wholly-owned divisions.

A summary of results of operations for our Asset Management segment is as follows (in thousands):

	2020	2019	2018
Net revenues	$ 235,255	$ 84,894	$ (14,280)
Expenses:			
Compensation and benefits	89,527	63,305	47,363
Floor brokerage and clearing fees	25,509	20,715	5,369
Interest	—	—	8,992
Depreciation and amortization	5,247	2,042	1,324
Selling, general and other expenses	46,045	40,432	57,394
Total expenses	166,328	126,494	120,442
Income (loss) from continuing operations before income taxes and income related to associated companies	68,927	(41,600)	(134,722)
Income related to associated companies	—	474	993
Income (loss) from continuing operations before income taxes	$ 68,927	$ (41,126)	$ (133,729)

Revenues

Asset management net revenues include the following:

- Total asset management fees: management and performance fees from funds and accounts managed by us;
- Revenue from arrangements with strategic affiliates: revenues from affiliated asset managers in which we hold interests that entitle us to portions of their revenues and/or profits, as well as earnings on our ownership interests in our affiliated asset managers; and
- Investment return: this includes investment income from capital invested in and managed by us and our affiliated asset managers.

The key components of asset management revenues are the level of assets under management and the performance return, for the most part on an absolute basis and, in certain cases, relative to a benchmark or hurdle, of us and our affiliated asset managers. These components can be affected by financial markets, profits and losses in the applicable investment portfolios and client capital activity. Further, asset management fees vary with the nature of investment management services. The terms under which clients may terminate our investment management authority, and the requisite notice period for such termination, varies depending on the nature of the investment vehicle and the liquidity of the portfolio assets. Performance fees are generally recognized once a year, typically in December, when they become fixed and determinable and are not probable of being significantly reversed. As a result, the benefit of performance fees attributable to performance during the latter eleven months of each of our fiscal years is actually realized and recorded only in the first quarter of our next fiscal year.

The following summarizes the results of our Asset Management businesses revenues by asset class (in thousands):

	2020	2019	2018
Asset management fees:			
Equities	$ 6,158	$ 4,390	$ 3,446
Multi-asset	8,544	18,798	24,698
Total asset management fees	14,702	23,188	28,144
Revenue from arrangements with strategic affiliates (1)	11,837	1,807	6,099
Total asset management fees and revenues	26,539	24,995	34,243
Investment return (2) (3)	257,200	100,447	(9,288)
Allocated net interest (2) (4)	(48,484)	(40,548)	(39,235)
Total Asset Management revenues	$ 235,255	$ 84,894	$ (14,280)

(1) The amounts include our share of fees received by affiliated asset management companies with which we have revenue and profit share arrangements, as well as earnings on our ownership interest in affiliated asset managers.
(2) Net revenues attributed to the Investment return in our Asset Management segment have been disaggregated to separately present Investment return and Allocated net interest (see footnote 4 below). This disaggregation is intended to increase transparency and to make clearer actual Investment return. We believe that aggregating Investment return and Allocated net interest would obscure the Investment return by including an amount that is unique to our credit spreads, debt maturity profile, capital structure, liquidity risks and allocation methods.
(3) Includes net interest expense of $24.5 million, $8.9 million and $8.4 million for 2020, 2019 and 2018, respectively.
(4) Allocated net interest represents the allocation of long-term debt interest expense to our Asset Management reportable segment, net of interest income on Cash and cash equivalents and other sources of liquidity. For discussion of sources of liquidity, refer to the "Liquidity and Capital Resources" section herein.

Asset management net revenues for 2020 were a record $235.3 million, compared with $84.9 million for 2019, primarily as a result of higher investment returns. Since 2019, we made capital investments in several new separately managed accounts and funds. Total asset management revenues for 2020 are also reflective of a 6.2% increase in total asset management fees and revenues, primarily attributed to higher revenues from our share of fees received by affiliated asset management companies with which we have revenue and profit share arrangements, partially offset by a decline in asset management fees.

Expenses

The increase in expenses in 2020 as compared with 2019 primarily reflects the expansion of the Asset Management business, additional costs from the wind down of one of our asset management businesses and the dedication of resources previously included in Corporate.

Assets under Management

The tables below include only third-party assets under management by us, excluding those of our affiliated asset managers.

Assets under management by predominant asset class were as follows (in millions):

	November 30, 2020	November 30, 2019
Assets under management (1)		
Equities	$ 481	$ 228
Multi-asset (2)	293	988
Total	$ 774	$ 1,216

(1) Assets under management include third-party net assets actively managed by us, including hedge funds and certain managed accounts. We may consolidate certain funds and for such consolidated funds, assets under management include the pro-rata portion of third- party net assets in consolidated funds based on the percentage ownership of third-party investors in the consolidated fund. The above amounts do not include assets under management at non-consolidated strategic affiliates or investments.
(2) During 2020, certain of the assets under management in this asset class were liquidated and the funds were returned to the third-party investors due to the wind down of our quantPORT asset management platform.

Changes in assets under management during the year were as follows (in millions):

	Year Ended November 30,	
	2020	2019
Balance, beginning of period	$ 1,216	$ 2,527
Net cash flow out	(319)	(1,383)
Net market appreciation (depreciation)	(123)	72
Balance, end of period	$ 774	$ 1,216

The change in assets under management in our wholly-owned managers during 2020 is primarily due to the liquidation and redemptions from certain funds related to the wind down of our quantPORT asset management platform and market depreciation, partially offset by increased investments by third-parties in certain funds and managed accounts. The change in assets under management during 2019 is primarily due to redemptions from certain funds and separately managed accounts and dissolution of a fund, partially offset by new subscriptions and investments from third-parties and market appreciation.

Our definition of assets under management is not based on any definition contained in any of our investment management agreements and differs from the manner in which "Regulatory Assets Under Management" is reported to the SEC on Form ADV.

Asset Management Investments

Our asset management business makes seed and additional strategic investments directly in alternative asset management separately managed accounts and co-mingled funds where we act as the asset manager or in affiliated asset managers where we have strategic relationships and participate in the earnings or profits of the affiliated manager. Our asset management investments generated an investment return of $257.2 million and $100.4 million for 2020 and 2019, respectively. The following table reflects amounts invested by asset manager (in thousands):

	November 30, 2020	November 30, 2019
Jefferies Financial Group Inc., as manager:		
Fund investments (1)	$ 258,893	$ 240,804
Separately managed accounts (2)	352,084	489,617
Total	610,977	730,421
Strategic affiliates, as manager:		
Fund investments (3)	650,585	306,554
Separately managed accounts (2)	323,943	266,484
Investments in asset managers	162,268	114,161
Total	1,136,796	687,199
Total asset management investments	$ 1,747,773	$ 1,417,620

1) Due to the level or nature of an investment in a fund, we may consolidate that fund, and accordingly, the assets and liabilities of the fund are included in the representative line items in the consolidated financial statements. At November 30, 2020 and 2019, $0.1 million and $22.6 million, respectively, represents net investments in funds that have been consolidated in our financial statements.
2) Where we have investments in a separately managed account, the assets and liabilities of such account are presented in the Consolidated Statements of Financial Condition within each respective line item.
3) The increase in 2020 was primarily due to an investment in a new fund.

Merchant Banking

The composition of our Merchant Banking portfolio has been impacted by a number of transactions during recent years. The following chart reflects the significant components of our portfolio each year:

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Consolidated Businesses	Oil and Gas	Oil and Gas	Oil and Gas
	HomeFed	HomeFed beginning July 1	—
	Idaho Timber	Idaho Timber	Idaho Timber
	—	—	National Beef prior to June 5
Associated Companies	Linkem	Linkem	Linkem
	FXCM Equity Investment	FXCM Equity Investment	FXCM Equity Investment
	Golden Queen	Golden Queen	Golden Queen
	—	National Beef sold November 29	National Beef beginning June 5
	—	HomeFed prior to July 1	HomeFed
	—	—	Garcadia sold August 17
	—	—	Berkadia prior to transfer to Jefferies Group October 1
Other Investments	FXCM Term Loan	FXCM Term Loan	FXCM Term Loan
	WeWork	WeWork	WeWork
	—	Spectrum Brands prior to October 11 distribution	Spectrum Brands/HRG

A summary of results for Merchant Banking is as follows (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Net revenues	$ 764,460	$ 735,213	$ 577,278
Expenses:			
Compensation and benefits	77,072	61,767	50,155
Cost of sales	338,588	319,641	307,071
Interest	31,425	34,129	26,167
Depreciation and amortization	67,362	69,805	48,357
Selling, general and other expenses	199,128	162,832	112,587
Total expenses	713,575	648,174	544,337
Income from continuing operations before income taxes and income (loss) related to associated companies	50,885	87,039	32,941
Income (loss) related to associated companies	(75,483)	202,453	56,030
Income (loss) from continuing operations before income taxes	$ (24,598)	$ 289,492	$ 88,971

In the fourth quarter of 2018, we transferred our 50% membership interest in Berkadia into Jefferies Group. Income from continuing operations before income taxes related to the net assets transferred was $78.7 million for the eleven months ended November 30, 2018.

The increase in Net revenues in 2020 as compared to 2019 is primarily due to an increase in revenues at Idaho Timber and an increase in realized and unrealized gains on financial instruments, partially offset by the 2019 pre-tax gains on the sale of our remaining 31% interest in National Beef and on the revaluation of our 70% interest in HomeFed to fair value in connection with the acquisition of the remaining common stock of HomeFed. The increase in Compensation and benefits expense in 2020 as

compared to 2019 is primarily due to an increase at Idaho Timber and the full year acquisition impact of HomeFed. The increase in Cost of sales in 2020 as compared to 2019 primarily reflects the increased sales at Idaho Timber. The increase in Selling, general and other expenses in in 2020 as compared to 2019 primarily reflects increased non-cash charges in 2020 to JETX Energy's and Vitesse Energy Finance's oil and gas assets and write-downs to some of our real estate investments at HomeFed, partially offset by lease abandonment charges at JETX Energy in 2019.

A summary of results for Merchant Banking by significant business and investment is as follows (in thousands):

	Revenues	Expenses	Income (Loss) from Associated Companies	Total Pre-Tax Income (Loss)
For the twelve months ended November 30, 2020				
Oil and gas	$ 141,973	$ 178,679	$ —	$ (36,706)
Idaho Timber	421,497	341,796	—	79,701
Real estate	47,160	66,043	(46,050)	(64,933)
FXCM	335	—	3,604	3,939
Other	153,495	127,057	(33,037)	(6,599)
Total	$ 764,460	$ 713,575	$ (75,483)	$ (24,598)
For the twelve months ended November 30, 2019				
Oil and gas	$ 150,224	$ 170,680	$ —	$ (20,456)
Idaho Timber	324,786	306,832	—	17,954
Real estate	37,405	39,940	7,549	5,014
FXCM	(8,139)	—	(8,212)	(16,351)
National Beef	—	—	232,042	232,042
Spectrum Brands	89,497	—	—	89,497
Other	141,440	130,722	(28,926)	(18,208)
Total	$ 735,213	$ 648,174	$ 202,453	$ 289,492
For the eleven months ended November 30, 2018				
Oil and gas	$ 169,667	$ 116,017	$ —	$ 53,650
Idaho Timber	357,513	321,851	—	35,662
Real estate	350	977	6,956	6,329
FXCM	18,616	—	(83,174)	(64,558)
National Beef	—	—	110,049	110,049
Spectrum Brands/HRG	(412,493)	—	—	(412,493)
Berkadia	—	—	80,092	80,092
Other	443,625	105,492	(57,893)	280,240
Total	$ 577,278	$ 544,337	$ 56,030	$ 88,971

Oil and Gas

Oil and gas results for 2020 were lower than 2019 primarily due to curtailed production, lower oil prices and impairment charges recorded during the first half of the year. Oil and gas net revenues totaled $142.0 million during 2020 and $150.2 million during 2019, and primarily consist of three components:

- Production revenues (include the impact of realized gains and losses related to oil hedges) were $156.8 million in 2020 and $176.9 million in 2019. The decrease in production revenues related both to lower oil prices on current volume and decisions made to pause production on a portion of operating wells due to expectation of higher future prices. Production revenues included realized gains on oil hedges of $52.7 million in 2020 and $1.5 million in 2019.
- Net unrealized losses related to oil hedge derivatives were $7.0 million in 2020 and $6.5 million in 2019. As discussed further in Note 4 to the consolidated financial statements, Vitesse Energy Finance uses swaps and call and put options to reduce exposure to future oil price fluctuations. For 2020, approximately 108% of oil production was hedged at a

weighted average price of approximately $60/barrel. For 2021, approximately 50% of expected oil production is hedged at a weighted average price of approximately $54/barrel.

- Mark-to-market losses related to a financial instrument owned held at fair value were $7.8 million during 2020 and $20.2 million during 2019.

Total expenses for Oil and gas were $178.7 million during 2020 as compared to $170.7 million in 2019. Although some of Vitesse Energy Finance's operating expenses were lower due to reduced production, this was offset by non-cash charges in 2020 to JETX Energy's oil and gas assets of $34.6 million and to Vitesse Energy Finance's oil and gas assets in the DJ Basin of $13.2 million. 2019 also included lease abandonment charges of $15.1 million and non-cash charges to JETX Energy's oil and gas assets of $10.9 million at JETX Energy.

Idaho Timber

High demand for wood for home improvement and construction led to favorable pricing and record results for Idaho Timber in 2020. Net revenues increased during 2020 as compared to 2019, primarily due to an increase in average selling price of 29%.

The increase in total expenses for Idaho Timber during 2020 as compared to 2019 primarily reflects increased cost of sales and increased compensation expense.

Real Estate

The increase in real estate revenues and real estate expenses during 2020 as compared to 2019, primarily relates to the July 1, 2019 acquisition of the remaining 30% of HomeFed we did not previously own. From July 1, 2019, the results of HomeFed are reflected on a consolidated basis.

Income (loss) related to real estate associated companies for 2020, includes a non-cash charge of $55.6 million to fully write off the value of HomeFed's RedSky JZ Fulton Investors ("RedSky JZ Fulton Mall") joint venture investment due to the softening of the Brooklyn real estate market and a non-cash charge of $6.9 million to fully write off HomeFed's interest in the Brooklyn Renaissance Plaza hotel related to the significant impact of COVID-19.

FXCM

Net revenues from our FXCM term loan include gains (losses) of $0.3 million and $(8.1) million during 2020 and 2019, respectively.

National Beef and Spectrum Brands

Income from associated companies in 2019, reflects our share of National Beef's results prior to our sale in November 2019.

Spectrum Brands net revenues reflect changes in the value of our investment. We classified Spectrum Brands as a financial instrument owned, at fair value for which the fair value option was elected and we reflected mark-to-market adjustments in Principal transactions revenues. We distributed all of our Spectrum Brands shares through a special pro rata dividend effective on October 11, 2019. We recorded a $451.1 million dividend payable as of the September 16, 2019 declaration date, which was equal to the fair value of Spectrum Brands shares at that time.

Other

Other revenues for 2019 include a $205.0 million pre-tax gain on the sale of our remaining 31% interest in National Beef and a $72.1 million pre-tax gain on the revaluation of our 70% interest in HomeFed to fair value in connection with the acquisition of the remaining common stock of HomeFed.

Other revenues also reflect realized and unrealized gains (losses) on financial instruments owned, which are held at fair value, of $54.7 million and $(279.3) million during 2020 and 2019, respectively. The gains (losses) on financial instruments owned include unrealized losses on WeWork of $43.0 million and $182.3 million during 2020 and 2019, respectively. The gains (losses) on financial instruments owned for 2020, also include a gain of $61.5 million from effective short-term hedges against mark-to-market and fair value decreases in our portfolio investments.

Corporate

A summary of results of operations for Corporate is as follows (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Net revenues	$ 13,258	$ 32,833	$ 22,300
Expenses:			
Compensation and benefits	39,184	58,005	50,222
Depreciation and amortization	3,496	3,475	3,169
Selling, general and other expenses	26,197	39,820	35,049
Total expenses	68,877	101,300	88,440
Loss from continuing operations before income taxes	$ (55,619)	$ (68,467)	$ (66,140)

Net revenues primarily include realized and unrealized securities gains and interest income for investments held at the holding company. Total expenses include share-based compensation expense of $13.7 million and $22.9 million for 2020 and 2019, respectively.

Parent Company Interest

Parent company interest totaled $53.4 million and $53.0 million for 2020 and 2019, respectively. In connection with the acquisition of HomeFed in 2019, we began capitalizing interest. Capitalized interest was allocated among all of HomeFed's projects that are currently under development. Parent company interest capitalized during 2020 and 2019 was $5.7 million and $6.0 million, respectively.

Income Taxes

Our provision for income taxes was $298.7 million for 2020, representing an effective tax rate of 28.0%.

For 2019, our benefit for income taxes from continuing operations was $484.0 million. As discussed in the Notes to Consolidated Financial Statements, during the second quarter of 2019, we completed the sale of our available for sale portfolio. In connection therewith, we recognized a tax benefit of $544.6 million during 2019. Unrealized gains and losses on available for sale securities, and their associated tax impacts, are recorded directly to equity as part of the Accumulated other comprehensive income (loss) balance. Following the portfolio approach, when unrealized gains and losses and their associated tax impacts are recorded at a then current tax rate, and then realized later at a different tax rate, the difference between the tax impact initially recorded in Accumulated other comprehensive income (loss) and the tax impact removed from Accumulated other comprehensive income (loss) upon realization remains in Accumulated other comprehensive income (loss) until the disposal of the portfolio and is referred to as a "lodged tax effect." Large changes in the fair value of our available for sale securities, primarily during 2008 through 2010, combined with fluctuations in our tax rate during those periods, generated a lodged tax benefit of $544.6 million. As a result of steps to improve our Corporate investment management efforts, we sold the remaining portion of our available for sale portfolio in the second quarter of 2019, which resulted in the realization of the $544.6 million tax benefit. While this realization did not impact total equity, it resulted in a tax benefit reflected in the Consolidated Statement of Operations of $544.6 million and, as a result, Retained earnings increased and Accumulated other comprehensive income (loss) decreased by corresponding amounts.

For further information on income taxes, see Note 19 to our consolidated financial statements.

Discontinued Operations

On June 5, 2018, we sold 48% of National Beef to Marfrig for $907.7 million in cash, reducing our then ownership in National Beef to 31%. We accounted for our remaining interest under the equity method of accounting. The 2018 sale of National Beef met the GAAP criteria to be classified as a discontinued operation as the sale represented a strategic shift in our operations and financial results. As such, we classified the results of National Beef prior to June 5, 2018 as a discontinued operation and it is reported in Income from discontinued operations, net of income tax provision in the Consolidated Statements of Operations. In addition, we recognized a pre-tax gain as a result of the 2018 transaction of $873.5 million ($643.9 million after-tax) for the eleven months ended November 30, 2018, which has been recognized as Gain on disposal of discontinued operations, net of income tax provision in the Consolidated Statement of Operations.

A summary of the results of discontinued operations for National Beef for the period from January 1, 2018 through June 4, 2018 as included in discontinued operations for the eleven months ended November 30, 2018 is as follows (in thousands):

Revenues:		
Beef processing services	$	3,137,611
Interest income		131
Other		4,329
Total revenues		3,142,071
Expenses:		
Compensation and benefits		17,414
Cost of sales		2,884,983
Interest expense		4,316
Depreciation and amortization		43,959
Selling, general and other expenses		14,291
Total expenses		2,964,963
Income from discontinued operations before income taxes		177,108
Income tax provision		47,045
Income from discontinued operations, net of income tax provision	$	130,063

National Beef's profitability is dependent, in large part, on the spread between its cost for live cattle, the primary raw material for its business, and the value received from selling boxed beef and other products, coupled with its overall volume. National Beef operates in a large and liquid commodity market and it does not have much influence over the price it pays for cattle or the selling price it receives for the products it produces. National Beef's profitability typically fluctuates seasonally, with relatively higher margins in the spring and summer months and during times of ample cattle availability. Throughout 2018, demand for beef and cattle supply remained strong, supporting favorable margin conditions.

For further information, see Note 26 to our consolidated financial statements.

Selected Statement of Financial Condition Data

The tables below reconcile the balance sheet for each of our segments to our consolidated balance sheet (in thousands):

	November 30, 2020					
	Investment Banking and Capital Markets	Asset Management	Merchant Banking	Corporate	Consolidation Adjustments	Total
Assets						
Cash and cash equivalents	$ 7,102,004	$ 10,109	$ 212,668	$ 1,730,367	$ —	$ 9,055,148
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	604,321	—	—	—	—	604,321
Financial instruments owned, at fair value	15,249,686	2,534,860	340,031	—	—	18,124,577
Loans to and investments in associated companies	995,730	148,005	542,828	—	—	1,686,563
Securities borrowed	6,934,762	—	—	—	—	6,934,762
Securities purchased under agreements to resell	5,096,769	—	—	—	—	5,096,769
Securities received as collateral, at fair value	7,517	—	—	—	—	7,517
Receivables	5,470,104	378,037	762,382	52	(1,808)	6,608,767
Property, equipment and leasehold improvements, net	847,108	8,121	30,670	11,305	—	897,204
Intangible assets, net and goodwill	1,721,277	143,310	48,880	—	—	1,913,467
Other assets	805,848	8,617	1,235,605	436,975	(297,788)	2,189,257
Total assets	44,835,126	3,231,059	3,173,064	2,178,699	(299,596)	53,118,352
Liabilities						
Long-term debt (1) (2)	6,218,797	676,883	463,648	992,711	—	8,352,039
Other liabilities	32,752,740	1,758,373	727,088	239,507	(299,596)	35,178,112
Total liabilities	38,971,537	2,435,256	1,190,736	1,232,218	(299,596)	43,530,151
Redeemable noncontrolling interests	—	—	24,676	—	—	24,676
Mandatorily redeemable convertible preferred shares	—	—	—	125,000	—	125,000
Noncontrolling interests	712	16,677	17,243	—	—	34,632
Total Jefferies Financial Group Inc. shareholders' equity	$ 5,862,877	$ 779,126	$ 1,940,409	$ 821,481	$ —	$ 9,403,893

(1) Jefferies Group long-term debt of $6.9 billion at November 30, 2020 is allocated to Investment Banking and Capital Markets, and Asset Management segments based on an internal management view only and may not be reflective of what long-term debt would be on a stand-alone segment basis.

(2) Long-term debt within Merchant Banking of $463.6 million at November 30, 2020, primarily includes $236.8 million for real estate businesses, $97.9 million for Vitesse Energy Finance and $129.0 million for Foursight Capital. At November 30, 2020, Vitesse Energy Finance had $98.5 million drawn out of the maximum $120.0 million borrowing base on its credit facility and Foursight Capital had $129.3 million drawn out of the maximum $175.0 million credit commitment on its credit facilities. See Note 12 in our consolidated financial statements for additional information.

	November 30, 2019					
	Investment Banking and Capital Markets	Asset Management	Merchant Banking	Corporate	Consolidation Adjustments	Total
Assets						
Cash and cash equivalents	$ 5,561,281	$ 25,255	$ 111,552	$ 1,980,733	$ —	$ 7,678,821
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	796,797	—	—	—	—	796,797
Financial instruments owned, at fair value	13,735,641	2,681,034	363,237	115,829	—	16,895,741
Loans to and investments in associated companies	944,509	83,258	625,190	—	—	1,652,957
Securities borrowed	7,624,642	—	—	—	—	7,624,642
Securities purchased under agreements to resell	4,299,598	—	—	—	—	4,299,598
Securities received as collateral, at fair value	9,500	—	—	—	—	9,500
Receivables	4,560,760	369,410	813,675	261	—	5,744,106
Property, equipment and leasehold improvements, net	350,071	796	20,632	13,530	—	385,029
Intangible assets, net and goodwill	1,726,736	143,616	52,582	—	—	1,922,934
Other assets	913,688	10,347	1,298,803	321,766	(94,495)	2,450,109
Total assets	40,523,223	3,313,716	3,285,671	2,432,119	(94,495)	49,460,234
Liabilities						
Long-term debt (1) (2)	6,289,015	714,343	342,325	991,378	—	8,337,061
Other liabilities	28,658,041	1,761,674	754,560	290,104	(94,495)	31,369,884
Total liabilities	34,947,056	2,476,017	1,096,885	1,281,482	(94,495)	39,706,945
Redeemable noncontrolling interests	—	—	26,605	—	—	26,605
Mandatorily redeemable convertible preferred shares	—	—	—	125,000	—	125,000
Noncontrolling interests	4,275	—	17,704	—	—	21,979
Total Jefferies Financial Group Inc. shareholders' equity	$ 5,571,892	$ 837,699	$ 2,144,477	$ 1,025,637	$ —	$ 9,579,705

(1) Jefferies Group long-term debt of $7.0 billion at November 30, 2019 is allocated to Investment Banking and Capital Markets, and Asset Management segments based on an internal management view only and may not be reflective of what long-term debt would be on a stand-alone segment basis.

(2) Long-term debt within Merchant Banking of $342.3 million at November 30, 2019, primarily includes $140.7 million for real estate businesses, $103.1 million for Vitesse Energy Finance and $98.3 million for Foursight Capital. At November 30, 2019, Vitesse Energy Finance had $104.0 million drawn out of the maximum $170.0 million borrowing base on its credit facility and Foursight Capital had $98.7 million drawn out of the maximum $175.0 million credit commitment on its credit facilities. See Note 12 in our consolidated financial statements for additional information.

The table below presents our capital by significant business and investment (in thousands):

	November 30, 2020	November 30, 2019
Jefferies Group	$ 6,407,954	$ 6,181,683
Assets held on behalf of Asset Management (excluding Jefferies Group)	234,049	227,908
Merchant Banking:		
Oil and gas	526,642	585,493
Real estate	531,553	645,328
Linkem	198,991	194,847
FXCM	133,375	129,343
Idaho Timber	85,595	77,914
WeWork	10,833	53,798
Investments in public companies	192,363	178,593
Other	261,057	279,161
Total Merchant Banking	1,940,409	2,144,477
Corporate liquidity and other assets, net of Corporate liabilities including long-term debt	821,481	1,025,637
Total Capital	$ 9,403,893	$ 9,579,705

Liquidity and Capital Resources

Parent Company Liquidity

Our strategy focuses on strengthening and expanding our core businesses of Investment Banking and Capital Markets and Asset Management, while continuing to simplify our structure and return capital to our shareholders. We are simplifying our structure through a managed transformation of Merchant Banking, which to date has included divestitures, special distributions to shareholders of assets, as well as transfers of financial assets out of our Merchant Banking portfolio and into Jefferies Group. We anticipate additional transactions as our transformation is completed. Some of these transactions have generated significant excess liquidity; some of these transactions have also reduced the future receipt of periodic distributions from subsidiaries to the parent company.

Parent company liquidity, which includes cash and investments that are easily convertible into cash within a relatively short period of time total $1,884.7 million at November 30, 2020, and are primarily comprised of cash, prime and government money market funds and other publicly traded securities. These are classified in our Consolidated Statement of Financial Condition as cash and cash equivalents and financial instruments owned, at fair value. At November 30, 2020, $1,551.7 million of this amount is invested in U.S. government money funds that invest at least 99.5% of its total assets in cash, securities issued by the U.S. government and U.S. government-sponsored entities and repurchase agreements that are fully collateralized by cash or government securities.

During the twelve months ended November 30, 2020, our parent company received cash distributions of $733.5 million from our subsidiary businesses, including $581.7 million from Jefferies Group. We also received $303.4 million from divestitures and repayments of advances.

Our recurring cash requirements, including the payment of interest on our parent company debt, dividends and corporate cash overhead expenses, aggregate approximately $309.7 million on an annual basis. Dividends paid during the twelve months ended November 30, 2020 of $160.9 million include quarterly dividends of $0.15 per share. On January 4, 2021, our Board of Directors increased our quarterly dividend by 33% to $0.20 per share. The payment of dividends is subject to the discretion of our Board of Directors and depends upon general business conditions, legal and contractual restrictions on the payment of dividends and other factors that our Board of Directors may deem to be relevant.

For many years, we benefited from federal net operating loss carryovers ("NOLs") which substantially offset our federal cash tax requirements. As a result of full utilization of our federal NOLs and other tax attributes, we expect to incur federal cash tax liabilities in 2021.

Our primary long-term parent company cash requirement is our $1.0 billion principal outstanding as of November 30, 2020 under our long-term debt, of which $750.0 million is due in 2023 and $250.0 million in 2043. As we generate excess liquidity, we evaluate the best use of the proceeds, which may include reductions to existing debt, share repurchases, special dividends, investments in our businesses, or any of a number of other options available to us.

Shares Outstanding

At November 30, 2019, we had approximately $203.6 million available for future share repurchases, based on the closing price of Jefferies common shares on November 30, 2019. In January 2020, the Board of Directors approved an additional $250.0 million share repurchase authorization. In March 2020, having completed the repurchase of shares under the previous authorization, the Board of Directors approved an additional share repurchase authorization of $100 million. In June 2020, the Board of Directors increased the share repurchase authorization by $176.7 million to $250.0 million. In September 2020, the Board of Directors increased the share repurchase authorization by $128.0 million to $250.0 million. During the twelve months ended November 30, 2020, we purchased a total of 42,134,910 of our common shares for $812.7 million, or an average price per share of $19.29. At November 30, 2020, we have approximately $57.2 million available for future repurchases. In January 2021, the Board of Directors increased the share repurchase authorization to $250.0 million, including the $57.2 million.

At November 30, 2020, we had outstanding 249,750,542 common shares and 23,868,000 share-based awards that do not require the holder to pay any exercise price (potentially an aggregate of 273,618,542 outstanding common shares if all awards become outstanding common shares). The 23,868,000 share-based awards include the target number of shares under the senior executive award plan, which is more fully discussed in Note 15.

Concentration and Liquidity Targets

From time to time in the past, we have accessed public and private credit markets and raised capital in underwritten bond financings. The funds raised have been used by us for general corporate purposes, including for our existing businesses and new investment opportunities. In addition, the ratings of Jefferies are a factor considered by rating agencies that rate the debt of our subsidiary companies, including Jefferies Group, whose access to external financing is important to its day to day operations. Ratings issued by bond rating agencies, subject to change at any time, are as follows:

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

(1) On April 15, 2020, Moody's Investors Service affirmed our rating of Baa3 and rating outlook of stable.
(2) On October 29, 2020, Standard and Poor's affirmed our rating of BBB and revised our rating outlook from negative to stable.

We target specific concentration and liquidity principles, although there is no legal requirement to do so.

Concentration Target: As a diversification measure, we limit cash investments such that our single largest investment does not exceed 20% of equity excluding Jefferies Group, and that our next largest investment does not exceed 10% of equity excluding Jefferies Group, in each case measured at the time the investment was made. On this basis, Linkem is our largest investment excluding Jefferies Group and Vitesse Energy Finance is our next largest investment excluding Jefferies Group. There were no investments made during the year that approached 10% of equity excluding Jefferies Group.

Liquidity Target: We hold a parent company liquidity reserve calculated as a minimum of twenty-four months of holding company expenses (excluding non-cash components), parent company interest, and dividends. Maturities of parent company debt within the upcoming year are also included in the target; however, our next maturity is during 2023 so there is no current inclusion.

	November 30, 2020
Liquidity reserve (in thousands):	
Minimum reserve under liquidity target	$ 619,400
Actual liquidity	$ 1,884,650

Consolidated Statements of Cash Flows

As discussed above, we have historically relied on our available liquidity to meet short-term and long-term needs, and to make acquisitions of new businesses and investments. Except as otherwise disclosed herein, our operating businesses do not generally require significant funds to support their operating activities. The mix of our operating businesses and investments can change frequently as a result of acquisitions or divestitures, the timing of which is impossible to predict but which often have a significant impact on the Consolidated Statements of Cash Flows in any one period. Further, the timing and amounts of distributions from investments in associated companies may be outside our control. As a result, reported cash flows from operating, investing and financing activities do not generally follow any particular pattern or trend, and reported results in the most recent period should not be expected to recur in any subsequent period.

The following table provides a summary of our cash flows (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Cash, cash equivalents and restricted cash at beginning of period	$ 8,480,435	$ 6,012,662	$ 5,774,505
Net cash provided by (used for) operating activities	2,075,948	(827,837)	691,103
Net cash provided by (used for) investing activities	(186,192)	1,707,095	142,443
Net cash provided by (used for) financing activities	(723,525)	1,589,578	(575,843)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	18,306	(1,063)	(19,546)
Cash, cash equivalents and restricted cash at end of period	$ 9,664,972	$ 8,480,435	$ 6,012,662

During the twelve months ended November 30, 2020, net cash provided by operating activities primarily relates to funds provided by Jefferies Group of $1,870.9 million. Net losses related to property and equipment, and other assets includes the non-cash charge of $61.0 million to write down the value of certain of our assets during the twelve months ended November 30, 2020.

During the twelve months ended November 30, 2019, net cash used for operating activities primarily relates to funds used by Jefferies Group of $1,187.1 million. We also received distributions of $318.2 million from National Beef in 2019. Net gains related to real estate, property and equipment, and other assets for 2019 include the non-cash pre-tax gain of $72.1 million recognized in connection with the acquisition of the remaining interest of HomeFed.

During the twelve months ended November 30, 2020, net cash used for investing activities principally reflects $1,690.6 million of loans to and investments in associated companies and $813.9 million for advances on notes, loans and other receivables, partially offset by $1,556.0 million of capital distributions and loan repayments from associated companies and $686.1 million of collections on notes, loans and other receivables.

During the twelve months ended November 30, 2019, net cash provided by investing activities includes proceeds from sale of associated companies, primarily related to our sale of our investment in National Beef. Additionally, cash provided by investing activities for 2019 includes proceeds from maturities of investments of $531.1 million and proceeds from sales of investments of $913.2 million. Jefferies Group used funds of $124.4 million for investing activities in 2019.

During the twelve months ended November 30, 2020, net cash used for financing activities primarily relates to funds used to repurchase common shares for treasury of $816.9 million and funds used to pay dividends of $160.9 million. This was partially offset by funds provided by Jefferies Group of $215.5 million, including funds provided by the issuance of debt of $2,789.5 million and proceeds from other secured financings of $305.9 million, partially offset by funds used for the repayment of debt of $2,863.0 million.

During the twelve months ended November 30, 2019, net cash provided by financing activities primarily relates to funds provided by Jefferies Group of $2,167.4 million. This includes funds provided by the issuance of debt of $2,972.1 million and proceeds from other secured financings of $1,586.3 million, partially offset by funds used for the repayments of debt of $2,421.6 million. Net cash provided by financing activities for 2019 also includes funds used to repurchase common shares for treasury of $509.9 million and funds used to pay dividends of $149.6 million.

The following below provides information about our contractual obligations at November 30, 2020.

Contractual Obligations	Total	Expected Maturity Date 2021	2022	2023 and 2024	2025 and 2026	After 2026
			(In millions)			
Long-term debt	$ 8,234.9	$ 350.4	$ 69.8	$ 2,340.9	$ 117.8	$ 5,356.0
Estimated interest payments on debt	3,611.4	359.4	345.5	548.4	490.6	1,867.5
Operating leases	686.9	72.4	77.0	130.6	122.5	284.4
Other	694.4	326.0	175.3	123.4	46.5	23.2
Total contractual obligations	$ 13,227.6	$ 1,108.2	$ 667.6	$ 3,143.3	$ 777.4	$ 7,531.1

Amounts related to our U.S. pension obligations ($46.4 million) are not included in the above table as the timing of payments is uncertain; however, we do expect to make $8.0 million of contributions to these plans in 2021. For further information, see Note 17 in our consolidated financial statements. In addition, the above amounts do not include liabilities for unrecognized tax benefits as the timing of payments, if any, is uncertain. Such amounts aggregated $401.4 million at November 30, 2020; for more information, see Note 19 in our consolidated financial statements.

Our U.S. pension obligations relate to frozen defined benefit pension plans, principally the defined benefit plan of WilTel Communications Group, LLC ("WilTel"), our former telecommunications subsidiary. When we sold WilTel in 2005, its defined benefit pension plan was not transferred in connection with the sale. At November 30, 2020, we had recorded a liability of $38.0 million in our Consolidated Statement of Financial Condition for WilTel's unfunded defined benefit pension plan obligation. This amount represents the difference between the present value of amounts owed to former employees of WilTel (referred to as the projected benefit obligation) and the market value of plan assets set aside in segregated trust accounts. Since the benefits in this plan have been frozen, future changes to the unfunded benefit obligation are expected to principally result from benefit payments, changes in the market value of plan assets, differences between actuarial assumptions and actual experience and interest rates.

Calculations of pension expense and projected benefit obligations are prepared by actuaries based on assumptions provided by management. These assumptions are reviewed on an annual basis, including assumptions about discount rates, interest credit rates and expected long-term rates of return on plan assets. The timing of expected future benefit payments was used in conjunction with the Citigroup Pension Discount Curve to develop a discount rate for the WilTel plan that is representative of the high quality corporate bond market. Holding all other assumptions constant, a 0.25% change in the discount rate would affect pension expense in 2021 by $0.1 million and the benefit obligation by $6.4 million, of which $4.7 million relates to the WilTel plan.

The deferred losses in accumulated other comprehensive income (loss) have not yet been recognized as components of net periodic pension cost in the Consolidated Statements of Operations ($57.3 million at November 30, 2020). These deferred amounts primarily result from differences between the actual and assumed return on plan assets and changes in actuarial assumptions, including changes in discount rates and changes in interest credit rates. They are amortized to expense if they exceed 10% of the greater of the projected benefit obligation or the market value of plan assets as of the beginning of the year. The estimated net loss that will be amortized from accumulated other comprehensive income (loss) into pension expense in 2021 is $3.6 million.

The assumed long-term rates of return on plan assets are based on the investment objectives of the plans, which are more fully discussed in Note 17 in our consolidated financial statements.

Jefferies Group Liquidity

General

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

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

Jefferies Group maintains modest leverage to support its investment grade ratings. The growth of its balance sheet is supported by its equity and we have quantitative metrics in place to monitor leverage and double leverage. Jefferies Group capital plan is robust, in order to sustain its operating model through stressed conditions. We maintain adequate financial resources to support business activities in both normal and stressed market conditions, including a buffer in excess of regulatory, or other internal or external, requirements. Jefferies Group's access to funding and liquidity is stable and efficient to ensure that there is sufficient liquidity to meet its financial obligations in normal and stressed market conditions.

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

We actively monitor and evaluate our financial condition and the composition of assets and liabilities. The overall securities inventory is continually monitored, including the inventory turnover rate, which confirms the liquidity of overall assets. Substantially all of Jefferies Group's financial instruments are valued on a daily basis and we monitor and employ balance sheet limits for its various businesses.

At November 30, 2020, our Consolidated Statement of Financial Condition includes Jefferies Group's Level 3 financial instruments owned, at fair value that are approximately 2% of total financial instruments owned, at fair value.

Securities financing assets and liabilities include financing for financial instruments trading activity, matched book transactions and mortgage finance transactions. Matched book transactions accommodate customers, as well as obtain securities for the settlement and financing of inventory positions.

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

	2020	2019
Securities purchased under agreements to resell:		
Period end	$ 5,097	$ 4,300
Month end average	8,040	7,762
Maximum month end	12,061	11,589
Securities sold under agreements to repurchase:		
Period end	$ 8,316	$ 7,505
Month end average	13,501	14,686
Maximum month end	18,979	19,654

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

Liquidity Management

The key objectives of Jefferies Group's liquidity management framework are to support the successful execution of its business strategies while ensuring sufficient liquidity through the business cycle and during periods of financial distress. The liquidity management policies are designed to mitigate the potential risk that adequate financing may not be accessible to service financial obligations without material franchise or business impact.

The principal elements of Jefferies Group's liquidity management framework are the Contingency Funding Plan, the Cash Capital Policy and the assessment of Modeled Liquidity Outflow.

Contingency Funding Plan. Jefferies Group's Contingency Funding Plan is based on a model of a potential liquidity contraction over a one year time period. This incorporates potential cash outflows during a liquidity stress event, including, but not limited to, the following:

- Repayment of all unsecured debt maturing within one year and no incremental unsecured debt issuance;
- Maturity rolloff of outstanding letters of credit with no further issuance and replacement with cash collateral;
- Higher margin requirements than currently exist on assets on securities financing activity, including repurchase agreements;
- Liquidity outflows related to possible credit downgrade;
- Lower availability of secured funding;
- Client cash withdrawals;
- The anticipated funding of outstanding investment and loan commitments; and
- Certain accrued expenses and other liabilities and fixed costs.

Cash Capital Policy. A cash capital model is maintained that measures long-term funding sources against requirements. Sources of cash capital include equity and the noncurrent portion of long-term borrowings. Uses of cash capital include the following:

- Illiquid assets such as equipment, goodwill, net intangible assets, exchange memberships, deferred tax assets and certain investments;
- A portion of securities inventory that is not expected to be financed on a secured basis in a credit stressed environment (i.e., margin requirements); and
- Drawdowns of unfunded commitments.

To ensure that inventory does not need to be liquidated in the event of a funding crisis, we seek to maintain surplus cash capital, which is reflected in the leverage ratios Jefferies Group maintains. Jefferies Group's total long-term capital of $13.0 billion at November 30, 2020 exceeded its cash capital requirements.

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

Based on the sources and uses of liquidity calculated under the Modeled Liquidity Outflow scenarios, we determine, based on a calculated surplus or deficit, additional long-term funding that may be needed versus funding through the repurchase financing market and consider any adjustments that may be necessary to Jefferies Group's inventory balances and cash holdings. At November 30, 2020, Jefferies Group had sufficient excess liquidity to meet all contingent cash outflows detailed in the Modeled Liquidity Outflow. We regularly refine our model to reflect changes in market or economic conditions and the firm's business mix.

Sources of Liquidity

Within Jefferies Group, the following are financial instruments that are cash and cash equivalents or are deemed by management to be generally readily convertible into cash, marginable or accessible for liquidity purposes within a relatively short period of time, as reflected in the Consolidated Statements of Financial Condition (in thousands):

	November 30, 2020	Average Balance Fourth Quarter 2020 (1)	November 30, 2019
Cash and cash equivalents:			
Cash in banks	$ 1,979,058	$ 2,777,480	$ 983,816
Money market investments (2)	5,132,871	4,044,718	4,584,087
Total cash and cash equivalents	7,111,929	6,822,198	5,567,903
Other sources of liquidity:			
Debt securities owned and securities purchased under agreements to resell (3)	1,180,410	1,074,927	972,624
Other (4)	312,511	306,911	377,296
Total other sources	1,492,921	1,381,838	1,349,920
Total cash and cash equivalents and other liquidity sources	$ 8,604,850	$ 8,204,036	$ 6,917,823

(1) Average balances are calculated based on weekly balances.
(2) At November 30, 2020 and 2019, $5,118.0 million and $4,496.7 million, respectively, was invested in U.S. government money funds that invest at least 99.5% of its total assets in cash, securities issued by the U.S. government and U.S. government-sponsored entities, and repurchase agreements that are fully collateralized by cash or government securities. The remaining $14.9 million and $87.4 million at November 30, 2020 and 2019, respectively, are invested in AAA rated prime money funds. The average balance of U.S. government money funds for the quarter ended November 30, 2020 was $4,030.2 million.
(3) Consists of high quality sovereign government securities and reverse repurchase agreements collateralized by U.S. government securities and other high quality sovereign government securities; deposits with a central bank within the EEA, Canada, Australia, Japan, Switzerland or the U.S.; and securities issued by a designated multilateral development bank and reverse repurchase agreements with underlying collateral comprised of these securities.
(4) Other includes unencumbered inventory representing an estimate of the amount of additional secured financing that could be reasonably expected to be obtained from financial instruments owned that are currently not pledged after considering reasonable financing haircuts.

In addition to the cash balances and liquidity pool presented above, the majority of financial instruments (both long and short) in our trading accounts are actively traded and readily marketable. At November 30, 2020, repurchase financing can be readily obtained for approximately 71.0% of Jefferies Group's inventory at haircuts of 10% or less, which reflects the liquidity of the inventory. In addition, as a matter of our policy, all of these assets have internal capital assessed, which is in addition to the funding haircuts provided in the securities finance markets. Additionally, certain of Jefferies Group's financial instruments owned primarily consisting of bank loans, consumer loans and investments are predominantly funded by Jefferies Group's long-term capital. Under Jefferies Group's cash capital policy, capital allocation levels are modeled that are more stringent than the haircuts used in the market for secured funding; and surplus capital is maintained at these more stringent levels. We continually assess the liquidity of Jefferies Group's inventory based on the level at which Jefferies Group could obtain financing in the marketplace for a given asset. Assets are considered to be liquid if financing can be obtained in the repurchase market or the securities lending market at collateral haircut levels of 10% or less.

The following summarizes Jefferies Group's financial instruments owned by asset class that are considered to be of a liquid nature and the amount of such assets that have not been pledged as collateral as reflected in the Consolidated Statements of Financial Condition (in thousands):

	November 30, 2020		November 30, 2019	
	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)
Corporate equity securities	$ 2,191,536	$ 238,129	$ 2,403,589	$ 256,624
Corporate debt securities	2,298,591	50,217	1,893,605	29,412
U.S. Government, agency and municipal securities	3,336,361	110,586	2,894,264	151,414
Other sovereign obligations	2,518,928	1,101,272	2,633,636	969,800
Agency mortgage-backed securities (1)	1,652,743	—	1,757,077	—
Loans and other receivables	564,112	—	655,120	—
Total	$ 12,562,271	$ 1,500,204	$ 12,237,291	$ 1,407,250

(1) Consists solely of agency mortgage-backed securities issued by Freddie Mac, Fannie Mae and Ginnie Mae. These securities include pass-through securities, securities backed by adjustable rate mortgages, collateralized mortgage obligations, commercial mortgage-backed securities and interest- and principal-only securities.
(2) Unencumbered liquid balances represent assets that can be sold or used as collateral for a loan, but have not been.

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

Sources of Funding and Capital Resources

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

Secured Financing

Readily available secured funding is used to finance Jefferies Group's inventory of financial instruments. Jefferies Group's ability to support increases in total assets is largely a function of the ability to obtain short and intermediate-term secured funding, primarily through securities financing transactions. Repurchase or reverse repurchase agreements (collectively "repos"), respectively, are used to finance a portion of long inventory and cover some of short inventory by pledging and borrowing securities. At November 30, 2020, approximately 60.1% of Jefferies Group's cash and noncash repurchase financing activities used collateral that was considered eligible collateral by central clearing corporations. During the year ended November 30, 2020, an average of approximately 87.7% of Jefferies Group's cash and noncash repurchase financing activities used collateral that was considered eligible collateral by central clearing corporations. Central clearing corporations are situated between participating members who borrow cash and lend securities (or vice versa); accordingly, repo participants contract with the central clearing corporation and not one another individually. Therefore, counterparty credit risk is borne by the central clearing corporation which mitigates the risk through initial margin demands and variation margin calls from repo participants. The comparatively large proportion of Jefferies Group's total repo activity that is eligible for central clearing reflects the high quality and liquid composition of the inventory Jefferies Group carries in its trading books. For those asset classes not eligible for central clearing house financing, Jefferies Group seeks to execute its bi-lateral financings on an extended term basis and the tenor of Jefferies Group's repurchase and reverse repurchase agreements generally exceeds the expected holding period of the assets Jefferies Group is financing. The weighted average maturity of cash and noncash repurchase agreements for non-clearing corporation eligible funded inventory is approximately five months at November 30, 2020.

Jefferies Group's ability to finance its inventory via central clearinghouses and bi-lateral arrangements is augmented by Jefferies Group's ability to draw bank loans on an uncommitted basis under its various banking arrangements. At November 30, 2020, short-term borrowings, which must be repaid within one year or less and include bank loans and overdrafts, borrowings under revolving credit facilities, floating rate puttable notes and equity-linked notes, totaled $764.7 million. Interest under the bank

lines is generally at a spread over the federal funds rate. Letters of credit are used in the normal course of business mostly to satisfy various collateral requirements in favor of exchanges in lieu of depositing cash or securities. Average daily short-term borrowings outstanding for Jefferies Group were $656.3 million and $555.4 million for 2020 and 2019, respectively.

Jefferies Group's short-term borrowings include facilities that contain certain covenants that, among other things, require it to maintain a specified level of tangible net worth and impose certain restrictions on the future indebtedness of certain of its subsidiaries that are borrowers. At November 30, 2020, Jefferies Group was in compliance with all covenants under these facilities. Jefferies Group's facilities included within short-term borrowings at November 30, 2020 were as follows (in thousands):

Bank of New York Mellon Master Loan Agreement (1)	$	300,000
JPMorgan Chase Bank, N.A. Credit Facility (2)		246,000
Royal Bank of Canada Credit Facility (3)		200,000
Bank of New York Mellon Credit Facility (4)		—
Total	$	746,000

(1) Interest is generally based at spreads over the Federal Funds Rate as defined in this master loan agreement.
(2) Interest is based on an annual alternative base rate or an adjusted LIBOR, as defined in this credit facility agreement.
(3) Interest is based on a rate per annum equal to LIBOR plus an applicable margin of 2.05%.
(4) During 2020, Jefferies LLC entered into a revolving credit facility with the Bank of New York Mellon for a committed amount of $100.0 million, maturing on September 13, 2021. Interest is based on a rate per annum equal to the Federal Funds Rate plus 2%. At November 30, 2020, there were no borrowings outstanding under this agreement.

Jefferies Group's short-term borrowings at November 30, 2020 also include floating rate puttable notes of $6.8 million, equity-linked notes of $5.1 million and other bank loans of $6.8 million.

In addition, the Bank of New York Mellon has agreed to make revolving intraday credit advances ("Jefferies Group Intraday Credit Facility") for an aggregate committed amount of $150.0 million. The Jefferies Group Intraday Credit Facility is structured so that advances are generally repaid before the end of each business day. However, if an advance is not repaid by the end of any business day, the advance is converted to an overnight loan. Intraday loans accrue interest at a rate of 0.12%. Interest is charged based on the number of minutes in a day the advance is outstanding. Overnight loans are charged interest at the base rate plus 3% on a daily basis. The base rate is the higher of the federal funds rate plus 0.50% or the prime rate in effect at that time. The Intraday Credit Facility contains financial covenants, which include a minimum regulatory net capital requirement for Jefferies Group's U.S. broker-dealer, Jefferies LLC. At November 30, 2020, Jefferies Group was in compliance with all debt covenants under the Jefferies Group Intraday Credit Facility.

In addition to the above financing arrangements, Jefferies Group issues notes backed by eligible collateral under a master repurchase agreement, which provides an additional financing source for its inventory ("repurchase agreement financing program"). The notes issued under the program are presented within Other secured financings in the Consolidated Statements of Financial Condition. At November 30, 2020, the outstanding notes were $2.7 billion, bear interest at a spread over LIBOR and mature from December 2020 to August 2022.

Long-Term Debt

Jefferies Group's long-term debt reflected in the Consolidated Statement of Financial Condition at November 30, 2020 is $6.9 billion. Jefferies Group's long-term debt, excluding its revolving credit facility and the secured bank loan, has a weighted average maturity of approximately 10.8 years.

During the twelve months ended November 30, 2020, Jefferies Group's 2.375% Euro Medium Term Notes matured and were repaid, and its 6.875% Senior Notes due 2021 were retired early. Additionally, during the twelve months ended November 30, 2020, Jefferies Group issued structured notes with a total principal amount of approximately $325.5 million, net of retirements, an additional $150.0 million principal amount of 5.125% Senior Notes due 2023 and $500.0 million principal amount of 2.75% Senior Notes due 2032. At November 30, 2020, all of Jefferies Group's structured notes contain various interest rate payment terms and are accounted for at fair value, with changes in fair value resulting from a change in the instrument specific credit risk presented in Accumulated other comprehensive income (loss) and changes in fair value resulting from non-credit components recognized in Principal transactions revenue. The fair value of all of Jefferies Group's structured notes at November 30, 2020 was $1,712.2 million

Jefferies Group has a Revolving Credit Facility ("Jefferies Group Revolving Credit Facility") with a group of commercial banks for an aggregate principal amount of $190.0 million. At November 30, 2020, borrowings under the Jefferies Group Revolving Credit Facility amounted to $189.7 million. Interest is based on an annual alternative base rate or an adjusted LIBOR, as defined in the Jefferies Group Revolving Credit Facility agreement. The Jefferies Group Revolving Credit Facility contains certain covenants that, among other things, requires Jefferies Group LLC to maintain specified level of tangible net worth and liquidity amounts, and imposes certain restrictions on future indebtedness of and requires specified levels of regulated capital for certain of its subsidiaries. Throughout the year and at November 30, 2020, no instances of noncompliance with the Jefferies Group Revolving Credit Facility covenants occurred and we expect to remain in compliance given our current liquidity and anticipated funding requirements given our business plan and profitability expectations.

One of Jefferies Group's subsidiaries has a Loan and Security Agreement with a bank for a term loan with a principal amount of $50.0 million ("Jefferies Group Secured Bank Loan"). This Jefferies Group Secured Bank Loan matures on September 27, 2021 and is collateralized by certain trading securities. Interest on the Jefferies Group Secured Bank Loan is 1.25% plus LIBOR. The agreement contains certain covenants that, among other things, restrict lien or encumbrance upon any of the pledged collateral. At November 30, 2020, we were in compliance with all covenants under the Jefferies Group Loan and Security Agreement.

Jefferies Group's long-term debt ratings are as follows:

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

(1) On April 15, 2020, Moody's Investors Service affirmed Jefferies Group's rating of Baa3 and rating outlook of stable.
(2) On October 29, 2020, Standard and Poor's affirmed Jefferies Group's rating of BBB and revised its rating outlook from negative to stable.

Jefferies Group's access to external financing to finance its day to day operations, as well as the cost of that financing, is dependent upon various factors, including its debt ratings. Jefferies Group's current debt ratings are dependent upon many factors, including industry dynamics, operating and economic environment, operating results, operating margins, earnings trend and volatility, balance sheet composition, liquidity and liquidity management, capital structure, overall risk management, business diversification and market share and competitive position in the markets in which it operates. Deterioration in any of these factors could impact Jefferies Group's credit ratings. While certain aspects of a credit rating downgrade are quantifiable pursuant to contractual provisions, the impact on business and trading results in future periods is inherently uncertain and depends on a number of factors, including the magnitude of the downgrade, the behavior of individual clients and future mitigating action taken by us.

In connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, we may be required to provide additional collateral to counterparties, exchanges and clearing organizations in the event of a credit rating downgrade. At November 30, 2020, the amount of additional collateral that could be called by counterparties, exchanges and clearing organizations under the terms of such agreements in the event of a downgrade of Jefferies Group's long-term credit rating below investment grade was $102.9 million. For certain foreign clearing organizations, credit rating is only one of several factors employed in determining collateral that could be called. The above represents management's best estimate for additional collateral to be called in the event of a credit rating downgrade. The impact of additional collateral requirements is considered in Jefferies Group's Contingency Funding Plan and calculation of Modeled Liquidity Outflow, as described above.

Ratings issued by credit rating agencies are subject to change at any time.

Net Capital

Jefferies Group operates a broker-dealer, Jefferies LLC, registered with the SEC and member firms of FINRA. Jefferies LLC is subject to the SEC Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital and has elected to calculate minimum capital requirements using the alternative method permitted by Rule 15c3-1 in calculating net capital. Jefferies LLC, as a dually-registered U.S. broker-dealer and FCM, is also subject to Rule 1.17 of the CFTC, which sets forth minimum financial requirements. The minimum net capital requirement in determining excess net capital for a dually-registered U.S. broker-dealer and FCM is equal to the greater of the requirement under Rule 15c3-1 or CFTC Rule 1.17. Jefferies LLC's net capital and excess net capital at November 30, 2020 were $2,161.3 million and $2,060.5 million, respectively. FINRA is the designated examining authority for Jefferies LLC and the NFA is the designated self-regulatory organization for Jefferies LLC as an FCM.

Certain other U.S. and non-U.S. subsidiaries of Jefferies Group are subject to capital adequacy requirements as prescribed by the regulatory authorities in their respective jurisdictions, including Jefferies International Limited which is subject to the regulatory supervision and requirements of the Financial Conduct Authority in the U.K. The Dodd-Frank Act was signed into law on July 21, 2010. The Dodd-Frank Act contains provisions that require the registration of all swap dealers, major swap participants, security-based swap dealers, and/or major security-based swap participants. The CFTC has finalized rules establishing capital requirements and financial reporting requirements for CFTC registered swap dealers not subject to regulation by a banking regulator. We expect that these provisions will result in modifications to the regulatory capital requirements of some of Jefferies Group's entities, and will result in some of Jefferies Group's other entities becoming subject to regulatory capital requirements for the first time, including Jefferies Financial Services, Inc., which registered as a swap dealer with the CFTC during January 2013 and Jefferies Financial Products LLC, which registered during August 2014. Jefferies Group may also be required in the future to register one or more additional subsidiaries as security-based swap dealers with the SEC. Compliance with these rules is required by October 6, 2021.

The regulatory capital requirements referred to above may restrict Jefferies Group's ability to withdraw capital from its regulated subsidiaries.

Some of our other consolidated subsidiaries also have credit agreements which may restrict the payment of cash dividends, or the ability to make loans or advances to the parent company.

Other Developments

The U.K. left the EU on January 31, 2020 and the current transition period ended on December 31, 2020. On January 1, 2021, Jefferies Group's U.K. broker dealer, Jefferies International Limited, is no longer able to provide services to European clients under the passport regime. Jefferies Group has taken steps to ensure its ability to provide services to its European clients without interruption by establishing a wholly-owned subsidiary in Germany ("Jefferies GmbH"), which is authorized and regulated in Germany by the Federal Financial Services Authority ("BaFin"). European clients have been migrated to Jefferies GmbH to conduct business across all of Jefferies Group's European investment banking, fixed income and equity platforms. During 2020, Jefferies Group's European branches in Amsterdam, Madrid, Milan, Paris and Stockholm were migrated and Jefferies Group increased its local employees, equity capital and established clearing relationships.

Central banks and regulators around the world have convened working groups to find, and implement the transition to, suitable replacements for IBORs. Jefferies Group has an active transition program that focuses on an orderly transition from IBORs to alternative reference rates, including internal operational readiness and risk management. Jefferies Group is identifying, assessing and monitoring risk associated with the expected discontinuation of IBORs, which includes taking steps to update operational processes and models and evaluation legacy contracts for any changes that may be required.

Off-Balance Sheet Arrangements

At November 30, 2020, our commitments and guarantees, substantially all of which related to Jefferies Group, are as follows:

		Expected Maturity Date				
Commitments and Guarantees	**Total**	**2021**	**2022**	**2023 and 2024**	**2025 and 2026**	**After 2026**
			(In millions)			
Equity commitments	$ 465.5	$ 365.5	$ 53.4	$ 25.3	$ 14.5	$ 6.8
Loan commitments	286.8	249.5	10.0	25.0	2.3	—
Underwriting commitments	243.3	243.3	—	—	—	—
Forward starting reverse repos	6,048.0	6,048.0	—	—	—	—
Forward starting repos	3,488.7	3,488.7	—	—	—	—
Other unfunded commitments	186.8	156.6	25.0	5.2	—	—
Derivative contracts (1):						
Non-credit related	21,246.5	12,607.6	2,475.8	5,760.8	390.4	11.9
Credit related	6.4	—	—	6.4	—	—
Standby letters of credit	22.0	14.6	5.8	1.1	—	0.5
Total commitments and guarantees	$ 31,994.0	$ 23,173.8	$ 2,570.0	$ 5,823.8	$ 407.2	$ 19.2

(1) Certain of our derivative contracts meet the definition of a guarantee and are therefore included in the above table. For additional information on commitments, see Note 22 in our consolidated financial statements.

We have agreed to reimburse Berkshire Hathaway for up to one-half of any losses incurred under a $1.5 billion surety policy securing outstanding commercial paper issued by an affiliate of Berkadia. As of November 30, 2020, the aggregate amount of commercial paper outstanding was $1.47 billion. This commitment is not included in the table above as the timing of payments, if any, is uncertain.

In the normal course of business, we engage in other off-balance sheet arrangements, including derivative contracts. Neither derivatives' notional amounts nor underlying instrument values are reflected as assets or liabilities in the Consolidated Statements of Financial Condition. Rather, the fair values of derivative contracts are reported in the Consolidated Statements of Financial Condition as Financial instruments owned, at fair value or Financial instruments sold, not yet purchased, at fair value as applicable. Derivative contracts are reflected net of cash paid or received pursuant to credit support agreements and are reported on a net by counterparty basis when a legal right of offset exists under an enforceable master netting agreement. For additional information about our accounting policies and our derivative activities see Notes 2, 4 and 5 in our consolidated financial statements.

We are routinely involved with variable interest entities ("VIEs") in the normal course of business. At November 30, 2020, we did not have any commitments to purchase assets from our VIEs. For additional information regarding VIEs, see Notes 7 and 8 in our consolidated financial statements.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Actual results could significantly differ from those estimates. We believe that the following discussion addresses our most critical accounting estimates, which are those that are important to the presentation of our financial condition and results of operations and require our most difficult, subjective and complex judgments.

Fair Value of Financial Instruments – Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value are recorded at fair value, either as required by accounting pronouncements or through the fair value option election. Gains and losses on Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value are recognized in the Consolidated Statements of Operations in Principal transactions. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

In determining fair value, we maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. We apply a hierarchy to categorize our fair value measurements broken down into three levels based on the transparency of inputs as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reported date. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2: Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable at the reported date. The nature of these financial instruments includes cash instruments for which quoted prices are available but traded less frequently, derivative instruments for which fair values have been derived using model inputs that are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3: Instruments that have little to no pricing observability 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.

Fair value is a market based measure; therefore, when market observable inputs are not available, our judgment is applied to reflect those judgments that a market participant would use in valuing the same asset or liability. The availability of observable inputs can vary for different products. We use prices and inputs that are current as of the measurement date even in periods of market disruption or illiquidity. The valuation of financial instruments classified in Level 3 of the fair value hierarchy involves the greatest amount of management judgment.

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

For further information on the fair value definition, Level 1, Level 2, Level 3 and related valuation techniques, see Notes 2 and 4 in our consolidated financial statements.

Income Taxes – We record a valuation allowance to reduce our net deferred tax asset to the amount that is more likely than not to be realized. We are required to consider all available evidence, both positive and negative, and to weigh the evidence when determining whether a valuation allowance is required and the amount of such valuation allowance. Generally, greater weight is required to be placed on objectively verifiable evidence when making this assessment, in particular on recent historical operating results.

We also record reserves for unrecognized tax benefits based on our assessment of the probability of successfully sustaining tax filing positions. Management exercises significant judgment when assessing the probability of successfully sustaining tax filing positions, and in determining whether a contingent tax liability should be recorded and if so, estimating the amount. If our tax filing positions are successfully challenged, payments could be required that are in excess of reserved amounts or we may be required to reduce the carrying amount of our net deferred tax asset, either of which could be significant to our Consolidated Statements of Financial Condition or results of operations.

Impairment of Long-Lived Assets – We evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. When testing for impairment, we group our long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (or asset group). The determination of whether an asset group is recoverable is based on management's estimate of undiscounted future cash flows directly attributable to the asset group as compared to its carrying value. If the carrying amount of the asset group is greater than the undiscounted cash flows, an impairment loss would be recognized for the amount by which the carrying amount of the asset group exceeds its estimated fair value.

Due to a decline in oil and gas prices during the second quarter of 2020, Vitesse Energy Finance performed impairment analyses on its proven oil and gas properties in the DJ Basin of Wyoming and Colorado and the Bakken Shale oil field in North Dakota. Vitesse Energy Finance first determined the estimated undiscounted cash flows based on the reserves and costs utilized in its reserve report and then updated those cash flows based on strip pricing as of May 31, 2020. The expected undiscounted future net cash flows were then compared to the end of quarter net carrying value of the oil and gas properties. No impairment of the Bakken Shale oil field assets was necessary as the undiscounted future net cash flows significantly exceeded the carrying value of these assets. As undiscounted future net cash flows were lower than the carrying value of the DJ Basin properties, Vitesse Energy Finance then determined the estimated fair value of the proven properties. To measure the estimated fair value of its proven properties, Vitesse Energy Finance used unobservable Level 3 inputs, including a 10.0% discount rate and estimated future cash flows from its reserve report. The estimated fair value of Vitesse Energy Finance's proven oil and gas properties in the DJ Basin totaled $26.8 million, which was $13.2 million lower than the carrying value as of the end of the second quarter of 2020. As a result, an impairment charge of $13.2 million was recorded in Selling, general and other expenses during 2020.

Due to a decline in oil and gas prices during the first quarter of 2020, JETX Energy performed an impairment analysis for its oil and gas properties in the East Eagle Ford. JETX Energy first determined the estimated undiscounted cash flows based on the reserves and costs utilized in its reserve report and then updated those cash flows based on strip pricing as of February 29, 2020. The expected undiscounted future net cash flows were then compared to the end of quarter net carrying value of the proven properties. As the undiscounted future net cash flows were lower than the carrying value, JETX Energy then determined the estimated fair value of the proven properties. To measure the estimated fair value of its proven properties, JETX Energy used unobservable Level 3 inputs, including a 10.0% discount rate and estimated future cash flows from its reserve report. The estimated fair value of JETX Energy's proven oil and gas properties in the East Eagle Ford totaled $9.6 million, which was $33.0 million lower than the carrying value as of the end of first quarter of 2020. As a result, an impairment charge of $33.0 million was recorded in Selling, general and other expenses during 2020.

Impairment of Equity Method Investments – We evaluate equity method investments for impairment when operating losses or other factors may indicate a decrease in value which is other than temporary. We consider a variety of factors including economic conditions nationally and in their geographic areas of operation, adverse changes in the industry in which they operate, declines in business prospects, deterioration in earnings, increasing costs of operations and other relevant factors specific to the investee. Whenever we believe conditions or events indicate that one of these investments might be significantly impaired, we obtain from such investee updated cash flow projections. We use this information and, together with discussions with the investee's management and comparable public company analysis, evaluate if the book value of its investment exceeds its fair value, and if so and the situation is deemed other than temporary, record an impairment charge.

As described further in Note 9, in the third quarter of 2018 we engaged an independent valuation firm to assist management in estimating the fair value of our equity investment in Golden Queen. Our estimate of fair value was based on a discounted cash flow analysis and is categorized within Level 3 of the fair value hierarchy. The discounted cash flow valuation model used inputs including management's projections of future Golden Queen cash flows and a discount rate of 12%. The estimated fair value of our equity investment in Golden Queen was $62.3 million, which was $47.9 million lower than our prior carrying value at the end of the second quarter 2018. As a result, an impairment charge of $47.9 million was recorded in Income (loss) related to associated companies in the third quarter of 2018.

During the fourth quarter of 2018, we recorded an impairment charge of $62.1 million related to the equity component of our investment in FXCM, which was based on updated expectations that had been impacted by the then revised regulations of the European Securities Market Authority and dampened operating results. Based on the updated projections, we evaluated in the fourth quarter of 2018 whether our equity method investment was fully recoverable. We engaged an independent valuation firm to assist management in estimating the fair value of FXCM. Our estimate of fair value was based on a discounted cash flow analysis. The result of our analysis indicated that the estimated fair value of our equity interest in FXCM was lower than our carrying value by $62.1 million. We concluded that based on the decline in projections and the adverse effects of the European regulations, that the decline in fair value of our equity interest was other than temporary. As a result, we impaired our equity investment in FXCM in the fourth quarter of 2018 by $62.1 million.

HomeFed has a 49% membership interest in the RedSky JZ Fulton Mall joint venture, which owns a property in Brooklyn, New York. The property consists of 14 separate tax lots, divided into two development sites which may be redeveloped with buildings consisting of up to 540,000 square feet of floor area development rights. During the first quarter of 2020, difficulties were encountered with attempts to refinance debt within the investment. We viewed this, combined with a softening of the Brooklyn, New York real estate market during the quarter, as a triggering event and evaluated HomeFed's equity method investment in RedSky JZ Fulton Mall to determine if there was an impairment. In connection with this evaluation, we obtained an appraisal which reflected a reduction in the value of the investment in comparison to an earlier appraisal obtained shortly before the beginning of the quarter. The appraisal was based off of Level 3 inputs consisting of prices of comparable properties and the appraisal indicated that the value of the property was worth less than the debt outstanding. HomeFed recorded an impairment charge of $55.6 million within Income (loss) related to associated companies during 2020, which represented all of its carrying value in the joint venture.

Goodwill – We allocate the acquisition cost of consolidated businesses to the specific tangible and intangible assets acquired and liabilities assumed based upon their fair values. Significant judgments and estimates are often made by management to determine these values, and may include the use of appraisals, consideration of market quotes for similar transactions, use of discounted cash flow techniques or consideration of other information we believe to be relevant. Any excess acquisition cost over the fair values of the net assets acquired is recorded as goodwill, which is not amortized to expense. Substantially all of our goodwill was recognized in connection with the Jefferies Group acquisition.

At least annually, and more frequently if warranted, we assess whether goodwill has been impaired at the reporting unit level. In testing for goodwill impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not necessary. If we conclude otherwise, we are required to perform the two-step quantitative impairment test. In the first step, the fair value of each reporting unit is compared with its carrying value, including goodwill and allocated intangible assets. If the fair value is in excess of the carrying value, the goodwill for the reporting unit is considered not to be impaired. If the fair value is less than the carrying value then a second step is performed in order to measure the amount of the impairment loss, if any, which is based on comparing the implied fair value of the reporting unit's goodwill to the carrying value. We adopted Accounting Standards Update No. 2017-04 on December 1, 2020, which simplifies goodwill impairment testing by eliminating the second step of the impairment test noted above. If the total carrying value of a reporting unit exceeds the fair value, an impairment charge would be recorded to goodwill for the difference between the carrying value and the fair value.

The fair values are based on valuation techniques that we believe market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The methodologies we utilize in estimating fair value include price-to-earnings and price-to-book multiples of comparable public companies and/or projected cash flows. In addition, as the fair values determined under a market approach represent a noncontrolling interest, we applied a control premium to arrive at the estimated fair value of our reporting units on a controlling basis. 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.

An independent valuation specialist was engaged to assist with the valuation process relating to the Investment Banking and Capital Markets, and Asset Management segments for our annual goodwill impairment test as of August 1, 2020. The results of our annual goodwill impairment test for both the Investment Banking and Capital Markets segment and the Asset Management segment did not indicate any goodwill impairment.

Intangible Assets – Intangible assets deemed to have finite lives are generally 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. If future undiscounted cash flows are estimated to be less than the carrying amounts of the asset groups used to generate those cash flows in subsequent reporting periods, particularly for those with large investments in amortizable intangible assets, impairment charges would have to be recorded.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when certain events or circumstances exist indicating an assessment for impairment is necessary. Impairment exists when the carrying amount exceeds its fair value. Fair value is determined using valuation techniques consistent with what a market participant would use. All of our indefinite-lived intangible assets were recognized in connection with the 2013 Jefferies Group acquisition, which consists of exchange and clearing organization membership interests and registrations. Our annual impairment testing date was August 1, 2020. At August 1, 2020, we elected to perform a quantitative assessment of membership interests and registrations that have available quoted sales prices as well as certain other membership interests and registrations that have declined in utilization. Qualitative assessments were performed on the remainder of our indefinite-life intangible assets. In applying our quantitative assessment at August 1, 2020, we recognized immaterial impairment losses on certain exchange membership interests and registrations. With regard to our qualitative assessment of the remaining indefinite-life intangible assets, based on our assessment of market conditions, the utilization of the assets and the replacement costs associated with the assets, we concluded that it is not more likely than not that the intangible assets are impaired.

Contingencies – In the normal course of business, we have been named, from time to time, as a defendant in legal and regulatory proceedings. We are also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding our businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions.

We recognize a liability for a contingency when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the reasonable estimate of a probable loss is a range, we accrue the most likely amount of such loss, and if such amount is not determinable, then we accrue the minimum in the range as the loss accrual. The determination of the outcome and loss estimates requires significant judgment on the part of management, can be highly subjective and is subject to significant change with the passage of time as more information becomes available. Estimating the ultimate impact of litigation matters is inherently uncertain, in particular because the ultimate outcome will rest on events and decisions of others that may not be within our power to control. We do not believe that any of our current litigation will have a significant adverse effect on our consolidated financial position, results of operations or liquidity; however, if amounts paid at the resolution of litigation are in excess of recorded reserve amounts, the excess could be significant in relation to results of operations for that period. For further information, see Note 22 in our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The following includes "forward-looking statements" that involve risk and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. The discussion of risk is presented separately for Jefferies Group and the balance of our company. Exclusive of Jefferies Group, our market risk arises principally from equity price risk.

Excluding Jefferies Group, Financial instruments owned, at fair value include corporate equity securities with an aggregate fair value of $281.1 million at November 30, 2020. Assuming a decline of 10% in market prices, the value of these investments could decrease by approximately $28.1 million.

Jefferies Group

Overview

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

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

In achieving our strategic business objectives, our risk appetite incorporates keeping our clients' interests at the top of our priority list and ensuring we are in compliance with applicable laws, rules and regulations, as well as adhering to the highest ethical standards. We undertake prudent and conservative risk-taking that protects the capital base and franchise, utilizing risk limits and tolerances that avoid outsized risk-taking. We maintain a diversified business mix and avoid significant concentrations to any sector, product, geography, or activity and set quantitative concentration limits to manage this risk. We consider contagion, second order effects and correlation in our risk assessment process and actively seek out value opportunities of all sizes. We manage the risk of opportunities larger than our approved risk levels through risk sharing and risk distribution, sell-down and hedging as appropriate. We have a limited appetite for illiquid assets and complex derivative financial instruments. We maintain the asset quality of our balance sheet through conducting trading activity in liquid markets and generally ensure high turnover of our inventory. We subject less liquid positions and derivative financial instruments to oversight and use a wide variety of specific metrics, limits, and constraints to manage these risks. We protect our reputation and franchise, as well as our standing within the market. We operate a federated approach to risk management with risk oversight responsibilities assigned to those areas of the business that have the appropriate knowledge.

For discussion of liquidity and capital risk management, refer to the "Liquidity and Capital Resources" section herein.

Risk Considerations

We apply a comprehensive framework of limits on a variety of key metrics to constrain the risk profile of our business activities. The size of the limits reflects our risk tolerance for a certain activity under normal business conditions. Key metrics included in our risk management framework include inventory position and exposure limits on a gross and net basis, scenario analysis and stress tests, Value-at-Risk ("VaR"), sensitivities, exposure concentrations, aged inventory, amount of Level 3 assets, counterparty exposure, leverage and cash capital.

Market Risk

Market risk is defined as the risk of loss due to fluctuations in the market value of financial assets and liabilities attributable to changes in market variables.

Our market risk principally arises from interest rate risk, from exposure to changes in the yield curve, the volatility of interest rates, and credit spreads, and from equity price risks from exposure to changes in prices and volatilities of individual equities, equity baskets and equity indices. In addition, commodity price risk results from exposure to the changes in prices and

volatilities of individual commodities, commodity baskets and commodity indices, and foreign exchange risk results from changes in foreign currency rates.

Market risk is present in our market-making, proprietary trading, underwriting, specialist and investing activities and is principally managed by diversifying exposures, controlling position sizes, and establishing economic hedges in related securities or derivatives. Due to imperfections in correlations, gains and losses can occur even for positions that are economically hedged. Position limits in trading and inventory accounts are established and monitored on an ongoing basis. Each day, consolidated position and exposure reports are prepared and distributed to various levels of management, which enable management to monitor inventory levels and the results of its trading businesses.

Trader Mandates

Trading is principally managed through front office trader mandates, where each trader is provided a specific mandate in line with our product registry. Mandates set out the activities, currencies, countries and products that the desk is permitted to trade in and set the limits applicable to the desk. Traders are responsible for knowing their trading limits and trading in a manner consistent with their mandate. Trader mandates are reviewed annually and as part of the new business proposal process.

Value-at-Risk

VaR is a statistical estimate of the potential loss from adverse market movements over a specified time horizon within a specified probability (confidence level). It provides a common risk measure across financial instruments, markets and asset classes. We estimate VaR using a model that simulates revenue and loss distributions on Jefferies Group's trading portfolios by applying historical market changes to the current portfolio. We calculate a one day VaR using a one year look-back period measured at a 95% confidence level.

As with all measures of VaR, the estimate has inherent limitations due to the assumption that historical changes in market conditions are representative of the future. Furthermore, the VaR model measures the risk of a current static position over a one day horizon and might not capture the market risk over a longer time horizon where moves may be more extreme. Previous changes in market risk factors may not generate accurate predictions of future market movements. While we believe the assumptions and inputs in our risk model are reasonable, we could incur losses greater than the reported VaR. Consequently, this VaR estimate is only one of a number of tools we use in our daily risk management activities.

Average daily VaR increased to $10.51 million for 2020 from $8.79 million for 2019. The increase in average VaR and the average interest rate VaR component was primarily due to the increase in market volatility observed throughout 2020.

The following table illustrates each separate component of VaR for each component of market risk by interest rate, equity, currency and commodity products, as well as for Jefferies Group's overall trading positions using the past 365 days of historical data (in millions):

Daily VaR (1)
Value-at-Risk in Trading Portfolios

Risk Categories	VaR at November 30, 2020	Daily VaR for 2020			VaR at November 30, 2019	Daily VaR for 2019		
		Average	High	Low		Average	High	Low
Interest Rates	$ 7.66	$ 7.90	$ 12.50	$ 3.93	$ 4.81	$ 4.47	$ 6.22	$ 2.58
Equity Prices	12.54	8.01	14.91	3.68	5.07	7.94	13.17	4.75
Currency Rates	0.16	0.21	2.17	0.03	0.32	0.25	1.41	0.06
Commodity Prices	0.44	0.70	1.56	0.24	0.64	0.89	2.43	0.40
Diversification Effect (2)	(2.04)	(6.31)	N/A	N/A	(6.14)	(4.76)	N/A	N/A
Firmwide	$ 18.76	$ 10.51	$ 22.78	$ 5.02	$ 4.70	$ 8.79	$ 14.83	$ 4.70

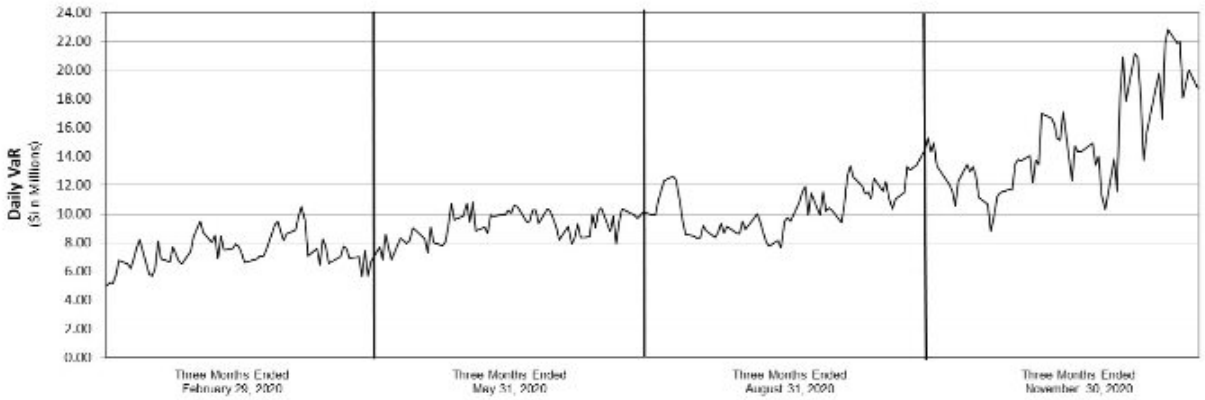
(1) For the VaR numbers reported above, a one day time horizon, with a one year look-back period, and a 95% confidence level were used.
(2) The diversification effect is not applicable for the maximum and minimum VaR values as Jefferies Group's firmwide VaR and VaR values for the four risk categories might have occurred on different days during the year.

The aggregated VaR presented here is less than the sum of the individual components (i.e., interest rate risk, foreign exchange rate risk, equity risk and commodity price risk) due to the benefit of diversification among the four risk categories. Diversification benefit equals the difference between aggregated VaR and the sum of VaRs for the four risk categories and arises because the market risk categories are not perfectly correlated.

Jefferies Group performs daily back-testing of its VaR model comparing realized revenue and loss with the previous day's VaR. Backtesting results are included in the quarterly business review pack for its Board. The primary method used to test the efficacy of the VaR model is to compare actual daily net revenue for those positions included in the VaR calculation with the daily VaR estimate. This evaluation is performed at various levels of the trading portfolio, from the overall level down to specific business lines. For the VaR model, trading related revenue is defined as principal transactions revenues, trading related commissions, revenue from securitization activities and net interest income.

For a 95% confidence one day VaR model (i.e., no intra-day trading), assuming current changes in market value are consistent with the historical changes used in the calculation, net trading losses would not be expected to exceed the VaR estimates more than twelve times on an annual basis (i.e., once in every 20 days). During 2020, results of the evaluation at the aggregate level demonstrated eleven day when the net trading loss exceeded the 95% one day VaR.

The chart below reflects our daily VaR over the last four quarters, with the increase in August 2020 and the fourth quarter of 2020 due to market volatility observed throughout 2020 and as certain businesses took advantage of positive market momentum in August and November 2020.



Daily Net Trading Revenue

There were 26 days with trading losses out of a total of 252 trading days in 2020. The histogram below presents the distribution of our actual daily net trading revenue for substantially all of Jefferies Group's trading activities for 2020 (in millions).



Other Risk Measures

Certain positions within financial instruments are not included in the VaR model because VaR is not the most appropriate measure of risk. Accordingly, Jefferies Group's Risk Management has additional procedures in place to assure that the level of potential loss that would arise from market movements are within acceptable levels. Such procedures include performing stress tests, monitoring concentration risk and tracking price target/stop loss levels. The table below presents the potential reduction in net income associated with a 10% stress of the fair value of the positions that are not included in the VaR model at November 30, 2020 (in thousands):

	10% Sensitivity
Investment in funds (1)	$ 95,598
Private investments	16,655
Corporate debt securities in default	7,979
Trade claims	3,808

(1) Includes investments in hedge funds, fund of funds and private equity funds. For additional information on these investments, see Note 4 in our consolidated financial statements.

VaR also excludes the impact of changes in Jefferies Group's own credit spreads on its structured notes for which the fair value option was elected. The estimated credit spread risk sensitivity for each one basis point widening in Jefferies Group's own credit spreads on financial liabilities for which the fair value option was elected was an increase in value of approximately $1.2 million at November 30, 2020, which is included in Accumulated other comprehensive income (loss).

Stress Tests and Scenario Analysis

Stress tests are used to analyze the potential impact of specific events or extreme market moves on the current portfolio both firm-wide and within business segments. Stress testing is an important part of our risk management approach because it allows us to quantify our exposure to tail risks, highlight potential loss concentrations, undertake risk/reward analysis, set risk controls and overall assess and mitigate its risk.

We employ a range of stress scenarios, which comprise both historical market price and rate changes and hypothetical market environments, and generally involve simultaneous changes of many risk factors. Indicative market changes in our scenarios include, but are not limited to, a large widening of credit spreads, a substantial decline in equities markets, significant moves in selected emerging markets, large moves in interest rates and changes in the shape of the yield curve.

Unlike VaR, which measures potential losses within a given confidence interval, stress scenarios do not have an associated implied probability. Rather, stress testing is used to estimate the potential loss from market moves that tend to be larger than those embedded in the VaR calculation. Stress testing complements VaR to cover for potential limitations of VaR such as the breakdown in correlations, non-linear risks, tail risk and extreme events and capturing market moves beyond the confidence levels assumed in the VaR calculations.

Stress testing is performed and reported at least weekly as part of our risk management process and on an ad hoc basis in response to market events or concerns. Current stress tests provide estimated revenue and loss of the current portfolio through a range of both historical and hypothetical events. The stress scenarios are reviewed and assessed at least annually so that they remain relevant and up to date with market developments. Additional hypothetical scenarios are also conducted on a sub-portfolio basis to assess the impact of any relevant idiosyncratic stress events as needed.

Counterparty Credit Risk

Credit risk is the risk of loss due to adverse changes in a counterparty's credit worthiness or its ability or willingness to meet its financial obligations in accordance with the terms and conditions of a financial contract. We are exposed to credit risk as a trading counterparty to other broker-dealers and customers, as a direct lender and through extending loan commitments, as a holder of securities and as a member of exchanges and clearing organizations. Credit exposure exists across a wide-range of products, including cash and cash equivalents, loans, securities finance transactions and over-the-counter derivative contracts. The main sources of our credit risk are:

- Loans and lending arising in connection with our investment banking and capital markets activities, which reflects our exposure at risk on a default event with no recovery of loans. Current exposure represents loans that have been drawn by the borrower and lending commitments that are outstanding. In addition, credit exposures on forward settling traded loans are included within our loans and lending exposures for consistency with the balance sheet categorization of these items. Loans and lending also arise in connection with our portion of Jefferies Group's Secured Revolving Credit Facility that is with Jefferies Group and Massachusetts Mutual Life Insurance Company, to be funded equally, to support loan underwritings by Jefferies Finance. See Note 9 for additional information on this facility. In addition, Jefferies Group has loans outstanding to certain of its officers and employees (none of whom are executive officers or directors). See Note 25 for additional information on these employee loans.
- Securities and margin financing transactions, which reflect our credit exposure arising from reverse repurchase agreements, repurchase agreements and securities lending agreements to the extent the fair value of the underlying collateral differs from the contractual agreement amount and from margin provided to customers.
- Over-the-counter derivatives, which are reported net by counterparty when a legal right of setoff exists under an enforceable master netting agreement. Over-the-counter derivative exposure is based on a contract at fair value, net of cash collateral received or posted under credit support agreements. In addition, credit exposures on forward settling trades are included within our derivative credit exposures.
- Cash and cash equivalents, which include both interest-bearing and non-interest-bearing deposits at banks.

Credit is extended to counterparties in a controlled manner and in order to generate acceptable returns, whether such credit is granted directly or is incidental to a transaction. All extensions of credit are monitored and managed as a whole to limit exposure to loss related to credit risk. Credit risk is managed according to the Credit Risk Policy, which sets out the process for identifying counterparty credit risk, establishing counterparty limits, and managing and monitoring credit limits. The policy includes our approach for:

- Client on-boarding and approving counterparty credit limits;
- Negotiating, approving and monitoring credit terms in legal and master documentation;
- Determining the analytical standards and risk parameters for ongoing management and monitoring credit risk books;
- Actively managing daily exposure, exceptions and breaches; and
- Monitoring daily margin call activity and counterparty performance.

Counterparty credit exposure limits are granted within our credit ratings framework, as detailed in the Credit Risk Policy. Jefferies Group's Credit Risk Department assesses counterparty credit risk and sets credit limits at the counterparty master

agreement level. Limits must be approved by appropriate credit officers and initiated in our credit and trading systems before trading commences. All credit exposures are reviewed against approved limits on a daily basis.

Jefferies Group's Secured Revolving Credit Facility, which supports loan underwritings by Jefferies Finance, is governed under separate policies other than the Credit Risk Policy and is approved by Jefferies Group's Board of Directors. The loans outstanding to certain of Jefferies Group's officers and employees are extended pursuant to a review by its most senior management.

Current counterparty credit exposures are summarized in the tables below and provided by credit quality, region and industry. Credit exposures presented take netting and collateral into consideration by counterparty and master agreement. Collateral taken into consideration includes both collateral received as cash as well as collateral received in the form of securities or other arrangements. Current exposure is the loss that would be incurred on a particular set of positions in the event of default by the counterparty, assuming no recovery. Current exposure equals the fair value of the positions less collateral. Issuer risk is the credit risk arising from inventory positions (for example, corporate debt securities and secondary bank loans). Issuer risk is included in our country risk exposure tables below.

The amounts in the tables below are for amounts included in the Consolidated Statements of Financial Condition at November 30, 2020 and 2019 (in millions).

Counterparty Credit Exposure by Credit Rating

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At		At		At		At		At		At	
	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019
AAA Range	$ —	$ —	$ 1.1	$ 1.5	$ 0.1	$ —	$ 1.2	$ 1.5	$ 5,132.9	$ 4,584.1	$ 5,134.1	$ 4,585.6
AA Range	45.2	45.2	111.7	43.0	9.8	3.7	166.7	91.9	7.8	5.3	174.5	97.2
A Range	0.2	1.1	542.2	531.9	147.2	152.4	689.6	685.4	1,967.9	976.3	2,657.5	1,661.7
BBB Range	250.5	250.2	110.2	140.9	18.1	48.3	378.8	439.4	2.2	1.6	381.0	441.0
BB or Lower	50.0	15.0	8.3	6.6	201.6	154.1	259.9	175.7	0.1	—	260.0	175.7
Unrated	142.0	94.2	—	—	0.2	6.8	142.2	101.0	1.0	0.6	143.2	101.6
Total	$ 487.9	$ 405.7	$ 773.5	$ 723.9	$ 377.0	$ 365.3	$ 1,638.4	$ 1,494.9	$ 7,111.9	$ 5,567.9	$ 8,750.3	$ 7,062.8

Counterparty Credit Exposure by Region

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At		At		At		At		At		At	
	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019
Asia/Latin America/Other	$ 15.0	$ 15.0	$ 72.6	$ 50.5	$ 6.9	$ 0.3	$ 94.5	$ 65.8	$ 248.4	$ 100.4	$ 342.9	$ 166.2
Europe	0.1	—	313.0	324.1	42.5	101.1	355.6	425.2	96.4	74.1	452.0	499.3
North America	472.8	390.7	387.9	349.3	327.6	263.9	1,188.3	1,003.9	6,767.1	5,393.4	7,955.4	6,397.3
Total	$ 487.9	$ 405.7	$ 773.5	$ 723.9	$ 377.0	$ 365.3	$ 1,638.4	$ 1,494.9	$ 7,111.9	$ 5,567.9	$ 8,750.3	$ 7,062.8

Counterparty Credit Exposure by Industry

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At		At		At		At		At		At	
	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019
Asset Managers	$ 0.2	$ —	$ —	$ 1.7	$ —	$ —	$ 0.2	$ 1.7	$ 5,132.9	$ 4,584.1	$ 5,133.1	$ 4,585.8
Banks, Broker-dealers	250.7	250.7	558.6	526.7	178.8	206.8	988.1	984.2	1,979.0	983.8	2,967.1	1,968.0
Corporates	132.7	81.3	—	—	183.9	154.4	316.6	235.7	—	—	316.6	235.7
Other	104.3	73.7	214.9	195.5	14.3	4.1	333.5	273.3	—	—	333.5	273.3
Total	$ 487.9	$ 405.7	$ 773.5	$ 723.9	$ 377.0	$ 365.3	$ 1,638.4	$ 1,494.9	$ 7,111.9	$ 5,567.9	$ 8,750.3	$ 7,062.8

For additional information regarding credit exposure to over-the-counter derivative contracts, see Note 5 in the consolidated financial statements.

Country Risk Exposure

Country risk is the risk that events or developments that occur in the general environment of a country or countries due to economic, political, social, regulatory, legal or other factors, will affect the ability of obligors of the country to honor their obligations. We define the country of risk as the country of jurisdiction or domicile of the obligor, and monitors country risk resulting from both trading positions and counterparty exposure, which may not include the offsetting benefit of any financial instruments utilized to manage market risk.

The following tables reflect our top exposure to the sovereign governments, corporations and financial institutions in those non-U.S. countries in which we have a net long issuer and counterparty exposure, as reflected in the Consolidated Statements of Financial Condition at November 30, 2020 and 2019 (in millions):

November 30, 2020

	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Italy	$ 1,929.5	$ (921.6)	$ (618.9)	$ —	$ —	$ 0.1	$ —	$ 389.1	$ 389.1
United Kingdom	464.0	(235.8)	(46.7)	0.1	67.4	5.2	64.8	254.2	319.0
France	357.3	(290.9)	48.3	—	140.8	24.3	—	279.8	279.8
Germany	470.7	(352.7)	40.2	—	63.1	11.3	26.7	232.6	259.3
Australia	32.7	(17.8)	173.9	—	24.9	—	12.8	213.7	226.5
Hong Kong	35.2	(11.8)	0.7	—	0.1	—	157.4	24.2	181.6
Canada	417.3	(326.8)	1.3	—	20.4	64.3	2.1	176.5	178.6
Austria	151.2	(73.6)	—	—	—	—	—	77.6	77.6
India	50.9	(6.7)	—	—	—	—	24.3	44.2	68.5
Switzerland	104.0	(72.2)	2.9	—	31.6	1.3	0.4	67.6	68.0
Total	$ 4,012.8	$ (2,309.9)	$ (398.3)	$ 0.1	$ 348.3	$ 106.5	$ 288.5	$ 1,759.5	$ 2,048.0

November 30, 2019

	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Netherlands	$ 946.0	$ (329.7)	$ (100.1)	$ —	$ 42.6	$ 0.5	$ —	$ 559.3	$ 559.3
United Kingdom	416.1	(199.9)	(124.4)	—	60.7	37.6	54.1	190.1	244.2
Italy	1,262.3	(1,192.4)	105.4	—	—	0.4	—	175.7	175.7
France	423.4	(296.2)	(93.1)	—	94.2	40.9	—	169.2	169.2
Canada	380.4	(362.2)	7.4	—	0.3	81.2	1.9	107.1	109.0
Spain	249.2	(137.3)	(25.7)	—	3.3	—	—	89.5	89.5
Japan	76.0	(171.6)	133.8	—	24.7	—	13.2	62.9	76.1
China	283.3	(236.9)	25.6	—	—	—	—	72.0	72.0
Mexico	112.0	(68.3)	13.0	—	—	—	—	56.7	56.7
Germany	238.2	(321.3)	19.3	—	88.3	14.4	13.6	38.9	52.5
Total	$ 4,386.9	$ (3,315.8)	$ (38.8)	$ —	$ 314.1	$ 175.0	$ 82.8	$ 1,521.4	$ 1,604.2

At November 30, 2020, we have no material exposure to countries where either sovereign or non-sovereign sectors pose potential default risk as the result of liquidity concerns.

Operational Risk

Operational risk refers to the risk of loss resulting from operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, business disruptions and inadequacies or breaches in internal control processes. Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. In addition, the transactions we process have become increasingly complex. If our financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer an impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or the inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and manage exposure to risk. In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third-parties with which we conduct business.

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

Our Operational Risk framework includes governance, collection of operational risk incidents, proactive operational risk management, and periodic review and analysis of business metrics to identify and recommend controls and process-related enhancements. Each revenue producing and support department is responsible for the management and reporting of operational risks and the implementation of the Operational Risk policy and processes within the department. Operational Risk policy, framework, infrastructure, methodology, processes, guidance and oversight of the operational risk processes are centralized and consistent firm wide and also subject to regional operational risk governance.

Our leadership is continuously monitoring circumstances around COVID-19, as well as economic and capital market conditions, and providing frequent communications to both our clients and our employees. We have adopted enhanced cleaning practices across our offices, have restricted business travel, and have monitored the health and welfare of our employees and worked actively with many individuals diagnosed with COVID-19. We implemented our Business Continuity Planning plan and have largely moved to a remote working environment across all functions without any significant disruptions to our business or control processes. Additionally, we are working continuously with all of our critical vendors regarding their own pandemic responses to ensure there is minimal impact on our business operations.

Model Risk

Model risk refers to the risk of losses resulting from decisions that are based on the output of models, due to errors or weaknesses in the design and development, implementation, or improper use of models. We use quantitative models primarily to value certain financial assets and liabilities and to monitor and manage our risk. Model risk is a function of the model materiality, frequency of use, complexity and uncertainty around inputs and assumptions used in a given model. Robust model risk management is a core part of our risk management approach and is overseen through our risk governance structure and risk management controls.

Legal and Compliance Risk

Legal and compliance risk includes the risk of noncompliance with applicable legal and regulatory requirements. We are subject to extensive regulation in the different jurisdictions in which we conduct our business. We have various procedures addressing issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of customer funds, credit granting, collection activities, anti-money laundering and record keeping. These risks also reflect the potential impact that changes in local and international laws and tax statutes have on the economics and viability of current or future transactions. In an effort to mitigate these risks, we continuously review new and pending regulations and legislation and participate in various industry interest groups. We also maintain an anonymous hotline for employees or others to report suspected inappropriate actions by us or by our employees or agents.

New Business Risk

New business risk refers to the risks of entering into a new line of business or offering a new product. By entering a new line of business or offering a new product, we may face risks that we are unaccustomed to dealing with and may increase the magnitude of the risks we currently face. The New Business Committee reviews proposals for new businesses and new products to determine if we are prepared to handle the additional or increased risks associated with entering into such activities.

Reputational Risk

We recognize that maintaining our reputation among clients, investors, regulators and the general public is an important aspect of minimizing legal and operational risks. Maintaining our reputation depends on a large number of factors, including the selection of our clients and the conduct of our business activities. We seek to maintain our reputation by screening potential clients and by conducting our business activities in accordance with high ethical standards. Our reputation and business activity can be affected by statements and actions of third-parties, even false or misleading statements by them. We actively monitor public comment concerning us and are vigilant in seeking to assure accurate information and perception prevails.

Other Risk

We are also subject to interest rate risk on our long-term fixed interest rate debt. Generally, the fair market value of debt securities with a fixed interest rate will increase as interest rates fall, and the fair market value will decrease as interest rates rise. The following table represents principal cash flows by expected maturity dates and the related weighted-average interest rate on those maturities for our consolidated long-term debt obligations. For the variable rate borrowings, the weighted-average interest rates are based on the rates in effect at the reporting date. Our market risk with respect to foreign currency exposure on our long-term debt is also shown below. For additional information, see Note 12 to our consolidated financial statements.

	Expected Maturity Date							
	2021	2022	2023	2024	2025	Thereafter	Total	Fair Value
	(Dollars in thousands)							
Rate Sensitive Liabilities:								
Fixed Interest Rate Borrowings	$ 50,000	$ —	$ 1,500,000	$ 142,000	$ 76,437	$ 4,439,067	$ 6,207,504	$ 7,168,270
Weighted-Average Interest Rate	1.40 %	— %	5.13 %	0.25 %	1.08 %	4.84 %		
Variable Interest Rate Borrowings	$ 300,420	$ 65,051	$ 98,500	$ 3,000	$ 5,320	$ 275,555	$ 747,846	$ 760,023
Weighted-Average Interest Rate	1.95 %	1.92 %	3.40 %	1.72 %	1.79 %	7.23 %		
Borrowings with Foreign Currency Exposure	$ —	$ 4,779	$ —	$ 597,350	$ —	$ 677,395	$ 1,279,524	$ 1,279,594
Weighted-Average Interest Rate	— %	4.08 %	— %	1.00 %	— %	2.64 %		

Item 8. Financial Statements and Supplementary Data.

Financial Statements and supplementary data required by this Item 8 are set forth at the pages indicated in Item 15(a) below.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of disclosure controls and procedures

The Company's management evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of November 30, 2020. Based on their evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of November 30, 2020.

Changes in internal control over financial reporting

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended November 30, 2020, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) or 15d-15(f) promulgated under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of November 30, 2020. In making this assessment, the Company's management used the criteria set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

Based on our assessment and those criteria, management concluded that, as of November 30, 2020, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of November 30, 2020 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their attestation report, which appears herein in Item 8.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information with respect to this item will be contained in the Proxy Statement for the 2021 Annual Meeting of Shareholders, which is incorporated herein by reference.

We have a Code of Business Practices, which is applicable to all directors, officers and employees, and is available on our website. We intend to post amendments to or waivers from our Code of Business Practices on our website as required by applicable law.

Item 11. Executive Compensation.

Information with respect to this item will be contained in the Proxy Statement for the 2021 Annual Meeting of Shareholders, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

Information with respect to this item will be contained in the Proxy Statement for the 2021 Annual Meeting of Shareholders, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information with respect to this item will be contained in the Proxy Statement for the 2021 Annual Meeting of Shareholders, which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

Information with respect to this item will be contained in the Proxy Statement for the 2021 Annual Meeting of Shareholders, which is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial Statements.

Reports of Independent Registered Public Accounting Firm	F-1
Financial Statements:	
Consolidated Statements of Financial Condition at November 30, 2020 and 2019	F-4
Consolidated Statements of Operations for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018	F-5
Consolidated Statements of Comprehensive Income (Loss) for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018	F-7
Consolidated Statements of Cash Flows for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018	F-8
Consolidated Statements of Changes in Equity for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018	F-10
Notes to Consolidated Financial Statements	F-11

(2) Financial Statement Schedules.

Schedule I - Condensed Financial Information of Jefferies Financial Group Inc. (Parent Company Only) at November 30, 2020 and 2019 and for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018.

(3) See Exhibit Index below for a complete list of Exhibits to this report.

(b) Exhibits.

All documents referenced below were filed pursuant to the Securities Exchange Act of 1934 by the Company, file number 1-5721, unless otherwise indicated.

(c) Financial Statement Schedules.

National Beef Packing Company, LLC financial statements as of December 28, 2019 and for the years ended December 28, 2019 and December 29, 2018

Item 16. Form 10-K Summary.

None.

Exhibit Index

3.1	Restated Certificate of Incorporation of Jefferies Financial Group Inc. (filed as Exhibit 3.1 to the Company's Form 10-Q filed on August 1, 2018).*
3.2	Amended and Restated By-Laws of Jefferies Financial Group Inc. (effective May 23, 2018) (filed as Exhibit 3.2 to the Company's Form 10-Q filed on August 1, 2018).*
4.1	The Company undertakes to furnish the Securities and Exchange Commission, upon written request, a copy of all instruments with respect to long-term debt not filed herewith.
4.2	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
10.1	HomeFed Corporation Amended and Restated 1999 Stock Incentive Plan (as amended, the "Jefferies Financial Group Inc. Amended and Restated 1999 Stock Incentive Plan (HomeFed)") (filed as Exhibit 99.1 to the Company's Registration Statement on Form S-8 (No. 333-232532) filed on July 3, 2019).* +

10.2	Amendment to HomeFed Corporation Amended and Restated 1999 Stock Incentive Plan (filed as Exhibit 99.2 to the Company's Registration Statement on Form S-8 (No. 333-232532) filed on July 3, 2019).* +
10.3	HomeFed Corporation 2017 RSU Opportunity Plan (as amended, the "Jefferies Financial Group Inc. 2017 RSU Opportunity Plan (HomeFed)") (filed as Exhibit 99.4 to the Company's Registration Statement on Form S-8 (No. 333-232532) filed on July 3, 2019).* +
10.4	Amendment to HomeFed Corporation 2017 RSU Opportunity Plan (filed as Exhibit 99.5 to the Company's Registration Statement on Form S-8 (No. 333-232532) filed on July 3, 2019).* +
10.5	Jefferies Financial Group Inc. 2003 Incentive Compensation Plan as Amended and Restated.+
10.6	Form of Restricted Stock Units Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 31, 2013).* +
10.7	Form of Restricted Stock Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated July 31, 2013).* +
10.8	Leucadia National Corporation 1999 Directors' Stock Compensation Plan (filed as Appendix II to the 2013 Proxy Statement).* +
10.9	Compensation Information Concerning Non-Employee Directors (incorporated by reference to page 34 and 35 of the Company's Proxy Statement filed March 3, 2020).* +
10.10	Summary of executive bonus compensation for Mr. Sharp and Ms. Gendron for fiscal year 2019 (filed in the Company's Current Report on Form 8-K filed February 12, 2019).*+
10.11	Summary of executive compensation for Richard B. Handler and Brian P. Friedman for fiscal years 2018, 2019 and 2020 (filed in the Company's Proxy Statement on March 3, 2020). * +
10.12	Summary of executive compensation for Richard B. Handler and Brian P. Friedman for fiscal year 2017 (filed in the Company's Current Report on Form 8-K on December 29, 2016).* +
10.13	Agreement of Terms dated as of December 31, 2011 between Leucadia National Corporation and Berkshire Hathaway Inc. (filed as Exhibit 10.1 to the February 24, 2012 8-K).*
21	Subsidiaries of the registrant.
23.1	Consent of Deloitte & Touche LLP, with respect to the incorporation by reference into the Company's Registration Statements on Form S-8 (No. 333-185318 and No. 333-232532) and Form S-3ASR (No. 333-238931).
23.2	Consent of Grant Thornton LLP, with respect to the incorporation by reference into the Company's Registration Statements on Form S-8 (No. 333-185318 and No. 333-232532) and Form S-3ASR (No. 333-238931).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101	Financial statements from the Annual Report on Form 10-K of Jefferies Financial Group Inc. for the twelve months ended November 30, 2020, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Changes in Equity, (vi) the Notes to Consolidated Financial Statements and (vii) the Financial Statement Schedule.
104	Cover Page Interactive Data File, formatted in iXBRL (included in Exhibit 101).

\+ Management/Employment Contract or Compensatory Plan or Arrangement.

* Incorporated by reference.

** Furnished herewith pursuant to item 601(b) (32) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JEFFERIES FINANCIAL GROUP INC.

Date: January 28, 2021 By: /s/ John M. Dalton
Name: John M. Dalton
Title: Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on the date set forth below.

Date		Signature	Title
January 28, 2021	By:	/s/ Joseph S. Steinberg Joseph S. Steinberg	Chairman of the Board
January 28, 2021	By:	/s/ Richard B. Handler Richard B. Handler	Chief Executive Officer and Director (Principal Executive Officer)
January 28, 2021	By:	/s/ Brian P. Friedman Brian P. Friedman	President and Director
January 28, 2021	By:	/s/ Teresa S. Gendron Teresa S. Gendron	Vice President and Chief Financial Officer (Principal Financial Officer)
January 28, 2021	By:	/s/ John M. Dalton John M. Dalton	Vice President and Controller (Principal Accounting Officer)
January 28, 2021	By:	/s/ Linda L. Adamany Linda L. Adamany	Director
January 28, 2021	By:	/s/ Barry J. Alperin Barry J. Alperin	Director
January 28, 2021	By:	/s/ Robert D. Beyer Robert D. Beyer	Director
January 28, 2021	By:	/s/ Francisco L. Borges Francisco L. Borges	Director
January 28, 2021	By:	/s/ MaryAnne Gilmartin MaryAnne Gilmartin	Director
January 28, 2021	By:	/s/ Jacob M. Katz Jacob M. Katz	Director
January 28, 2021	By:	/s/ Michael T. O'Kane Michael T. O'Kane	Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Jefferies Financial Group Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Jefferies Financial Group Inc. and subsidiaries (the "Company") as of November 30, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), cash flows and changes in equity, for the year ended November 30, 2020, 2019 and the eleven months ended November 30, 2018, and the related notes and the schedules listed in the Index at Item 15(a)(2) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2020 and 2019, and the results of its operations and its cash flows for the year ended November 30, 2020, 2019 and the eleven months ended November 30, 2018 in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of November 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 28, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company changed its fiscal year end from December 31 to November 30 in 2018.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Certain Level 2 and Level 3 Financial Assets and Liabilities - Refer to Note 2 and Note 4 to the financial statements

Critical Audit Matter Description

The Company estimates fair value for certain financial assets and liabilities utilizing models and unobservable inputs. Unlike the fair value of other assets and liabilities which are readily observable and therefore more easily independently corroborated, these financial assets and liabilities are not actively traded, and fair value is determined based on significant judgments regarding models, unobservable inputs and valuation methodologies. Such assets and liabilities can be classified as Level 2 or Level 3.

We identified the valuation of certain Level 2 and Level 3 financial assets and liabilities as a critical audit matter because of the unobservable inputs, complexity of models and/or methodologies used by management and third-party specialists to estimate fair value. The valuations involve a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialist who possess significant quantitative and modeling experience, to audit and evaluate the appropriateness of the models and inputs.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures for certain Level 2 and Level 3 financial assets and liabilities included the following procedures, among others:

- We tested the operating effectiveness of the Company's valuation controls, including the:
  - Independent price verification controls.
  - Third-party specialist valuation model review control, which includes examination of assumptions utilized as well as completeness and accuracy of underlying data.
  - Pricing model controls which are designed to review a model's theoretical soundness and its appropriateness.

- With the assistance of our fair value specialist, we evaluated the reasonableness of management's valuation methodology and estimates and:
  - We developed valuation estimates, using externally sourced inputs and models, and compared to management's recorded value and investigated differences.
  - We compared management's assumptions utilized within management's models to external sources.

- We evaluated management's ability to estimate fair value by comparing management's valuation estimates to subsequent transactions, when available.

/s/ Deloitte & Touche LLP

New York, New York
January 28, 2021

We have served as the Company's auditor since 2017.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Jefferies Financial Group Inc.:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Jefferies Financial Group Inc. and subsidiaries (the "Company") as of November 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended November 30, 2020, of the Company and our report dated January 28, 2021, expressed an unqualified opinion on those financial statements.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company changed its fiscal year end from December 31 to November 30 in 2018.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

New York, New York
January 28, 2021

Jefferies Financial Group Inc. and Subsidiaries
Consolidated Statements of Financial Condition
November 30, 2020 and 2019
(Dollars in thousands, except par value)

	November 30,	
	2020	**2019**
ASSETS		
Cash and cash equivalents	$ 9,055,148	$ 7,678,821
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	604,321	796,797
Financial instruments owned, at fair value (including securities pledged of $13,065,585 and $12,058,522)	18,124,577	16,895,741
Loans to and investments in associated companies	1,686,563	1,652,957
Securities borrowed	6,934,762	7,624,642
Securities purchased under agreements to resell	5,096,769	4,299,598
Securities received as collateral, at fair value	7,517	9,500
Receivables	6,608,767	5,744,106
Property, equipment and leasehold improvements, net	897,204	385,029
Intangible assets, net and goodwill	1,913,467	1,922,934
Other assets	2,189,257	2,450,109
Total assets (1)	$ 53,118,352	$ 49,460,234
LIABILITIES		
Short-term borrowings	$ 764,715	$ 548,490
Financial instruments sold, not yet purchased, at fair value	10,017,600	10,532,460
Securities loaned	1,810,748	1,525,140
Securities sold under agreements to repurchase	8,316,269	7,504,670
Other secured financings	3,288,384	3,070,611
Obligation to return securities received as collateral, at fair value	7,517	9,500
Lease liabilities	584,807	—
Payables, expense accruals and other liabilities	10,388,072	8,179,013
Long-term debt	8,352,039	8,337,061
Total liabilities (1)	43,530,151	39,706,945
Commitments and contingencies		
MEZZANINE EQUITY		
Redeemable noncontrolling interests	24,676	26,605
Mandatorily redeemable convertible preferred shares	125,000	125,000
EQUITY		
Common shares, par value $1 per share, authorized 600,000,000 shares; 249,750,542 and 291,644,153 shares issued and outstanding, after deducting 66,712,070 and 24,818,459 shares held in treasury	249,751	291,644
Additional paid-in capital	2,911,223	3,627,711
Accumulated other comprehensive income (loss)	(288,917)	(273,039)
Retained earnings	6,531,836	5,933,389
Total Jefferies Financial Group Inc. shareholders' equity	9,403,893	9,579,705
Noncontrolling interests	34,632	21,979
Total equity	9,438,525	9,601,684
Total	$ 53,118,352	$ 49,460,234

(1) Total assets include assets related to variable interest entities of $566.1 million and $645.8 million at November 30, 2020 and 2019, respectively, and Total liabilities include liabilities related to variable interest entities of $3,291.3 million and $3,071.1 million at November 30, 2020 and 2019, respectively. See Note 8 for additional information related to variable interest entities.

The accompanying notes are an integral part of these financial statements.

Jefferies Financial Group Inc. and Subsidiaries
Consolidated Statements of Operations
For the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018
(In thousands, except per share amounts)

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Revenues:			
Commissions and other fees	$ 822,248	$ 675,772	$ 662,546
Principal transactions	1,916,508	559,300	232,224
Investment banking	2,501,494	1,526,992	1,904,870
Interest income	997,555	1,603,940	1,294,325
Manufacturing revenues	421,434	324,659	357,427
Other	296,691	667,993	558,336
Total revenues	6,955,930	5,358,656	5,009,728
Interest expense of Jefferies Group	945,056	1,465,680	1,245,694
Net revenues	6,010,874	3,892,976	3,764,034
Expenses:			
Compensation and benefits	2,940,863	1,824,891	1,862,782
Cost of sales	338,588	319,641	307,071
Floor brokerage and clearing fees	266,592	223,140	184,210
Interest expense	84,870	87,177	89,249
Depreciation and amortization	158,439	152,871	120,317
Selling, general and other expenses	1,078,956	1,009,643	961,328
Total expenses	4,868,308	3,617,363	3,524,957
Income from continuing operations before income taxes and income (loss) related to associated companies	1,142,566	275,613	239,077
Income (loss) related to associated companies	(75,483)	202,995	57,023
Income from continuing operations before income taxes	1,067,083	478,608	296,100
Income tax provision (benefit)	298,673	(483,955)	19,008
Income from continuing operations	768,410	962,563	277,092
Income from discontinued operations, net of income tax provision of $0, $0 and $47,045	—	—	130,063
Gain on disposal of discontinued operations, net of income tax provision of $0, $0 and $229,553	—	—	643,921
Net income	768,410	962,563	1,051,076
Net loss attributable to the noncontrolling interests	5,271	1,847	12,975
Net (income) loss attributable to the redeemable noncontrolling interests	1,558	286	(37,263)
Preferred stock dividends	(5,634)	(5,103)	(4,470)
Net income attributable to Jefferies Financial Group Inc. common shareholders	$ 769,605	$ 959,593	$ 1,022,318

(continued)

Jefferies Financial Group Inc. and Subsidiaries
Consolidated Statements of Operations, continued
For the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018
(In thousands, except per share amounts)

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Basic earnings per common share attributable to Jefferies Financial Group Inc. common shareholders:			
Income from continuing operations	$ 2.68	$ 3.07	$ 0.82
Income from discontinued operations	—	—	0.27
Gain on disposal of discontinued operations	—	—	1.84
Net income	$ 2.68	$ 3.07	$ 2.93
Diluted earnings per common share attributable to Jefferies Financial Group Inc. common shareholders:			
Income from continuing operations	$ 2.65	$ 3.03	$ 0.81
Income from discontinued operations	—	—	0.26
Gain on disposal of discontinued operations	—	—	1.83
Net income	$ 2.65	$ 3.03	$ 2.90
Amounts attributable to Jefferies Financial Group Inc. common shareholders:			
Income from continuing operations, net of taxes	$ 769,605	$ 959,593	$ 285,475
Income from discontinued operations, net of taxes	—	—	92,922
Gain on disposal of discontinued operations, net of taxes	—	—	643,921
Net income	$ 769,605	$ 959,593	$ 1,022,318

The accompanying notes are an integral part of these financial statements.

Jefferies Financial Group Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

For the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018

(In thousands)

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Net income	$ 768,410	$ 962,563	$ 1,051,076
Other comprehensive income (loss):			
Net unrealized holding gains (losses) on investments arising during the period, net of income tax provision (benefit) of $117, $165 and $(551)	372	487	(1,560)
Less: reclassification adjustment for net (gains) losses included in net income, net of income tax provision (benefit) of $0, $(545,054) and $37	—	(543,178)	(109)
Net change in unrealized holding gains (losses) on investments, net of income tax provision (benefit) of $117, $545,219 and $(588)	372	(542,691)	(1,669)
Net unrealized foreign exchange gains (losses) arising during the period, net of income tax provision (benefit) of $11,392, $1,146 and $(11,089)	35,991	544	(71,543)
Less: reclassification adjustment for foreign exchange (gains) losses included in net income, net of income tax provision (benefit) of $0, $(52) and $(16)	—	149	(20,459)
Net change in unrealized foreign exchange gains (losses), net of income tax provision (benefit) of $11,392, $1,198 and $(11,073)	35,991	693	(92,002)
Net unrealized gains (losses) on instrument specific credit risk arising during the period, net of income tax provision (benefit) of $(16,228), $(4,653) and $9,289	(51,865)	(13,588)	29,620
Less: reclassification adjustment for instrument specific credit risk (gains) losses included in net income, net of income tax provision (benefit) of $146, $(144) and $311	(397)	427	(916)
Net change in unrealized instrument specific credit risk gains (losses), net of income tax provision (benefit) of $(16,374), $(4,509) and $8,978	(52,262)	(13,161)	28,704
Net unrealized gains (losses) on cash flow hedges arising during the period, net of income tax provision (benefit) of $0, $0 and $552	—	—	1,608
Less: reclassification adjustment for cash flow hedges (gains) losses included in net income, net of income tax provision (benefit) of $0, $161 and $0	—	(470)	—
Net change in unrealized cash flow hedges gains (losses), net of income tax provision (benefit) of $0, $(161) and $552	—	(470)	1,608
Net pension gains (losses) arising during the period, net of income tax provision (benefit) of $(970), $(2,473) and $(297)	(2,851)	(7,103)	(844)
Less: reclassification adjustment for pension (gains) losses included in net income, net of income tax provision (benefit) of $(957), $(490) and $(697)	2,872	1,407	7,349
Net change in pension liability benefits, net of income tax provision (benefit) of $(13), $(1,983) and $400	21	(5,696)	6,505
Other comprehensive loss, net of income taxes	(15,878)	(561,325)	(56,854)
Comprehensive income	752,532	401,238	994,222
Comprehensive loss attributable to the noncontrolling interests	5,271	1,847	12,975
Comprehensive (income) loss attributable to the redeemable noncontrolling interests	1,558	286	(37,263)
Preferred stock dividends	(5,634)	(5,103)	(4,470)
Comprehensive income attributable to Jefferies Financial Group Inc. common shareholders	$ 753,727	$ 398,268	$ 965,464

The accompanying notes are an integral part of these financial statements.

Jefferies Financial Group Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018

(In thousands)

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Net cash flows from operating activities:			
Net income	$ 768,410	$ 962,563	$ 1,051,076
Adjustments to reconcile net income to net cash provided by (used for) operations:			
Pre-tax income from discontinued operations, including gain on disposal	—	—	(1,050,582)
Deferred income tax provision	64,667	6,391	236,406
Recognition of accumulated other comprehensive income lodged taxes	—	(544,583)	—
Depreciation and amortization of real estate, property, equipment and leasehold improvements	146,185	139,708	105,156
Other amortization	(3,791)	(9,942)	(37,749)
Share-based compensation	40,038	49,848	48,249
Provision for doubtful accounts	48,157	29,800	35,223
(Income) loss related to associated companies	51,549	(288,164)	(130,685)
Distributions from associated companies	64,493	467,157	162,988
Net (gains) losses related to property and equipment, and other assets	68,946	(42,214)	32,461
Gain on sale of subsidiaries and associated companies	—	(210,278)	(221,712)
Net change in:			
Securities deposited with clearing and depository organizations	751	(169)	64,911
Financial instruments owned, at fair value	(1,182,091)	218,419	(1,451,472)
Securities borrowed	714,664	(1,103,708)	1,137,134
Securities purchased under agreements to resell	(752,171)	(1,523,222)	807,619
Receivables from brokers, dealers and clearing organizations	(1,147,886)	211,198	(602,950)
Receivables from customers of securities operations	185,266	524,656	(465,960)
Other receivables	(79,253)	(2,283)	30,864
Other assets	97,468	15,705	33,484
Financial instruments sold, not yet purchased, at fair value	(604,591)	1,051,598	1,142,878
Securities loaned	270,261	(301,727)	(964,137)
Securities sold under agreements to repurchase	799,794	(1,122,982)	36,956
Payables to brokers, dealers and clearing organizations	698,873	111,757	250,603
Payables to customers of securities operations	442,913	631,854	512,760
Lease liabilities	(52,553)	—	—
Trade payables, expense accruals and other liabilities	1,179,182	(160,784)	(112,488)
Other	256,667	61,565	(124,580)
Net cash provided by (used for) operating activities - continuing operations	2,075,948	(827,837)	526,453
Net cash provided by operating activities - discontinued operations	—	—	164,650
Net cash provided by (used for) operating activities	2,075,948	(827,837)	691,103
Net cash flows from investing activities:			
Acquisitions of property, equipment and leasehold improvements, and other assets	(176,958)	(232,229)	(325,666)
Proceeds from disposals of property and equipment, and other assets	5,121	11,302	14,052
Proceeds from sale of subsidiaries, net of expenses and cash of operations sold	179,654	(546)	100,000
Proceeds from sale of associated companies	—	790,612	379,074
Acquisitions, net of cash acquired	—	100,723	—
Advances on notes, loans and other receivables	(813,867)	(570,659)	(351,831)
Collections on notes, loans and other receivables	686,114	323,215	216,426
Proceeds from sales of loan receivables held to maturity	46,335	—	—
Loans to and investments in associated companies	(1,690,644)	(267,263)	(1,956,983)
Capital distributions and loan repayments from associated companies	1,555,973	110,656	1,973,739
Purchases of investments (other than short-term)	(906)	(2,995)	(3,423,191)
Proceeds from maturities of investments	2,525	531,104	1,084,277
Proceeds from sales of investments	20,461	913,175	1,571,507
Other	—	—	130
Net cash provided by (used for) investing activities - continuing operations	(186,192)	1,707,095	(718,466)
Net cash provided by investing activities - discontinued operations	—	—	860,909
Net cash provided by (used for) investing activities	(186,192)	1,707,095	142,443

(continued)

Jefferies Financial Group Inc. and Subsidiaries
Consolidated Statements of Cash Flows, continued
For the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018
(In thousands)

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Net cash flows from financing activities:			
Issuance of debt, net of issuance costs	$ 3,136,513	$ 3,275,800	$ 2,754,665
Repayment of debt	(3,084,531)	(2,588,791)	(2,678,323)
Net change in other secured financings	218,010	1,533,696	503,043
Net change in bank overdrafts	(34,663)	26,568	10,290
Distributions to noncontrolling interests	(1,694)	(5,293)	(7,408)
Contributions from noncontrolling interests	19,617	6,829	113
Purchase of common shares for treasury	(816,871)	(509,914)	(1,130,854)
Dividends paid	(160,940)	(149,647)	(151,758)
Other	1,034	330	4,067
Net cash provided by (used for) financing activities - continuing operations	(723,525)	1,589,578	(696,165)
Net cash provided by financing activities - discontinued operations	—	—	120,322
Net cash provided by (used for) financing activities	(723,525)	1,589,578	(575,843)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	18,306	(1,063)	(19,546)
Net increase in cash, cash equivalents and restricted cash	1,184,537	2,467,773	238,157
Cash, cash equivalents and restricted cash at beginning of period	8,480,435	6,012,662	5,774,505
Cash, cash equivalents and restricted cash at end of period	$ 9,664,972	$ 8,480,435	$ 6,012,662

The following presents our cash, cash equivalents and restricted cash by category within the Consolidated Statements of Financial Condition to the total of the same amounts in the Consolidated Statements of Cash Flows above (in thousands):

	November 30, 2020	November 30, 2019	November 30, 2018
Cash and cash equivalents	$ 9,055,148	$ 7,678,821	$ 5,258,809
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	570,084	761,809	673,141
Other assets	39,740	39,805	80,712
Total cash, cash equivalents and restricted cash	$ 9,664,972	$ 8,480,435	$ 6,012,662

The accompanying notes are an integral part of these financial statements.

Jefferies Financial Group Inc. and Subsidiaries

Consolidated Statements of Changes in Equity

For the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018

(In thousands, except par value and per share amounts)

	Jefferies Financial Group Inc. Common Shareholders						
	Common Shares $1 Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Subtotal	Non-controlling Interests	Total
Balance, December 31, 2017	$ 356,227	$ 4,676,038	$ 372,724	$ 4,700,968	$ 10,105,957	$ 33,022	$ 10,138,979
Cumulative effect of the adoption of accounting standards			(27,584)	45,396	17,812		17,812
Balance, January 1, 2018, as adjusted	356,227	4,676,038	345,140	4,746,364	10,123,769	33,022	10,156,791
Net income attributable to Jefferies Financial Group Inc. common shareholders				1,022,318	1,022,318		1,022,318
Net loss attributable to the noncontrolling interests					—	(12,975)	(12,975)
Other comprehensive loss, net of taxes			(56,854)		(56,854)		(56,854)
Reversal of cumulative National Beef redeemable noncontrolling interests fair value adjustments prior to deconsolidation		237,669			237,669		237,669
Contributions from noncontrolling interests					—	113	113
Distributions to noncontrolling interests					—	(7,408)	(7,408)
Consolidation of asset management entity					—	8,316	8,316
Change in interest in consolidated subsidiary		2,677			2,677	(2,677)	—
Share-based compensation expense		48,249			48,249		48,249
Change in fair value of redeemable noncontrolling interests		(26,551)			(26,551)		(26,551)
Exercise of options to purchase common shares	109	2,376			2,485		2,485
Purchase of common shares for treasury	(50,223)	(1,098,199)			(1,148,422)		(1,148,422)
Dividends ($0.45 per common share)				(158,464)	(158,464)		(158,464)
Other	1,402	12,588			13,990	—	13,990
Balance, November 30, 2018	307,515	3,854,847	288,286	5,610,218	10,060,866	18,391	10,079,257
Net income attributable to Jefferies Financial Group Inc. common shareholders				959,593	959,593		959,593
Net loss attributable to the noncontrolling interests					—	(1,847)	(1,847)
Other comprehensive loss, net of taxes			(561,325)		(561,325)		(561,325)
Contributions from noncontrolling interests					—	6,829	6,829
Distributions to noncontrolling interests					—	(5,293)	(5,293)
Issuance of shares for HomeFed acquisition	9,295	168,585			177,880	3,900	181,780
Share-based compensation expense		49,848			49,848		49,848
Change in fair value of redeemable noncontrolling interests		(1,213)			(1,213)		(1,213)
Purchase of common shares for treasury	(26,125)	(483,845)			(509,970)		(509,970)
Dividends ($0.50 per common share)				(158,302)	(158,302)		(158,302)
Dividend of Spectrum Brands common shares		27,026		(478,120)	(451,094)		(451,094)
Other	959	12,463			13,422	(1)	13,421
Balance, November 30, 2019	291,644	3,627,711	(273,039)	5,933,389	9,579,705	21,979	9,601,684
Net income attributable to Jefferies Financial Group Inc. common shareholders				769,605	769,605		769,605
Net loss attributable to the noncontrolling interests					—	(5,271)	(5,271)
Other comprehensive loss, net of taxes			(15,878)		(15,878)		(15,878)
Contributions from noncontrolling interests					—	19,617	19,617
Distributions to noncontrolling interests					—	(1,694)	(1,694)
Share-based compensation expense		40,038			40,038		40,038
Change in fair value of redeemable noncontrolling interests		3,056			3,056		3,056
Purchase of common shares for treasury	(42,263)	(773,393)			(815,656)		(815,656)
Dividends ($0.60 per common share)				(171,158)	(171,158)		(171,158)
Other	370	13,811			14,181	1	14,182
Balance, November 30, 2020	$ 249,751	$ 2,911,223	$ (288,917)	$ 6,531,836	$ 9,403,893	$ 34,632	$ 9,438,525

The accompanying notes are an integral part of these financial statements.

Note 1. Nature of Operations

Jefferies Financial Group Inc. ("Jefferies," "we," "our" or the "Company") is engaged in investment banking and capital markets, asset management and direct investing. Jefferies Group LLC ("Jefferies Group"), our largest subsidiary, was established in 1962 and is now the largest independent full-service global investment banking firm headquartered in the U.S.

In the fourth quarter of 2018, we changed our fiscal year end from a calendar year basis to a fiscal year ending on November 30, consistent with the fiscal year of Jefferies Group. Our 2018 fiscal year consists of the eleven month transition period beginning January 1, 2018 through November 30, 2018. Jefferies Group has a November 30 year end. Prior to the fourth quarter of 2018, because our fiscal year end was December 31, we reflected Jefferies Group in our consolidated financial statements utilizing a one month lag. In connection with our change in fiscal year end to November 30, we eliminated the one month lag utilized to reflect Jefferies Group results beginning with the fourth quarter of 2018. Therefore, our results for the eleven months ended November 30, 2018, include twelve month results for Jefferies Group and eleven months for the remainder of our results.

Jefferies Group operates in two business segments: Investment Banking and Capital Markets, and Asset Management. Investment Banking and Capital Markets includes investment banking, capital markets and other related services. Investment banking provides underwriting and financial advisory services to clients across most industry sectors in the Americas, Europe and Asia. Capital markets businesses operate across the spectrum of equities, fixed income and foreign exchange products. Related services include, among other things, prime brokerage and equity finance, research and strategy, corporate lending and real estate finance.

Through Jefferies Group, we own 50% of Jefferies Finance LLC ("Jefferies Finance"), Jefferies Group's joint venture with Massachusetts Mutual Life Insurance Company ("MassMutual"). Jefferies Finance is a commercial finance company that structures, underwrites and arranges primarily senior secured loans to corporate borrowers. Loans are originated primarily through the investment banking efforts of Jefferies LLC. Jefferies Finance may also underwrite and arrange other debt products such as second lien term, bridge and mezzanine loans, as well as related equity co-investments. Through Jefferies Group, we also have an interest in Berkadia Commercial Mortgage Holding LLC ("Berkadia"), Jefferies Group's 50-50 equity method joint venture with Berkshire Hathaway Inc. Berkadia is a U.S. commercial real estate finance company providing capital solutions, investment sales advisory and mortgage servicing for multifamily and commercial properties.

Our Asset Management segment includes both the operations of Leucadia Asset Management ("LAM") as well as the asset management operations within Jefferies Group. Within Asset Management, we manage, invest in and provide services to a diverse group of alternative asset management platforms across a spectrum of investment strategies and asset classes. Asset Management offers institutional clients an innovative range of investment strategies through its affiliated managers.

Merchant Banking is where we own a portfolio of businesses and investments including Linkem (fixed wireless broadband services in Italy); Vitesse Energy, LLC ("Vitesse Energy Finance") and JETX Energy, LLC ("JETX Energy") (oil and gas production and development); real estate, primarily HomeFed LLC ("HomeFed"); Idaho Timber (manufacturing) and FXCM Group, LLC ("FXCM") (provider of online foreign exchange trading services). Our Merchant Banking businesses and investments also included National Beef Packing Company, LLC ("National Beef") (beef processing), prior to its sale in November 2019; Spectrum Brands Holdings, Inc. ("Spectrum Brands") (consumer products), prior to its distribution to shareholders in October 2019; Berkadia (commercial mortgage banking, investment sales and servicing), prior to its transfer to Jefferies Group in the fourth quarter of 2018; and Garcadia (automobile dealerships), prior to its sale in August 2018. The structure of each of our investments was tailored to the unique opportunity each transaction presented. Our investments may be reflected in our consolidated results as consolidated subsidiaries, equity investments, securities or in other ways, depending on the structure of our specific holdings.

On June 5, 2018, we completed the sale of 48% of National Beef to Marfrig Global Foods S.A. ("Marfrig"), reducing our then ownership in National Beef from 79% to 31%. As of the closing of the sale on June 5, 2018, we deconsolidated our investment in National Beef and accounted for our remaining 31% interest in National Beef under the equity method of accounting. We classified the results of National Beef prior to June 5, 2018 as discontinued operations in the Consolidated Statements of Operations. See Note 26 for more information. On November 29, 2019, we sold our remaining 31% equity interest in National Beef to Marfrig and other shareholders and received a total of $970.0 million in cash, including $790.6 million of proceeds and $179.4 million from final distributions from National Beef around the time of the sale. The pre-tax gain recognized as a result of this transaction, $205.0 million for the twelve months ended November 30, 2019, is classified as Other revenue. As of November 30, 2019, we no longer hold an equity interest in National Beef.

Prior to October 11, 2019, we owned approximately 15% of Spectrum Brands, a publicly traded global consumer products company on the NYSE (NYSE: SPB), and we reflected this investment at fair value based on quoted market prices. We distributed all of our 7,514,477 Spectrum Brands shares through a special pro rata dividend effective on October 11, 2019 to our stockholders of record as of the close of business on September 30, 2019.

We own approximately 42% of the common shares of Linkem, as well as convertible preferred shares and warrants. If all of our convertible preferred stock was converted and warrants exercised, it would increase our ownership to approximately 56% of Linkem's common equity at November 30, 2020. Linkem provides residential broadband services in Italy using LTE technologies deployed over the 3.5 GHz spectrum band. Linkem launched its first 5G towers in late 2020 and plans to rapidly increase its network coverage and service offerings over the coming years as it upgrades to 5G, adds subscribers and leverages its assets. Linkem is accounted for under the equity method.

Vitesse Energy Finance is our 97% owned consolidated subsidiary that acquires, invests and monetizes non-operated working interests and royalties predominantly in the Bakken Shale oil field in North Dakota. JETX Energy is our 98% owned consolidated subsidiary that currently has non-operated working interests and acreage in east Texas.

HomeFed is our 100% owned consolidated subsidiary that owns and develops residential and mixed use real estate properties. Prior to July 1, 2019, we owned approximately 70% of HomeFed and accounted for it under the equity method. On July 1, 2019, we completed a merger with HomeFed by which we acquired the remaining common stock of HomeFed. From July 1, 2019, the results of HomeFed are reflected on a consolidated basis. In connection with the merger, HomeFed stockholders received two shares of our common stock for each share of HomeFed common stock. A total of 9.3 million shares were issued, which were valued at $178.8 million at closing based on the market price of our common shares. As an offset to these issued shares, our Board of Directors authorized the repurchase of an additional 9.25 million shares in the open market.

The HomeFed acquisition was accounted for as a business combination. The fair value of the shares issued to acquire the remaining common shares of HomeFed implied an aggregate fair value of $596.4 million for 100% of HomeFed's equity balance. In accordance with purchase accounting, we allocated the $596.4 million fair value for 100% of HomeFed to its assets, liabilities and noncontrolling interests. We recorded $101.7 million of cash, $413.2 million of real estate, $198.3 million of investments in associated companies, $37.4 million of deferred tax assets, $15.3 million of goodwill and intangibles, $6.6 million of other assets, $125.5 million of long-term debt, $46.7 million of payables, expense accruals and other liabilities and $3.9 million of noncontrolling interests. In addition, associated with the acquisition, we also recorded $32.4 million of goodwill generated by the establishment of $32.4 million of deferred tax liabilities related to allocated value exceeding the tax basis of some of the HomeFed net assets. The estimated weighted average useful lives for the amortizable intangibles were 4 years at time of acquisition. Our allocation of the acquisition price is based on our estimate of fair value for each of the acquired assets and liabilities, which were developed primarily utilizing discounted cash flow models. In connection with the acquisition of the remaining interest of HomeFed, we recognized a $72.1 million non-cash pre-tax gain in Other revenues on the revaluation of our 70% interest in HomeFed to fair value. The fair value of our 70% interest in HomeFed was based on the implied $596.4 million equity value for 100% of HomeFed.

Idaho Timber is our 100% owned consolidated subsidiary engaged in the manufacture and distribution of various wood products.

Our investment in FXCM and associated companies consists of a senior secured term loan due February 15, 2022 ($71.6 million principal outstanding at November 30, 2020), a 50% voting interest in FXCM and rights to a majority of all distributions in respect of the equity of FXCM.

Garcadia was an equity method joint venture that owned and operated automobile dealerships. During the third quarter of 2018, we sold our equity interests in Garcadia and our associated real estate to our former partners, the Garff family, for $417.2 million in cash. The pre-tax gain recognized as a result of this transaction, $221.7 million during the third quarter of 2018, is classified as Other revenue.

Note 2. Significant Accounting Policies

We prepare these financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which requires us to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingent assets and liabilities. The following represents our significant accounting policies.

Consolidation

Our policy is to consolidate all entities in which we can vote a majority of the outstanding voting stock. In addition, we consolidate entities which meet the definition of a variable interest entity ("VIE") for which we are the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. We consider special allocations of cash flows and preferences, if any, to determine amounts allocable to noncontrolling interests. All intercompany transactions and balances are eliminated in consolidation.

In situations in which we have significant influence, but not control, of an entity that does not qualify as a VIE, we apply either the equity method of accounting or fair value accounting pursuant to the fair value option election under GAAP. We also have formed nonconsolidated investment vehicles with third-party investors that are typically organized as partnerships or limited liability companies. Our subsidiaries may act as general partner or managing member for these investment vehicles and have generally provided the third-party investors with termination or "kick-out" rights.

Revenue Recognition Policies

Commissions and Other Fees. All customer securities transactions are reported in the Consolidated Statements of Financial Condition on a settlement date basis with related income reported on a trade-date basis. We permit institutional customers to allocate a portion of their gross commissions to pay for research products and other services provided by third-parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. These arrangements are accounted for on an accrual basis and, as we are acting as an agent in these arrangements, netted against commission revenues in the Consolidated Statements of Operations. In addition, we earn asset-based fees associated with the management and supervision of assets, account services and administration related to customer accounts.

Principal Transactions. Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value (all of which are recorded on a trade-date basis) are carried at fair value with gains and losses reflected in Principal transactions revenues in the Consolidated Statements of Operations, except for derivatives accounted for as hedges (see Hedge Accounting section, herein and Note 5). Fees received on loans carried at fair value are also recorded in Principal transactions revenues.

Investment Banking. Advisory fees from mergers and acquisitions engagements are recognized at a point in time when the related transaction is completed. Advisory fees from restructuring engagements are recognized over time using a time elapsed measure of progress. Expenses associated with investment banking advisory engagements are deferred only to the extent they are explicitly reimbursable by the client and the related revenue is recognized at a point in time. All other investment banking advisory related expenses, including expenses incurred related to restructuring advisory engagements, are expensed as incurred. All investment banking advisory expenses are recognized within their respective expense category in the Consolidated Statements of Operations and any expenses reimbursed by clients are recognized as Investment banking revenues.

Underwriting and placement agent revenues are recognized at a point in time on trade-date. Costs associated with underwriting activities are deferred until the related revenue is recognized or the engagement is otherwise concluded and are recorded on a gross basis in Selling, general and other expenses in the Consolidated Statements of Operations.

Asset Management Fees and Revenues. Asset management fees and revenues consist of asset management fees, as well as revenues from affiliated asset managers, which entitle us to portions of our partners' management company revenues and/or partners' profits and perpetual rights to certain defined revenues for a given revenue share period. Revenue from affiliated asset managers is recognized at the end of the defined revenue or profit share period when the revenues have been realized and all contingencies have been resolved.

Management and administrative fees are generally recognized over the period that the related service is provided. Performance fee revenue is generally recognized only at the end of the performance period to the extent that the benchmark return has been met.

Interest Revenue and Expense. Interest expense that is deducted from Revenues to arrive at Net revenues is related to Jefferies Group's operations. Contractual interest on Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value is recognized on an accrual basis as a component of Interest income and Interest expense. Interest flows on derivative trading transactions and dividends are included as part of the fair valuation of these contracts and recognized in Principal transactions revenues in the Consolidated Statements of Operations rather than as a component of interest income or expense. Interest on short- and long-term borrowings is accounted for on an accrual basis, except for those for which we have elected the fair value option, with related interest recorded as Interest expense. Discounts/premiums arising on long-term debt are accreted/amortized to Interest expense using the effective yield method over the remaining lives of the underlying debt obligations. Interest revenue related to Securities borrowed and Securities purchased under agreements to resell activities and interest expense related to Securities loaned and Securities sold under agreements to repurchase activities are recognized on an accrual basis. In addition, we recognize interest income as earned on brokerage customer margin balances and interest expense as incurred on credit balances.

Manufacturing Revenues. Manufacturing revenues are from Idaho Timber, which manufactures and distributes an extensive range of quality wood products to markets across North America. Idaho Timber's primary business consists of the sale of lumber that is manufactured or remanufactured at one of its locations. Agreements with customers for these sales specify the type, quantity and price of products to be delivered as well as the delivery date and payment terms. The transaction price is fixed at the time of sale and revenue is generally recognized when the customer takes control of the product.

Cash Equivalents

Cash equivalents include highly liquid investments, including money market funds and certificates of deposit, not held for resale with original maturities of three months or less.

Cash and Securities Segregated and on Deposit for Regulatory Purposes or Deposited with Clearing and Depository Organizations

In accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, Jefferies LLC, which is a wholly-owned subsidiary of Jefferies Group, as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. Certain other entities are also obligated by rules mandated by their primary regulators to segregate or set aside cash or equivalent securities to satisfy regulations, promulgated to protect customer assets. In addition, certain exchange and/or clearing organizations require cash and/or securities to be deposited by us to conduct day to day activities.

Financial Instruments and Fair Value

Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value are recorded at fair value, either as required by accounting pronouncements or through the fair value option election. These instruments primarily represent our trading activities and include both cash and derivative products. Gains and losses on Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value are recognized in Principal transactions revenues in the Consolidated Statements of Operations. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Fair Value Hierarchy

In determining fair value, we maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. We apply a hierarchy to categorize our fair value measurements broken down into three levels based on the transparency of inputs as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities at the reported date. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2: Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable at the reported date. The nature of these financial instruments includes cash instruments for which quoted prices are available but traded less frequently, derivative instruments for which fair values have been derived using model inputs that are directly observable in the market, or can be derived principally from, or corroborated by, observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3: Instruments that have little to no pricing observability at the reported date. These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Financial instruments are valued at quoted market prices, if available. Certain financial instruments have bid and ask prices that can be observed in the marketplace. For financial instruments whose inputs are based on bid-ask prices, the financial instrument is valued at the point within the bid-ask range that meets our best estimate of fair value. We use prices and inputs that are current at the measurement date. For financial instruments that do not have readily determinable fair values using quoted market prices, the determination of fair value is based on the best available information, taking into account the types of financial instruments, current financial information, restrictions (if any) 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 are permitted based on management's judgment, which takes into consideration the features of the financial instrument such as its complexity, the market in which the financial instrument is traded and underlying risk uncertainties about market conditions. 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. The degree of judgment exercised in determining fair value is greatest for instruments categorized within Level 3.

Loans to and Investments in Associated Companies

Loans to and investments in associated companies include investments in private equity and other operating entities in which we exercise significant influence over operating and capital decisions and loans issued in connection with such investments. Loans to and investments in associated companies are accounted for using the equity method. See Note 9 for additional information regarding certain of these investments.

Under the equity method of accounting, our share of the investee's underlying net income or loss is recorded as Income (loss) related to associated companies, or as part of Other revenues if such investees are considered to be an extension of our business. Income (loss) for investees for which the fair value option was elected is reported as Principal transactions revenues.

Receivables

At November 30, 2020 and 2019, Receivables include receivables from brokers, dealers and clearing organizations of $4,161.8 million and $3,011.0 million, respectively, and receivables from customers of securities operations of $1,286.9 million and $1,490.9 million, respectively.

Our subsidiary, Foursight Capital, had auto loan receivables of $694.2 million and $741.2 million at November 30, 2020 and 2019, respectively. Of these amounts, $532.4 million and $621.2 million at November 30, 2020 and 2019, respectively, were in securitized vehicles. See Notes 7 and 8 for additional information on Foursight Capital's securitization activities. Based primarily on Beacon credit scores, Foursight Capital classifies its auto loan receivables as prime, near-prime and sub-prime based on the perceived credit risk at origination and generally considers prime receivables as those with a Beacon score of 680 and above, near-prime with scores between 620 and 679 and sub-prime with scores below 620. The credit quality classification at November 30, 2020 and 2019 was approximately 14% and 15% prime, 54% and 53% near-prime and 32% and 32% sub-prime, respectively.

Securities Borrowed and Securities Loaned

Securities borrowed and Securities loaned are carried at the amounts of cash collateral advanced and received in connection with the transactions and accounted for as collateralized financing transactions. In connection with both trading and brokerage activities, we borrow securities to cover short sales and to complete transactions in which customers have failed to deliver securities by the required settlement date, and lend securities to other brokers and dealers for similar purposes. When we borrow securities, we generally provide cash to the lender as collateral, which is reflected in the Consolidated Statements of Financial Condition as Securities borrowed. We earn interest revenues on this cash collateral. Similarly, when we lend securities to another party, that party provides cash to us as collateral, which is reflected in the Consolidated Statements of Financial Condition as Securities loaned. We pay interest expense on the cash collateral received from the party borrowing the securities. The initial collateral advanced or received approximates or is greater than the fair value of the securities borrowed or loaned. We monitor the fair value of the securities borrowed and loaned on a daily basis and request additional collateral or return excess collateral, as appropriate.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

Securities purchased under agreements to resell and Securities sold under agreements to repurchase (collectively "repos") are accounted for as collateralized financing transactions and are recorded at their contracted resale or repurchase amount plus accrued interest. We earn and incur interest over the term of the repo, which is reflected in Interest revenue and Interest expense in the Consolidated Statements of Operations on an accrual basis. Repos are presented in the Consolidated Statements of Financial Condition on a net-basis by counterparty, where permitted by GAAP. The fair value of the underlying securities is monitored daily versus the related receivable or payable balances. Should the fair value of the underlying securities decline or increase, additional collateral is requested or excess collateral is returned, as appropriate.

Offsetting of Derivative Financial Instruments and Securities Financing Agreements

To manage exposure to credit risk associated with derivative activities and securities financing transactions, we may enter into International Swaps and Derivative Association, Inc. ("ISDA") master netting agreements, master securities lending agreements, master repurchase agreements or similar agreements and collateral arrangements with counterparties. A master agreement creates a single contract under which all transactions between two counterparties are executed allowing for trade aggregation and a single net payment obligation. Master agreements provide protection in bankruptcy in certain circumstances and, where legally enforceable, enable receivables and payables with the same counterparty to be settled or otherwise eliminated by applying amounts due against all or a portion of an amount due from the counterparty or a third-party. Under our ISDA master netting agreements, we typically also execute credit support annexes, which provide for collateral, either in the form of cash or securities, to be posted by or paid to a counterparty based on the fair value of the derivative receivable or payable based on the rates and parameters established in the credit support annex.

In the event of the counterparty's default, provisions of the master agreement permit acceleration and termination of all outstanding transactions covered by the agreement such that a single amount is owed by, or to, the non-defaulting party. In addition, any collateral posted can be applied to the net obligations, with any excess returned; and the collateralized party has a right to liquidate the collateral. Any residual claim after netting is treated along with other unsecured claims in bankruptcy court.

The conditions supporting the legal right of offset may vary from one legal jurisdiction to another and the enforceability of master netting agreements and bankruptcy laws in certain countries or in certain industries is not free from doubt. The right of offset is dependent both on contract law under the governing arrangement and consistency with the bankruptcy laws of the jurisdiction where the counterparty is located. Industry legal opinions with respect to the enforceability of certain standard provisions in respective jurisdictions are relied upon as a part of managing credit risk. In cases where we have not determined an agreement to be enforceable, the related amounts are not offset. Master netting agreements are a critical component of our risk management processes as part of reducing counterparty credit risk and managing liquidity risk.

We are also a party to clearing agreements with various central clearing parties. Under these arrangements, the central clearing counterparty facilitates settlement between counterparties based on the net payable owed or receivable due and, with respect to daily settlement, cash is generally only required to be deposited to the extent of the net amount. In the event of default, a net termination amount is determined based on the market values of all outstanding positions and the clearing organization or clearing member provides for the liquidation and settlement of the net termination amount among all counterparties to the open contracts or transactions. See Notes 5 and 6 for further information.

Hedge Accounting

Hedge accounting is applied using interest rate swaps designated as fair value hedges of changes in the benchmark interest rate of fixed rate senior long-term debt. The interest rate swaps are included as derivative contracts in Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value in the Consolidated Statements of Financial Condition. We use regression analysis to perform ongoing prospective and retrospective assessments of the effectiveness of these hedging relationships. A hedging relationship is deemed effective if the change in fair value of the interest rate swap and the change in the fair value of the long-term debt due to changes in the benchmark interest rate offset within a range of 80% to 125%. The impact of valuation adjustments related to Jefferies Group's own credit spreads and counterparty credit spreads are included in the assessment of effectiveness.

For qualifying fair value hedges of benchmark interest rates, the change in the fair value of the derivative and the change in fair value of the long-term debt provide offset of one another and, together with any resulting ineffectiveness, are recorded in Interest expense.

We seek to reduce the impact of fluctuations in foreign exchange rates on our net investments in certain non-U.S. operations through the use of foreign exchange contracts. The foreign exchange contracts are included as derivative contracts in Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value in the Consolidated Statements of Financial Condition. For foreign exchange contracts designated as hedges, the effectiveness of the hedge is assessed based on the overall changes in the fair value of the forward contracts (*i.e.*, based on changes in forward rates). For qualifying net investment hedges, all gains or losses on the hedging instruments are included in Accumulated other comprehensive income (loss).

See Note 5 for further information.

Other Investments

At November 30, 2020 and 2019, the Company had other investments (classified as Other assets and Loans to and investments in associated companies) in which fair values are not readily determinable, aggregating $90.2 million and $172.8 million, respectively. Impairments recognized on these investments were $20.4 million, $5.5 million and $0.2 million during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively. Realized gains of $2.1 million, $13.8 million and $0.2 million were recognized on these investments during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively. There were no unrealized gains or losses recognized on these investments during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018.

Capitalization of Interest

In connection with the acquisition of HomeFed in 2019, we began capitalizing interest on qualifying real estate assets. During the twelve months ended November 30, 2020 and 2019, capitalized interest of $8.6 million and $6.2 million, respectively, was allocated among all of HomeFed's projects that are currently under development.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are provided principally on the straight-line method over the estimated useful lives of the assets or, if less, the term of the underlying lease.

Lease Accounting

We adopted the Financial Accounting Standards Board ("FASB") guidance on leases on December 1, 2019. These lease policy updates were applied using a modified retrospective approach. Reported financial information for the historical comparable periods were not revised and continues to be reported under the accounting standards in effect during the historical periods.

For leases with an original term longer than one year, lease liabilities are initially recognized on the lease commencement date based on the present value of the future minimum lease payments over the lease term, including non-lease components such as fixed common area maintenance costs and other fixed costs for generally all leases. A corresponding right of use ("ROU") asset is initially recognized equal to the lease liability adjusted for any lease prepayments, initial direct costs and lease incentives.

The ROU assets are included in Property, equipment and leasehold improvements, net and the lease liabilities are included in Lease liabilities in the Consolidated Statement of Financial Condition.

The discount rates used in determining the present value of leases represent our collateralized borrowing rate considering each lease's term and currency of payment. The lease term includes options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Certain leases have renewal options that can be exercised at the discretion of the Company. Lease expense is generally recognized on a straight-line basis over the lease term and included in Selling, general and other expenses in the Consolidated Statement of Operations. See Note 13 for further information.

Impairment of Long-Lived Assets

We evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. When testing for impairment, we group our long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (or asset group). The determination of whether an asset group is recoverable is based on management's estimate of undiscounted future cash flows directly attributable to the asset group as compared to its carrying value. If the carrying amount of the asset group is greater than the undiscounted cash flows, an impairment loss would be recognized for the amount by which the carrying amount of the asset group exceeds its estimated fair value.

Substantially all of our operating businesses sell products or services that are impacted by general economic conditions in the U.S. and to a lesser extent internationally. A worsening of current economic conditions could cause a decline in estimated future cash flows expected to be generated by our operations and investments. If future undiscounted cash flows are estimated to be less than the carrying amounts of the asset groups used to generate those cash flows in subsequent reporting periods, particularly for those with large investments in intangible assets, property and equipment and other long-lived assets (for example, Jefferies Group, manufacturing and oil and gas production and development), impairment charges would have to be recorded.

Intangible Assets, Net and Goodwill

Intangible Assets. Intangible assets deemed to have finite lives are generally 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. If future undiscounted cash flows are estimated to be less than the carrying amounts of the asset groups used to generate those cash flows in subsequent reporting periods, particularly for those with large investments in amortizable intangible assets, impairment charges would have to be recorded.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when certain events or circumstances occur indicating an assessment for impairment is necessary. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, we have the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If we conclude otherwise, we are required to perform a quantitative impairment test. Fair value will be determined using valuation techniques consistent with what a market participant would use. All of our indefinite-lived intangible assets were recognized in connection with the Jefferies Group acquisition, and our annual impairment testing date for these assets is August 1.

Goodwill. At acquisition, we allocate the cost of a business acquisition to the specific tangible and intangible assets acquired and liabilities assumed based upon their fair values. Significant judgments and estimates are often made by management to determine these values, and may include the use of appraisals, consideration of market quotes for similar transactions, use of discounted cash flow techniques or consideration of other information we believe to be relevant. Any excess of the cost of a business acquisition over the fair values of the net assets and liabilities acquired is recorded as goodwill, which is not amortized to expense. Substantially all of our goodwill was recognized in connection with the Jefferies Group acquisition.

At least annually, and more frequently if warranted, we will assess whether goodwill has been impaired. If the estimated fair value exceeds the carrying value, goodwill at the reporting unit level is not impaired. If the estimated fair value is less than carrying value, further analysis is necessary to determine the amount of impairment, if any, by comparing the implied fair value of the reporting unit's goodwill to the carrying value of the reporting unit's goodwill. The fair values will be based on widely accepted valuation techniques that we believe market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The methodologies we utilize in estimating fair value include market capitalization, price-to-book multiples of comparable exchange traded companies, multiples of merger and

acquisitions of similar businesses and/or projected cash flows. 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. Our annual goodwill impairment testing date related to the Investment Banking and Capital Markets and Asset Management segments is as of August 1. Our annual impairment testing date for all other operations is November 30.

Inventories and Cost of Sales

Manufacturing inventories are stated at the lower of cost or net realizable value, with cost principally determined under the first-in-first-out method. Manufacturing cost of sales principally includes product and manufacturing costs, inbound and outbound shipping costs and handling costs. Inventories are classified as Other assets in the Consolidated Statements of Financial Condition.

Payables, expense accruals and other liabilities

At November 30, 2020 and 2019, Payables, expense accruals and other liabilities include payables to brokers, dealers and clearing organizations of $3,325.8 million and $2,621.7 million, respectively, and payables to customers of securities operations of $4,249.7 million and $3,808.6 million, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The realization of deferred tax assets is assessed, and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized on the basis of its projected separate return results.

We record uncertain tax positions using a two-step process: (i) we determine whether it is more likely than not that each tax position will be sustained on the basis of the technical merits of the position; and (ii) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The Company uses the portfolio approach relating to the release of stranded tax effects recorded in accumulated other comprehensive income (loss). Under the portfolio approach, the net unrealized gains or losses recorded in accumulated other comprehensive income (loss) would be eliminated only on the date the entire portfolio of available for sale securities is sold or otherwise disposed of.

Share-based Compensation

Share-based awards are measured based on the fair value of the award as determined in accordance with GAAP and recognized over the required service or vesting period. Certain executive share-based awards contain market, performance and service conditions. Market conditions are incorporated into the grant-date fair value using a Monte Carlo valuation model. Compensation expense for awards with market conditions is recognized over the service period and is not reversed if the market condition is not met. Awards with performance conditions are amortized over the service period if it is determined that it is probable that the performance condition will be achieved. The fair value of options are estimated at the date of grant using the Black-Scholes option pricing model. We account for forfeitures as they occur, which results in dividends and dividend equivalents originally charged against retained earnings for forfeited shares to be reclassified to compensation expense in the period in which the forfeiture occurs.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at exchange rates at the end of the relevant period. Revenues and expenses are translated at average exchange rates during the period. The gains or losses resulting from translating foreign currency financial statements into U.S. dollars, net of hedging gains or losses and taxes, if any, are included in Accumulated other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income (Loss) and classified as Accumulated other comprehensive income (loss) in the Consolidated Statements of Financial

Condition and Consolidated Statements of Changes in Equity. Gains or losses resulting from Jefferies Group's foreign currency transactions are included in Principal transactions revenues in the Consolidated Statements of Operations.

Earnings per Common Share

Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding and certain other shares committed to be, but not yet issued. Net earnings available to common shareholders represent net earnings to common shareholders reduced by the allocation of earnings to participating securities. Losses are not allocated to participating securities. Common shares outstanding and certain other shares committed to be, but not yet issued, include restricted stock and restricted stock units ("RSUs") for which no future service is required. Diluted earnings per share is computed by dividing net earnings available to common shareholders plus dividends on dilutive mandatorily redeemable convertible preferred shares and interest on convertible notes by the weighted average number of common shares outstanding and certain other shares committed to be, but not yet issued, plus all dilutive common stock equivalents outstanding during the period.

Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and, therefore, are included in the earnings allocation in computing earnings per share under the two-class method of earnings per share. Restricted stock and RSUs granted as part of share-based compensation contain nonforfeitable rights to dividends and dividend equivalents, respectively, and therefore, prior to the requisite service being rendered for the right to retain the award, restricted stock and RSUs meet the definition of a participating security. As such, we calculate basic and diluted earnings per share under the two-class method. RSUs granted under the senior executive compensation plan are not considered participating securities as the rights to dividend equivalents are forfeitable. See Note 15 for more information regarding the senior executive compensation plan.

Securitization Activities

We engage in securitization activities related to corporate loans, consumer loans, commercial mortgage loans and mortgage-backed and other asset-backed securities. Transfers of financial assets to secured funding vehicles are accounted for as sales when we have relinquished control over the transferred assets. The gain or loss on sale of such financial assets depends, in part, on the previous carrying amount of the assets involved in the transfer allocated between the assets sold and the retained interests, if any, based upon their respective fair values at the date of sale. We may retain interests in the securitized financial assets as one or more tranches of the securitization. These retained interests are included in Financial instruments owned, at fair value in the Consolidated Statements of Financial Condition at fair value. Any changes in the fair value of such retained interests are recognized in Principal transactions revenues in the Consolidated Statements of Operations. When a transfer of assets does not meet the criteria of a sale, the transfer is accounted for as a secured borrowing in Financial instruments owned, at fair value and we continue to recognize the assets of a secured borrowing, and recognize the associated financing in Other secured financings in the Consolidated Statements of Financial Condition.

Another of our subsidiaries utilizes special purpose entities to securitize automobile loans receivables. These special purpose entities are VIEs and our subsidiary is the primary beneficiary; the related assets and the secured borrowings are recognized in the Consolidated Statements of Financial Condition. These secured borrowings do not have recourse to our subsidiary's general credit.

Contingencies

In the normal course of business, we have been named, from time to time, as a defendant in legal and regulatory proceedings. We are also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding our businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions.

We recognize a liability for a contingency when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the reasonable estimate of a probable loss is a range, we accrue the most likely amount of such loss, and if such amount is not determinable, then we accrue the minimum in the range as the loss accrual. The determination of the outcome and loss estimates requires significant judgment on the part of management, can be highly subjective and is subject to significant change with the passage of time as more information becomes available. Estimating the ultimate impact of litigation matters is inherently uncertain, in particular because the ultimate outcome will rest on events and decisions of others that may not be within our power to control. We do not believe that any of our current litigation will have a significant adverse effect on our consolidated financial position, results of operations or liquidity; however, if amounts paid at the resolution of litigation are

in excess of recorded reserve amounts, the excess could be significant in relation to results of operations for that period. For further information, see Note 22.

Supplemental Cash Flow Information

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
		(In thousands)	
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 1,080,368	$ 1,563,152	$ 1,377,781
Income tax payments (refunds), net	$ 25	$ 24,587	$ 37,559

In June 2019, we entered into a Membership Interest Purchase Agreement, which provided for each of the then owners of National Beef to purchase, in the aggregate, 100% of the ownership interests in Iowa Premium, LLC ("Iowa Premium"). The funds used to acquire Iowa Premium were provided by way of a permitted distribution from National Beef to its owners, of which our proportionate share was approximately $49.0 million. The distribution from National Beef and the acquisition of Iowa Premium are included in the Consolidated Statement of Cash Flows for the twelve months ended November 30, 2019. Immediately following the acquisition, we contributed our ownership interest in Iowa Premium to National Beef, which was a non-cash investing activity.

During the twelve months ended November 30, 2019, we had $178.8 million in non-cash investing activities related to the issuance of common stock for the acquisition of the remaining common stock of HomeFed.

During the twelve months ended November 30, 2019, we had $16.4 million non-cash investing activities related to the sale of a hotel and restaurant in Telluride, Colorado that we owned, to the Company's Chairman and certain of his family trusts in exchange for 780,315 shares of the Company's common stock, at a price of $21.03 per share.

During the twelve months ended November 30, 2019, we had $451.1 million in non-cash financing activities related to our distribution of all of our Spectrum Brands shares through a special pro rata dividend to our stockholders.

During the twelve months ended November 30, 2019, we had $1.2 million in non-cash financing activities related to purchases of common shares for treasury which settled subsequent to November 30, 2019. During the eleven months ended November 30, 2018, we had $17.6 million in non-cash financing activities related to purchases of common shares for treasury which settled subsequent to November 30, 2018.

Note 3. Accounting Developments

Accounting Developments - Accounting Standards Adopted in Current Annual Reporting Period

Leases. We adopted the new lease standard on December 1, 2019 using a modified retrospective transition approach. Accordingly, reported financial information for historical comparable periods is not revised and continues to be reported under the accounting standards in effect during those historical periods. We elected not to reassess whether existing contracts are or contain leases, or the lease classification and initial direct costs of existing leases upon transition. At transition on December 1, 2019, the adoption of this standard resulted in the recognition of operating ROU assets of $545.8 million and operating lease liabilities of $614.9 million reflected in Property, equipment and leasehold improvements, net and Lease liabilities in the Consolidated Statement of Financial Condition, respectively. Finance lease ROU assets and finance lease liabilities were not material and are reflected in Property, equipment and leasehold improvements, net and Lease liabilities in the Consolidated Statement of Financial Condition, respectively.

Derivatives and Hedging. In August 2017, the FASB issued new guidance to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. We adopted the guidance in the first quarter of fiscal 2020 and the adoption did not have a material impact on our consolidated financial statements.

Reference Rate Reform. In March 2020, the FASB issued new guidance which provides optional exceptions for applying GAAP to contracts, hedge accounting relationships or other transactions affected by reference rate reform. We adopted the guidance on September 1, 2020 and the adoption had no impact on our consolidated financial statements.

Accounting Developments - Accounting Standards to be Adopted in Future Periods

Financial Instruments - Credit Losses. In June 2016, the FASB issued new guidance which provides for estimating credit losses on financial assets measured at amortized cost by introducing an approach based on expected losses over the financial asset's entire life, recorded at inception or purchase. We adopted the new credit loss guidance on December 1, 2020 and applied a modified retrospective approach through a cumulative-effect adjustment to retained earnings upon adoption. At transition on December 1, 2020, the new accounting guidance's adoption resulted in an increase in the allowance for credit losses of $26.5 million with a corresponding decrease in retained earnings of $19.9 million, net of tax. The increase is primarily attributable to a $30.1 million increase in the allowance for credit losses in Foursight Capital's portfolio of held to maturity auto finance receivables. Foursight Capital estimates expected credit losses on its portfolio using analysis of historical portfolio performance data as well as external economic factors that management considers to be relevant to the credit losses expected in the portfolio. This is partially offset by a $3.6 million decrease in the allowance for credit losses at Jefferies Group that is attributable to applying a revised provisioning methodology based on historical loss experience for its investment banking fee receivables.

We have determined expected credit losses to be immaterial upon adoption for our other financial instruments within the scope of the guidance. A significant portion of our financial instruments within the scope of the guidance represent secured financing receivables (reverse repurchase, secured borrowing, and margin loan agreements) that are substantially collateralized. For our secured financing receivables, we have concluded that the impact upon adoption was immaterial because the contractual collateral maintenance provisions require that the counterparty continually adjust the amount of collateralization securing the credit exposure on these contracts. Collateralization levels for our secured financing receivables are initially established based upon the counterparty, the type of acceptable collateral that is monitored daily and adjusted to mitigate the potential of any credit losses. For the remaining financial instruments within the guidance's scope, the expected credit losses were also determined to be immaterial considering the counterparty's credit quality, an insignificant history of credit losses, or the short-term nature of the credit exposures.

Goodwill. In January 2017, the FASB issued new guidance which simplifies goodwill impairment testing. We adopted the guidance in the first quarter of fiscal 2021 and the adoption did not have a material impact on our consolidated financial statements.

Defined Benefit Plans. In August 2018, the FASB issued new guidance to improve the effectiveness of disclosure requirements on defined benefit pension plans and other post-retirement plans. We adopted the guidance in the first quarter of fiscal 2021 and the adoption did not have a material impact on our consolidated financial statements.

Internal-Use Software. In August 2018, the FASB issued new guidance which amends the definition of a hosting arrangement and requires that the customer in a hosting arrangement that is a service contract capitalize certain implementation costs as if the arrangement was an internal-use software project. We adopted the guidance in the first quarter of fiscal 2021 and elected to apply the guidance prospectively to implementation costs incurred after the adoption date. The adoption did not have an impact on our consolidated financial statements on the adoption date.

Consolidation. In October 2018, the FASB issued new guidance which requires indirect interests held through related parties under common control arrangements be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. We adopted the guidance in the first quarter of fiscal 2021 and the adoption did not have a material impact on our consolidated financial statements.

Income Taxes. In December 2019, the FASB issued new guidance to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and to provide more consistent application to improve the comparability of financial statements. The guidance is effective in the first quarter of fiscal 2022. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Note 4. Fair Value Disclosures

The following is a summary of our financial assets and liabilities that are accounted for at fair value on a recurring basis, excluding Investments at fair value based on net asset value ("NAV") of $965.4 million and $586.9 million at November 30, 2020 and 2019, respectively, by level within the fair value hierarchy (in thousands):

	November 30, 2020				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting (1)	Total
Assets:					
Financial instruments owned, at fair value:					
Corporate equity securities	$ 2,475,887	$ 58,159	$ 75,904	$ —	$ 2,609,950
Corporate debt securities	—	2,954,236	23,146	—	2,977,382
Collateralized debt obligations and collateralized loan obligations	—	64,155	17,972	—	82,127
U.S. government and federal agency securities	2,840,025	91,653	—	—	2,931,678
Municipal securities	—	453,881	—	—	453,881
Sovereign obligations	1,962,346	591,342	—	—	2,553,688
Residential mortgage-backed securities	—	1,100,849	21,826	—	1,122,675
Commercial mortgage-backed securities	—	736,291	2,003	—	738,294
Other asset-backed securities	—	103,611	79,995	—	183,606
Loans and other receivables	—	2,610,746	134,636	—	2,745,382
Derivatives	1,523	2,013,942	21,678	(1,556,136)	481,007
Investments at fair value	—	6,122	213,946	—	220,068
FXCM term loan	—	—	59,455	—	59,455
Total financial instruments owned, at fair value, excluding investments at fair value based on NAV	$ 7,279,781	$ 10,784,987	$ 650,561	$ (1,556,136)	$ 17,159,193
Loans to and investments in associated companies	$ —	$ 8,603	$ 40,185	$ —	$ 48,788
Securities received as collateral, at fair value	$ 7,517	$ —	$ —	$ —	$ 7,517
Liabilities:					
Financial instruments sold, not yet purchased, at fair value:					
Corporate equity securities	$ 2,046,441	$ 9,046	$ 4,434	$ —	$ 2,059,921
Corporate debt securities	—	1,237,631	141	—	1,237,772
U.S. government and federal agency securities	2,609,660	—	—	—	2,609,660
Sovereign obligations	1,050,771	624,740	—	—	1,675,511
Residential mortgage-backed securities	—	477	—	—	477
Commercial mortgage-backed securities	—	—	35	—	35
Loans	—	1,776,446	16,635	—	1,793,081
Derivatives	551	2,391,556	47,695	(1,798,659)	641,143
Total financial instruments sold, not yet purchased, at fair value	$ 5,707,423	$ 6,039,896	$ 68,940	$ (1,798,659)	$ 10,017,600
Short-term borrowings	$ —	$ 5,067	$ —	$ —	$ 5,067
Other secured financings	$ —	$ —	$ 1,543	$ —	$ 1,543
Long-term debt	$ —	$ 1,036,217	$ 676,028	$ —	$ 1,712,245
Obligation to return securities received as collateral, at fair value	$ 7,517	$ —	$ —	$ —	$ 7,517

	November 30, 2019				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting (1)	Total
Assets:					
Financial instruments owned, at fair value:					
Corporate equity securities	$ 2,507,164	$ 218,403	$ 58,426	$ —	$ 2,783,993
Corporate debt securities	—	2,472,245	7,490	—	2,479,735
Collateralized debt obligations and collateralized loan obligations	—	124,225	28,788	—	153,013
U.S. government and federal agency securities	2,101,624	158,618	—	—	2,260,242
Municipal securities	—	742,326	—	—	742,326
Sovereign obligations	1,330,026	1,405,827	—	—	2,735,853
Residential mortgage-backed securities	—	1,069,066	17,740	—	1,086,806
Commercial mortgage-backed securities	—	424,060	6,110	—	430,170
Other asset-backed securities	—	303,847	42,563	—	346,410
Loans and other receivables	—	2,460,551	114,080	—	2,574,631
Derivatives	2,809	1,833,907	14,889	(1,433,197)	418,408
Investments at fair value	—	32,688	205,412	—	238,100
FXCM term loan	—	—	59,120	—	59,120
Total financial instruments owned, at fair value, excluding investments at fair value based on NAV	$ 5,941,623	$ 11,245,763	$ 554,618	$ (1,433,197)	$ 16,308,807
Securities purchased under agreements to resell	$ —	$ —	$ 25,000	$ —	$ 25,000
Securities received as collateral, at fair value	$ 9,500	$ —	$ —	$ —	$ 9,500
Liabilities:					
Financial instruments sold, not yet purchased, at fair value:					
Corporate equity securities	$ 2,755,601	$ 7,438	$ 4,487	$ —	$ 2,767,526
Corporate debt securities	—	1,471,142	340	—	1,471,482
U.S. government and federal agency securities	1,851,981	—	—	—	1,851,981
Sovereign obligations	1,363,475	941,065	—	—	2,304,540
Commercial mortgage-backed securities	—	—	35	—	35
Loans	—	1,600,228	9,463	—	1,609,691
Derivatives	871	2,066,455	92,057	(1,632,178)	527,205
Total financial instruments sold, not yet purchased, at fair value	$ 5,971,928	$ 6,086,328	$ 106,382	$ (1,632,178)	$ 10,532,460
Short-term borrowings	$ —	$ 20,981	$ —	$ —	$ 20,981
Long-term debt	$ —	$ 735,216	$ 480,069	$ —	$ 1,215,285
Obligation to return securities received as collateral, at fair value	$ 9,500	$ —	$ —	$ —	$ 9,500

(1) 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 our financial assets and liabilities that are accounted for at fair value on a recurring basis:

Corporate Equity Securities

- Exchange-Traded Equity Securities: Exchange-traded equity securities are measured based on quoted closing exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy, otherwise they are categorized within Level 2 of the fair value hierarchy. To the extent these securities are actively traded, valuation adjustments are not applied.
- 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 from recently executed market transactions and are categorized within Level 2 of the fair value hierarchy. Where such information is not available, non-exchange-traded equity securities are categorized within Level 3 of the fair value hierarchy and measured using valuation techniques involving quoted prices of or market data for comparable companies, similar company ratios and multiples (e.g., price/Earnings before interest, taxes, depreciation and amortization ("EBITDA"), price/book value), discounted cash flow analyses and transaction prices observed from subsequent financing or capital issuance by Jefferies Group. When using pricing data of comparable companies, judgment must be applied to adjust the pricing data to account for differences between the measured security and the comparable security (e.g., issuer market capitalization, yield, dividend rate, geographical concentration).

- Equity Warrants: Non-exchange-traded equity warrants are measured primarily from observed prices on recently executed market transactions and broker quotations and are categorized within Level 2 of the fair value hierarchy. Where such information is not available, non-exchange-traded equity warrants are generally categorized within Level 3 of the fair value hierarchy and can be measured using third-party valuation services or the Black-Scholes model with key inputs impacting the valuation including the underlying security price, implied volatility, dividend yield, interest rate curve, strike price and maturity date.

Corporate Debt Securities

- Investment Grade Corporate Bonds: Investment grade corporate bonds are measured primarily using pricing data from external pricing services and broker quotations, where available, prices observed from recently executed market transactions and bond spreads or credit default swap spreads of the issuer adjusted for basis differences between the swap curve and the bond curve. Investment grade 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. Investment grade corporate bonds measured using alternative valuation techniques are categorized within Level 2 or Level 3 of the fair value hierarchy and are a limited portion of our investment grade corporate bonds.
- High Yield Corporate and Convertible Bonds: A significant portion of our high yield corporate and convertible bonds are categorized within Level 2 of the fair value hierarchy and are measured primarily using broker quotations and pricing data from external pricing services, where available, and prices observed from recently executed market transactions of institutional size. Where pricing data is less observable, valuations are categorized within Level 3 of the fair value hierarchy and are based on pending transactions involving the issuer or comparable issuers, prices implied from an issuer's subsequent financing or recapitalization, models incorporating financial ratios and projected cash flows of the issuer and market prices for comparable issuers.

Collateralized Debt Obligations and Collateralized Loan Obligations

Collateralized debt obligations ("CDOs") and collateralized loan obligations ("CLOs") are measured based on prices observed from recently executed market transactions of the same or similar security or based on valuations received from third-party brokers or data providers and are categorized within Level 2 or Level 3 of the fair value hierarchy depending on the observability and significance of the pricing inputs. Valuation that is based on recently executed market transactions of similar securities incorporates additional review and analysis of pricing inputs and comparability criteria, including, but not limited to, collateral type, tranche type, rating, origination year, prepayment rates, default rates and loss severity.

U.S. Government and Federal Agency Securities

- U.S. Treasury Securities: U.S. Treasury securities are measured based on quoted market prices obtained from external pricing services and categorized within Level 1 of the fair value hierarchy.
- U.S. Agency Debt Securities: Callable and non-callable U.S. agency debt securities are measured primarily based on quoted market prices obtained from external pricing services and are generally categorized within Level 1 or Level 2 of the fair value hierarchy.

Municipal Securities

Municipal securities are measured based on quoted prices obtained from external pricing services, where available, or recently executed independent transactions of comparable size and are generally categorized within Level 2 of the fair value hierarchy.

Sovereign Obligations

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. Sovereign government obligations, with consideration given to the country of issuance, are generally categorized within Level 1 or Level 2 of the fair value hierarchy.

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 principal-only and interest-only (including inverse interest-only) securities. Agency residential mortgage-backed securities are generally measured using recent transactions, pricing data from external pricing services or expected future cash flow techniques that incorporate prepayment models and other prepayment assumptions to amortize the underlying mortgage loan collateral and are categorized within Level 2 or Level 3 of the fair value hierarchy. We use prices observed from recently executed transactions to develop market-clearing spread and yield assumptions. Valuation inputs with regard to the underlying collateral incorporate factors such as weighted average coupon, loan-to-value, credit scores, geographic location, maximum and average loan size, originator, servicer and weighted average loan age.
- Non-Agency Residential Mortgage-Backed Securities: The fair value of non-agency residential mortgage-backed securities is 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. In addition, broker quotes, where available, are also referenced to compare prices primarily on interest-only securities.

Commercial Mortgage-Backed Securities

- Agency Commercial Mortgage-Backed Securities: Government National Mortgage Association ("GNMA") project loan bonds are measured based on inputs corroborated from and benchmarked to observed prices of recent securitization transactions of similar securities with adjustments incorporating an evaluation of various factors, including prepayment speeds, default rates and cash flow structures. Federal National Mortgage Association ("FNMA") Delegated Underwriting and Servicing ("DUS") mortgage-backed securities are generally measured by using prices observed from 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, prices observed from recently executed market transactions or based on expected cash flow models that incorporate underlying loan collateral characteristics and performance. Non-agency commercial mortgage-backed securities are categorized within Level 2 or Level 3 of the fair value hierarchy depending on the observability of the underlying inputs.

Other Asset-Backed Securities

Other asset-backed securities include, but are not limited to, securities backed by auto loans, credit card receivables, student loans and other consumer loans and are categorized within Level 2 or Level 3 of the fair value hierarchy. Valuations are primarily determined using pricing data obtained from external pricing services, broker quotes and prices observed from recently executed market transactions. In addition, recent transaction data from comparable deals is deployed to develop market clearing yields and cumulative loss assumptions. The cumulative loss assumptions are based on the analysis of the underlying collateral and comparisons to earlier deals from the same issuer to gauge the relative performance of the deal.

Loans and Other Receivables

- Corporate Loans: Corporate loans categorized within Level 2 of the fair value hierarchy are measured based on market consensus pricing service quotations. Where available, market price quotations from external pricing services are reviewed to ensure they are supported by transaction data. Corporate loans categorized within Level 3 of the fair value hierarchy are measured based on price quotations that are considered to be less transparent, for example, derived using market prices for debt securities of the same creditor and estimates of future cash flows incorporating assumptions regarding creditor default and recovery rates and consideration of the issuer's capital structure.
- Participation Certificates in Agency Residential Loans: Valuations of participation certificates in agency residential loans are based on observed market prices of recently executed purchases and sales of similar loans and data provider pricing. The loan participation certificates are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions and availability of data provider pricing.
- Project Loans and Participation Certificates in GNMA Project and Construction Loans: Valuations of participation certificates in GNMA project and construction loans are based on inputs corroborated from and benchmarked to observed prices of recent securitizations with similar underlying loan collateral to derive an implied spread. Securitization prices are adjusted to estimate the fair value of the loans to account for the arbitrage that is realized at the time of securitization. The measurements are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions.
- Consumer Loans and Funding Facilities: Consumer and small business whole loans and related funding facilities are valued based on observed market transactions and incorporating valuation inputs including, but not limited to, delinquency and default rates, prepayment rates, borrower characteristics, loan risk grades and loan age. These assets are categorized within Level 2 or Level 3 of the fair value hierarchy.
- Escrow and Claim Receivables: Escrow and 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 claim receivables are categorized within Level 2 of the fair value hierarchy where fair value is based on recent observations in the same receivable.

Derivatives

- Listed Derivative Contracts: Listed derivative contracts that are actively traded are measured based on quoted exchange prices, broker quotes or vanilla option valuation models, such as Black-Scholes, using observable valuation inputs from the principal market or consensus pricing services. Exchange quotes and/or valuation inputs are generally obtained from external vendors and pricing services. Broker quotes are validated directly through observable and tradeable quotes. Listed derivative contracts that use unadjusted exchange close prices are generally categorized within Level 1 of the fair value hierarchy. All other listed derivative contracts are generally categorized within Level 2 of the fair value hierarchy.
- Over-the-Counter ("OTC") Derivative Contracts: OTC derivative contracts are generally valued using models, whose inputs reflect assumptions that we believe market participants would use in valuing the derivative in a current transaction. Where available, valuation inputs are calibrated from observable market data. For many OTC derivative contracts, the valuation models do not involve material subjectivity as the methodologies do not entail significant judgment and the inputs to valuation models do not involve a high degree of subjectivity as the valuation model inputs are readily observable or can be derived from actively quoted markets. OTC derivative contracts are primarily categorized within Level 2 of the fair value hierarchy given the observability and significance of the inputs to the valuation models. Where significant inputs to the valuation are unobservable, derivative instruments are categorized within Level 3 of the fair value hierarchy.

  OTC options include OTC equity, foreign exchange, interest rate and commodity options measured using various valuation models, such as Black-Scholes, with key inputs including the underlying security price, foreign exchange spot rate, commodity price, implied volatility, dividend yield, interest rate curve, strike price and maturity date. Discounted cash flow models are utilized to measure certain OTC derivative contracts including the valuations of our interest rate swaps, which incorporate observable inputs related to interest rate curves, valuations of our foreign exchange forwards and swaps, which incorporate observable inputs related to foreign currency spot rates and forward curves and valuations of our commodity swaps and forwards, which incorporate observable inputs related to commodity spot prices and forward curves. Discounted cash flow models are also utilized to measure certain variable funding note swaps, which are backed by CLOs and incorporate constant prepayment rate, constant default rate and loss severity assumptions. Credit default swaps include both index and single-name credit default swaps. Where available, external data is used in measuring index credit default swaps and single-name credit default swaps. For commodity and equity total return swaps, market prices are generally observable for the underlying asset and used as the basis for measuring the fair value of the derivative contracts. Total return swaps executed on other underlyings are measured based on valuations received from external pricing services.

- Oil Futures Derivatives: Vitesse Energy Finance uses swaps and call and put options in order to reduce exposure to future oil price fluctuations. Vitesse Energy Finance accounts for the derivative instruments at fair value, which are classified as either Level 1 or Level 2 within the fair value hierarchy. Fair values classified as Level 1 are measured based on quoted closing exchange prices obtained from external pricing services and Level 2 are determined under the income valuation technique using an option-pricing model that is based on directly or indirectly observable inputs.

Investments at Fair Value

Investments at fair value include investments in hedge funds, fund of funds and private equity funds, which are measured at the NAV of the funds, provided by the fund managers and are excluded from the fair value hierarchy. Investments at fair value also include direct equity investments in private companies, which are measured at fair value using valuation techniques involving quoted prices of or market data for comparable companies, similar company ratios and multiples (e.g., price/EBITDA, price/book value), discounted cash flow analyses, contingent claims analysis and transaction prices observed for subsequent financing or capital issuance by the company. Direct equity investments in private companies are categorized within Level 2 or Level 3 of the fair value hierarchy.

The following tables present information about our investments in entities that have the characteristics of an investment company (in thousands).

	Fair Value (1)	Unfunded Commitments
November 30, 2020		
Equity Long/Short Hedge Funds (2)	$ 328,096	$ —
Equity Funds (3)	33,221	12,408
Commodity Fund (4)	17,747	—
Multi-asset Funds (5)	561,236	—
Other Funds (6)	25,084	5,000
Total	$ 965,384	$ 17,408
November 30, 2019		
Equity Long/Short Hedge Funds (2)	$ 291,593	$ —
Equity Funds (3)	44,576	14,621
Commodity Fund (4)	16,025	—
Multi-asset Funds (5)	234,583	—
Other Funds (6)	157	—
Total	$ 586,934	$ 14,621

(1) Where fair value is calculated based on NAV, fair value has been derived from each of the funds' capital statements.
(2) This category includes investments in hedge funds that invest, long and short, primarily in both public and private equity securities in domestic and international markets. At both November 30, 2020 and 2019, approximately 94% of the fair value of investments in this category cannot be redeemed because these investments include restrictions that do not allow for redemption in the first 36 months after acquisition. At both November 30, 2020 and 2019, approximately 6% of the fair value of investments in this category are redeemable quarterly with 60 days prior written notice.
(3) The investments in this category include investments in equity funds that invest in the equity of various U.S. and foreign private companies. These investments cannot be redeemed; instead distributions are received through the liquidation of the underlying assets of the funds which are primarily expected to be liquidated in approximately one to eight years.
(4) This category includes investments in a hedge fund that invests, long and short, primarily in commodities. Investments in this category are redeemable quarterly with 60 days prior written notice.
(5) This category includes investments in hedge funds that invest, long and short, primarily in multi-asset securities in domestic and international markets in both the public and private sectors. At November 30, 2020 and 2019, investments representing approximately 57% and 5%, respectively, of the fair value of investments in this category are redeemable monthly with 30 or 60 days prior written notice.
(6) At November 30, 2020, this category primarily includes an investment in a fund that invests in short-term trade receivables and payables that are expected to generally be outstanding between 90 to 120 days and short-term credit instruments. These investments are redeemable quarterly with 90 days prior written notice. At both November 30, 2020 and 2019, this category also includes investments in a fund of funds that invests in various private equity funds that are managed by us

and have no redemption provisions. Investments in the fund of funds are gradually being liquidated, however, the timing of when the proceeds will be received is uncertain.

Investments at fair value also include our investment in WeWork. We invested $9.0 million in WeWork in 2013 and currently own less than 1% of WeWork. Our interest in WeWork is reflected in Financial instruments owned, at fair value of $10.8 million and $53.8 million at November 30, 2020 and 2019, respectively.

Investment in FXCM

Our investment in FXCM and associated companies consists of a senior secured term loan due February 15, 2022 ($71.6 million principal outstanding at November 30, 2020), a 50% voting interest in FXCM and rights to a majority of all distributions in respect of the equity of FXCM. Our investment in the FXCM term loan is reported within Financial instruments owned, at fair value in the Consolidated Statements of Financial Condition. We classify our equity investment in FXCM in the Consolidated Statements of Financial Condition as Loans to and investments in associated companies, as we have the ability to significantly influence FXCM through our seats on the board of directors.

We estimate the fair value of our term loan by using a valuation model with inputs including management's assumptions concerning the amount and timing of expected cash flows, the loan's implied credit rating and effective yield. Because of these inputs and the degree of judgment involved, we have categorized our term loan within Level 3 of the fair value hierarchy.

Loans to and Investments in Associated Companies

Corporate bonds are measured primarily using pricing data from external pricing services and are categorized within Level 2 of the fair value hierarchy. Non-exchange-traded equity warrants with no pricing from external pricing services are generally categorized within Level 3 of the fair value hierarchy. The warrants are measured using the Black-Scholes model with key inputs impacting the valuation including the underlying security price, implied volatility, interest rate curve, strike price and maturity date.

Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell may include embedded call features. The valuation of these instruments is based on review of expected future cash flows, interest rates, funding spreads and the fair value of the underlying collateral. Securities purchased under agreements to resell are categorized within Level 3 of the fair value hierarchy due to limited observability of the embedded derivative and unobservable credit spreads.

Other Secured Financings

Other secured financings that are accounted for at fair value are classified within Level 3 of the fair value hierarchy. Fair value is based on estimates of future cash flows incorporating assumptions regarding recovery rates.

Securities Received as Collateral and Obligations to Return Securities Received as Collateral

In connection with securities-for-securities transactions in which we are the lender of securities and are permitted to sell or repledge the securities received as collateral, we report the fair value of the collateral received and the related obligation to return the collateral. Valuation is based on the price of the underlying security and is categorized within Level 1 of the fair value hierarchy.

Short-term Borrowings and Long-term Debt

Short-term borrowings that are accounted for at fair value include equity-linked notes, which are generally categorized within Level 2 of the fair value hierarchy, as the fair value is based on the price of the underlying equity security. Long-term debt includes variable rate, fixed-to-floating rate, equity-linked notes, constant maturity swap, digital and Bermudan structured notes. These are valued using various valuation models that incorporate Jefferies Group's own credit spread, market price quotations from external pricing sources referencing the appropriate interest rate curves, volatilities and other inputs as well as prices for transactions in a given note during the period. Long-term debt notes are generally categorized within Level 2 of the fair value hierarchy, where market trades have been observed during the period of model pricing is available, otherwise the notes are categorized within Level 3.

Nonrecurring Fair Value Measurements

HomeFed has a 49% membership interest in the RedSky JZ Fulton Investors ("RedSky JZ Fulton Mall") joint venture, which owns a property in Brooklyn, New York. The property consists of 14 separate tax lots, divided into two development sites which may be redeveloped with buildings consisting of up to 540,000 square feet of floor area development rights. During the three months ended February 29, 2020, difficulties were encountered with attempts to refinance debt within the investment. We viewed this, combined with a softening of the Brooklyn, New York real estate market during the quarter, as a triggering event and evaluated HomeFed's equity method investment in RedSky JZ Fulton Mall to determine if there was an impairment. In connection with this evaluation, we obtained an appraisal which reflected a reduction in the value of the investment in comparison to an earlier appraisal obtained shortly before the beginning of the quarter. The appraisal was based off of Level 3 inputs consisting of prices of comparable properties and the appraisal indicated that the value of the property was worth less than the debt outstanding. HomeFed recorded an impairment charge of $55.6 million within Income (loss) related to associated companies during the first quarter of 2020, which represented all of its carrying value in the joint venture.

Due to a decline in oil and gas prices during the first quarter of 2020, JETX Energy performed an impairment analysis for its oil and gas properties in the East Eagle Ford. JETX Energy first determined the estimated undiscounted cash flows based on the reserves and costs utilized in its reserve report and then updated those cash flows based on strip pricing as of February 29, 2020. The expected undiscounted future net cash flows were then compared to the end of quarter net carrying value of the proven properties. As the undiscounted future net cash flows were lower than the carrying value, JETX Energy then determined the estimated fair value of the proven properties. To measure the estimated fair value of its proven properties, JETX Energy used unobservable Level 3 inputs, including a 10.0% discount rate and estimated future cash flows from its reserve report. The estimated fair value of JETX Energy's proven oil and gas properties in the East Eagle Ford totaled $9.6 million, which was $33.0 million lower than the carrying value as of the end of first quarter of 2020. As a result, an impairment charge of $33.0 million was recorded in Selling, general and other expenses during the first quarter of 2020.

Due to a decline in oil and gas prices during the second quarter of 2020, Vitesse Energy Finance performed impairment analyses on its proven oil and gas properties in the Denver-Julesburg Basin ("DJ Basin") of Wyoming and Colorado and the Bakken Shale oil field in North Dakota. Vitesse Energy Finance first determined the estimated undiscounted cash flows based on the reserves and costs utilized in its reserve report and then updated those cash flows based on strip pricing as of May 31, 2020. The expected undiscounted future net cash flows were then compared to the end of quarter net carrying value of the oil and gas properties. No impairment of the Bakken Shale oil field assets was necessary as the undiscounted future net cash flows significantly exceeded the carrying value of these assets. As undiscounted future net cash flows were lower than the carrying value of the DJ Basin properties, Vitesse Energy Finance then determined the estimated fair value of the proven properties. To measure the estimated fair value of its proven properties, Vitesse Energy Finance used unobservable Level 3 inputs, including a 10.0% discount rate and estimated future cash flows from its reserve report. The estimated fair value of Vitesse Energy Finance's proven oil and gas properties in the DJ Basin totaled $26.8 million, which was $13.2 million lower than the carrying value as of the end of the second quarter of 2020. As a result, an impairment charge of $13.2 million was recorded in Selling, general and other expenses during the second quarter of 2020.

As described further in Note 9, in the third quarter of 2018 we engaged an independent valuation firm to assist management in estimating the fair value of our equity investment in Golden Queen Mining Company, LLC ("Golden Queen"). Our estimate of fair value was based on a discounted cash flow analysis and is categorized within Level 3 of the fair value hierarchy. The discounted cash flow valuation model used inputs including management's projections of future Golden Queen cash flows and a discount rate of 12%. The estimated fair value of our equity investment in Golden Queen was $62.3 million, which was $47.9 million lower than our carrying value. As a result, an impairment charge of $47.9 million was recorded in Income (loss) related to associated companies in the third quarter of 2018.

As discussed further in Note 9, during the fourth quarter of 2018, we recorded an impairment charge of $62.1 million related to the equity component of our investment in FXCM, which was based on updated expectations that had been impacted by the then revised regulations of the European Securities Market Authority and dampened operating results. We engaged an independent valuation firm to assist management in estimating the fair value of our equity investment in FXCM. Our fourth quarter estimate of fair value was based on a discounted cash flow analysis and is categorized within Level 3 of the fair value hierarchy. The discounted cash flow valuation model used inputs including management's projections of future FXCM cash flows and a discount rate of 18.5%. The estimated fair value of our equity investment in FXCM was $75.0 million, which was $62.1 million lower than our carrying value. As a result, an impairment charge of $62.1 million was recorded in Income (loss) related to associated companies in the fourth quarter of 2018.

Level 3 Rollforwards

The following is a summary of changes in the fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the twelve months ended November 30, 2020 (in thousands):

Twelve Months Ended November 30, 2020

	Balance, November 30, 2019	Total gains (losses) (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into (out of) Level 3	Balance, November 30, 2020	Changes in unrealized gains/losses included in earnings relating to instruments still held at November 30, 2020 (1)
Assets:									
Financial instruments owned, at fair value:									
Corporate equity securities	$ 58,426	$ (4,086)	$ 31,885	$ (37,706)	$ —	$ —	$ 27,385	$ 75,904	$ (652)
Corporate debt securities	7,490	83	1,607	(391)	(602)	—	14,959	23,146	(270)
CDOs and CLOs	28,788	(3,821)	10,913	(14,389)	(5,201)	—	1,682	17,972	(17,212)
Residential mortgage-backed securities	17,740	(934)	7,887	(969)	(1,053)	—	(845)	21,826	(599)
Commercial mortgage-backed securities	6,110	(827)	393	(1,856)	(1,787)	—	(30)	2,003	(295)
Other asset-backed securities	42,563	(3,848)	69,701	(1,638)	(43,072)	—	16,289	79,995	(5,945)
Loans and other receivables	114,080	(12,341)	123,485	(36,929)	(57,455)	—	3,796	134,636	(11,153)
Investments at fair value	205,412	(31,666)	55,836	(167)	(17,298)	—	1,829	213,946	(33,514)
FXCM term loan	59,120	335	—	—	—	—	—	59,455	335
Loans to and investments in associated companies	—	5,497	—	—	—	—	34,688	40,185	5,497
Securities purchased under agreements to resell	25,000	—	—	—	(25,000)	—	—	—	—
Liabilities:									
Financial instruments sold, not yet purchased, at fair value:									
Corporate equity securities	$ 4,487	$ 456	$ (513)	$ —	$ —	$ —	$ 4	$ 4,434	$ (81)
Corporate debt securities	340	(268)	(325)	394	—	—	—	141	27
Commercial mortgage-backed securities	35	—	—	35	—	—	(35)	35	—
Loans	9,463	(520)	(6,061)	13,851	—	—	(98)	16,635	360
Net derivatives (2)	77,168	(40)	(7,446)	19,376	(2,216)	—	(60,825)	26,017	(1,805)
Other secured financings	—	(2,475)	—	—	—	4,018	—	1,543	2,475
Long-term debt (1)	480,069	84,930	—	—	(57,088)	248,718	(80,601)	676,028	(51,567)

(1) Realized and unrealized gains (losses) are primarily reported in Principal transactions revenues in the Consolidated Statements of Operations. Changes in instrument specific credit risk related to structured notes within long-term debt are included in the Consolidated Statements of Comprehensive Income (Loss), net of tax. Changes in unrealized gains/losses included in other comprehensive income (loss) for instruments still held at November 30, 2020 were losses of $33.4 million.

(2) Net derivatives represent Financial instruments owned, at fair value - Derivatives and Financial instruments sold, not yet purchased, at fair value - Derivatives.

Analysis of Level 3 Assets and Liabilities for the twelve months ended November 30, 2020

During the twelve months ended November 30, 2020, transfers of assets of $88.0 million from Level 2 to Level 3 of the fair value hierarchy are attributed to:

- Corporate equity securities of $32.5 million, other asset-backed securities of $23.0 million, corporate debt securities of $18.0 million and loans and other receivables of $10.9 million due to reduced pricing transparency.

During the twelve months ended November 30, 2020, transfers of assets into Level 3 also include $34.7 million related to loans to and investments in associated companies.

During the twelve months ended November 30, 2020, transfers of assets of $24.7 million from Level 3 to Level 2 are primarily attributed to:

- Loans and other receivables of $7.1 million, other asset-backed securities of $6.8 million, corporate equity securities of $5.1 million and corporate debt securities of $3.0 million due to greater pricing transparency supporting classification into Level 2.

During the twelve months ended November 30, 2020, transfers of liabilities of $1.9 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

- Loans of $1.8 million due to reduced pricing transparency.

During the twelve months ended November 30, 2020, transfers of liabilities of $143.4 million from Level 3 to Level 2 of the fair value hierarchy are primarily attributed to:

- Structured notes within long-term debt of $80.6 million and net derivatives of $60.8 million due to greater market and pricing transparency.

Net losses on Level 3 assets were $51.6 million and net losses on Level 3 liabilities were $82.1 million for the twelve months ended November 30, 2020. Net losses on Level 3 assets were primarily due to a decreased market values of investments at fair value and loans and other receivables, partially offset by increased valuations of loans to and investments in associated companies. Net losses on Level 3 liabilities were primarily due to increased market valuations of certain structured notes within long-term debt, partially offset by decreased values of other secured financings.

The following is a summary of changes in the fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the twelve months ended November 30, 2019 (in thousands):

Twelve Months Ended November 30, 2019

	Balance, November 30, 2018	Total gains (losses) (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into (out of) Level 3	Balance, November 30, 2019	Changes in unrealized gains/losses included in earnings relating to instruments still held at November 30, 2019 (1)
Assets:									
Financial instruments owned, at fair value:									
Corporate equity securities	$ 52,192	$ (11,407)	$ 69,065	$ (28,159)	$ (18,208)	$ —	$ (5,057)	$ 58,426	$ (13,848)
Corporate debt securities	9,484	(4,860)	8,900	(13,854)	(379)	—	8,199	7,490	(6,176)
CDOs and CLOs	36,105	(514)	49,658	(38,147)	(12,494)	—	(5,820)	28,788	(2,330)
Residential mortgage-backed securities	19,603	(1,669)	1,954	(2,472)	(152)	—	476	17,740	(530)
Commercial mortgage-backed securities	10,886	(2,888)	206	(2,346)	(5,317)	—	5,569	6,110	(2,366)
Other asset-backed securities	53,175	433	104,097	(73,335)	(51,374)	—	9,567	42,563	(98)
Loans and other receivables	46,985	(4,507)	106,965	(48,350)	(5,788)	—	18,775	114,080	(2,321)
Investments at fair value	396,254	(183,480)	11,236	(28,749)	—	—	10,151	205,412	(180,629)
FXCM term loan	73,150	(8,139)	1,500	—	(7,391)	—	—	59,120	(8,139)
Securities purchased under agreements to resell	—	—	—	—	—	25,000	—	25,000	—
Liabilities:									
Financial instruments sold, not yet purchased, at fair value:									
Corporate equity securities	$ —	$ (2,649)	$ (4,322)	$ 11,458	$ —	$ —	$ —	$ 4,487	$ 1,928
Corporate debt securities	522	(381)	(457)	—	(524)	—	1,180	340	383
Commercial mortgage-backed securities	—	35	—	—	—	—	—	35	35
Loans	6,376	(1,382)	(2,573)	6,494	—	—	548	9,463	1,382
Net derivatives (2)	21,614	(21,452)	(4,323)	36,144	2,227	—	42,958	77,168	12,098
Long-term debt (1)	200,745	(18,662)	—	—	(11,250)	348,275	(39,039)	480,069	29,656

(1) Realized and unrealized gains (losses) are primarily reported in Principal transactions revenues in the Consolidated Statements of Operations. Changes in instrument specific credit risk related to structured notes within long-term debt are included in the Consolidated Statements of Comprehensive Income (Loss), net of tax. Changes in unrealized gains/losses included in other comprehensive income (loss) for instruments still held at November 30, 2019 were losses of $11.0 million.
(2) Net derivatives represent Financial instruments owned, at fair value - Derivatives and Financial instruments sold, not yet purchased, at fair value - Derivatives.

Analysis of Level 3 Assets and Liabilities for the twelve months ended November 30, 2019

During the twelve months ended November 30, 2019, transfers of assets of $68.6 million from Level 2 to Level 3 of the fair value hierarchy are attributed to:
- Loans and other receivables of $27.4 million, other asset-backed securities of $12.1 million, investments at fair value of $10.2 million, corporate debt securities of $8.9 million, commercial mortgage-backed securities of $5.6 million and CDOs and CLOs of $3.0 million due to reduced pricing transparency.

During the twelve months ended November 30, 2019, transfers of assets of $26.7 million from Level 3 to Level 2 are primarily attributed to:
- CDOs and CLOs of $8.8 million, loans and other receivables of $8.6 million, corporate equity securities of $6.0 million and other asset-backed securities of $2.6 million due to greater pricing transparency supporting classification into Level 2.

During the twelve months ended November 30, 2019, there were transfers of net derivatives of $57.2 million from Level 2 to Level 3 due to reduced observability of inputs and market data. Transfers of net derivatives from Level 3 to Level 2 were $14.3 million for the twelve months ended November 30, 2019 due to greater observability of inputs and market data.

During the twelve months ended November 30, 2019, there were transfers of structured notes within long-term debt of $22.6 million from Level 2 to Level 3 due to reduced market transparency. Transfers of structured notes within long-term debt from Level 3 to Level 2 were $61.7 million for the twelve months ended November 30, 2019 due to greater market transparency.

Net losses on Level 3 assets were $217.0 million and net gains on Level 3 liabilities were $44.5 million for the twelve months ended November 30, 2019. Net losses on Level 3 assets were primarily due to a decreased valuation of investments at fair value, corporate equity securities, loans and other receivables, corporate debt securities, commercial mortgage-backed securities, CDOs and CLOs and our FXCM term loan. Net gains on Level 3 liabilities were primarily due to decreased market values across certain derivatives and valuations of certain structured notes within long-term debt.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the eleven months ended November 30, 2018 (in thousands):

Eleven Months Ended November 30, 2018

	Balance, December 31, 2017	Total gains (losses) (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into (out of) Level 3	Balance, November 30, 2018	Changes in unrealized gains/losses included in earnings relating to instruments still held at November 30, 2018 (1)
Assets:									
Financial instruments owned, at fair value:									
Corporate equity securities	$ 22,270	$ 24,914	$ 31,669	$ (22,759)	$ (3,977)	$ —	$ 75	$ 52,192	$ 23,665
Corporate debt securities	26,036	(439)	10,352	(23,364)	(1,679)	—	(1,422)	9,484	(2,606)
CDOs and CLOS	42,184	(16,258)	356,650	(353,330)	(10,247)	—	17,106	36,105	(9,495)
Residential mortgage-backed securities	26,077	(6,970)	3,118	(12,816)	(513)	—	10,707	19,603	521
Commercial mortgage-backed securities	12,419	(2,186)	1,436	(471)	(16,624)	—	16,312	10,886	(4,000)
Other asset-backed securities	61,129	(9,934)	706,846	(677,220)	(27,641)	—	(5)	53,175	(5,283)
Loans and other receivables	47,304	(5,137)	149,228	(130,832)	(15,311)	—	1,733	46,985	(8,457)
Investments at fair value	329,944	76,636	9,798	(17,570)	—	—	(2,554)	396,254	76,042
FXCM term loan	72,800	18,616	—	—	(18,266)	—	—	73,150	7,723
Liabilities:									
Financial instruments sold, not yet purchased, at fair value:									
Corporate equity securities	$ 48	$ —	$ —	$ —	$ —	$ —	$ (48)	$ —	$ —
Corporate debt securities	522	—	—	—	—	—	—	522	—
Commercial mortgage-backed securities	105	(105)	—	—	—	—	—	—	—
Loans	3,486	84	(4,626)	7,432	—	—	—	6,376	(28)
Net derivatives (2)	6,746	(3,237)	(17)	14,920	(1,335)	—	4,537	21,614	(646)
Long-term debt (1)	—	(30,347)	—	—	—	84,860	146,232	200,745	10,951

(1) Realized and unrealized gains (losses) are primarily reported in Principal transactions revenues in the Consolidated Statements of Operations. Changes in instrument specific credit risk related to structured notes within long-term debt are included in the Consolidated Statements of Comprehensive Income (Loss), net of tax. Changes in unrealized gains/losses included in other comprehensive income (loss) for instruments still held at November 30, 2018 were gains of $19.4 million.

(2) Net derivatives represent Financial instruments owned, at fair value - Derivatives and Financial instruments sold, not yet purchased, at fair value - Derivatives.

Analysis of Level 3 Assets and Liabilities for the eleven months ended November 30, 2018

During the eleven months ended November 30, 2018, transfers of assets of $57.8 million from Level 2 to Level 3 of the fair value hierarchy are attributed to:

- Commercial mortgage-backed securities of $16.3 million, residential mortgage-backed securities of $15.3 million and CDOs and CLOs of $17.3 million due to reduced pricing transparency.

During the eleven months ended November 30, 2018, transfers of assets of $12.3 million from Level 3 to Level 2 are attributed to:

- Residential mortgage-backed securities of $4.6 million, corporate debt securities of $3.6 million and corporate equity securities of $2.9 million due to greater pricing transparency supporting classification into Level 2.

During the eleven months ended November 30, 2018, there were transfers of structured notes within long-term debt of $146.2 million from Level 2 to Level 3 due to reduced market transparency.

Net gains on Level 3 assets were $79.2 million and net gains on Level 3 liabilities were $33.6 million for the eleven months ended November 30, 2018. Net gains on Level 3 assets were primarily due to increased valuations of investments at fair value and our FXCM term loan, and increased market values in corporate equity securities, partially offset by decreased valuations of CDOs and CLOs, other asset-backed securities, residential mortgage-backed securities and certain loans and other

receivables. Net gains on Level 3 liabilities were primarily due to decreased valuations of certain structured notes within long-term debt.

Quantitative Information about Significant Unobservable Inputs used in Level 3 Fair Value Measurements

The tables below present information on the valuation techniques, significant unobservable inputs and their ranges for our financial assets and liabilities, subject to threshold levels related to the market value of the positions held, measured at fair value on a recurring basis with a significant Level 3 balance. The range of unobservable inputs could differ significantly across different firms given the range of products across different firms in the financial services sector. The inputs are not representative of the inputs that could have been used in the valuation of any one financial instrument (i.e., the input used for valuing one financial instrument within a particular class of financial instruments may not be appropriate for valuing other financial instruments within that given class). Additionally, the ranges of inputs presented below should not be construed to represent uncertainty regarding the fair values of our financial instruments; rather, the range of inputs is reflective of the differences in the underlying characteristics of the financial instruments in each category.

For certain categories, we have provided a weighted average of the inputs allocated based on the fair values of the financial instruments comprising the category. We do not believe that the range or weighted average of the inputs is indicative of the reasonableness of uncertainty of our Level 3 fair values. The range and weighted average are driven by the individual financial instruments within each category and their relative distribution in the population. The disclosed inputs when compared with the inputs as disclosed in other periods should not be expected to necessarily be indicative of changes in our estimates of unobservable inputs for a particular financial instrument as the population of financial instruments comprising the category will vary from period to period based on purchases and sales of financial instruments during the period as well as transfers into and out of Level 3 each period.

November 30, 2020					
	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input/Range	Weighted Average
Financial instruments owned, at fair value					
Corporate equity securities	$ 75,409				
Non-exchange-traded securities		Market approach	Price	$1 to $213	$86
			EBITDA multiple	4.0 to 8.0	5.7
Corporate debt securities	$ 23,146	Market approach	Price	$69	—
		Scenario analysis	Estimated recovery percentage	20 % to 44%	30 %
CDOs and CLOs	$ 17,972	Discounted cash flows	Constant prepayment rate	20%	—
			Constant default rate	2%	—
			Loss severity	25 % to 30%	26 %
			Discount rate/yield	14 % to 28%	20 %
		Scenario analysis	Estimated recovery percentage	2 % to 34%	23 %
Residential mortgage-backed securities	$ 21,826	Discounted cash flows	Cumulative loss rate	2 % to 3%	3 %
			Loss severity	35 % to 50%	36 %
			Duration (years)	2.0 years to 12.9 years	5.1 years
			Discount rate/yield	3 % to 12%	4 %
Other asset-backed securities	$ 67,816	Discounted cash flows	Cumulative loss rate	1 % to 28%	11 %
			Loss severity	50 % to 85%	54 %
			Duration (years)	0.2 years to 2.1 years	1.3 years
			Discount rate/yield	1 % to 16%	9 %
		Market approach	Price	$100	—
Loans and other receivables	$ 76,049	Market approach	Price	$31 to $100	$84
		Scenario analysis	Estimated recovery percentage	19 % to 100%	52 %
Derivatives	$ 19,951				
Equity options		Volatility benchmarking	Volatility	47%	—
Interest rate swaps		Market approach	Basis points upfront	1.2 to 8.0	4.8
Investments at fair value	$ 96,906				
Private equity securities		Market approach	Price	$1 to $169	$29
		Scenario analysis	Estimated recovery percentage	17%	—
			Discount rate/yield	19 % to 21%	20 %
			Revenue growth	0%	—
Investment in FXCM	$ 59,455				
Term loan		Discounted cash flows	Term based on the pay off (years)	0 months to 1.2 years	1.2 years
Loans to and investments in associated companies					
Non-exchange-traded warrants	$ 40,185	Market approach	Underlying stock price	$778 to $805	$792
			Underlying stock price	€15 to €19	€16
			Volatility	25 % to 55%	30 %
Financial instruments sold, not yet purchased, at fair value					
Corporate equity securities	$ 4,434	Market approach	Price	$1	—
Corporate debt securities	$ 141	Scenario analysis	Estimated recovery percentage	20%	—
Loans	$ 16,635	Market approach	Price	$31 to $99	$55
Derivatives	$ 46,971				
Equity options		Volatility benchmarking	Volatility	33 % to 50%	42 %
Interest rate swaps		Market approach	Basis points upfront	1.2 to 8.0	5.4
Other secured financings	$ 1,543	Scenario analysis	Estimated recovery percentage	19 % to 55%	45 %
Long-term debt					
Structured notes	$ 676,028	Market approach	Price	$100	—
			Price	€76 to €113	€99

	November 30, 2019				
	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input/Range	Weighted Average
Financial instruments owned, at fair value					
Corporate equity securities	$ 29,017				
Non-exchange traded securities		Market approach	Price	$1 to $140	$55
			Underlying stock price	$3 to $5	$4
Corporate debt securities	$ 7,490	Scenario analysis	Estimated recovery percentage	23 % to 85%	46 %
			Volatility	44%	—
			Credit spread	750	—
			Underlying stock price	£0.4	—
CDOs and CLOs	$ 28,788	Discounted cash flows	Constant prepayment rate	20%	—
			Constant default rate	1 % to 2%	2 %
			Loss severity	25 % to 37%	29 %
			Discount rate/yield	12 % to 21%	15 %
		Scenario analysis	Estimated recovery percentage	3.25 % to 36.5%	25 %
Residential mortgage-backed securities	$ 17,740	Discounted cash flows	Cumulative loss rate	2%	—
			Duration (years)	6.3 years	—
			Discount rate/yield	3%	—
Commercial mortgage-backed securities	$ 6,110	Discounted cash flows	Cumulative loss rate	7.3%	—
			Duration (years)	0.2 years	—
			Discount rate/yield	85%	—
		Scenario analysis	Estimated recovery percentage	44%	—
Other asset-backed securities	$ 42,563	Discounted cash flows	Cumulative loss rate	7 % to 31%	16 %
			Duration (years)	0.5 years to 3 years	1.5 years
			Discount rate/yield	7 % to 15%	11 %
Loans and other receivables	$ 112,574	Market approach	Price	$36 to $100	$90
		Scenario analysis	Estimated recovery percentage	87 % to 104%	99 %
		Discounted cash flows	Term based on the pay off (years)	0 months to 0.1 years	0.1 years
Derivatives	$ 13,826				
Interest rate swaps		Market approach	Basis points upfront	0 to 16	6
Unfunded commitments			Price	$88	—
Equity options		Volatility benchmarking	Volatility	45%	—
Investments at fair value	$ 157,504				
Private equity securities		Market approach	Price	$8 to $250	$80
		Scenario analysis	Discount rate/yield	19 % to 21%	20 %
			Revenue growth	0%	—
Investment in FXCM	$ 59,120				
Term loan		Discounted cash flows	Term based on the pay off (years)	0 months to 1.2 years	1.2 years
Securities purchased under agreements to resell	$ 25,000	Market approach	Spread to 6 month LIBOR	500	—
			Duration (years)	1.5 years	—
Financial instruments sold, not yet purchased, at fair value					
Corporate equity securities	$ 4,487	Market approach	Transaction level	$1	—
Loans	$ 9,463	Market approach	Price	$50 to $100	$88
		Scenario analysis	Estimated recovery percentage	1%	—
Derivatives	$ 92,057				
Equity options		Volatility benchmarking	Volatility	21 % to 61%	43 %
Interest rate swaps		Market approach	Basis points upfront	0 to 22	13
Cross currency swaps			Basis points upfront	2	—
Unfunded commitments			Price	$88	—
Long-term debt					
Structured notes	$ 480,069	Market approach	Price	$84 to $108	$96
			Price	€74 to €103	€91

The fair values of certain Level 3 assets and liabilities that were determined based on third-party pricing information, unadjusted past transaction prices or a percentage of the reported enterprise fair value are excluded from the above tables. At November 30, 2020 and 2019, asset exclusions consisted of $192.0 million and $79.9 million, respectively, primarily comprised of certain investments at fair value, other asset-backed securities, commercial mortgage-backed securities, certain derivatives, loans and other receivables and corporate equity securities. At November 30, 2020 and 2019, liability exclusions consisted of $0.8 million and $0.4 million, respectively, primarily comprised of certain derivatives, commercial mortgage-backed securities and corporate debt.

Uncertainty of Fair Value Measurement from Use of Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the uncertainty of the fair value measurement due to the use of significant unobservable inputs and interrelationships between those unobservable inputs (if any) are described below:

- Corporate equity securities, corporate debt securities, other asset-backed securities, loans and other receivables, certain derivatives, private equity securities, loans to and investments in associated companies, securities purchased under agreements to resell and structured notes using a market approach valuation technique. A significant increase (decrease) in the transaction level of corporate equity securities would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the price of the private equity securities, non-exchange-traded securities, unfunded commitments, corporate debt securities, other asset-backed securities, loans and other receivables or structured notes would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the EBITDA multiple related to corporate equity securities would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the underlying stock price of corporate equity securities or non-exchange-traded warrants would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the volatility of the underlying stock price of non-exchange-traded warrants would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the yield or duration, in isolation, of securities purchased under agreements to resell would result in a significantly lower (higher) fair value measurement. Depending on whether we are a receiver or (payer) of basis points upfront, a significant increase in basis points would result in a significant increase (decrease) in the fair value measurement of cross currency and interest rate swaps.
- Loans and other receivables, CDOs and CLOs, commercial mortgage-backed securities, corporate debt securities, private equity securities and other secured financings using scenario analysis. A significant increase (decrease) in the possible recovery rates of the cash flow outcomes underlying the financial instrument would result in a significantly higher (lower) fair value measurement for the financial instrument. A significant increase (decrease) in the price of the underlying assets of the financial instrument would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the volatility of the underlying stock price would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the credit spread of the financial instrument would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the discount rate/yield underlying the investment would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the revenue growth underlying the investment would result in a significantly higher (lower) fair value measurement.
- CDOs and CLOs, residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities, loans and other receivables and the FXCM term loan using a discounted cash flow valuation technique. A significant increase (decrease) in isolation in the constant default rate, loss severity or cumulative loss rate would result in a significantly lower (higher) fair value measurement. The impact of changes in the constant prepayment rate and duration would have differing impacts depending on the capital structure and type of security. A significant increase (decrease) in the discount rate/security yield would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in term based on the time to pay off the loan would result in a lower (higher) fair value measurement.
- Derivative equity options using volatility benchmarking. A significant increase (decrease) in volatility would result in a significantly higher (lower) fair value measurement.

Fair Value Option Election

We have elected the fair value option for all loans and loan commitments made by our investment banking and capital markets businesses. These loans and loan commitments include loans entered into by our investment banking division in connection with client bridge financing and loan syndications, loans purchased by our leveraged credit trading desk as part of our bank loan trading activities and mortgage and consumer loan commitments, purchases and fundings in connection with mortgage-backed and other asset-backed securitization activities. Loans and loan commitments originated or purchased by our leveraged credit and mortgage-backed businesses are managed on a fair value basis. Loans are included in Financial instruments owned, at fair

value and loan commitments are included in Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value in the Consolidated Statements of Financial Condition. The fair value option election is not applied to loans made to affiliate entities as such loans are entered into as part of ongoing, strategic business ventures. Loans to affiliate entities are included in Loans to and investments in associated companies in the Consolidated Statements of Financial Condition and are accounted for on an amortized cost basis. We have also elected the fair value option for certain of our structured notes, which are managed by our investment banking and capital markets businesses and are included in Long-term debt and Short-term borrowings in the Consolidated Statements of Financial Condition. We have elected the fair value option for certain financial instruments held by subsidiaries as the investments are risk managed on a fair value basis. The fair value option has been elected for certain other secured financings that arise in connection with our securitization activities and other structured financings. Other secured financings, receivables from brokers, dealers and clearing organizations, receivables from customers of securities operations, other receivables, payables to brokers, dealers and clearing organizations and payables to customers of securities operations, are accounted for at cost plus accrued interest rather than at fair value; however, the recorded amounts approximate fair value due to their liquid or short-term nature.

The following is a summary of gains (losses) due to changes in instrument specific credit risk on loans, other receivables and debt instruments and gains (losses) due to other changes in fair value on short-term borrowings, other secured financings and long-term debt measured at fair value under the fair value option (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Financial instruments owned, at fair value:			
Loans and other receivables	$ (25,623)	$ (2,072)	$ (3,856)
Financial instruments sold, not yet purchased, at fair value:			
Loans	$ —	$ 656	$ (46)
Loan commitments	464	(1,089)	(739)
Short-term borrowings:			
Changes in instrument specific credit risk (1)	$ —	$ 114	$ —
Other changes in fair value (2)	(48)	(863)	—
Other secured financings:			
Other changes in fair value (2)	$ 2,475	$ —	$ —
Long-term debt:			
Changes in instrument specific credit risk (1)	$ 70,201	$ (20,332)	$ 38,064
Other changes in fair value (2)	(84,116)	(25,144)	48,748

(1) Changes in instrument specific credit risk related to structured notes are included in the Consolidated Statements of Comprehensive Income (Loss), net of taxes.

(2) Other changes in fair value are included in Principal transactions revenues in the Consolidated Statements of Operations.

The following is a summary of the amount by which contractual principal exceeds fair value for loans and other receivables, long-term debt and short-term borrowings, and other secured financings measured at fair value under the fair value option (in thousands):

	November 30, 2020	November 30, 2019
Financial instruments owned, at fair value:		
Loans and other receivables (1)	$ 1,662,647	$ 1,546,516
Loans and other receivables on nonaccrual status and/or 90 days or greater past due (1) (2)	287,889	197,215
Long-term debt and short-term borrowings	(42,819)	74,408
Other secured financings	2,782	—

(1) Interest income is recognized separately from other changes in fair value and is included in Interest income in the Consolidated Statements of Operations.
(2) Amounts include all loans and other receivables 90 days or greater past due by which contractual principal exceeds fair value of $30.0 million and $22.2 million at November 30, 2020 and 2019, respectively.

The aggregate fair value of our loans and other receivables on nonaccrual status and/or 90 days or greater past due was $69.7 million and $127.0 million at November 30, 2020 and 2019, respectively, which includes loans and other receivables 90 days or greater past due of $3.8 million and $24.8 million at November 30, 2020 and 2019, respectively.

As of November 30, 2018, we owned 7,514,477 common shares of Spectrum Brands, representing approximately 15% of Spectrum Brands outstanding common shares. The changes in the fair value of our investment in Spectrum Brands aggregated $80.0 million and $(418.8) million during the twelve months ended November 30, 2019 and the eleven months ended November 30, 2018, respectively. We distributed all of our Spectrum Brands shares through a special pro rata dividend effective on October 11, 2019 to our stockholders of record as of the close of business on September 30, 2019. We recorded a $451.1 million dividend as of the September 16, 2019 declaration date, which was equal to the fair value of Spectrum Brands shares at that time.

Financial Instruments Not Measured at Fair Value

Certain of our financial instruments are not carried at fair value but are recorded at amounts that approximate fair value due to their liquid or short-term nature and generally negligible credit risk. These financial assets include Cash and cash equivalents and Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations and would generally be presented within Level 1 of the fair value hierarchy. Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations includes U.S. Treasury securities with a fair value of $34.2 million and $35.0 million at November 30, 2020 and 2019, respectively. See Note 24 for additional information related to financial instruments not measured at fair value.

Note 5. Derivative Financial Instruments

Derivative Financial Instruments

Derivative activities are recorded at fair value in the Consolidated Statements of Financial Condition in Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value, net of cash paid or received under credit support agreements and on a net counterparty basis when a legally enforceable right to offset exists under a master netting agreement. Predominantly, we enter into derivative transactions to satisfy the needs of our clients and to manage our own exposure to market and credit risks resulting from our trading activities. In addition, we apply hedge accounting to (1) interest rate swaps that have been designated as fair value hedges of the changes in fair value due to the benchmark interest rate for certain fixed rate senior long-term debt, and (2) forward foreign exchange contracts designated as hedges to offset the change in the value of certain net investments in foreign operations. See Notes 4 and 22 for additional disclosures about derivative financial instruments.

Derivatives are subject to various risks similar to other financial instruments, including market, credit and operational risk. The risks of derivatives should not be viewed in isolation, but rather should be considered on an aggregate basis along with our

other trading-related activities. We manage the risks associated with derivatives on an aggregate basis along with the risks associated with proprietary trading as part of our firm wide risk management policies.

In connection with our derivative activities, we may enter into ISDA master netting agreements or similar agreements with counterparties. See Note 2 for additional information regarding the offsetting of derivative contracts.

The following tables present the fair value and related number of derivative contracts at November 30, 2020 and 2019 categorized by type of derivative contract and the platform on which these derivatives are transacted. The fair value of assets/liabilities represents our receivable/payable for derivative financial instruments, gross of counterparty netting and cash collateral received and pledged. The following tables also provide information regarding (1) the extent to which, under enforceable master netting arrangements, such balances are presented net in the Consolidated Statements of Financial Condition as appropriate under GAAP and (2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our financial position (in thousands, except contract amounts).

	Assets		Liabilities	
	Fair Value	Number of Contracts (2)	Fair Value	Number of Contracts (2)
November 30, 2020 (1)				
Derivatives designated as accounting hedges:				
Interest rate contracts:				
Cleared OTC	$ 67,381	1	$ 6,891	1
Foreign exchange contracts:				
Bilateral OTC	—	—	3,306	11
Total derivatives designated as accounting hedges	67,381		10,197	
Derivatives not designated as accounting hedges:				
Interest rate contracts:				
Exchange-traded	2,442	52,620	439	42,611
Cleared OTC	17,379	3,785	114,524	4,307
Bilateral OTC	626,210	1,493	317,534	466
Foreign exchange contracts:				
Exchange-traded	—	—	—	180
Bilateral OTC	297,165	15,005	277,706	15,050
Equity contracts:				
Exchange-traded	558,304	1,147,486	564,951	971,938
Bilateral OTC	429,304	2,374	1,125,944	2,421
Commodity contracts:				
Exchange-traded	64	3,207	—	2,654
Bilateral OTC	13,190	1,556	—	—
Credit contracts:				
Cleared OTC	24,696	39	26,298	31
Bilateral OTC	1,008	11	2,209	11
Total derivatives not designated as accounting hedges	1,969,762		2,429,605	
Total gross derivative assets/ liabilities:				
Exchange-traded	560,810		565,390	
Cleared OTC	109,456		147,713	
Bilateral OTC	1,366,877		1,726,699	
Amounts offset in the Consolidated Statement of Financial Condition (3):				
Exchange-traded	(546,989)		(546,989)	
Cleared OTC	(109,228)		(111,654)	
Bilateral OTC	(899,919)		(1,140,016)	
Net amounts in the Consolidated Statement of Financial Condition (4)	$ 481,007		$ 641,143	

	Assets		Liabilities	
	Fair Value	Number of Contracts (2)	Fair Value	Number of Contracts (2)
November 30, 2019 (1)				
Derivatives designated as accounting hedges:				
Interest rate contracts:				
Cleared OTC	$ 28,663	1	$ —	—
Total derivatives designated as accounting hedges	28,663		—	
Derivatives not designated as accounting hedges:				
Interest rate contracts:				
Exchange-traded	1,191	65,226	103	38,464
Cleared OTC	213,224	3,329	284,433	3,443
Bilateral OTC	421,700	1,325	258,857	738
Foreign exchange contracts:				
Exchange-traded	—	256	—	199
Bilateral OTC	191,218	9,257	187,836	9,187
Equity contracts:				
Exchange-traded	717,494	1,714,538	962,535	1,481,388
Bilateral OTC	248,720	4,731	445,241	4,271
Commodity contracts:				
Exchange-traded	—	5,524	—	4,646
Bilateral OTC	20,600	4,084	391	359
Credit contracts:				
Cleared OTC	2,514	13	5,768	12
Bilateral OTC	6,281	25	14,219	28
Total derivatives not designated as accounting hedges	1,822,942		2,159,383	
Total gross derivative assets/ liabilities:				
Exchange-traded	718,685		962,638	
Cleared OTC	244,401		290,201	
Bilateral OTC	888,519		906,544	
Amounts offset in the Consolidated Statement of Financial Condition (3):				
Exchange-traded	(688,871)		(688,871)	
Cleared OTC	(222,869)		(266,900)	
Bilateral OTC	(521,457)		(676,407)	
Net amounts in the Consolidated Statement of Financial Condition (4)	$ 418,408		$ 527,205	

(1) Exchange-traded derivatives include derivatives executed on an organized exchange. Cleared OTC derivatives include derivatives executed bilaterally and subsequently novated to and cleared through central clearing counterparties. Bilateral OTC derivatives include derivatives executed and settled bilaterally without the use of an organized exchange or central clearing counterparty.

(2) Number of exchange-traded contracts may include open futures contracts. The unsettled fair value of these futures contracts is included in Receivables and Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition.

(3) Amounts netted include both netting by counterparty and for cash collateral paid or received.

(4) We have not received or pledged additional collateral under master netting agreements and/or other credit support agreements that is eligible to be offset beyond what has been offset in the Consolidated Statements of Financial Condition.

The following table provides information related to gains (losses) recognized in Interest expense of Jefferies Group in the Consolidated Statements of Operations on a fair value hedge (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Interest rate swaps	$ 41,524	$ 56,385	$ (25,539)
Long-term debt	(36,668)	(58,931)	27,363
Total	$ 4,856	$ (2,546)	$ 1,824

The following table provides information related to gains (losses) on net investment hedges recognized in Net unrealized foreign exchange gains (losses), a component of Other comprehensive income (loss), in the Consolidated Statements of Comprehensive Income (Loss) (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Foreign exchange contracts	$ (3,306)	$ —	$ —
Total	$ (3,306)	$ —	$ —

The following table presents unrealized and realized gains (losses) on derivative contracts which are primarily recognized in Principal transactions revenues in the Consolidated Statements of Operations, which are utilized in connection with our client activities and our economic risk management activities (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Interest rate contracts	$ (52,331)	$ (188,605)	$ 67,291
Foreign exchange contracts	2,266	(822)	226
Equity contracts	47,631	(108,961)	(267,187)
Commodity contracts	45,491	(5,630)	21,785
Credit contracts	15,218	9,147	449
Total	$ 58,275	$ (294,871)	$ (177,436)

The net gains (losses) on derivative contracts in the table above are one of a number of activities comprising our business activities and are before consideration of economic hedging transactions, which generally offset the net gains (losses) included above. We substantially mitigate our exposure to market risk on our cash instruments through derivative contracts, which generally provide offsetting revenues, and we manage the risk associated with these contracts in the context of our overall risk management framework.

OTC Derivatives. The following tables set forth by remaining contract maturity the fair value of OTC derivative assets and liabilities as reflected in the Consolidated Statement of Financial Condition at November 30, 2020 (in thousands):

	OTC Derivative Assets (1) (2) (3)				
	0-12 Months	1-5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	Total
Commodity swaps, options and forwards	$ 10,885	$ 2,305	$ —	$ —	$ 13,190
Equity options and forwards	32,766	951	16,650	(24,685)	25,682
Credit default swaps	—	750	11	—	761
Total return swaps	140,394	25,110	1,321	(2,975)	163,850
Foreign currency forwards, swaps and options	62,249	18,460	517	(5,746)	75,480
Interest rate swaps, options and forwards	80,949	168,430	204,467	(40,131)	413,715
Total	$ 327,243	$ 216,006	$ 222,966	$ (73,537)	692,678
Cross product counterparty netting					(24,723)
Total OTC derivative assets included in Financial instruments owned, at fair value					$ 667,955

(1) At November 30, 2020, we held net exchange-traded derivative assets, other derivatives assets and other credit agreements with a fair value of $29.8 million, which are not included in this table.
(2) OTC derivative assets in the table above are gross of collateral received. OTC derivative assets are recorded net of collateral received in the Consolidated Statements of Financial Condition. At November 30, 2020, cash collateral received was $216.8 million.
(3) Derivative fair values include counterparty netting within product category.
(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

	OTC Derivative Liabilities (1) (2) (3)				
	0-12 Months	1-5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	Total
Equity options and forwards	$ 23,278	$ 491,595	$ 119,988	$ (24,685)	$ 610,176
Credit default swaps	—	596	1,615	—	2,211
Total return swaps	88,130	190,616	22	(2,975)	275,793
Foreign currency forwards, swaps and options	51,027	13,376	—	(5,746)	58,657
Fixed income forwards	213	—	—	—	213
Interest rate swaps, options and forwards	61,558	65,934	68,252	(40,131)	155,613
Total	$ 224,206	$ 762,117	$ 189,877	$ (73,537)	1,102,663
Cross product counterparty netting					(24,723)
Total OTC derivative liabilities included in Financial instruments sold, not yet purchased, at fair value					$ 1,077,940

(1) At November 30, 2020, we held net exchange-traded derivative liabilities, other derivative liabilities and other credit agreements with a fair value of $22.5 million, which are not included in this table.
(2) OTC derivative liabilities in the table above are gross of collateral pledged. OTC derivative liabilities are recorded net of collateral pledged in the Consolidated Statements of Financial Condition. At November 30, 2020, cash collateral pledged was $459.3 million.
(3) Derivative fair values include counterparty netting within product category.
(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

At November 30, 2020, the counterparty credit quality with respect to the fair value of our OTC derivative assets was as follows (in thousands):

Counterparty credit quality (1):	
A- or higher	$ 177,908
BBB- to BBB+	19,628
BB+ or lower	316,361
Unrated	154,058
Total	$ 667,955

(1) We utilize internal credit ratings determined by the Jefferies Group's Risk Management department. Credit ratings determined by Jefferies Group Risk Management use methodologies that produce ratings generally consistent with those produced by external rating agencies.

Credit Related Derivative Contracts

The external credit ratings of the underlyings or referenced assets for our written credit related derivative contracts are as follows (in millions):

	External Credit Rating			
	Investment Grade	Non-investment Grade	Unrated	Total Notional
November 30, 2020				
Credit protection sold:				
Index credit default swaps	$ 62.0	$ 262.8	$ —	$ 324.8
Single name credit default swaps	—	6.2	0.2	6.4
November 30, 2019				
Credit protection sold:				
Index credit default swaps	$ 3.0	$ 32.0	$ —	$ 35.0
Single name credit default swaps	3.4	29.0	1.5	33.9

Contingent Features

Certain of Jefferies Group's derivative instruments contain provisions that require its debt to maintain an investment grade credit rating from each of the major credit rating agencies. If Jefferies Group's debt was to fall below investment grade, it would be in violation of these provisions and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on the derivative instruments in liability positions. The following table presents the aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position, the collateral amounts posted or received in the normal course of business and the potential collateral we would have been required to return and/or post additionally to our counterparties if the credit-risk-related contingent features underlying these agreements were triggered (in millions).

	November 30, 2020	November 30, 2019
Derivative instrument liabilities with credit-risk-related contingent features	$ 284.6	$ 42.9
Collateral posted	(129.8)	(3.1)
Collateral received	141.4	114.1
Return of and additional collateral required in the event of a credit rating downgrade below investment grade (1)	296.2	154.0

(1) These potential outflows include initial margin received from counterparties at the execution of the derivative contract. The initial margin will be returned if counterparties elect to terminate the contract after a downgrade.

Other Derivatives

Vitesse Energy Finance uses swaps and call and put options in order to reduce exposure to future oil price fluctuations. Vitesse Energy Finance accounts for the derivative instruments at fair value. The gains and losses associated with the change in fair value of the derivatives are recorded in Other revenues.

Note 6. Collateralized Transactions

Our repurchase agreements and securities borrowing and lending arrangements are generally recorded at cost in the Consolidated Statements of Financial Condition, which is a reasonable approximation of their fair values due to their short-term nature. We enter into secured borrowing and lending arrangements to obtain collateral necessary to effect settlement, finance inventory positions, meet customer needs or re-lend as part of dealer operations. We monitor the fair value of the securities loaned and borrowed on a daily basis as compared with the related payable or receivable, and request additional collateral or return excess collateral, as appropriate. We pledge financial instruments as collateral under repurchase agreements, securities lending agreements and other secured arrangements, including clearing arrangements. Our agreements with counterparties generally contain contractual provisions allowing the counterparty the right to sell or repledge the collateral. Pledged securities owned that can be sold or repledged by the counterparty are included in Financial instruments owned, at fair value, and noted parenthetically as Securities pledged in the Consolidated Statements of Financial Condition.

In instances where we receive securities as collateral in connection with securities-for-securities transactions in which we are the lender of securities and are permitted to sell or repledge the securities received as collateral, we report the fair value of the collateral received and the related obligation to return the collateral in the Consolidated Statements of Financial Condition.

The following tables set forth the carrying value of securities lending arrangements, repurchase agreements and obligation to return securities received as collateral, at fair value, by class of collateral pledged and remaining contractual maturity (in thousands):

Collateral Pledged	Securities Lending Arrangements	Repurchase Agreements	Obligation to Return Securities Received as Collateral, at Fair Value	Total
November 30, 2020				
Corporate equity securities	$ 1,371,978	$ 157,912	$ 7,517	$ 1,537,407
Corporate debt securities	369,218	1,869,844	—	2,239,062
Mortgage-backed and asset-backed securities	—	1,547,140	—	1,547,140
U.S. government and federal agency securities	14,789	7,149,992	—	7,164,781
Municipal securities	—	278,470	—	278,470
Sovereign securities	54,763	2,763,032	—	2,817,795
Loans and other receivables	—	1,392,883	—	1,392,883
Total	$ 1,810,748	$ 15,159,273	$ 7,517	$ 16,977,538
November 30, 2019				
Corporate equity securities	$ 1,314,395	$ 129,558	$ —	$ 1,443,953
Corporate debt securities	191,311	1,730,526	—	1,921,837
Mortgage-backed and asset-backed securities	—	1,745,145	—	1,745,145
U.S. government and federal agency securities	19,434	10,863,997	9,500	10,892,931
Municipal securities	—	498,202	—	498,202
Sovereign securities	—	3,016,563	—	3,016,563
Loans and other receivables	—	772,926	—	772,926
Total	$ 1,525,140	$ 18,756,917	$ 9,500	$ 20,291,557

	Contractual Maturity				
	Overnight and Continuous	Up to 30 Days	31 to 90 Days	Greater than 90 Days	Total
November 30, 2020					
Securities lending arrangements	$ 636,256	$ 59,735	$ 459,455	$ 655,302	$ 1,810,748
Repurchase agreements	5,510,476	1,747,526	5,019,885	2,881,386	15,159,273
Obligation to return securities received as collateral, at fair value	7,517	—	—	—	7,517
Total	$ 6,154,249	$ 1,807,261	$ 5,479,340	$ 3,536,688	$ 16,977,538
November 30, 2019					
Securities lending arrangements	$ 694,821	$ —	$ 672,969	$ 157,350	$ 1,525,140
Repurchase agreements	6,614,026	1,556,260	8,988,528	1,598,103	18,756,917
Obligation to return securities received as collateral, at fair value	—	—	9,500	$ —	9,500
Total	$ 7,308,847	$ 1,556,260	$ 9,670,997	$ 1,755,453	$ 20,291,557

We receive securities as collateral under resale agreements, securities borrowing transactions and customer margin loans. We also receive securities as collateral in connection with securities-for-securities transactions in which we are the lender of securities. In many instances, we are permitted by contract to rehypothecate the securities received as collateral. These securities may be used to secure repurchase agreements, enter into securities lending transactions, satisfy margin requirements on derivative transactions or cover short positions. At November 30, 2020 and 2019, the approximate fair value of securities received as collateral by us that may be sold or repledged was $25.9 billion and $28.7 billion, respectively. At November 30, 2020 and 2019, a substantial portion of the securities received have been sold or repledged.

Offsetting of Securities Financing Agreements

To manage our exposure to credit risk associated with securities financing transactions, we may enter into master netting agreements and collateral arrangements with counterparties. Generally, transactions are executed under standard industry agreements, including, but not limited to, master securities lending agreements (securities lending transactions) and master repurchase agreements (repurchase transactions).

The following table provides information regarding repurchase agreements, securities borrowing and lending arrangements and securities received as collateral, at fair value, and obligation to return securities received as collateral, at fair value, that are recognized in the Consolidated Statements of Financial Condition and (1) the extent to which, under enforceable master netting arrangements, such balances are presented net in the Consolidated Statements of Financial Condition as appropriate under GAAP and (2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our consolidated financial position.

(In thousands)	Gross Amounts	Netting in Consolidated Statements of Financial Condition	Net Amounts in Consolidated Statements of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (3)
Assets at November 30, 2020						
Securities borrowing arrangements	$ 6,934,762	$ —	$ 6,934,762	$ (395,342)	$ (1,706,046)	$ 4,833,374
Reverse repurchase agreements	11,939,773	(6,843,004)	5,096,769	(412,327)	(4,578,560)	105,882
Securities received as collateral, at fair value	7,517	—	7,517	—	—	7,517
Liabilities at November 30, 2020						
Securities lending arrangements	$ 1,810,748	$ —	$ 1,810,748	$ (395,342)	$ (1,397,550)	$ 17,856
Repurchase agreements	15,159,273	(6,843,004)	8,316,269	(412,327)	(7,122,422)	781,520
Obligation to return securities received as collateral, at fair value	7,517	—	7,517	—	—	7,517
Assets at November 30, 2019						
Securities borrowing arrangements	$ 7,624,642	$ —	$ 7,624,642	$ (361,394)	$ (1,479,433)	$ 5,783,815
Reverse repurchase agreements	15,551,845	(11,252,247)	4,299,598	(291,316)	(3,929,977)	78,305
Securities received as collateral, at fair value	9,500	—	9,500	—	—	9,500
Liabilities at November 30, 2019						
Securities lending arrangements	$ 1,525,140	$ —	$ 1,525,140	$ (361,394)	$ (970,799)	$ 192,947
Repurchase agreements	18,756,917	(11,252,247)	7,504,670	(291,316)	(6,663,807)	549,547
Obligation to return securities received as collateral, at fair value	9,500	—	9,500	—	—	9,500

(1) Under master netting agreements with our counterparties, we have the legal right of offset with a counterparty, which incorporates all of the counterparty's outstanding rights and obligations under the arrangement. These balances reflect additional credit risk mitigation that is available by a counterparty in the event of a counterparty's default, but which are not netted in the Consolidated Statements of Financial Condition because other netting provisions of GAAP are not met.

(2) Includes securities received or paid under collateral arrangements with counterparties that could be liquidated in the event of a counterparty default and thus offset against a counterparty's rights and obligations under the respective repurchase agreements or securities borrowing or lending arrangements.

(3) At November 30, 2020, amounts include $4,757.8 million of securities borrowing arrangements, for which we have received securities collateral of $4,617.0 million, and $720.0 million of repurchase agreements, for which we have pledged securities collateral of $733.9 million, which are subject to master netting agreements, but we have not determined the agreements to be legally enforceable. At November 30, 2019, amounts include $5,683.4 million of securities borrowing arrangements, for which we have received securities collateral of $5,523.6 million, and $439.7 million of repurchase agreements, for which we have pledged securities collateral of $447.5 million, which are subject to master netting agreements, but we have not determined the agreements to be legally enforceable.

Cash and Securities Segregated and on Deposit for Regulatory Purposes or Deposited with Clearing and Depository Organizations

Cash and securities segregated in accordance with regulatory regulations and deposited with clearing and depository organizations totaled $604.3 million and $796.8 million at November 30, 2020 and 2019, respectively. Segregated cash and securities consist of deposits in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, which subjects Jefferies LLC as a broker-dealer carrying customer accounts to requirements related to maintaining cash or qualified securities in segregated special reserve bank accounts for the exclusive benefit of its customers.

Note 7. Securitization Activities

We engage in securitization activities related to corporate loans, mortgage loans, consumer loans and mortgage-backed and other asset-backed securities. In our securitization transactions, we transfer these assets to special purpose entities ("SPEs") and act as the placement or structuring agent for the beneficial interests sold to investors by the SPE. A significant portion of our securitization transactions are the securitization of assets issued or guaranteed by U.S. government agencies. These SPEs generally meet the criteria of VIEs; however, we generally do not consolidate the SPEs as we are not considered the primary beneficiary for these SPEs. See Note 8 for additional information regarding VIEs and our determination of the primary beneficiary.

We account for our securitization transactions as sales, provided we have relinquished control over the transferred assets. Transferred assets are carried at fair value with unrealized gains and losses reflected in Principal transactions revenues in the Consolidated Statements of Operations prior to the identification and isolation for securitization. Subsequently, revenues recognized upon securitization are reflected as net underwriting revenues. We generally receive cash proceeds in connection with the transfer of assets to an SPE. We may, however, have continuing involvement with the transferred assets, which is limited to retaining one or more tranches of the securitization (primarily senior and subordinated debt securities in the form of mortgage-backed and other asset-backed securities or CLOs). These securities are included in Financial instruments owned, at fair value in the Consolidated Statements of Financial Condition and are generally initially categorized as Level 2 within the fair value hierarchy. See Notes 2 and 4 for additional information regarding fair value measurement and the fair value hierarchy.

The following table presents activity related to our securitizations that were accounted for as sales in which we had continuing involvement (in millions):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Transferred assets	$ 6,556.2	$ 4,780.9	$ 7,159.3
Proceeds on new securitizations	6,556.2	4,852.8	7,165.3
Cash flows received on retained interests	26.8	48.3	48.5

We have no explicit or implicit arrangements to provide additional financial support to these SPEs, have no liabilities related to these SPEs and do not have any outstanding derivative contracts executed in connection with these securitization activities at November 30, 2020 and 2019.

The following table summarizes our retained interests in SPEs where we transferred assets and have continuing involvement and received sale accounting treatment (in millions):

	November 30, 2020		November 30, 2019	
Securitization Type	Total Assets	Retained Interests	Total Assets	Retained Interests
U.S. government agency residential mortgage-backed securities	$ 562.5	$ 7.8	$ 10,671.7	$ 103.3
U.S. government agency commercial mortgage-backed securities	2,461.2	205.2	1,374.8	45.8
CLOs	3,345.5	39.5	3,006.7	58.4
Consumer and other loans	1,290.6	56.6	1,149.3	71.8

Total assets represent the unpaid principal amount of assets in the SPEs in which we have continuing involvement and are presented solely to provide information regarding the size of the transactions and the size of the underlying assets supporting our retained interests, and are not considered representative of the risk of potential loss. Assets retained in connection with a securitization transaction represent the fair value of the securities of one or more tranches issued by an SPE, including senior and subordinated tranches. Our risk of loss is limited to this fair value amount, which is included in total Financial instruments owned, at fair value in the Consolidated Statements of Financial Condition.

Although not obligated, in connection with secondary market-making activities we may make a market in the securities issued by these SPEs. In these market-making transactions, we buy these securities from and sell these securities to investors.

Securities purchased through these market-making activities are not considered to be continuing involvement in these SPEs. To the extent we purchased securities through these market-making activities and we are not deemed to be the primary beneficiary of the VIE, these securities are included in agency and non-agency mortgage-backed and asset-backed securitizations in the nonconsolidated VIEs section presented in Note 8.

Foursight Capital also utilizes SPEs to securitize automobile loans receivable. These SPEs are VIEs and our subsidiary is the primary beneficiary; the related assets and the secured borrowings are recognized in the Consolidated Statements of Financial Condition. These secured borrowings do not have recourse to our subsidiary's general credit. See Note 8 for further information on securitization activities and VIEs.

Note 8. Variable Interest Entities

VIEs are entities in which equity investors lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has both (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

Our variable interests in VIEs include debt and equity interests, equity interests in associated companies, commitments, guarantees and certain fees. Our involvement with VIEs arises primarily from the following activities, but also includes other activities discussed below:

- Purchases of securities in connection with our trading and secondary market-making activities;
- Retained interests held as a result of securitization activities;
- Acting as placement agent and/or underwriter in connection with client-sponsored securitizations;
- Financing of agency and non-agency mortgage-backed and other asset-backed securities;
- Warehouse funding arrangements for client-sponsored consumer and mortgage loan vehicles and CLOs through participation agreements, forward sale agreements and revolving loan and note commitments; and
- Loans to, investments in and fees from various investment vehicles.

We determine whether we are the primary beneficiary of a VIE upon our initial involvement with the VIE and we reassess whether we are the primary beneficiary of a VIE on an ongoing basis. Our determination of whether we are the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires judgment. Our considerations in determining the VIE's most significant activities and whether we have power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees. In situations where we have determined that the power over the VIE's significant activities is shared, we assess whether we are the party with the power over the most significant activities. If we are the party with the power over the most significant activities, we meet the "power" criteria of the primary beneficiary. If we do not have the power over the most significant activities or we determine that decisions require consent of each sharing party, we do not meet the "power" criteria of the primary beneficiary.

We assess our variable interests in a VIE both individually and in aggregate to determine whether we have an obligation to absorb losses of or a right to receive benefits from the VIE that could potentially be significant to the VIE. The determination of whether our variable interest is significant to the VIE requires judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

Consolidated VIEs

The following table presents information about our consolidated VIEs (in millions). The assets and liabilities in the table below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

	November 30, 2020		November 30, 2019	
	Secured Funding Vehicles	Other	Secured Funding Vehicles	Other
Cash (1)	$ —	$ 1.2	$ —	$ 1.2
Financial instruments owned, at fair value	—	5.2	—	0.3
Securities purchased under agreements to resell (2)	2,908.9	—	2,467.3	—
Receivables	510.6	12.9	605.6	—
Other (3)	46.4	0.1	38.7	—
Total assets	$ 3,465.9	$ 19.4	$ 3,111.6	$ 1.5
Financial instruments sold, not yet purchased, at fair value	$ —	$ 2.5	$ —	$ —
Other secured financings (4)	3,425.0	—	3,068.6	—
Other liabilities (5)	1.8	0.4	20.1	0.2
Total liabilities	$ 3,426.8	$ 2.9	$ 3,088.7	$ 0.2

(1) Approximately $0.7 million of the cash amount at November 30, 2020 represents cash on deposit with related consolidated entities and is eliminated in consolidation.
(2) Securities purchased under agreements to resell primarily represent amounts due under collateralized transactions on related consolidated entities, which are eliminated in consolidation.
(3) Approximately $9.7 million of the other assets amount at November 30, 2020 represents intercompany receivables with related consolidated entities, which are eliminated in consolidation.
(4) Approximately $138.2 million of the other secured financings amount at November 30, 2020 is with related consolidated entities, which is eliminated in consolidation.
(5) Approximately $0.3 million and $17.7 million of the other liabilities amounts at November 30, 2020 and 2019, respectively, represent intercompany payables with related consolidated entities, which are eliminated in consolidation.

Secured Funding Vehicles. We are the primary beneficiary of asset-backed financing vehicles to which we sell agency and non-agency residential and commercial mortgage loans and asset-backed securities pursuant to the terms of a master repurchase agreement. Our variable interests in these vehicles consist of our collateral margin maintenance obligations under the master repurchase agreement, which we manage, and retained interests in securities issued. The assets of these VIEs consist of reverse repurchase agreements, which are available for the benefit of the vehicle's debt holders.

At November 30, 2020 and 2019, Foursight Capital is the primary beneficiary of SPEs it utilized to securitize automobile loans receivable. Foursight Capital acts as the servicer for which it receives a fee, and owns an equity interest in the SPEs. The notes issued by the SPEs are secured solely by the assets of the SPEs and do not have recourse to Foursight Capital's general credit and the assets of the VIEs are not available to satisfy any other debt. During the twelve months ended November 30, 2020, automobile loan receivables aggregating $223.3 million were securitized by Foursight Capital in connection with a secured borrowing offering. The majority of the proceeds from issuance of the secured borrowing were used to pay down Foursight Capital's two credit facilities.

Other. We are the primary beneficiary of certain investment vehicles set up for the benefit of our employees. We manage and invest alongside our employees in these vehicles. The assets of these VIEs consist of private equity securities and are available for the benefit of the entities' equity holders. Our variable interests in these vehicles consist of equity securities. The creditors of these VIEs do not have recourse to our general credit and each such VIE's assets are not available to satisfy any other debt.

Nonconsolidated VIEs

The following tables present information about our variable interests in nonconsolidated VIEs (in millions):

	Carrying Amount		Maximum Exposure to Loss	VIE Assets
	Assets	Liabilities		
November 30, 2020				
CLOs	$ 60.7	$ 0.2	$ 642.7	$ 6,849.1
Consumer loan and other asset-backed vehicles	251.6	—	377.2	2,462.7
Related party private equity vehicles	19.0	—	30.0	53.0
Other investment vehicles	899.9	—	1,042.9	15,735.5
Total	$ 1,231.2	$ 0.2	$ 2,092.8	$ 25,100.3
November 30, 2019				
CLOs	$ 152.6	$ 0.6	$ 505.3	$ 7,845.0
Consumer loan and other asset-backed vehicles	358.3	—	490.6	2,354.8
Related party private equity vehicles	23.0	—	34.3	71.4
Other investment vehicles	574.0	—	766.1	9,255.0
Total	$ 1,107.9	$ 0.6	$ 1,796.3	$ 19,526.2

Our maximum exposure to loss often differs from the carrying value of the variable interests. The maximum exposure to loss is dependent on the nature of the variable interests in our VIEs and is limited to the notional amounts of certain loan and equity commitments and guarantees. Our maximum exposure to loss does not include the offsetting benefit of any financial instruments that may be utilized to hedge the risks associated with our variable interests and is not reduced by the amount of collateral held as part of a transaction with a VIE.

Collateralized Loan Obligations. Assets collateralizing the CLOs include bank loans, participation interests and sub-investment grade and senior secured U.S. loans. We underwrite securities issued in CLO transactions on behalf of sponsors and provide advisory services to the sponsors. We may also sell corporate loans to the CLOs. Our variable interests in connection with CLOs where we have been involved in providing underwriting and/or advisory services consist of the following:

- Forward sale agreements whereby we commit to sell, at a fixed price, corporate loans and ownership interests in an entity holding such corporate loans to CLOs;
- Warehouse funding arrangements in the form of participation interests in corporate loans held by CLOs and commitments to fund such participation interests;
- Trading positions in securities issued in CLO transactions; and
- Investments in variable funding notes issued by CLOs.

Asset-Backed Vehicles. We provide financing and lending related services to certain client-sponsored VIEs in the form of revolving funding note agreements, revolving credit facilities, forward purchase agreements and reverse repurchase agreements. The underlying assets, which are collateralizing the vehicles, are primarily composed of unsecured consumer loans, mortgage loans and trade claims. In addition, we may provide structuring and advisory services and act as an underwriter or placement agent for securities issued by the vehicles. We do not control the activities of these entities.

Related Party Private Equity Vehicles. We committed to invest in private equity funds (the "JCP Funds", including Jefferies Group's interests in Jefferies Capital Partners V L.P. and the Jefferies SBI USA Fund L.P. (together, "JCP Fund V")) managed by Jefferies Capital Partners, LLC (the "JCP Manager"). Additionally, we committed to invest in the general partners of the JCP Funds (the "JCP General Partners") and the JCP Manager. Our variable interests in the JCP Funds, JCP General Partners and JCP Manager (collectively, the "JCP Entities") consist of equity interests that, in total, provide us with limited and general partner investment returns of the JCP Funds, a portion of the carried interest earned by the JCP General Partners and a portion of the management fees earned by the JCP Manager. At November 30, 2020 and 2019, our total equity commitment in the JCP Entities was $133.0 million and $133.0 million, respectively, of which $122.0 million and $121.7 million, respectively, had been funded. The carrying value of our equity investments in the JCP Entities was $19.0 million and $23.0 million at November 30, 2020 and 2019, respectively. Our exposure to loss is limited to the total of our carrying value and unfunded equity commitment. The assets of the JCP Entities primarily consist of private equity and equity related investments.

Other Investment Vehicles. The carrying amount of our equity investment was $899.9 million and $574.0 million at November 30, 2020 and 2019, respectively. Our unfunded equity commitment related to these investments totaled $143.0 million and $192.1 million at November 30, 2020 and 2019, respectively. Our exposure to loss is limited to the total of our carrying value and unfunded equity commitment. These investment vehicles have assets primarily consisting of private and public equity investments, debt instruments, trade and insurance claims and various oil and gas assets.

Mortgage-Backed and Other Asset-Backed Secured Funding Vehicles. In connection with our secondary trading and market-making activities, we buy and sell agency and non-agency mortgage-backed securities and other asset-backed securities, which are issued by third-party securitization SPEs and are generally considered variable interests in VIEs. Securities issued by securitization SPEs are backed by residential mortgage loans, U.S. agency collateralized mortgage obligations, commercial mortgage loans, CDOs and CLOs and other consumer loans, such as installment receivables, auto loans and student loans. These securities are accounted for at fair value and included in Financial instruments owned, at fair value in the Consolidated Statements of Financial Condition. We have no other involvement with the related SPEs and therefore do not consolidate these entities.

We also engage in underwriting, placement and structuring activities for third-party-sponsored securitization trusts generally through agency (FNMA ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") or GNMA ("Ginnie Mae")) or non-agency-sponsored SPEs and may purchase loans or mortgage-backed securities from third-parties that are subsequently transferred into the securitization trusts. The securitizations are backed by residential and commercial mortgage, home equity and auto loans. We do not consolidate agency-sponsored securitizations as we do not have the power to direct the activities of the SPEs that most significantly impact their economic performance. Further, we are not the servicer of non-agency-sponsored securitizations and therefore do not have power to direct the most significant activities of the SPEs and accordingly, do not consolidate these entities. We may retain unsold senior and/or subordinated interests at the time of securitization in the form of securities issued by the SPEs.

At November 30, 2020 and 2019, we held $1,571.6 million and $1,453.5 million of agency mortgage-backed securities, respectively, and $252.0 million and $134.8 million of non-agency mortgage-backed and other asset-backed securities, respectively, as a result of our secondary trading and market-making activities, and underwriting, placement and structuring activities. Our maximum exposure to loss on these securities is limited to the carrying value of our investments in these securities. These mortgage-backed and other asset-backed secured funding vehicles discussed are not included in the above table containing information about our variable interests in nonconsolidated VIEs.

FXCM is considered a VIE and our term loan and equity ownership are variable interests. We have determined that we are not the primary beneficiary of FXCM because we do not have the power to direct the activities that most significantly impact FXCM's performance. Therefore, we do not consolidate FXCM and we account for our equity interest under the equity method as an investment in an associated company. FXCM reported total assets of $414.4 million in its latest financial statements. Our maximum exposure to loss as a result of our involvement with FXCM is limited to the carrying value of the term loan ($59.5 million) and the investment in associated company ($73.9 million), which totaled $133.4 million at November 30, 2020. FXCM is not included in the above table containing information about our variable interests in nonconsolidated VIEs.

Note 9. Loans to and Investments in Associated Companies

A summary of Loans to and investments in associated companies accounted for under the equity method of accounting during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018 is as follows (in thousands):

	Loans to and investments in associated companies as of November 30, 2019	Income (losses) related to associated companies	Other income (losses) related to associated companies (1)	Contributions to (distributions from) associated companies, net	Other, including foreign exchange and unrealized gains (losses)	Loans to and investments in associated companies as of November 30, 2020
Jefferies Finance	$ 673,867	$ —	$ (54,256)	$ 73,590	$ —	$ 693,201
Berkadia (2)	268,949	—	68,902	(37,130)	431	301,152
FXCM (3)	70,223	3,604	—	—	93	73,920
Linkem (4)	194,847	(28,662)	—	34,955	(2,149)	198,991
Real estate associated companies (5) (6)	255,309	(46,050)	—	(40,581)	—	168,678
Golden Queen (4) (7)	78,196	(50)	—	2,610	—	80,756
Other	111,566	(4,325)	9,288	44,101	9,235	169,865
Total	$ 1,652,957	$ (75,483)	$ 23,934	$ 77,545	$ 7,610	$ 1,686,563

	Loans to and investments in associated companies as of November 30, 2018	Income (losses) related to associated companies	Other income (losses) related to associated companies (1)	Contributions to (distributions from) associated companies, net	Other, including foreign exchange and unrealized gains (losses)	Loans to and investments in associated companies as of November 30, 2019
Jefferies Finance	$ 728,560	$ —	$ (1,286)	$ (53,407)	$ —	$ 673,867
Berkadia (2)	245,228	—	88,174	(65,045)	592	268,949
National Beef (8)	653,630	232,042	—	(300,248)	(585,424)	—
FXCM (3)	75,031	(8,212)	—	3,500	(96)	70,223
Linkem (4)	165,157	(27,956)	—	66,996	(9,350)	194,847
HomeFed (5)	337,542	7,902	—	—	(345,444)	—
Real estate associated companies (5)	87,074	(353)	—	(29,685)	198,273	255,309
Golden Queen (4) (7)	63,956	6,740	—	7,500	—	78,196
Other	61,154	(7,168)	(1,719)	58,432	867	111,566
Total	$ 2,417,332	$ 202,995	$ 85,169	$ (311,957)	$ (740,582)	$ 1,652,957

	Loans to and investments in associated companies as of December 31, 2017	Income (losses) related to associated companies	Other income (losses) related to associated companies (1)	Contributions to (distributions from) associated companies, net	Other, including foreign exchange and unrealized gains (losses)	Loans to and investments in associated companies as of November 30, 2018
Jefferies Finance	$ 655,467	$ —	$ 59,138	$ 13,955	$ —	$ 728,560
Berkadia (2)	210,594	80,092	20,001	(65,197)	(262)	245,228
National Beef (8)	—	110,049	—	(48,656)	592,237	653,630
FXCM (3)	158,856	(83,174)	—	—	(651)	75,031
Garcadia Companies (9)	179,143	21,646	—	(26,962)	(173,827)	—
Linkem	192,136	(20,534)	—	542	(6,987)	165,157
HomeFed	341,874	(4,332)	—	—	—	337,542
Real estate associated companies	123,010	11,288	—	(47,224)	—	87,074
Golden Queen (7) (10)	105,005	(51,990)	—	10,941	—	63,956
Other	100,744	(6,022)	(5,477)	(18,275)	(9,816)	61,154
Total	$ 2,066,829	$ 57,023	$ 73,662	$ (180,876)	$ 400,694	$ 2,417,332

(1) Primarily related to Jefferies Group and classified in Other revenues.
(2) In the fourth quarter of 2018, we transferred our interest in Berkadia to Jefferies Group.
(3) As further described in Note 4, our investment in FXCM includes both our equity method investment in FXCM and our term loan with FXCM. Our equity method investment is included in Loans to and investments in associated companies and our term loan is included in Financial instruments owned, at fair value in the Consolidated Statements of Financial Condition. As described more fully below, Income (loss) related to associated companies for FXCM includes a non-cash impairment charge of $62.1 million for the eleven months ended November 30, 2018.
(4) Loans to and investments in associated companies at November 30, 2020 and 2019 include loans and debt securities aggregating $104.1 million and $70.2 million, respectively, related to Linkem and Golden Queen.
(5) During the third quarter of 2019, we completed a merger with HomeFed by which we acquired the remaining common stock of HomeFed. From July 1, 2019, the results of HomeFed are reflected on a consolidated basis. From July 1, 2019, HomeFed's equity method investments are included in Real estate associated companies.
(6) Income (loss) related to Real estate associated companies for the twelve months ended November 30, 2020 includes a non-cash charge of $6.9 million to fully write off the value of HomeFed's interest in the Brooklyn Renaissance Plaza hotel due to the significant impact of the global novel coronavirus ("COVID-19") during the second quarter of 2020 and a non-cash charge of $55.6 million to fully write off the value of HomeFed's RedSky JZ Fulton Mall joint venture investment related to a softening of the Brooklyn real estate market.
(7) At November 30, 2020, 2019 and 2018, the balance reflects $15.2 million, $15.7 million and $15.1 million, respectively, related to a noncontrolling interest.
(8) As discussed more fully in Notes 1 and 26, in June 2018, we completed the sale of 48% of National Beef to Marfrig, reducing our then ownership in National Beef to 31%. As of the closing of the sale on June 5, 2018, we deconsolidated our investment in National Beef and accounted for our remaining interest under the equity method of accounting. The carrying value of our retained 31% interest was adjusted to a fair value of $592.3 million on the date of sale. On November 29, 2019, we sold our remaining 31% equity interest in National Beef to Marfrig and other shareholders.
(9) During the third quarter of 2018, we sold 100% of our equity interests in Garcadia and our associated real estate to our former partners, the Garff family.
(10) As described more fully below, Income (loss) related to associated companies for Golden Queen includes a non-cash impairment charge of $47.9 million for the eleven months ended November 30, 2018.

Jefferies Finance

Through Jefferies Group, we own 50% of Jefferies Finance, a joint venture entity pursuant to an agreement with MassMutual. Jefferies Finance is a commercial finance company that structures, underwrites and arranges primarily senior secured loans to corporate borrowers. Loans are originated primarily through the investment banking efforts of Jefferies LLC. Jefferies Finance may also underwrite and arrange other debt products such as second lien term, bridge and mezzanine loans, as well as related equity co-investments. In addition, Jefferies Finance is a registered investment advisor under the Investment Advisers Act of 1940 and, through two of its wholly-owned subsidiaries, Apex Credit Partners LLC and JFIN Asset

Management LLC, acts as an investment advisor for various loan funds and CLOs managing direct lending and broadly syndicated loan products.

At November 30, 2020, Jefferies Group and MassMutual each had equity commitments to Jefferies Finance of $750.0 million. At November 30, 2020, $652.4 million of Jefferies Group's commitment was funded. The investment commitment is scheduled to expire on March 1, 2021 with automatic one year extensions absent a 60-day termination notice by either party.

Jefferies Finance has executed a Secured Revolving Credit Facility with Jefferies Group and MassMutual, to be funded equally, to support loan underwritings by Jefferies Finance, which bears interest based on the interest rates of the related Jefferies Finance underwritten loans and is secured by the underlying loans funded by the proceeds of the facility. The total Secured Revolving Credit Facility is a committed amount of $500.0 million at November 30, 2020. Advances are shared equally between Jefferies Group and MassMutual. The facility is scheduled to mature on March 1, 2021 with automatic one year extensions absent a 60-day termination notice by either party. At November 30, 2020, Jefferies Group had funded $50.0 million of its $250.0 million commitment. Jefferies Group recognized interest income and unfunded commitment fees related to the facility of $3.5 million, $1.3 million and $2.4 million during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively.

The following summarizes activity related to our other transactions with Jefferies Finance (in millions):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Origination and syndication fee revenues (1)	$ 198.1	$ 176.3	$ 377.7
Origination fee expenses (1)	27.3	27.6	56.6
CLO placement fee revenues (2)	1.7	6.0	3.7
Derivative losses (3)	—	—	(1.6)
Underwriting fees (4)	1.7	3.9	—
Service fees (5)	65.1	60.8	61.7

(1) Jefferies Group engages in debt underwriting transactions with Jefferies Finance related to the originations and syndications of loans by Jefferies Finance. In connection with such services, Jefferies Group earned fees, which are recognized in Investment banking revenues in the Consolidated Statements of Operations. In addition, Jefferies Group paid fees to Jefferies Finance in respect of certain loans originated by Jefferies Finance, which are recognized in Selling, general and other expenses in the Consolidated Statements of Operations.

(2) Jefferies Group acts as a placement agent for CLOs managed by Jefferies Finance, for which Jefferies Group recognized fees, which are included in Investment banking revenues in the Consolidated Statements of Operations. At November 30, 2020 and 2019, Jefferies Group held securities issued by CLOs managed by Jefferies Finance, which are included in Financial instruments owned, at fair value.

(3) Jefferies Group has entered into participation agreements and derivative contracts with Jefferies Finance based upon certain securities issued by CLOs and it has recognized gains (losses) relating to the derivative contracts.

(4) Jefferies Group acted as underwriter in connection with term loans issued by Jefferies Finance.

(5) Under a service agreement, Jefferies Group charges Jefferies Finance for services provided.

In connection with non-U.S. dollar loans originated by Jefferies Finance to borrowers who are investment banking clients of Jefferies Group, Jefferies Group has entered into an agreement to indemnify Jefferies Finance with respect to any foreign currency exposure.

At November 30, 2020 and 2019, we had receivables from Jefferies Finance, included within Other assets in the Consolidated Statements of Financial Condition of $24.2 million and $17.2 million, respectively. At November 30, 2020 and 2019, we had payables to Jefferies Finance, related to cash deposited with Jefferies Group, included in Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition of $13.7 million and $13.7 million, respectively At November 30, 2019, we had a payable to Jefferies Finance, related to its lending transactions, included in Payables, expense accruals and other liabilities in the Consolidated Statement of Financial Condition of $17.6 million.

On March 28, 2019, Jefferies Group entered into a promissory note with Jefferies Finance with a principal amount of $1.0 billion, the proceeds of which were used in connection with Jefferies Group's investment banking loan syndication activities. Jefferies Group repaid Jefferies Finance the entire outstanding principal amount of this note on May 15, 2019. Interest paid on the note of $3.8 million is included in Interest expense of Jefferies Group within the Consolidated Statement of Operations during the twelve months ended November 30, 2019.

During the twelve months ended November 30, 2019, we purchased a third-party loan from Jefferies Finance in the amount of $65.3 million. Such amount is included in Financial instruments owned, at fair value in the Consolidated Statement of Financial Condition at November 30, 2019. The loan was sold during the twelve months ended November 30, 2020.

Berkadia

Berkadia is a commercial mortgage banking and servicing joint venture formed in 2009 with Berkshire Hathaway Inc. We and Berkshire Hathaway each contributed $217.2 million of equity capital to the joint venture and each have a 50% membership interest in Berkadia. We are entitled to receive 45% of the profits. Berkadia originates commercial/multifamily real estate loans that are sold to U.S. government agencies, and other investors. Berkadia also is an investment sales advisor focused on the multifamily industry. Berkadia is a servicer of commercial real estate loans in the U.S., performing primary, master and special servicing functions for U.S. government agency programs, commercial mortgage-backed securities transactions, banks, insurance companies and other financial institutions.

Berkadia uses all of the proceeds from the commercial paper sales of an affiliate of Berkadia to fund new mortgage loans, servicer advances, investments and other working capital requirements. Repayment of the commercial paper is supported by a $1.5 billion surety policy issued by a Berkshire Hathaway insurance subsidiary and corporate guaranty, and we have agreed to reimburse Berkshire Hathaway for one-half of any losses incurred thereunder. As of November 30, 2020, the aggregate amount of commercial paper outstanding was $1.47 billion.

National Beef

National Beef processes and markets fresh and chilled boxed beef, ground beef, beef by-products, consumer-ready beef and pork, and wet blue leather for domestic and international markets. As discussed in Notes 1 and 26, on June 5, 2018, we completed the sale of 48% of National Beef to Marfrig, reducing our then ownership in National Beef to 31%. As of the closing of the sale on June 5, 2018, we deconsolidated our investment in National Beef and accounted for our remaining interest under the equity method of accounting.

As required as a result of the deconsolidation of National Beef, we adjusted the carrying value of our retained 31% interest in National Beef to fair value. The fair value of our retained 31% interest in National Beef of $592.3 million was based on the implied equity value of 100% of National Beef from the transaction with Marfrig. The transaction with Marfrig was based on a $1.9 billion equity valuation and a $2.3 billion enterprise valuation for 100% of National Beef.

On November 29, 2019, we sold our remaining 31% equity interest in National Beef to Marfrig and other shareholders. We received a total of $970.0 million in cash, including $790.6 million of proceeds and $179.4 million from final distributions from National Beef around the time of the sale. The pre-tax gain recognized as a result of this transaction, $205.0 million for the twelve months ended November 30, 2019, is classified as Other revenue. As of November 30, 2019, we no longer hold an equity interest in National Beef.

FXCM

As discussed more fully in Note 4, at November 30, 2020, we have a 50% voting interest in FXCM and a senior secured term loan to FXCM due February 15, 2022. On September 1, 2016, we gained the ability to significantly influence FXCM through our seats on the board of directors. As a result, we classify our equity investment in FXCM in the Consolidated Statements of Financial Condition as Loans to and investments in associated companies. Our term loan remains classified within Financial instruments owned, at fair value. We account for our equity interest in FXCM on a one month lag. We are amortizing our basis difference between the estimated fair value and the underlying book value of FXCM customer relationships, technology and tradename over their respective useful lives (weighted average life of 11 years).

During the fourth quarter of 2018, we recorded an impairment charge of $62.1 million related to the equity component of our investment in FXCM, which was based on updated expectations that had been impacted by the then revised regulations of the European Securities Market Authority and dampened operating results. Based on the updated projections, we evaluated in the fourth quarter of 2018 whether our equity method investment was fully recoverable. We engaged an independent valuation firm

to assist management in estimating the fair value of FXCM. Our estimate of fair value was based on a discounted cash flow analysis. The result of our analysis indicated that the estimated fair value of our equity interest in FXCM was lower than our carrying value by $62.1 million. We concluded that based on the decline in projections and the adverse effects of the European regulations, that the decline in fair value of our equity interest was other than temporary. As a result, we impaired our equity investment in FXCM in the fourth quarter of 2018 by $62.1 million, which was recorded in Income (loss) related to associated companies.

FXCM is considered a VIE and our term loan and equity interest are variable interests. We have determined that we are not the primary beneficiary of FXCM because we do not have the power to direct the activities that most significantly impact FXCM's performance. Therefore, we do not consolidate FXCM.

Garcadia

Garcadia was a joint venture between us and Garff Enterprises, Inc. ("Garff") that owned and operated automobile dealerships comprised of domestic and foreign automobile makers. In the third quarter of 2018, we sold 100% of our equity interests in Garcadia and our associated real estate to our former partners, the Garff family, for $417.2 million in cash. The pre-tax gain recognized as a result of this transaction, $221.7 million for the eleven months ended November 30, 2018, is classified as Other revenue.

Linkem

We own approximately 42% of the common shares of Linkem, the largest fixed wireless broadband services provider in Italy. In addition, we own convertible preferred stock, which is automatically convertible to common shares in 2022, and warrants. If all of our convertible preferred stock was converted and warrants were exercised, it would increase our ownership to approximately 56% of Linkem's common equity at November 30, 2020. We have approximately 48% of the total voting securities of Linkem. Additionally, we have made shareholder loans to Linkem with principal outstanding of $102.4 million at November 30, 2020. We account for our equity interest in Linkem on a two month lag.

HomeFed

HomeFed develops and owns residential and mixed-use real estate properties. Through June 30, 2019, we owned an approximate 70% equity interest of HomeFed's outstanding common shares; however, we had contractually agreed to limit our voting rights such that we would not be able to vote more than 45% of HomeFed's total voting securities voting on any matter, assuming all HomeFed shares not owned by us were voted. Since we did not control HomeFed, our investment in HomeFed was accounted for under the equity method as an investment in an associated company. We accounted for our equity interest in HomeFed on a two month lag.

On July 1, 2019, we completed a merger with HomeFed by which we acquired the remaining common stock of HomeFed. During the twelve months ended November 30, 2019, we recognized a $72.1 million non-cash pre-tax gain in Other revenues on the remeasurement of our prior 70% interest in HomeFed to fair value. From July 1, 2019, the results of HomeFed are reflected on a consolidated basis. In connection with the merger, HomeFed stockholders received two shares of our common stock for each share of HomeFed common stock. A total of 9.3 million shares were issued.

Real Estate Associated Companies

Real estate equity method investments primarily consist of HomeFed's interests in Brooklyn Renaissance Plaza and Hotel and 54 Madison. These equity interests are accounted for on a two month lag.

Brooklyn Renaissance Plaza is comprised of a hotel operated by Marriott, an office building complex and a parking garage located in Brooklyn, New York. HomeFed owns a 25.8% equity interest in the hotel and a 61.25% equity interest in the office building and garage. Although HomeFed has a majority interest in the office building and garage, it does not have control, but only has the ability to exercise significant influence on this investment. As such, HomeFed accounts for the office building and garage under the equity method of accounting. We are amortizing our basis difference between the estimated fair value and the underlying book value of Brooklyn Renaissance office building and garage over the respective useful lives (weighted average life of 39 years). Due to the significant impact of COVID-19 during the second quarter of 2020, HomeFed recorded an impairment charge of $6.9 million within Income (loss) related to associated companies during the twelve months ended November 30, 2020, which represented all of its carrying value in the Brooklyn Renaissance Plaza hotel.

We own approximately 48.1% of 54 Madison, a fund that seeks long-term capital appreciation through investment in real estate development and similar projects. 54 Madison invests both in projects which they consolidate and projects where they have significant influence and utilize the equity method of accounting. Based on total committed capital of the 54 Madison fund, all projects of this fund have already been identified and launched.

Golden Queen Mining Company

Since 2014, we invested $93.0 million, net in cash in a limited liability company (Gauss LLC) to partner with the Clay family and Golden Queen Mining Co. Ltd., to jointly fund, develop and operate the Soledad Mountain gold and silver mine project. Previously 100% owned by Golden Queen Mining Co. Ltd., the project is a fully-permitted, open pit, heap leach gold and silver project located in Kern County, California, which commenced gold and silver production in March 2016. In exchange for a noncontrolling ownership interest in Gauss LLC, the Clay family contributed $34.5 million, net in cash. Gauss LLC invested both our and the Clay family's net contributions totaling $127.5 million to the joint venture, Golden Queen, in exchange for a 50% ownership interest. Golden Queen Mining Co. Ltd. contributed the Soledad Mountain project to the joint venture in exchange for the other 50% interest. We account for our interest in Golden Queen on a two month lag.

As a result of our consolidating Gauss LLC, our Loans to and investments in associated companies reflects Gauss LLC's net investment of $127.5 million in the joint venture, which includes both the amount we contributed and the amount contributed by the Clay family.

In the third quarter of 2018, Golden Queen completed an updated mine plan and financial projections reflecting lower grades of gold as well as a decrease in the market price of gold. As a result of lower projected cash flows, we engaged an independent valuation firm to assist management in estimating the fair value of our equity investment in Golden Queen. Our estimate of fair value was based on a discounted cash flow analysis. The result of our analysis indicated that the estimated fair value of our equity interest in Golden Queen was lower than our prior carrying value by $47.9 million. We concluded based on lower projected cash flows and a decline in the market price of gold that the decline in fair value of our equity interest was other than temporary. As such, an impairment charge of $47.9 million was recorded in Income (loss) related to associated companies in the eleven months ended November 30, 2018.

Other

The following table provides summarized data for our equity method investments as of November 30, 2020 and 2019 and for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018 (in thousands):

	November 30, 2020	November 30, 2019	
Assets	$ 15,314,204	$ 14,699,672	
Liabilities	11,929,100	10,146,142	
Noncontrolling interests	254,392	209,518	
	Twelve Months Ended November 30, 2020	**Twelve Months Ended November 30, 2019**	**Eleven Months Ended November 30, 2018**
Revenues	$ 2,930,308	$ 10,589,489	$ 7,694,612
Income from continuing operations before extraordinary items	73,715	732,575	852,649
Net income	68,846	749,649	798,615
The Company's income related to associated companies	(41,814)	248,693	130,685

Except for our investment in Berkadia and Jefferies Finance, we have not provided any guarantees, nor are we contingently liable for any of the liabilities reflected in the above table. All such liabilities are non-recourse to us. Our exposure to adverse events at the investee companies is limited to the book value of our investment. See Note 22 for further discussion of these guarantees.

Included in consolidated retained earnings at November 30, 2020 is approximately $161.0 million of undistributed earnings of the associated companies accounted for under the equity method of accounting.

Note 10. Intangible Assets, Net and Goodwill

A summary of intangible assets, net and goodwill is as follows (in thousands):

	November 30, 2020	November 30, 2019
Indefinite lived intangibles:		
Exchange and clearing organization membership interests and registrations	$ 7,884	$ 8,273
Amortizable intangibles:		
Customer and other relationships, net of accumulated amortization of $119,694 and $111,060	51,285	59,575
Trademarks and tradename, net of accumulated amortization of $28,585 and $24,800	100,255	103,790
Other, net of accumulated amortization of $8,953 and $5,366	7,729	11,316
Total intangible assets, net	167,153	182,954
Goodwill:		
Investment Banking and Capital Markets (1) (2)	1,563,144	1,556,810
Asset Management (1)	143,000	143,000
Real estate	36,711	36,711
Other operations	3,459	3,459
Total goodwill	1,746,314	1,739,980
Total intangible assets, net and goodwill	$ 1,913,467	$ 1,922,934

(1) As discussed further in Note 27, during the three months ended February 29, 2020, we changed our internal structure with regard to our operating segments. As a result, we created a separate operating segment that consists of the asset management activity previously included within our Investment Banking, Capital Markets and Asset Management segment. In order to reallocate goodwill that was previously contained in our Investment Banking, Capital Markets and Asset Management segment to the newly created Investment Banking and Capital Markets segment and the Asset Management segment, we performed a fair value analysis of the components.

Estimated fair values were determined based on valuation techniques that we believed market participants would use and included price-to-earnings, price-to-book multiples and discounted cash flow techniques. Based on the relative fair values of each of the components, $143.0 million of the total $1,699.8 million goodwill within the historical Investment Banking, Capital Markets and Asset Management segment at November 30, 2019 was allocated to the new Asset Management segment. We performed an impairment test immediately before and after the reallocation of goodwill between the new segments and the results of the impairment test did not indicate any goodwill impairment.

(2) The increase in Investment Banking and Capital Markets goodwill during the twelve months ended November 30, 2020, primarily relates to translation adjustments.

Amortization expense on intangible assets included in Income (loss) from continuing operations was $15.3 million, $14.6 million and $13.2 million for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively.

The estimated aggregate future amortization expense for the intangible assets for each of the next five years is as follows (in thousands):

2021	$ 14,411
2022	11,134
2023	9,900
2024	9,143
2025	8,632

Goodwill Impairment Testing

We performed our annual impairment testing of goodwill within the Investment Banking and Capital Markets, and Asset Management segments as of August 1, 2020. The quantitative goodwill impairment test is performed at our reporting unit level and consists of two steps. In the first step, the fair value of the reporting unit is compared with its carrying value, including goodwill and allocated intangible assets. If the fair value is in excess of the carrying value, the goodwill for the reporting unit is considered not to be impaired. If the fair value is less than the carrying value, then a second step is performed in order to measure the amount of the impairment loss, if any, which is based on comparing the implied fair value of the reporting unit's goodwill to the carrying value of the reporting unit's goodwill.

The estimated fair value of both the Investment Banking and Capital Markets segment and the Asset Management segment are based on valuation techniques that we believe market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The methodologies we utilize in estimating fair value include price-to-earnings and price-to-book multiples of comparable public companies and/or projected cash flows. In addition, as the fair values determined under the market valuation approach represent a noncontrolling interest, we applied a control premium to arrive at the estimated fair value of our reporting units on a controlling basis. An independent valuation specialist was engaged to assist with the valuation process at August 1, 2020. The results of our annual goodwill impairment test for both the Investment Banking and Capital Markets segment and the Asset Management segment did not indicate any goodwill impairment.

Intangible Asset Impairment Testing

We performed our annual impairment testing of intangible assets with an indefinite useful life, which consists of exchange and clearing organization membership interests and registrations within our Investment Banking and Capital Markets segment, at August 1, 2020. At August 1, 2020, we elected to perform a quantitative assessment of membership interests and registrations that have available quoted sales prices as well as certain other membership interests and registrations that have declined in utilization. Qualitative assessments were performed on the remainder of our indefinite-life intangible assets. In applying our quantitative assessment at August 1, 2020, we recognized immaterial impairment losses on certain exchange membership interests and registrations. With regard to our qualitative assessment of the remaining indefinite-life intangible assets, based on our assessment of market conditions, the utilization of the assets and the replacement costs associated with the assets, we concluded that it is not more likely than not that the intangible assets are impaired.

Note 11. Short-Term Borrowings

Our short-term borrowings, which mature in one year or less, are as follows (in thousands):

	November 30, 2020	November 30, 2019
Bank loans (1)	$ 752,848	$ 527,509
Floating rate puttable notes (1)	6,800	—
Equity-linked notes (2)	5,067	20,981
Total short-term borrowings	$ 764,715	$ 548,490

(1) These short-term borrowings are recorded at cost in the Consolidated Statements of Financial Condition, which is a reasonable approximation of their fair values due to their liquid and short-term nature.
(2) See Note 4 for further information on these notes.

At November 30, 2020 and 2019, the weighted average interest rate on short-term borrowings outstanding was 1.87% and 3.24% per annum, respectively.

Our bank loans include facilities that contain certain covenants that, among other things, require us to maintain a specified level of tangible net worth and impose certain restrictions on the future indebtedness of certain of our subsidiaries that are borrowers. At November 30, 2020, we were in compliance with all covenants under these facilities. Our facilities included within bank loans at November 30, 2020 and 2019 were as follows (in thousands):

	November 30, 2020	November 30, 2019
Bank of New York Mellon Master Loan Agreement (1)	$ 300,000	$ 351,000
JPMorgan Chase Bank, N.A. Credit Facility (2)	246,000	135,000
Royal Bank of Canada Credit Facility (3)	200,000	—
Bank of New York Mellon Credit Facility (4)	—	—
Total	$ 746,000	$ 486,000

(1) Interest is generally based at spreads over the Federal Funds Rate as defined in this master loan agreement.
(2) Interest is based on an annual alternative base rate or an adjusted London Interbank Offered Rate ("LIBOR"), as defined in this credit facility agreement.
(3) Interest is based on a rate per annum equal to LIBOR plus an applicable margin of 2.05%.
(4) During 2020, Jefferies LLC entered into a revolving credit facility with the Bank of New York Mellon for a committed amount of $100.0 million, maturing on September 13, 2021. Interest is based on a rate per annum equal to the Federal Funds Rate plus 2%. At November 30, 2020, there were no borrowings outstanding under this agreement.

In addition, the Bank of New York Mellon has agreed to make revolving intraday credit advances to Jefferies Group ("Intraday Credit Facility") for an aggregate committed amount of $150.0 million. The Intraday Credit Facility is structured so that advances are generally repaid before the end of each business day. However, if an advance is not repaid by the end of any business day, the advance is converted to an overnight loan. Intraday loans accrue interest at a rate of 0.12%. Interest is charged based on the number of minutes in a day the advance is outstanding. Overnight loans are charged interest at the base rate plus 3% on a daily basis. The base rate is the higher of the federal funds rate plus 0.50% or the prime rate in effect at that time. The Intraday Credit Facility contains financial covenants, which include a minimum regulatory net capital requirement for Jefferies Group's U.S. broker-dealer, Jefferies LLC. At November 30, 2020, Jefferies Group was in compliance with all debt covenants under the Intraday Credit Facility.

Note 12. Long-Term Debt

The principal amount (net of unamortized discounts, premiums and debt issuance costs), stated interest rate and maturity date of outstanding debt are as follows (dollars in thousands):

	November 30, 2020	November 30, 2019
Parent Company Debt:		
Senior Notes:		
5.50% Senior Notes due October 18, 2023, $750,000 principal	$ 745,883	$ 744,606
6.625% Senior Notes due October 23, 2043, $250,000 principal	246,828	246,772
Total long-term debt – Parent Company	992,711	991,378
Subsidiary Debt (non-recourse to Parent Company):		
Jefferies Group:		
2.375% Euro Medium Term Notes, due May 20, 2020, $0 and $550,875 principal	—	550,622
6.875% Senior Notes, due April 15, 2021, $0 and $750,000 principal	—	774,738
2.25% Euro Medium Term Notes, due July 13, 2022, $4,779 and $4,407 principal	4,638	4,204
5.125% Senior Notes, due January 20, 2023, $750,000 and $600,000 principal	759,901	610,023
1.00% Euro Medium Term Notes, due July 19, 2024, $597,350 and $550,875 principal	595,700	548,880
4.85% Senior Notes, due January 15, 2027, $750,000 principal (1)	809,039	768,931
6.45% Senior Debentures, due June 8, 2027, $350,000 principal	369,057	371,426
4.15% Senior Notes, due January 23, 2030, $1,000,000 principal	989,574	988,662
2.75% Senior Notes, due October 15, 2032, $500,000 and $0 principal (1)	485,134	—
6.25% Senior Debentures, due January 15, 2036, $500,000 principal	510,834	511,260
6.50% Senior Notes, due January 20, 2043, $400,000 principal	419,826	420,239
Structured Notes (2) (3)	1,712,245	1,215,285
Jefferies Group Revolving Credit Facility	189,732	189,088
Jefferies Group Secured Bank Loan	50,000	50,000
HomeFed EB-5 Program debt	191,294	140,739
HomeFed construction loan	45,471	—
Foursight Capital Credit Facilities	129,000	98,260
Vitesse Energy Finance Revolving Credit Facility	97,883	103,050
Other	—	276
Total long-term debt – subsidiaries	7,359,328	7,345,683
Long-term debt	$ 8,352,039	$ 8,337,061

(1) Amounts include net losses of $36.7 million and $58.9 million during the twelve months ended November 30, 2020 and 2019, respectively, associated with interest rate swaps based on designation as fair value hedges. See Notes 2 and 5 for further information.

(2) These structured notes contain various interest rate payment terms and are accounted for at fair value, with changes in fair value resulting from a change in the instrument specific credit risk presented in Accumulated other comprehensive income (loss) and changes in fair value resulting from non-credit components recognized in Principal transactions revenues. Gains and losses in the fair value of structured notes resulting from non-credit components are recognized within Other operating activities in the Consolidated Statements of Cash Flow.

(3) Of the $1,712.2 million of structured notes at November 30, 2020, $3.1 million matures in 2024, $25.4 million matures in 2025, and the remaining $1,683.7 million matures in 2026 or thereafter.

At November 30, 2020, $1,445.5 million of consolidated assets (primarily receivables and other assets) are pledged for indebtedness aggregating $703.4 million.

The aggregate annual mandatory redemptions of all long-term debt during the five year period ending November 30, 2025 are as follows (in millions):

2021	$ 350.4
2022	69.8
2023	1,598.5
2024	742.4
2025	81.8

Parent Company Debt

Our senior note indentures contain covenants that restrict our ability to incur more Indebtedness or issue Preferred Stock of Subsidiaries unless, at the time of such incurrence or issuance, the Company meets a specified ratio of Consolidated Debt to Consolidated Tangible Net Worth, limit the ability of the Company and Material Subsidiaries to incur, in certain circumstances, Liens, limit the ability of Material Subsidiaries to incur Funded Debt in certain circumstances, and contain other terms and restrictions all as defined in the senior note indentures. We have the ability to incur substantial additional indebtedness or make distributions to our shareholders and still remain in compliance with these restrictions. If we are unable to meet the specified ratio, we would not be able to issue additional Indebtedness or Preferred Stock, but our inability to meet the applicable ratio would not result in a default under our senior note indentures. The senior note indentures do not restrict the payment of dividends.

Subsidiary Debt

During the twelve months ended November 30, 2020, Jefferies Group's 2.375% Euro Medium Term Notes matured and were repaid, and its 6.875% Senior Notes due 2021 were retired early. Additionally, during the twelve months ended November 30, 2020, Jefferies Group issued structured notes with a total principal amount of approximately $325.5 million, net of retirements, an additional $150.0 million principal amount of 5.125% Senior Notes due 2023 and $500.0 million principal amount of 2.75% Senior Notes due 2032.

Jefferies Group has a revolving credit facility ("Jefferies Group Revolving Credit Facility") with a group of commercial banks for an aggregate principal amount of $190.0 million. At November 30, 2020, borrowings under the Jefferies Group Revolving Credit Facility amounted to $189.7 million. Interest is based on an annual alternative base rate or an adjusted LIBOR, as defined in the Jefferies Group Revolving Credit Facility. The Jefferies Group Revolving Credit Facility contains certain covenants that, among other things, requires Jefferies Group LLC to maintain specified level of tangible net worth and liquidity amounts, and imposes certain restrictions on future indebtedness of and requires specified levels of regulated capital for certain of Jefferies Group's subsidiaries. Throughout the year and at November 30, 2020, no instances of noncompliance with the Jefferies Group Revolving Credit Facility covenants occurred and we expect to remain in compliance given Jefferies Group's current liquidity, and anticipated funding requirements given its business plan and profitability expectations.

One of Jefferies Group's subsidiaries has a Loan and Security Agreement with a bank for a term loan with a principal amount of $50.0 million ("Jefferies Group Secured Bank Loan"). This Jefferies Group Secured Bank Loan matures on September 27, 2021 and is collateralized by certain trading securities. Interest on the Jefferies Group Secured Bank Loan is 1.25% plus LIBOR. The agreement contains certain covenants that, among other things, restrict lien or encumbrance upon any of the pledged collateral. At November 30, 2020, Jefferies Group was in compliance with all covenants under the Loan and Security Agreement.

HomeFed funds certain of its real estate projects in part by raising funds under the Immigrant Investor Program administered by the U.S. Citizenship and Immigration Services pursuant to the Immigration and Nationality Act ("EB-5 Program"). This program was created to stimulate the U.S. economy through the creation of jobs and capital investments in U.S. companies by foreign investors. This debt is secured by certain real estate of HomeFed. At November 30, 2020, HomeFed was in compliance with all debt covenants which include, among other requirements, limitations on incurrence of debt, collateral requirements and restricted use of proceeds. Primarily all of HomeFed's EB-5 Program debt matures in 2024 and 2025.

At November 30, 2020, HomeFed has a construction loan agreement with an aggregate committed amount of $58.9 million. The proceeds are being used for construction at certain of its real estate projects. The outstanding principal amount of the loan bears interest based on the 30-day LIBOR plus 3.15%, subject to adjustment on the first of each calendar month and matures on March 1, 2021, with one 12-month extension subject to certain conditions as set forth in the loan agreement. The loan is collateralized by the property underlying the related project with a guarantee by HomeFed. At November 30, 2020, $46.2 million was outstanding under the construction loan agreement.

At November 30, 2020, Foursight Capital's credit facilities consisted of two warehouse credit commitments aggregating $175.0 million. One of the credit facilities matures in May 2021 and bears interest based on the three-month LIBOR plus a credit spread fixed through its maturity and the other credit facility matures in October 2022 and bears interest based on a commercial paper rate plus a credit spread fixed through its maturity. As a condition of the credit facilities, Foursight Capital is obligated to maintain cash reserves to comply with the hedging requirements of the credit commitment. The credit facilities are secured by first priority liens on auto loan receivables owed to Foursight Capital of approximately $151.3 million at November 30, 2020. At November 30, 2020 and 2019, $129.3 million and $98.7 million, respectively, was outstanding under Foursight Capital's credit facilities.

Vitesse Energy Finance has a revolving credit facility with a syndicate of banks that matures in April 2023 and has a maximum borrowing base of $120.0 million at November 30, 2020. Amounts outstanding under the facility at November 30, 2020 and 2019 were $98.5 million and $104.0 million, respectively. Borrowings under the facility have been made as Eurodollar loans that bear interest at adjusted LIBOR plus a spread ranging from 2.5% to 3.5% based on the borrowing base utilization percentage. The credit facility is guaranteed by Vitesse Energy Finance's subsidiaries and is collateralized with a minimum of 85% of Vitesse Energy Finance's proved reserve value of its oil and gas properties. Vitesse Energy Finance's borrowing base is subject to regular re-determination on or about April 1 and October 1 of each year based on proved oil and natural gas reserves, hedge positions and estimated future cash flows from these reserves calculated using future commodity pricing provided by Vitesse Energy Finance's lenders.

Note 13. Leases

We enter into lease and sublease agreements primarily for office space across our geographic locations. Finance lease ROU assets and finance lease liabilities are not material. Information related to operating leases in the Consolidated Statement of Financial Condition at November 30, 2020 is as follows (in thousands, except lease term and discount rate):

Property, equipment and leasehold improvements, net - ROU assets	$	507,046
Weighted average:		
Remaining lease term (in years)		10.6 years
Discount rate		3.0 %

The following table presents the maturities of our operating lease liabilities and a reconciliation to the Lease liabilities included in the Consolidated Statement of Financial Condition at November 30, 2020 (in thousands):

Fiscal Year	**Lease Liabilities**
2021	$ 72,491
2022	76,987
2023	67,164
2024	63,476
2025	64,563
2026 and thereafter	342,195
Total undiscounted cash flows	686,876
Less: Difference between undiscounted and discounted cash flows	(102,431)
Operating leases amount in the Consolidated Statement of Financial Condition	584,445
Finance leases amount in the Consolidated Statement of Financial Condition	362
Total amount in the Consolidated Statement of Financial Condition	$ 584,807

The following table presents our lease costs (in thousands):

	For the Twelve Months Ended November 30, 2020
Operating lease costs (1)	$ 77,452
Variable lease costs (2)	13,576
Less: Sublease income	(7,590)
Total lease cost, net	$ 83,438

(1) Includes short-term leases, which are not material.
(2) Includes property taxes, insurance costs, common area maintenance, utilities, and other costs that are not fixed. The amount also includes rent increases resulting from inflation indices and periodic market rent reviews.

Consolidated Statement of Cash Flows supplemental information is as follows (in thousands):

	For the Twelve Months Ended November 30, 2020
Cash outflows - lease liabilities	$ 73,300
Non-cash - ROU assets recorded for new and modified leases	22,460

Minimum Future Lease Commitments (under previous GAAP)

We and our subsidiaries rent office space and office equipment under noncancellable operating leases with terms varying through 2039. Future minimum annual rentals (exclusive of month-to-month leases, real estate taxes, maintenance and certain other charges) under these leases at November 30, 2019 were as follows (in thousands):

2020	$ 70,886
2021	73,374
2022	71,464
2023	62,552
2024	59,714
Thereafter	393,995
	731,985
Less: sublease income	(21,883)
	$ 710,102

Rental expense, net of sublease rental income, was $65.6 million and $55.7 million for the twelve months ended November 30, 2019 and the eleven months ended November 30, 2018, respectively.

Note 14. Mezzanine Equity

Redeemable Noncontrolling Interests

At November 30, 2020 and 2019, redeemable noncontrolling interests include other redeemable noncontrolling interests of $24.7 million and $26.6 million, respectively, primarily related to our oil and gas exploration and development businesses.

Mandatorily Redeemable Convertible Preferred Shares

In connection with our acquisition of Jefferies Group in March 2013, we issued a new series of 3.25% Cumulative Convertible Preferred Shares ("Preferred Shares") ($125.0 million at mandatory redemption value) in exchange for Jefferies Group's outstanding 3.25% Series A-1 Cumulative Convertible Preferred Stock. The Preferred Shares have a 3.25% annual, cumulative cash dividend and are currently convertible into 4,440,863 common shares, an effective conversion price of $28.15 per share. The holders of the Preferred Shares are also entitled to an additional quarterly payment in the event we declare and pay a

dividend on our common stock in an amount greater than $0.0625 per common share per quarter. The additional quarterly payment would be paid to the holders of Preferred Shares on an as converted basis and on a per share basis would equal the quarterly dividend declared and paid to a holder of a share of common stock in excess of $0.0625 per share.

In the third quarter of 2017, we increased our quarterly dividend from $0.0625 to $0.10 per common share. In the third quarter of 2018, we increased our quarterly dividend from $0.10 to $0.125 per common share. In the first quarter of 2020, we increased our quarterly dividend from $0.125 to $0.15 per common share. These increased the preferred stock dividend from $4.5 million for the eleven months ended November 30, 2018 to $5.1 million for the twelve months ended November 30, 2019 to $5.6 million for the twelve months ended November 30, 2020. Based on the quarterly dividend of $0.15 per common share, the effective rate on these Preferred Shares was approximately 4.5%. On January 4, 2021, our Board of Directors increased our quarterly dividend to $0.20 per share. Based on our current quarterly dividend of $0.20 per common share, the effective rate on these Preferred Shares is approximately 5.2%. The Preferred Shares are callable beginning in 2023 at a price of $1,000 per share plus accrued interest and are mandatorily redeemable in 2038.

Note 15. Compensation Plans

Incentive Plan

Upon completion of our combination with Jefferies Group, we assumed its 2003 Incentive Compensation Plan, as Amended and Restated (the "Incentive Plan"). 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, restricted stock units ("RSUs"), dividend equivalents or other share-based awards.

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 underlying common shares as cash amounts or as deemed reinvestments in additional RSUs.

Restricted stock and RSUs may be granted to new employees as "sign-on" awards, to existing employees as "retention" awards and to certain executive officers as awards for multiple years. Sign-on and retention awards are generally subject to annual ratable vesting over a four-year service period and are amortized as compensation expense on a straight-line basis over the related four years. Restricted stock and RSUs are granted to certain senior executives with market, performance and service conditions. Market conditions are incorporated into the grant-date fair value of senior executive awards using a Monte Carlo valuation model. Compensation expense for awards with market conditions is recognized over the service period and is not reversed if the market condition is not met. Awards with performance conditions are amortized over the service period if it is determined that it is probable that the performance condition will be achieved.

The Deferred Compensation Plan (the "DCP") has been implemented under the Incentive Plan. The DCP permits eligible executive officers and other employees to defer cash compensation, some or all of which may be deemed invested in stock units. A portion of the deferrals may also be directed to notional investments in a money market fund or certain of the employee investment opportunities. Stock units generally have been acquired at a discounted price, which encourages employee participation in the DCP and enhances long-term retention of equity interests by participants and aligns executive interests with those of shareholders. Amounts recognized as compensation cost under the DCP have not been significant. The shares to be delivered in connection with DCP stock units and options are drawn from the Incentive Plan.

The Incentive Plan's "evergreen" share reservation was terminated on March 21, 2014; the number of equity awards available under the Incentive Plan was set at 20,000,000. At November 30, 2020, 4,851,819 common shares remained available for new grants under the Incentive Plan. Shares issued pursuant to the DCP reduce the shares available under the Incentive Plan.

The following table details the activity in restricted stock during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018 (in thousands, except per share amounts):

	Restricted Stock	Weighted-Average Grant Date Fair Value
Balance at January 1, 2018	1,142	$ 21.75
Grants	1,077	$ 23.65
Forfeited	(30)	$ 16.49
Fulfillment of vesting requirement	(394)	$ 24.23
Balance at November 30, 2018	1,795	$ 22.42
Grants	518	$ 19.57
Forfeited	—	$ —
Fulfillment of vesting requirement	(305)	$ 20.09
Balance at November 30, 2019	2,008	$ 22.04
Grants	115	$ 13.20
Forfeited	(21)	$ 23.38
Fulfillment of vesting requirement	(619)	$ 19.99
Balance at November 30, 2020	1,483	$ 22.19

The following table details the activity in RSUs during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018 (in thousands, except per share amounts):

			Weighted-Average Grant Date Fair Value	
	Future Service Required	No Future Service Required	Future Service Required	No Future Service Required
Balance at January 1, 2018	32	10,313	$ 26.90	$ 26.57
Grants	—	161	$ —	$ 20.24
Distributions of underlying shares	—	(192)	$ —	$ 26.39
Forfeited	(2)	(1)	$ 26.90	$ 22.16
Fulfillment of service requirement	(28)	28	$ 26.90	$ 26.90
Balance at November 30, 2018	2	10,309	$ 26.90	$ 26.48
Grants	10	1,308	$ 18.83	$ 18.15
Distributions of underlying shares	—	(166)	$ —	$ 25.91
Forfeited	—	—	$ —	$ —
Fulfillment of service requirement (1)	(2)	4,216	$ 26.90	$ 9.99
Balance at November 30, 2019	10	15,667	$ 18.83	$ 21.35
Grants	14	487	$ 13.20	$ 15.73
Distributions of underlying shares	—	(88)	$ —	$ 25.48
Forfeited	—	—	$ —	$ —
Fulfillment of vesting requirement (1)	(3)	2,477	$ 18.83	$ 19.80
Balance at November 30, 2020	21	18,543	$ 14.99	$ 20.97

(1) Fulfillment of vesting requirement during the twelve months ended November 30, 2020 and 2019, includes 2,474 RSUs and 4,214 RSUs, respectively, related to the senior executive compensation plans.

During the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, grants include approximately 484,000, 1,298,000 and 142,000, respectively, of dividend equivalents declared on RSUs; the weighted-average grant date fair values of the dividend equivalents were approximately $15.73, $18.15 and $19.81, respectively.

Senior Executive Compensation Plan

The Compensation Committee of our Board of Directors approved an executive compensation plan for our Senior Executives for compensation year 2018 (the "2018 Plan"). For each Senior Executive, the Compensation Committee has targeted long-term compensation of $25.0 million per year under the 2018 Plan with a target of $16.0 million in long-term equity in the form of RSUs and a target of $9.0 million in cash, subject to performance targets over the three-year measurement period for each compensation year. To receive targeted long-term equity, our Senior Executives will have to achieve 9% growth on an annual and multi-year compounded basis in Jefferies Total Shareholder Return ("TSR") and to receive targeted cash, our Senior Executives will have to achieve 9% growth on an annual and multi-year compounded basis in Jefferies Return on Tangible Deployable Equity ("ROTDE"). If TSR and ROTDE are less than 6%, our Senior Executives will receive no incentive compensation. If TSR and ROTDE growth rates are greater than 9%, our Senior Executives are eligible to receive up to 50% additional incentive compensation on a pro rata basis up to 12% growth rates.

The Compensation Committee of our Board of Directors approved an executive compensation plan for our Senior Executives for compensation year 2019 (the "2019 Plan") and compensation year 2020 (the "2020 Plan"). For each Senior Executive, the Compensation Committee has targeted long-term compensation of $22.5 million per year under the 2019 Plan and 2020 Plan with a target of $16.0 million in long-term equity in the form of RSUs and a target of $6.5 million in cash for both plan years. To receive targeted long-term equity, our Senior Executives will have to achieve 9% growth on a multi-year compounded basis in Jefferies TSR and to receive targeted cash, our Senior Executives will have to achieve 9% growth in annual Jefferies ROTDE. If TSR and ROTDE are less than 6%, our Senior Executives will receive no incentive compensation. If TSR growth rates are greater than 9%, our Senior Executives are eligible to receive up to 75% additional incentive compensation relative to our peer companies. If ROTDE growth rates are greater than 9%, our Senior Executives are eligible to receive up to 75% additional incentive compensation on a pro rata basis up to 12% growth rates.

The following table details the activity in RSUs related to the senior executive compensation plan during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018 (in thousands, except per share amounts):

	Target Number of Shares		Weighted-Average Grant Date Fair Value
Balance at January 1, 2018	5,655	$	13.37
Grants	3,813	$	26.16
Forfeited	—	$	—
Balance at November 30, 2018	9,468	$	18.52
Grants	1,237	$	13.63
Forfeited	—	$	—
Fulfillment of vesting requirement	(4,214)	$	9.98
Balance at November 30, 2019	6,491	$	23.13
Grants	187	$	15.19
Forfeited	(15)	$	19.01
Fulfillment of vesting requirement	(2,474)	$	19.80
Balance at November 30, 2020	4,189	$	24.75

During the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, grants include approximately 139,000, 602,000 and 189,000, respectively, of dividend equivalents declared on RSUs; the weighted-average grant date fair values of the dividend equivalents were approximately $15.82, $18.08 and $19.80, respectively. During the twelve months ended November 30, 2020 and 2019, grants include approximately 48,000 and 635,000, respectively, of RSUs issued as a result of superior performance pursuant to the 2016 compensation year award.

Directors' Plan

Upon completion of our combination with Jefferies Group, we also assumed the 1999 Directors' Stock Compensation Plan, as Amended and Restated July 25, 2013 (the "Directors' Plan"). Under the Directors' Plan, we issued each nonemployee director of Jefferies $190,000 of restricted stock or RSUs during each of the twelve months ended November 30, 2020 and 2019 and $150,000 of restricted stock or RSUs during the eleven months ended November 30, 2018. These grants are made on the date directors are elected or reelected at our annual shareholders' meeting. These shares vest over three years from the date of grant and are expensed over the requisite service period. At November 30, 2020, 286,382 common shares were issuable upon settlement of outstanding RSUs and 24,657 shares are available for future grants.

Other Compensation Plans

Other Stock-Based Plans. Historically, Jefferies Group also sponsored an Employee Stock Purchase Plan and an Employee Stock Ownership Plan, both of which were assumed by us in connection with the Jefferies Group acquisition. Amounts related to these plans have not been significant.

In connection with the HomeFed merger, each HomeFed stock option, was converted into two Jefferies stock options to purchase that number of shares of Jefferies common stock. At November 30, 2020 and 2019, 313,000 and 325,000, respectively, of our common shares were reserved for stock options.

Restricted Cash Awards. Jefferies Group provides compensation to certain new and existing employees in the form of loans and/or other cash awards which are subject to ratable vesting terms with service requirements. These awards are amortized to compensation expense over the relevant service period, which is generally considered to start at the beginning of the annual compensation year. During the fourth quarter of 2020, Jefferies Group amended certain provisions of a set of cash awards that had been granted as part of compensation at previous year-ends to remove any service requirements for vesting in the awards. Compensation expense of $179.6 million was recorded during the twelve months ended November 30, 2020 as a result of these amendments. At November 30, 2020, the remaining unamortized amount of the restricted cash awards was $363.5 million and is included within Other assets in the Consolidated Statement of Financial Condition; this cost is expected to be recognized over a weighted average period of three years.

Stock-Based Compensation Expense

Share-based compensation expense relating to grants made under our share-based compensation plans was $40.0 million, $49.8 million and $48.2 million for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively. Total compensation cost includes the amortization of sign-on, retention and senior executive awards, less forfeitures and clawbacks. The total tax benefit recognized in results of operations related to share-based compensation expenses was $10.0 million, $12.9 million and $12.2 million for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively. At November 30, 2020, total unrecognized compensation cost related to nonvested share-based compensation plans was $41.9 million; this cost is expected to be recognized over a weighted-average period of 1.9 years.

At November 30, 2020, there were 1,483,000 shares of restricted stock outstanding with future service required, 4,210,000 RSUs outstanding with future service required (including target RSUs issuable under the senior executive compensation plans), 18,543,000 RSUs outstanding with no future service required and 1,115,000 shares issuable under other plans. Excluding shares issuable pursuant to outstanding stock options, the maximum potential increase to common shares outstanding resulting from these outstanding awards is 23,868,000.

Note 16. Accumulated Other Comprehensive Income (Loss)

Activity in accumulated other comprehensive income (loss) is reflected in the Consolidated Statements of Comprehensive Income (Loss) and Consolidated Statements of Changes in Equity but not in the Consolidated Statements of Operations. A summary of accumulated other comprehensive income (loss), net of taxes is as follows (in thousands):

	November 30, 2020	November 30, 2019	December 31, 2018
Net unrealized gains on available for sale securities	$ 513	$ 141	$ 542,832
Net unrealized foreign exchange losses	(156,718)	(192,709)	(193,402)
Net unrealized losses on instrument specific credit risk	(71,151)	(18,889)	(5,728)
Net unrealized gains on cash flow hedges	—	—	470
Net minimum pension liability	(61,561)	(61,582)	(55,886)
	$ (288,917)	$ (273,039)	$ 288,286

Significant amounts reclassified out of accumulated other comprehensive income (loss) to net income are as follows (in thousands):

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		Affected Line Item in the Consolidated Statement of Operations
	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	
Net unrealized gains (losses) on available for sale securities, net of income tax provision (benefit) of $0 and $(545,054)	$ —	$ 543,178	Other revenues and Income tax provision (benefit)
Net unrealized foreign exchange gains (losses), net of income tax provision (benefit) of $0 and $(52)	—	(149)	Other revenues and Selling, general and other expenses
Net unrealized gains (losses) on instrument specific credit risk, net of income tax provision (benefit) of $146 and $(144)	397	(427)	Principal transactions revenues
Net unrealized gains on cash flow hedges, net of income tax provision (benefit) of $0 and $161	—	470	Other revenues
Amortization of defined benefit pension plan actuarial losses, net of income tax benefit of $(957) and $(490)	(2,872)	(1,407)	Selling, general and other expenses, which includes pension expense. See Note 17 for information on this component.
Total reclassifications for the period, net of tax	$ (2,475)	$ 541,665	

During the second quarter of 2019, we completed the sale of our available for sale portfolio. In connection therewith, we recognized a tax benefit of $544.6 million during the twelve months ended November 30, 2019. Unrealized gains and losses on available for sale securities, and their associated tax impacts, are recorded directly to equity as part of the Accumulated other comprehensive income (loss) balance. Following the portfolio approach, when unrealized gains and losses and their associated tax impacts are recorded at a then current tax rate, and then realized later at a different tax rate, the difference between the tax impact initially recorded in Accumulated other comprehensive income (loss) and the tax impact removed from Accumulated other comprehensive income (loss) upon realization remains in Accumulated other comprehensive income (loss) until the disposal of the portfolio and is referred to as a "lodged tax effect." Large changes in the fair value of our available for sale securities, primarily during 2008 through 2010, combined with fluctuations in our tax rate during those periods, generated a lodged tax benefit of $544.6 million. As a result of steps to improve our Corporate investment management efforts, we sold the remaining portion of our available for sale portfolio in the second quarter of 2019, which resulted in the realization of the $544.6 million tax benefit. While this realization did not impact total equity, it resulted in a tax benefit reflected in the Consolidated Statement of Operations of $544.6 million and, as a result, Retained earnings increased and Accumulated other

comprehensive income (loss) decreased by corresponding amounts. The remaining net unrealized gains on available for sale securities at November 30, 2020 and 2019 represent Jefferies Group's share of Berkadia's net unrealized gains on available for sale securities recorded under the equity method of accounting.

Note 17. Pension Plans and Postretirement Benefits

U.S. Pension Plans

Pursuant to the agreement to sell one of our former subsidiaries, WilTel Communications Group, LLC, ("WilTel") the responsibility for WilTel's defined benefit pension plan was retained by us. All benefits under this plan were frozen as of October 30, 2005. Prior to the acquisition of Jefferies Group, Jefferies Group sponsored a defined benefit pension plan covering certain employees; benefits under that plan were frozen as of December 31, 2005.

A summary of activity with respect to both plans is as follows (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 218,874	$ 191,261
Interest cost	6,349	8,070
Actuarial (gains) losses	22,475	29,539
Settlement payments	(2,476)	—
Benefits paid	(8,650)	(9,996)
Projected benefit obligation, end of year	$ 236,572	$ 218,874
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 166,071	$ 138,992
Actual return on plan assets	29,376	30,426
Employer contributions	8,688	9,655
Benefits paid	(8,650)	(9,996)
Settlement payments	(2,476)	—
Administrative expenses	(2,789)	(3,006)
Fair value of plan assets, end of year	$ 190,220	$ 166,071
Funded status at end of year	$ (46,352)	$ (52,803)

As of November 30, 2020 and 2019, $57.3 million and $57.4 million, respectively, of the net amount recognized in the Consolidated Statements of Financial Condition was reflected as a charge to Accumulated other comprehensive income (loss) (substantially all of which were cumulative losses) and $46.4 million and $52.8 million, respectively, was reflected as accrued pension cost.

The following table summarizes the components of net periodic pension cost and other amounts recognized in other comprehensive income (loss) excluding taxes (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Components of net periodic pension cost:			
Interest cost	$ 6,349	$ 8,070	$ 6,783
Expected return on plan assets	(7,934)	(7,456)	(7,217)
Settlement charge	376	—	365
Actuarial losses	3,453	1,897	2,376
Net periodic pension cost	$ 2,244	$ 2,511	$ 2,307
Amounts recognized in other comprehensive income (loss):			
Net (gains) losses arising during the period	$ 3,821	$ 9,576	$ 1,141
Settlement charge	(376)	—	(365)
Amortization of net loss	(3,453)	(1,897)	(2,376)
Total recognized in other comprehensive income (loss)	$ (8)	$ 7,679	$ (1,600)
Net amount recognized in net periodic benefit cost and other comprehensive income (loss)	$ 2,236	$ 10,190	$ 707

The amounts in Accumulated other comprehensive income (loss) at November 30, 2020 and 2019 have not yet been recognized as components of net periodic pension cost in the Consolidated Statements of Operations. The estimated net loss that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost during the twelve months ended November 30, 2021 is $3.6 million.

We expect to pay $8.0 million of employer contributions during the twelve months ended November 30, 2021.

The assumptions used are as follows:

	November 30, 2020	November 30, 2019
WilTel Plan		
Discount rate used to determine benefit obligation	2.20 %	3.00 %
Weighted-average assumptions used to determine net pension cost:		
Discount rate	3.00 %	4.35 %
Expected long-term return on plan assets	7.00 %	7.00 %
Jefferies Group Plan		
Discount rate used to determine benefit obligation	2.00 %	2.90 %
Weighted-average assumptions used to determine net pension cost:		
Discount rate	2.90 %	4.30 %
Expected long-term return on plan assets	6.25 %	6.25 %

The following pension benefit payments are expected to be paid (in thousands):

2021	$ 10,027
2022	10,232
2023	12,362
2024	13,301
2025	12,861
2026 – 2030	69,783

U.S. Plan Assets

The information below on the plan assets for the WilTel plan and the Jefferies Group plan is presented separately for the plans as the investments are managed independently.

WilTel Plan Assets.

The current investment objectives are designed to close the funding gap while mitigating funded status volatility through a combination of liability hedging and investment returns. As plan funded status improves, the asset allocation will move along a predetermined, de-risking glide path that reallocates capital from growth assets to liability-hedging assets in order to reduce funded status volatility and lock in funded status gains. Plan assets are split into two separate portfolios, each with different asset mixes and objectives. The portfolios are valued at their NAV as a practical expedient for fair value.

- The Growth Portfolio consists of global equities and high yield investments.
- The Liability-Driven Investing ("LDI") Portfolio consists of long duration credit bonds and a suite of long duration, Treasury-based instruments designed to provide capital-efficient interest rate exposure as well as target specific maturities. The objective of the LDI Portfolio is to seek to achieve performance similar to the WilTel plan's liability by seeking to match the interest rate sensitivity and credit sensitivity. The LDI Portfolio is managed to mitigate volatility in funded status deriving from changes in the discounted value of benefit obligations from market movements in the interest rate and credit components of the underlying discount curve.

To develop the assumption for the expected long-term rate of return on plan assets, we considered the following underlying assumptions: 2.3% current expected inflation, (0.3)% to (1.3)% real rate of return for long duration risk free investments and an additional 1.5% to 2.5% return premium for corporate credit risk. For U.S. and international equity, we assume an equity risk premium over risk-free assets equal to 5.0%. We then weighted these assumptions based on invested assets and assumed that investment expenses were offset by expected returns in excess of benchmarks, which resulted in the selection of the 7.0% expected long-term rate of return assumption for 2020.

Jefferies Group Plan Assets.

Jefferies Group has an agreement with an external investment manager to invest and manage the plan's assets under a strategy using a combination of two portfolios. The investment manager allocates the plan's assets between a growth portfolio and a liability-driven portfolio according to certain target allocations and tolerance bands that are agreed to by Jefferies Group's Administrative Committee of the U.S. Pension Plan. Such target allocations will take into consideration the plan's funded ratio. The manager will also monitor the strategy and, as the plan's funded ratio change over time, will rebalance the strategy, if necessary, to be within the agreed tolerance bands and target allocations. The portfolios are comprised of certain common collective investment trusts that are established and maintained by the investment manager. The common collective trusts are valued at their NAV as a practical expedient for fair value.

Other

We have defined contribution pension plans, including 401(k) plans, that cover certain employees. Amounts charged to expense related to such plans were $9.5 million, $8.8 million and $8.0 million for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively.

Note 18. Revenues from Contracts with Customers

The following table presents our total revenues separated for our revenues from contracts with customers and our other sources of revenues (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Revenues from contracts with customers:			
Commissions and other fees	$ 822,248	$ 675,772	$ 662,546
Investment banking	2,501,494	1,526,992	1,904,870
Manufacturing revenues	421,434	324,659	357,427
Other	178,051	262,705	194,799
Total revenues from contracts with customers	3,923,227	2,790,128	3,119,642
Other sources of revenue:			
Principal transactions	1,916,508	559,300	232,224
Interest income	997,555	1,603,940	1,294,325
Other	118,640	405,288	363,537
Total revenues from other sources	3,032,703	2,568,528	1,890,086
Total revenues	$ 6,955,930	$ 5,358,656	$ 5,009,728

Revenues from contracts with customers are recognized when, or as, we satisfy our performance obligations by transferring the promised goods or services to the customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring our progress in satisfying the performance obligation in a manner that depicts the transfer of the goods or services to the customer. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that we determine the customer obtains control over the promised good or service. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for those promised goods or services (the "transaction price"). In determining the transaction price, we consider multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainties with respect to the amount are resolved. In determining when to include variable consideration in the transaction price, we consider the range of possible outcomes, the predictive value of our past experiences, the time period of when uncertainties expect to be resolved and the amount of consideration that is susceptible to factors outside of our influence, such as market volatility or the judgment and actions of third-parties.

The following provides detailed information on the recognition of our revenues from contracts with customers:

Commissions and Other Fees. We earn commission and other fee revenues by executing, settling and clearing transactions for clients primarily in equity, equity-related and futures products. Trade execution and clearing services, when provided together, represent a single performance obligation as the services are not separately identifiable in the context of the contract. Commission revenues associated with combined trade execution and clearing services, as well as trade execution services on a standalone basis, are recognized at a point in time on trade-date. Commission revenues are generally paid on settlement date and we record a receivable between trade-date and payment on settlement date. We permit institutional customers to allocate a portion of their gross commissions to pay for research products and other services provided by third-parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. We act as an agent in the soft dollar arrangements as the customer controls the use of the soft dollars and directs our payments to third-party service providers on its behalf. Accordingly, amounts allocated to soft dollar arrangements are netted against commission revenues in the Consolidated Statements of Operations. We also earn investment research fees for the sales of our proprietary investment research when a contract with a client has been identified. The delivery of investment research services represents a distinct performance obligation that is satisfied over time when the performance obligation is to provide ongoing access to a research platform or research analysts, with fees recognized on a straight-line basis over the period in which the performance obligation is satisfied. The performance obligation is satisfied at a point in time when the performance obligation is to provide individual interactions with research analysts or research events, with fees recognized on the interaction date.

We earn account advisory and distribution fees in connection with wealth management services. Account advisory fees are recognized over time using the time-elapsed method as we determined that the customer simultaneously receives and consumes the benefits of investment advisory services as they are provided. Account advisory fees may be paid in advance of a specified service period or in arrears at the end of the specified service period (e.g., quarterly). Account advisory fees paid in advance are initially deferred within Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition. Distribution fees are variable and recognized when the uncertainties with respect to the amounts are resolved.

Investment Banking. We provide our clients with a full range of financial advisory and underwriting services. Revenues from financial advisory services primarily consist of fees generated in connection with merger, acquisition and restructuring transactions. Advisory fees from mergers and acquisitions engagements are recognized at a point in time when the related transaction is completed, as the performance obligation is to successfully broker a specific transaction. Fees received prior to the completion of the transaction are deferred within Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition. Advisory fees from restructuring engagements are recognized over time using a time elapsed measure of progress as our clients simultaneously receive and consume the benefits of those services as they are provided. A significant portion of the fees we receive for our advisory services are considered variable as they are contingent upon a future event (e.g., completion of a transaction or third-party emergence from bankruptcy) and are excluded from the transaction price until the uncertainty associated with the variable consideration is subsequently resolved, which is expected to occur upon achievement of the specified milestone. Payment for advisory services are generally due promptly upon completion of a specified milestone or, for retainer fees, periodically over the course of the engagement. We recognize a receivable between the date of completion of the milestone and payment by the customer. Expenses associated with investment banking advisory engagements are deferred only to the extent they are explicitly reimbursable by the client and the related revenue is recognized at a point in time. All other investment banking advisory related expenses, including expenses incurred related to restructuring assignments, are expensed as incurred. All investment banking advisory expenses are recognized within their respective expense category in the Consolidated Statements of Operations and any expenses reimbursed by our clients are recognized as Investment banking revenues.

Underwriting services include underwriting and placement agent services in both the equity and debt capital markets, including private equity placements, initial public offerings, follow-on offerings and equity-linked convertible securities transactions and structuring, underwriting and distributing public and private debt, including investment grade debt, high yield bonds, leveraged loans, municipal bonds and mortgage-backed and asset-backed securities. Underwriting and placement agent revenues are recognized at a point in time on trade-date, as the client obtains the control and benefit of the underwriting offering at that point. Costs associated with underwriting transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded, and are recorded on a gross basis within underwriting costs in the Consolidated Statements of Operations as we are acting as a principal in the arrangement. Any expenses reimbursed by our clients are recognized as Investment banking revenues.

Asset Management Fees. We earn management and performance fees, recorded in Other revenues, in connection with investment advisory services provided to various funds and accounts, which are satisfied over time and measured using a time elapsed measure of progress as the customer receives the benefits of the services evenly throughout the term of the contract. Management and performance fees are considered variable as they are subject to fluctuation (e.g., changes in assets under management, market performance) and/or are contingent on a future event during the measurement period (e.g., meeting a specified benchmark) and are recognized only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is resolved. Management fees are generally based on month-end assets under management or an agreed upon notional amount and are included in the transaction price at the end of each month when the assets under management or notional amount is known. Performance fees are received when the return on assets under management for a specified performance period exceed certain benchmark returns, "high-water marks" or other performance targets. The performance period related to our performance fees is annual or semi-annual. Accordingly, performance fee revenue will generally be recognized only at the end of the performance period to the extent that the benchmark return has been met.

Manufacturing Revenues. Idaho Timber's primary business consists of the sale of lumber that is manufactured or remanufactured at one of its locations. Agreements with customers for these sales specify the type, quantity and price of products to be delivered as well as the delivery date and payment terms. The transaction price is fixed at the time of sale and revenue is generally recognized when the customer takes control of the product.

Disaggregation of Revenue

The following presents our revenues from contracts with customers disaggregated by major business activity and primary geographic regions (in thousands):

	Reportable Segments					
	Investment Banking and Capital Markets	Asset Management(1)	Merchant Banking	Corporate	Consolidation Adjustments	Total
Twelve Months Ended November 30, 2020						
Major Business Activity:						
Investment Banking - Advisory	$ 1,053,500	$ —	$ —	$ —	$ —	$ 1,053,500
Investment Banking - Underwriting	1,447,994	—	—	—	—	1,447,994
Equities (2)	807,350	—	—	—	(1,010)	806,340
Fixed Income (2)	15,908	—	—	—	—	15,908
Asset Management	—	14,702	—	—	—	14,702
Manufacturing revenues	—	—	421,434	—	—	421,434
Oil and gas revenues	—	—	102,210	—	—	102,210
Other revenues	—	—	61,139	—	—	61,139
Total revenues from contracts with customers	$ 3,324,752	$ 14,702	$ 584,783	$ —	$ (1,010)	$ 3,923,227
Primary Geographic Region:						
Americas	$ 2,742,298	$ 9,754	$ 582,719	$ —	$ (1,010)	$ 3,333,761
Europe	401,853	4,948	1,698	—	—	408,499
Asia Pacific	180,601	—	366	—	—	180,967
Total revenues from contracts with customers	$ 3,324,752	$ 14,702	$ 584,783	$ —	$ (1,010)	$ 3,923,227

	Reportable Segments					
	Investment Banking and Capital Markets	Asset Management (1)	Merchant Banking	Corporate	Consolidation Adjustments	Total
Twelve Months Ended November 30, 2019						
Major Business Activity:						
Investment Banking - Advisory	$ 767,421	$ —	$ —	$ —	$ —	$ 767,421
Investment Banking - Underwriting	761,308	—	—	—	(1,737)	759,571
Equities (2)	662,804	—	—	—	(537)	662,267
Fixed Income (2)	13,505	—	—	—	—	13,505
Asset Management	—	23,188	—	—	—	23,188
Manufacturing revenues	—	—	324,659	—	—	324,659
Oil and gas revenues	—	—	173,626	—	—	173,626
Other revenues	—	—	65,891	—	—	65,891
Total revenues from contracts with customers	$ 2,205,038	$ 23,188	$ 564,176	$ —	$ (2,274)	$ 2,790,128
Primary Geographic Region:						
Americas	$ 1,751,568	$ 16,334	$ 562,837	$ —	$ (581)	$ 2,330,158
Europe	374,411	6,854	935	—	(1,693)	380,507
Asia Pacific	79,059	—	404	—	—	79,463
Total revenues from contracts with customers	$ 2,205,038	$ 23,188	$ 564,176	$ —	$ (2,274)	$ 2,790,128

	Reportable Segments					
	Investment Banking and Capital Markets	Asset Management (1)	Merchant Banking	Corporate	Consolidation Adjustments	Total
en Months Ended November 30, 2018						
or Business Activity:						
stment Banking - Advisory	$ 820,042	$ —	$ —	$ —	$ (5,283)	$ 814,759
stment Banking - Underwriting	1,090,161	—	—	—	(50)	1,090,111
ties (2)	649,631	—	—	—	(919)	648,712
d Income (2)	13,839	—	—	—	—	13,839
t Management	—	28,144	—	—	—	28,144
Manufacturing revenues	—	—	357,427	—	—	357,427
Oil and gas revenues	—	—	136,109	—	—	136,109
Other revenues	—	—	30,541	—	—	30,541
Total revenues from contracts with customers	$ 2,573,673	$ 28,144	$ 524,077	$ —	$ (6,252)	$ 3,119,642
nary Geographic Region:						
ricas	$ 2,186,955	$ 27,801	$ 522,549	$ —	$ (6,252)	$ 2,731,045
pe	304,027	343	1,264	—	—	305,634
Pacific	82,691	—	272	—	—	82,963
Total revenues from contracts with customers	$ 2,573,673	$ 28,144	$ 524,077	$ —	$ (6,252)	$ 3,119,642

(1) We now present Asset Management as a separate reporting segment. Prior year amounts have been reclassified to conform to current segment disclosure. See Note 27 for further information.

(2) Revenues from contracts with customers associated with the equities and fixed income businesses primarily represent commissions and other fee revenue.

Information on Remaining Performance Obligations and Revenue Recognized from Past Performance

We do not disclose information about remaining performance obligations pertaining to contracts that have an original expected duration of one year or less. The transaction price allocated to remaining unsatisfied or partially unsatisfied performance obligations with an original expected duration exceeding one year was not material at November 30, 2020. Investment banking advisory fees that are contingent upon completion of a specific milestone and fees associated with certain distribution services are also excluded as the fees are considered variable and not included in the transaction price at November 30, 2020.

During the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, we recognized $11.1 million, $27.6 million and $27.0 million, respectively, of revenues related to performance obligations satisfied (or partially satisfied) in previous periods, mainly due to resolving uncertainties in variable consideration that was constrained in prior periods. In addition, we recognized $17.6 million, $21.7 million and $18.1 million during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively, of revenues primarily associated with distribution services, a portion of which relates to prior periods.

Contract Balances

The timing of our revenue recognition may differ from the timing of payment by our customers. We record a receivable when revenue is recognized prior to payment and we have an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, we record deferred revenue until the performance obligations are satisfied.

We had receivables related to revenues from contracts with customers of $332.5 million and $263.7 million at November 30, 2020 and 2019, respectively. We had no significant impairments related to these receivables during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018.

Our deferred revenue primarily relates to retainer and milestone fees received in investment banking advisory engagements where the performance obligation has not yet been satisfied. Deferred revenues were $14.8 million and $12.8 million at November 30, 2020 and 2019, respectively, which are recorded as Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition. During the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, we recognized $10.9 million, $13.0 million and $10.6 million, respectively, of deferred revenue from the balance at November 30, 2019, November 30, 2018 and December 31, 2017, respectively.

Contract Costs

We capitalize costs to fulfill contracts associated with investment banking advisory engagements where the revenue is recognized at a point in time and the costs are determined to be recoverable. Capitalized costs to fulfill a contract are recognized at the point in time that the related revenue is recognized.

At November 30, 2020 and 2019, capitalized costs to fulfill a contract were $1.8 million and $4.8 million, respectively, which are recorded in Receivables in the Consolidated Statements of Financial Condition. We recognized expenses of $5.1 million, $4.1 million and $2.3 million during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively, related to costs to fulfill a contract that were capitalized as of the beginning of the year. There were no significant impairment charges recognized in relation to these capitalized costs during the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018.

Note 19. Income Taxes

The provision for income taxes for continuing operations are as follows (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Current taxes:			
U.S. Federal	$ 90,350	$ (10,000)	$ 10,000
U.S. state and local	68,261	53,211	37,439
Foreign	75,395	11,026	11,077
Total current	234,006	54,237	58,516
Deferred taxes:			
U.S. Federal	52,765	83,197	39,448
U.S. state and local	(1,288)	(73,482)	(73,013)
Foreign	13,190	(3,324)	(5,943)
Total deferred	64,667	6,391	(39,508)
Recognition of accumulated other comprehensive income lodged taxes	—	(544,583)	—
Total income tax provision (benefit)	$ 298,673	$ (483,955)	$ 19,008

The following table presents the U.S. and non-U.S. components of income from continuing operations before income taxes (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
U.S.	$ 813,305	$ 495,566	$ 284,177
Non-U.S. (1)	253,778	(16,958)	11,923
Income from continuing operations before income taxes	$ 1,067,083	$ 478,608	$ 296,100

(1) For purposes of this table, non-U.S. income is defined as income generated from operations located outside the U.S.

Income tax expense differed from the amounts computed by applying the U.S. Federal statutory income tax rates of 21% for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018 to income from continuing operations before income taxes as a result of the following (dollars in thousands):

	Twelve Months Ended November 30, 2020		Twelve Months Ended November 30, 2019		Eleven Months Ended November 30, 2018	
	Amount	Percent	Amount	Percent	Amount	Percent
Computed expected federal income tax	$ 224,087	21.0 %	$ 100,508	21.0 %	$ 62,181	21.0 %
Increase (decrease) in income taxes resulting from:						
State and local income taxes, net of federal income tax benefit	45,457	4.3	25,648	5.4	12,391	4.2
Recognition of accumulated other comprehensive income lodged taxes	—	—	(544,583)	(113.8)	—	—
International operations (including foreign rate differential)	13,155	1.2	4,518	0.9	1,823	0.6
Decrease in valuation allowance	(2,561)	(0.2)	(19,993)	(4.2)	(48,058)	(16.2)
Non-deductible executive compensation	12,814	1.2	7,444	1.6	5,810	1.9
Foreign tax credits	(8,654)	(0.8)	(5,012)	(1.0)	(9,046)	(3.1)
Deferred tax asset remeasurement related to the Tax Act	—	—	—	—	5,673	1.9
Transition tax on foreign earnings related to the Tax Act	—	—	(6,708)	(1.4)	2,590	0.9
Base erosion and anti-abuse tax (BEAT)	—	—	(10,000)	(2.1)	10,000	3.4
Change in unrecognized tax benefits related to prior years	(4,522)	(0.5)	(20,512)	(4.3)	(19,783)	(6.7)
Interest on unrecognized tax benefits	15,600	1.5	3,568	0.7	(1,197)	(0.4)
Spectrum Brands distribution	—	—	11,996	2.5	—	—
Acquisition of HomeFed	—	—	(36,779)	(7.7)	—	—
Other, net	3,297	0.3	5,950	1.3	(3,376)	(1.1)
Actual income tax provision	$ 298,673	28.0 %	$ (483,955)	(101.1)%	$ 19,008	6.4 %

As discussed above, during the second quarter of 2019, we completed the sale of our available for sale portfolio. In connection therewith, we recognized a tax benefit of $544.6 million during the twelve months ended November 30, 2019. Unrealized gains and losses on available for sale securities, and their associated tax impacts, are recorded directly to equity as part of the Accumulated other comprehensive income (loss) balance. Following the portfolio approach, when unrealized gains and losses and their associated tax impacts are recorded at a then current tax rate, and then realized later at a different tax rate, the difference between the tax impact initially recorded in Accumulated other comprehensive income (loss) and the tax impact removed from Accumulated other comprehensive income (loss) upon realization remains in Accumulated other comprehensive income (loss) until the disposal of the portfolio and is referred to as a "lodged tax effect." Large changes in the fair value of our available for sale securities, primarily during 2008 through 2010, combined with fluctuations in our tax rate during those

periods, generated a lodged tax benefit of $544.6 million. As a result of steps to improve our Corporate investment management efforts, we sold the remaining portion of our available for sale portfolio in the second quarter of 2019, which resulted in the realization of the $544.6 million tax benefit. While this realization did not impact total equity, it resulted in a tax benefit reflected in the Consolidated Statement of Operations of $544.6 million and, as a result, Retained earnings increased and Accumulated other comprehensive income (loss) decreased by corresponding amounts.

The following table presents a reconciliation of gross unrecognized tax benefits (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Balance at beginning of period	$ 260,138	$ 197,320	$ 169,020
Increases based on tax positions related to the current period	41,114	42,306	48,083
Increases based on tax positions related to prior periods	22,328	33,007	17,521
Decreases based on tax positions related to prior periods	(8,966)	(11,006)	(36,324)
Decreases related to settlements with taxing authorities	(267)	(1,489)	(980)
Balance at end of period	$ 314,347	$ 260,138	$ 197,320

Interest and penalties related to unrecognized tax benefits are recorded as components of the provision for income taxes. Net interest expense (benefit) related to unrecognized tax benefits was $19.9 million, $13.1 million and $(3.1) million for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively. At November 30, 2020 and 2019, we had interest accrued of approximately $87.1 million and $67.2 million, respectively, included in Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition. No material penalties were accrued for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018.

The statute of limitations with respect to our federal income tax returns has expired for all years through 2016. We are currently under examination by various tax jurisdictions. Prior to becoming a wholly-owned subsidiary, Jefferies Group filed a consolidated U.S. federal income tax return with its qualifying subsidiaries and was subject to income tax in various states, municipalities and foreign jurisdictions and Jefferies Group is also currently under examination by various tax jurisdictions. We do not expect that resolution of these examinations will have a significant effect on the Consolidated Statements of Financial Condition, but could have a significant impact on the Consolidated Statements of Operations for the period in which resolution occurs. It is reasonably possible that, within the next twelve months, statutes of limitation will expire which could have the effect of reducing the balance of unrecognized tax benefits by $13.8 million.

The principal components of deferred taxes are as follows (in thousands):

	November 30, 2020	November 30, 2019
Deferred tax asset:		
Net operating loss carryover	$ 15,123	$ 48,695
Operating lease liabilities	145,617	—
Compensation and benefits	274,342	260,590
Tax credits	—	91,390
Investments in associated companies (1)	36,345	16,099
Long-term debt	42,423	28,824
Other	164,010	184,514
	677,860	630,112
Valuation allowance	(15,958)	(18,519)
	661,902	611,593
Deferred tax liability:		
Amortization of intangible assets	(65,683)	(68,933)
Operating lease right-of-use asset	(138,708)	—
Other	(63,824)	(80,192)
	(268,215)	(149,125)
Net deferred tax asset	$ 393,687	$ 462,468

(1) Certain reclassifications have been made to the prior year to conform with the current make up and reporting of deferred tax positions in the current period. Within the principal components of deferred taxes, we have included Securities valuation reserves in Investments in Associated Companies.

The valuation allowance represents the portion of our deferred tax assets for which it is more likely than not that the benefit of such items will not be realized. We believe that the realization of the net deferred tax asset of $393.7 million at November 30, 2020 is more likely than not based on expectations of future taxable income in the jurisdictions in which we operate.

We have various state NOLs that expire at different times, which are reflected in the above table to the extent our estimate of future taxable income will be apportioned to those states. A deferred tax asset of $1.8 million related to net operating losses in Europe has been partially offset by a valuation allowance of $1.4 million, while $0.6 million of deferred tax assets related to net operating losses in Asia has been partially offset by a valuation allowance of $0.3 million. Uncertainties that may affect the utilization of our tax attributes include future operating results, tax law changes, rulings by taxing authorities regarding whether certain transactions are taxable or deductible and expiration of carryforward periods.

As a result of planning related to the 2017 tax act, during fiscal 2018, several of our foreign subsidiaries had made tax elections to be treated as branches of the U.S. for federal income tax purposes (commonly referred to as "check-the-box" elections) effective during various times during 2018. We believe that, as a result of these foreign subsidiaries being treated as branches of the U.S. for federal income tax purposes, rather than as controlled foreign corporations, we will reduce the future tax impact of the base erosion and anti-abuse tax ("BEAT") and the tax on global intangible low-taxed income ("GILTI") provisions, which became effective starting in fiscal 2018 and fiscal 2019, respectively. We recorded a provision of $10.0 million for BEAT in the eleven months ended November 30, 2018 and reversed the full amount during the twelve months ended November 30, 2019, based on new information. The new tax on GILTI became applicable in fiscal 2019. As a result, we made an accounting policy election in the first quarter of 2019 to treat GILTI as a period cost if and when incurred.

Note 20. Other Results of Operations Information

Other revenue consists of the following (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Income from associated companies classified as other revenues	$ 23,934	$ 85,169	$ 73,975
Revenues of oil and gas production and development businesses	154,909	175,169	127,090
Gain on sale of National Beef	—	205,017	—
Gain on revaluation of our interest in HomeFed	—	72,142	—
Gain on sale of Garcadia	—	—	221,712
Other	117,848	130,496	135,559
	$ 296,691	$ 667,993	$ 558,336

In the fourth quarter of 2019, we sold our 31% equity interest in National Beef for a total of $970.0 million in cash, including $790.6 million of proceeds and $179.4 million from final distributions from National Beef around the time of the sale. The pre-tax gain recognized as a result of this transaction, $205.0 million for the twelve months ended November 30, 2019, is classified as Other revenue.

Other revenues for the twelve months ended November 30, 2019 include a $72.1 million pre-tax gain on the revaluation of our 70% interest in HomeFed to fair value in connection with the acquisition of the remaining common stock of HomeFed.

In the third quarter of 2018, we sold 100% of our equity interests in Garcadia and our associated real estate to our former partners, the Garff family, for $417.2 million in cash. The pre-tax gain recognized as a result of this transaction, $221.7 million for the eleven months ended November 30, 2018, is classified as Other revenue.

Taxes, other than income or payroll included in Income (loss) from continuing operations, amounted to $49.3 million, $41.3 million and $39.9 million for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively.

Proceeds from sales of investments primarily classified as available for sale were $0.9 billion and $1.6 billion during the twelve months ended November 30, 2019 and the eleven months ended November 30, 2018, respectively, and were not material during the twelve months ended November 30, 2020. Gross gains and gross losses were not material during each of the periods.

Note 21. Common Shares and Earnings Per Common Share

Basic and diluted earnings per share amounts were calculated by dividing net income by the weighted-average number of common shares outstanding. The numerators and denominators used to calculate basic and diluted earnings per share are as follows (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Numerator for earnings per share:			
Net income attributable to Jefferies Financial Group Inc. common shareholders	$ 769,605	$ 959,593	$ 1,022,318
Allocation of earnings to participating securities (1)	(4,795)	(5,576)	(5,107)
Net income attributable to Jefferies Financial Group Inc. common shareholders for basic earnings per share	764,810	954,017	1,017,211
Adjustment to allocation of earnings to participating securities related to diluted shares (1)	23	(5)	28
Mandatorily redeemable convertible preferred share dividends	5,634	5,103	—
Net income attributable to Jefferies Financial Group Inc. common shareholders for diluted earnings per share	$ 770,467	$ 959,115	$ 1,017,239
Denominator for earnings per share:			
Weighted average common shares outstanding	268,518	297,796	337,817
Weighted average shares of restricted stock outstanding with future service required	(1,785)	(1,939)	(1,707)
Weighted average RSUs outstanding with no future service required	18,960	14,837	11,151
Denominator for basic earnings per share – weighted average shares	285,693	310,694	347,261
Stock options	—	—	7
Senior executive compensation plan awards	356	2,140	4,007
Mandatorily redeemable convertible preferred shares	4,441	4,198	—
Denominator for diluted earnings per share	290,490	317,032	351,275

(1) Represents dividends declared during the period on participating securities plus an allocation of undistributed earnings to participating securities. Net losses are not allocated to participating securities. Participating securities represent restricted stock and RSUs for which requisite service has not yet been rendered and amounted to weighted average shares of 1,801,700, 1,947,600 and 1,724,800 for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively. Dividends declared on participating securities were $1.0 million and $3.6 million during the twelve months ended November 30, 2020 and 2019 and were not material during the eleven months ended November 30, 2018. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

For the eleven months ended November 30, 2018, shares related to the 3.875% Convertible Senior Debentures were not included in the computation of diluted per share amounts as the conversion price exceeded the average market price. All of these convertible debentures were redeemed in January 2018. 4,162,200 shares related to the mandatorily redeemable convertible preferred shares for the eleven months ended November 30, 2018, were not included in the computation of diluted per share amounts as the effect was antidilutive.

Our Board of Directors from time to time has authorized the repurchase of our common shares. In January 2019, the Board of Directors approved a $500.0 million share repurchase authorization. Additionally, in connection with the HomeFed merger on July 1, 2019, our Board of Directors authorized the repurchase of an additional 9.25 million shares in the open market. In January 2020, the Board of Directors approved an increase of $250.0 million to the share repurchase authorization and in March 2020, the Board of Directors approved an additional share repurchase authorization of $100.0 million. In June 2020, the Board of Directors increased the share repurchase authorization by $176.7 million and in September 2020, the Board of Directors increased the share repurchase authorization by $128.0 million. During the twelve months ended November 30, 2020, we purchased a total of 42,134,910 of our common shares for an aggregate purchase price of $812.7 million, or an average price of

$19.29 per share. At November 30, 2020, we had approximately $57.2 million available for future purchases. In January 2021, the Board of Directors increased the share repurchase authorization to $250.0 million, including the $57.2 million.

Note 22. Commitments, Contingencies and Guarantees

Commitments

The following table summarizes commitments associated with certain business activities (in millions):

	Expected Maturity Date					
	2021	2022	2023 and 2024	2025 and 2026	2027 and Later	Maximum Payout
Equity commitments (1)	$ 365.5	$ 53.4	$ 25.3	$ 14.5	$ 6.8	$ 465.5
Loan commitments (1)	249.5	10.0	25.0	2.3	—	286.8
Underwriting commitments	243.3	—	—	—	—	243.3
Forward starting reverse repos (2)	6,048.0	—	—	—	—	6,048.0
Forward starting repos (2)	3,488.7	—	—	—	—	3,488.7
Other unfunded commitments (1)	156.6	25.0	5.2	—	—	186.8
	$ 10,551.6	$ 88.4	$ 55.5	$ 16.8	$ 6.8	$ 10,719.1

(1) Equity commitments, loan commitments and other unfunded commitments are generally presented by contractual maturity date. The amounts are however mostly available on demand.
(2) At November 30, 2020, $5,919.9 million within forward starting securities purchased under agreements to resell and $3,480.4 million within forward starting securities sold under agreements to repurchase settled within three business days.

Equity Commitments. Equity commitments include a commitment to invest in Jefferies Group's joint venture, Jefferies Finance, and commitments to invest in private equity funds and in Jefferies Capital Partners, LLC, the manager of the private equity funds, which consists of a team led by our President and a Director. At November 30, 2020, Jefferies Group's outstanding commitments relating to Jefferies Capital Partners, LLC and its private equity funds were $11.0 million.

See Note 9 for additional information regarding Jefferies Group's investment in Jefferies Finance.

Additionally, at November 30, 2020, we had other outstanding equity commitments to invest up to $200.0 million to third- parties with strategic relationships and up to $156.8 million to various other investments.

Loan Commitments. From time to time we make commitments to extend credit to investment banking and other clients in loan syndication, acquisition finance and securities transactions, SPE sponsors in connection with the funding of CLO and other asset-backed transactions, and third-parties with strategic relationships. These commitments and any related drawdowns of these facilities typically have fixed maturity dates and are contingent on certain representations, warranties and contractual conditions applicable to the borrower. At November 30, 2020, we had $80.0 million of outstanding loan commitments to clients and $5.9 million to third-parties with strategic relationships.

Loan commitments outstanding at November 30, 2020 also include Jefferies Group's portion of the outstanding secured revolving credit facility provided to Jefferies Finance to support loan underwritings by Jefferies Finance. At November 30, 2020, $50.0 million of Jefferies $250.0 million commitment was funded.

Underwriting Commitments. In connection with investment banking activities, we may from time to time provide underwriting commitments to our clients in connection with capital raising transactions.

Forward Starting Reverse Repos and Repos. We enter into commitments to take possession of securities with agreements to resell on a forward starting basis and to sell securities with agreements to repurchase on a forward starting basis that are primarily secured by U.S. government and agency securities.

Other Unfunded Commitments. Other unfunded commitments include obligations in the form of revolving notes, warehouse financings and debt securities to provide financing to asset-backed and CLO vehicles. Upon advancing funds, drawn amounts are collateralized by the assets of an entity.

Contingencies

We and our subsidiaries are parties to legal and regulatory proceedings that are considered to be either ordinary, routine litigation incidental to their business or not significant to our consolidated financial position. We and our subsidiaries are also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding our businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions. We do not believe that any of these actions will have a significant adverse effect on our consolidated financial position or liquidity, but any amounts paid could be significant to results of operations for the period.

Guarantees

Derivative Contracts. Our dealer activities cause us to make markets and trade in a variety of derivative instruments. Certain derivative contracts that we have entered into meet the accounting definition of a guarantee under GAAP, including credit default swaps, written foreign currency options and written equity put options. On certain of these contracts, such as written interest rate caps and foreign currency options, the maximum payout cannot be quantified since the increase in interest or foreign exchange rates are not contractually limited by the terms of the contract. As such, we have disclosed notional values as a measure of our maximum potential payout under these contracts.

The following table summarizes the notional amounts associated with our derivative contracts meeting the definition of a guarantee under GAAP as of November 30, 2020 (in millions):

	Expected Maturity Date					
Guarantee Type	**2021**	**2022**	**2023 and 2024**	**2025 and 2026**	**2027 and Later**	**Notional/ Maximum Payout**
Derivative contracts – non-credit related	$ 12,607.6	$ 2,475.8	$ 5,760.8	$ 390.4	$ 11.9	$ 21,246.5
Written derivative contracts – credit related	—	—	6.4	—	—	6.4
Total derivative contracts	$ 12,607.6	$ 2,475.8	$ 5,767.2	$ 390.4	$ 11.9	$ 21,252.9

The derivative contracts deemed to meet the definition of a guarantee under GAAP are before consideration of hedging transactions and only reflect a partial or "one-sided" component of any risk exposure. Written equity options and written credit default swaps are often executed in a strategy that is in tandem with long cash instruments (e.g., equity and debt securities). We substantially mitigate our exposure to market risk on these contracts through hedges, such as other derivative contracts and/or cash instruments, and we manage the risk associated with these contracts in the context of our overall risk management framework. We believe notional amounts overstate our expected payout and that fair value of these contracts is a more relevant measure of our obligations. The fair value of derivative contracts meeting the definition of a guarantee is approximately $181.3 million at November 30, 2020.

Berkadia. We have agreed to reimburse Berkshire Hathaway for up to one-half of any losses incurred under a $1.5 billion surety policy securing outstanding commercial paper issued by an affiliate of Berkadia. At November 30, 2020, the aggregate amount of commercial paper outstanding was $1.47 billion.

HomeFed. For real estate development projects, HomeFed is generally required to obtain infrastructure improvement bonds at the beginning of construction work and warranty bonds upon completion of such improvements. These bonds are issued by surety companies to guarantee satisfactory completion of a project and provide funds primarily to a municipality in the event HomeFed is unable or unwilling to complete certain infrastructure improvements. As HomeFed develops the planned area and the municipality accepts the improvements, the bonds are released. Should the respective municipality or others draw on the bonds for any reason, certain of HomeFed's subsidiaries would be obligated to pay. At November 30, 2020, the aggregate amount of infrastructure improvement bonds outstanding was $82.0 million.

Other Guarantees. We are members of various exchanges and clearing houses. In the normal course of business, we provide guarantees to securities clearing houses 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 clearing house, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearing houses often require members to post collateral. Our obligations under such guarantees could exceed the collateral amounts posted. Our maximum potential liability under these arrangements cannot be quantified; however, the potential for us to be required to make payments under such guarantees is deemed remote. Accordingly, no liability has been recognized for these arrangements. Additionally, we provide certain indemnifications in connection with third-party clearing and execution arrangements whereby a third-party may clear and settle transactions on behalf of our clients. These indemnifications generally have standard contractual terms and are entered into in the ordinary course of business. Our obligations in respect of such transactions are secured by the assets in our client's account, as well as any proceeds received from the transactions cleared and settled on behalf of our client. However, we believe that it is unlikely we would have to make any material payments under these arrangements and no material liabilities related to these indemnifications have been recognized.

Standby Letters of Credit. At November 30, 2020, we provided guarantees to certain counterparties in the form of standby letters of credit totaling of $22.0 million. Standby letters of credit commit us to make payment to the beneficiary if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary. Since commitments associated with these collateral instruments may expire unused, the amount shown does not necessarily reflect the actual future cash funding requirement. Primarily all letters of credit expire within one year.

Note 23. Net Capital Requirements

Jefferies LLC operates as a broker-dealer registered with the U.S. Securities and Exchange Commission ("SEC") and a member firm of the Financial Industry Regulatory Authority ("FINRA"). Jefferies LLC is subject to the SEC Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital and has elected to calculate minimum capital requirements using the alternative method permitted by Rule 15c3-1 in calculating net capital. Jefferies LLC, as a dually-registered U.S. broker-dealer and futures commission merchant ("FCM"), is also subject to Rule 1.17 of the Commodity Futures Trading Commission ("CFTC"), which sets forth minimum financial requirements. The minimum net capital requirement in determining excess net capital for a dually-registered U.S. broker-dealer and FCM is equal to the greater of the requirement under Rule 15c3-1 or CFTC Rule 1.17.

Jefferies LLC's net capital and excess net capital as of November 30, 2020 were $2,161.3 million and $2,060.5 million, respectively.

FINRA is the designated examining authority for Jefferies LLC and the National Futures Association is the designated self-regulatory organization for Jefferies LLC as an FCM.

Certain other U.S. and non-U.S. subsidiaries of Jefferies Group are subject to capital adequacy requirements as prescribed by the regulatory authorities in their respective jurisdictions, including Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority in the United Kingdom.

The regulatory capital requirements referred to above may restrict our ability to withdraw capital from Jefferies Group's regulated subsidiaries. Some of our other consolidated subsidiaries also have credit agreements which may restrict the payment of cash dividends, or the ability to make loans or advances to the parent company.

Note 24. Other Fair Value Information

The carrying amounts and estimated fair values of our principal financial instruments that are not recognized at fair value on a recurring basis are as follows (in thousands):

	November 30, 2020		November 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Other Assets:				
Notes and loans receivable (1)	$ 727,492	$ 744,424	$ 775,501	$ 784,053
Financial Liabilities:				
Short-term borrowings (2)	759,648	759,648	548,490	548,490
Long-term debt (3)	6,639,794	7,495,642	7,121,776	7,569,837

(1) Notes and loans receivable: The fair values are estimated principally based on a discounted future cash flows model using market interest rates for similar instruments. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy.
(2) Short-term borrowings: The fair values of short-term borrowings carried at cost are estimated to be the carrying amount due to their short maturities. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy.
(3) Long-term debt: The fair values are estimated using quoted prices, pricing information obtained from external data providers and, for certain variable rate debt, is estimated to be the carrying amount. If measured at fair value in the financial statements, these financial instruments would be classified as Level 2 and Level 3 in the fair value hierarchy.

Note 25. Related Party Transactions

Jefferies Capital Partners Related Funds. Jefferies Group has equity investments in the JCP Manager and in private equity funds (including JCP Fund V), which are managed by a team led by our President and a Director ("Private Equity Related Funds"). Reflected in the Consolidated Statements of Financial Condition at November 30, 2020 and 2019 are Jefferies Group's equity investments in Private Equity Related Funds of $19.0 million and $23.0 million, respectively. Net gains (losses) from Jefferies Group's investment in JCP Fund V aggregating $(3.0) million, $(5.7) million and $12.1 million were recorded in Principal transactions revenues for the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, respectively. Gains (losses) for other funds were not material. For further information regarding our commitments and funded amounts to the Private Equity Related Funds, see Notes 8 and 22.

Berkadia Commercial Mortgage, LLC. At November 30, 2020 and 2019, Jefferies Group has commitments to purchase $401.0 million and $360.4 million, respectively, in agency commercial mortgage-backed securities from Berkadia.

HRG Group, Inc. ("HRG"). Jefferies Group recognized investment banking revenues of $3.0 million for the eleven months ended November 30, 2018 in connection with the merger of HRG into Spectrum Brands.

FXCM. Jefferies Group entered into a foreign exchange prime brokerage agreement with FXCM in 2017. In connection with the foreign exchange contracts entered into under this agreement, Jefferies Group had $2.7 million and $9.9 million at November 30, 2020 and 2019, respectively, included in Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition.

Officers, Directors and Employees. We had $38.9 million and $44.8 million of loans outstanding to certain officers and employees (none of whom are an executive officer or director of the Company) at November 30, 2020 and 2019, respectively. Receivables from and payables to customers include balances arising from officers', directors' and employees' individual security transactions. These transactions are subject to the same regulations as all customer transactions and are provided on substantially the same terms.

Jefferies Finance. During the twelve months ended November 30, 2019, we purchased $65.3 million of loan receivables from Jefferies Finance which settled during the twelve months ended November 30, 2020. See Note 9 for additional information on transactions with Jefferies Finance.

Sale of Property. On November 29, 2019, we sold a hotel and restaurant in Telluride, Colorado that we owned, to the Company's Chairman and certain of his family trusts in exchange for 780,315 shares of the Company's common stock, at a price of $21.03 per share.

Sale of Subsidiary. On November 3, 2020, we sold a wholly-owned subsidiary primarily invested in short-dated receivables that related to an asset management strategy to an investment fund managed by us for approximately $180.7 million. The gain on sale was not material.

Note 26. Discontinued Operations

On June 5, 2018, we sold 48% of National Beef to Marfrig for $907.7 million in cash, reducing our then ownership in National Beef to 31%. As of the closing of the sale on June 5, 2018, we deconsolidated our investment in National Beef and accounted for our remaining interest under the equity method of accounting. Immediately prior to the deconsolidation, the cumulative increase in fair value of $237.7 million recorded to the redeemable noncontrolling interest since the initial acquisition of National Beef was reversed through Additional paid-in capital in the Consolidated Statement of Financial Condition.

The sale of National Beef met the GAAP criteria to be classified as a discontinued operation as the sale represented a strategic shift that had a major effect in our operations and financial results. As such, we have classified the results of National Beef prior to June 5, 2018 as a discontinued operation and reported those results in Income from discontinued operations, net of income tax provision in the Consolidated Statements of Operations.

A summary of the results of discontinued operations for National Beef for the period from January 1, 2018 through June 4, 2018 as included in discontinued operations for the eleven months ended November 30, 2018 is as follows (in thousands):

Revenues:		
Beef processing services	$	3,137,611
Interest income		131
Other		4,329
Total revenues		3,142,071
Expenses:		
Compensation and benefits		17,414
Cost of sales		2,884,983
Interest expense		4,316
Depreciation and amortization		43,959
Selling, general and other expenses		14,291
Total expenses		2,964,963
Income from discontinued operations before income taxes		177,108
Income tax provision		47,045
Income from discontinued operations, net of income tax provision	$	130,063

Net income attributable to the redeemable noncontrolling interests in the Consolidated Statements of Operations includes $37.1 million for the eleven months ended November 30, 2018 related to National Beef's noncontrolling interests. Pre-tax income from discontinued operations attributable to Jefferies Financial Group Inc. common shareholders was $140.0 million for the eleven months ended November 30, 2018.

As discussed above, we accounted for our retained 31% ownership of National Beef subsequent to the sale to Marfrig under the equity method. For the twelve months ended November 30, 2019 and the period from June 5, 2018 through November 30, 2018, we recorded $232.0 million and $110.0 million, respectively, in Income (loss) related to associated companies from our 31% ownership in National Beef and we received distributions from National Beef of $349.2 million and $48.7 million, respectively. The pre-tax income of 100% National Beef for the period from December 1, 2018 through November 29, 2019 and the period from June 5, 2018 through November 30, 2018 was $773.7 million and $367.2 million, respectively. On November 29, 2019, we sold our remaining 31% interest in National Beef to Marfrig and other shareholders.

During the eleven months ended November 30, 2018, we have also recorded a pre-tax gain on the 2018 National Beef sale of $873.5 million ($643.9 million after-tax) which is reported in Gain on disposal of discontinued operations, net of income tax

provision in the Consolidated Statements of Operations. Included in the $873.5 million pre-tax gain on the sale of National Beef was approximately $352.4 million related to the revaluation of our retained 31% interest in National Beef to fair value. The $592.3 million fair value of our retained 31% interest in National Beef was based on the implied equity value of 100% of National Beef from the transaction with Marfrig and is considered a Level 3 input. The transaction with Marfrig was based on a $1.9 billion equity valuation and a $2.3 billion enterprise valuation.

Note 27. Segment Information

We are engaged in investment banking and capital markets, asset management and direct investing. During the first quarter of 2020, we changed our internal structure with regard to our operating segments. Previously, our segments consisted of (1) Investment Banking, Capital Markets and Asset Management, which included all of the financial results of Jefferies Group; (2) Merchant Banking; and (3) Corporate. In the first quarter of 2020, we appointed co-Presidents of Asset Management and created a separate operating segment that consists of the asset management activity previously included in our Investment Banking, Capital Markets and Asset Management segment, together with asset management activity previously included in our Merchant Banking segment. In order to compare results with prior periods, we have recast our segment results for the prior periods to conform to our current presentation.

The Investment Banking and Capital Markets segment includes investment banking, capital markets and other related services. Investment banking provides underwriting and financial advisory services to clients across most industry sectors in the Americas, Europe and Asia. Capital markets businesses operate across the spectrum of equities, fixed income and foreign exchange products. Related services include, among other things, prime brokerage and equity finance, research and strategy, corporate lending and real estate finance.

Our Asset Management segment includes both the operations of LAM as well as the asset management operations within Jefferies Group. Within Asset Management, we manage, invest in and provide services to a diverse group of alternative asset management platforms across a spectrum of investment strategies and asset classes. Asset Management offers institutional clients an innovative range of investment strategies through its affiliated managers.

Merchant Banking consists of our various merchant banking businesses and investments, primarily including Linkem, Vitesse Energy Finance and JETX Energy, real estate, Idaho Timber, FXCM and WeWork. Merchant Banking businesses and investments also included National Beef, prior to its sale in November 2019, Spectrum Brands, prior to its distribution to shareholders in October 2019, Berkadia, prior to its transfer to Jefferies Group in the fourth quarter of 2018, and Garcadia, prior to its sale in August 2018.

As discussed further in Notes 1 and 26, on June 5, 2018, we sold 48% of National Beef to Marfrig and deconsolidated our investment in National Beef. Results prior to June 5, 2018 are classified in discontinued operations and are not included in the table below. On November 29, 2019 we sold our remaining 31% interest in National Beef to Marfrig and other shareholders. Our retained 31% interest in National Beef was accounted for under the equity method, and results subsequent to the June 5, 2018 closing through November 29, 2019 are included in Merchant Banking in the table below.

Corporate assets primarily consist of cash and cash equivalents. Corporate revenues primarily include interest income.

Certain information concerning our segments is presented in the following table. Consolidated subsidiaries are reflected as of the date a majority controlling interest was acquired.

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
		(In thousands)	
Net revenues:			
Reportable Segments:			
Investment Banking and Capital Markets	$ 4,989,138	$ 3,035,988	$ 3,184,426
Asset Management	235,255	84,894	(14,280)
Merchant Banking	764,460	735,213	577,278
Corporate	13,258	32,833	22,300
Total net revenues related to reportable segments	6,002,111	3,888,928	3,769,724
Consolidation adjustments	8,763	4,048	(5,690)
Total consolidated net revenues	$ 6,010,874	$ 3,892,976	$ 3,764,034
Income (loss) from continuing operations before income taxes:			
Reportable Segments:			
Investment Banking and Capital Markets (1)	$ 1,119,888	$ 347,050	$ 464,913
Asset Management	68,927	(41,126)	(133,729)
Merchant Banking (1)	(24,598)	289,492	88,971
Corporate	(55,619)	(68,467)	(66,140)
Income from continuing operations before income taxes related to reportable segments	1,108,598	526,949	354,015
Parent Company interest	(53,445)	(53,048)	(54,090)
Consolidation adjustments	11,930	4,707	(3,825)
Total consolidated income from continuing operations before income taxes	$ 1,067,083	$ 478,608	$ 296,100
Depreciation and amortization expenses:			
Reportable Segments:			
Investment Banking and Capital Markets	$ 82,334	$ 77,549	$ 67,467
Asset Management	5,247	2,042	1,324
Merchant Banking	67,362	69,805	48,357
Corporate	3,496	3,475	3,169
Total consolidated depreciation and amortization expenses	$ 158,439	$ 152,871	$ 120,317

	November 30, 2020	November 30, 2019	November 30, 2018
Identifiable assets employed:			
Reportable Segments:			
Investment Banking and Capital Markets (2)	$ 44,835,126	$ 40,523,223	$ 38,617,201
Asset Management	3,231,059	3,313,716	2,633,585
Merchant Banking	3,173,064	3,285,671	4,164,605
Corporate	2,178,699	2,432,119	1,838,037
Identifiable assets employed related to reportable segments	53,417,948	49,554,729	47,253,428
Consolidation adjustments	(299,596)	(94,495)	(122,333)
Total consolidated assets	$ 53,118,352	$ 49,460,234	$ 47,131,095

(1) Amounts related to Berkadia are included in Merchant Banking prior to their transfer to the Investment Banking and Capital Markets segment in the fourth quarter of 2018. Income from continuing operations before income taxes related to the net assets transferred were $78.7 million for the eleven months ended November 30, 2018.

(2) Includes $235.7 million, $197.7 million and $243.2 million at November 30, 2020, 2019 and 2018, respectively, of the deferred tax asset, net.

Net revenues for the Investment Banking and Capital Markets segment and Asset Management segment are recorded in the geographic region in which the position was risk-managed, in the case of Investment Banking and Capital Markets in which the senior coverage banker is located, or for Asset Management, according to the location of the investment advisor. Net revenues by geographic region were as follows (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Americas (1)	$ 4,871,313	$ 3,188,353	$ 3,231,522
Europe (2)	853,674	592,087	436,861
Asia Pacific	285,887	112,536	95,651
	$ 6,010,874	$ 3,892,976	$ 3,764,034

(1) Substantially all relates to U.S. results.
(2) Substantially all relates to United Kingdom results.

Interest expense classified as a component of Net revenues relates to Jefferies Group. For the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018, interest expense classified as a component of Expenses was primarily comprised of parent company interest ($53.4 million, $53.0 million and $54.1 million, respectively) and Merchant Banking ($31.4 million, $34.1 million and $26.2 million, respectively). Interest expense for the eleven months ended November 30, 2018 also includes $9.0 million related to the Asset Management segment.

As discussed above, during the fourth quarter of 2019, we sold our 31% equity interest in National Beef and recognized a pre-tax gain of $205.0 million for the twelve months ended November 30, 2019 in Other revenues. The gain on the sale is included within Merchant Banking above.

As discussed above, during the third quarter of 2018, we sold 100% of our equity interests in Garcadia and our associated real estate to our former partners, the Garff family and recognized a pre-tax gain of $221.7 million for the eleven months ended November 30, 2018 in Other revenues. The gain on the sale is included within Merchant Banking above.

Note 28. Selected Quarterly Financial Data (Unaudited)

	First Quarter (1)	Second Quarter (2)	Third Quarter (3)	Fourth Quarter (4)
	(In thousands, except per share amounts)			
2020				
Net revenues	$ 1,386,328	$ 1,147,589	$ 1,616,170	$ 1,860,787
Income from continuing operations	112,021	43,545	304,839	308,005
Net loss attributable to the noncontrolling interest	2,129	2,580	324	238
Net loss attributable to the redeemable noncontrolling interests	282	198	650	428
Preferred stock dividends	(1,422)	(1,404)	(1,404)	(1,404)
Net income attributable to Jefferies Financial Group Inc. common shareholders	113,010	44,919	304,409	307,267
Basic earnings per common share attributable to Jefferies Financial Group Inc. common shareholders:				
Net income	$ 0.37	$ 0.16	$ 1.08	$ 1.12
Number of shares used in calculation	302,406	286,764	280,695	272,901
Diluted earnings per common share attributable to Jefferies Financial Group Inc. common shareholders:				
Net income	$ 0.37	$ 0.16	$ 1.07	$ 1.11
Number of shares used in calculation	308,280	286,764	285,136	277,342
2019				
Net revenues	$ 828,443	$ 1,101,657	$ 856,778	$ 1,106,098
Income from continuing operations	47,015	672,276	49,394	193,878
Net (income) loss attributable to the noncontrolling interest	(1,066)	191	116	2,606
Net (income) loss attributable to the redeemable noncontrolling interests	138	(427)	242	333
Preferred stock dividends	(1,276)	(1,276)	(1,275)	(1,276)
Net income attributable to Jefferies Financial Group Inc. common shareholders	44,811	670,764	48,477	195,541
Basic earnings per common share attributable to Jefferies Financial Group Inc. common shareholders:				
Net income	$ 0.14	$ 2.17	$ 0.16	$ 0.63
Number of shares used in calculation	315,175	307,010	310,288	310,266
Diluted earnings per common share attributable to Jefferies Financial Group Inc. common shareholders:				
Net income	$ 0.14	$ 2.14	$ 0.15	$ 0.62
Number of shares used in calculation	318,752	312,527	311,897	316,566

(1) The first quarter of 2020 includes a non-cash charge of $55.6 million to write off the value of HomeFed's RedSky JZ Fulton Mall joint venture investment related to a softening of the Brooklyn real estate market and a non-cash charge of $33.0 million to write down the value of our investment in JETX Energy to reflect the impact of oil price declines during the quarter. These decreases were partially offset by a gain of $61.5 million from effective short-term hedges against mark-to-market and fair value decreases in some of our other investments within Merchant Banking.

The first quarter of 2019 includes $27.1 million of equity income related to National Beef and a mark-to-market increase of $36.0 million in the value of our investment in Spectrum Brands.

(2) The second quarter of 2020 includes a $44.2 million non-cash charge to write down the value of our investment in WeWork, a non-cash charge of $13.2 million to write down Vitesse Energy Finance's oil and gas assets in the DJ Basin, reflecting a significant decrease in oil and gas prices, $12.2 million in non-cash write-downs of HomeFed's interests in a hotel and a retail center significantly impacted by the external events of the second quarter and $19.3 million in mark-to-market unrealized decreases in the values of some of our investments in public companies.

The second quarter of 2019 includes a nonrecurring tax benefit of $544.6 million related to the closing of our available for sale portfolio, which triggered the realization of lodged tax benefits from earlier years and $34.9 million of equity income related to National Beef. These increases were partially offset by a $11.3 million mark-to-market decrease in the value of our investment in Spectrum Brands.

(3) The third quarter of 2020 includes record pre-tax income of $363.4 million from Jefferies Group, reflecting record quarterly total net revenues of $1,383.4 million, and $54.5 million in mark-to-market unrealized increases in the values of some of our investments in public companies.

The third quarter of 2019 includes a $72.1 million pre-tax gain related to the purchase of the remaining interest in HomeFed and $75.9 million of equity income related to National Beef. This increase was partially offset by a $146.0 million decrease in the estimated fair value of our investment in WeWork.

(4) The fourth quarter of 2020 includes record pre-tax income of $405.8 million from Jefferies Group, reflecting record quarterly total net revenues of $1,609.0 million, and $14.9 million in mark-to-market unrealized increases in the values of some of our investments in public companies.

The fourth quarter of 2019 includes a $205.0 million pre-tax gain on the sale of our 31% equity interest in National Beef and $94.1 million of equity income related to National Beef, prior to its sale. These increases were partially offset by a decrease in the estimated fair value of our investment in WeWork of $69.4 million.

In 2020 and 2019, the totals of quarterly per share amounts may not equal annual per share amounts because of changes in outstanding shares during the year.

Schedule I - Condensed Financial Information of Registrant
Jefferies Financial Group Inc.
(Parent Company Only)
Condensed Statements of Financial Condition
November 30, 2020 and 2019
(Dollars in thousands, except par value)

	November 30,	
	2020	**2019**
ASSETS		
Cash and cash equivalents	$ 723	$ 3,553
Financial instruments owned, at fair value	132,959	207,162
Investments in subsidiaries	10,265,085	10,520,986
Advances to subsidiaries	151,202	137,549
Investments in associated companies	20,483	26,615
Other assets	86,381	77,546
Total assets	$ 10,656,833	$ 10,973,411
LIABILITIES		
Accrued interest payable	$ 6,629	$ 6,629
Pension liabilities	37,972	46,561
Other payables, expense accruals and other liabilities	90,624	224,134
Advances from subsidiaries	4	4
Long-term debt	992,711	991,378
Total liabilities	1,127,940	1,268,706
Commitments and contingencies		
MEZZANINE EQUITY		
Mandatorily redeemable convertible preferred shares	125,000	125,000
EQUITY		
Common shares, par value $1 per share, authorized 600,000,000 shares; 249,750,542 and 291,644,153 shares issued and outstanding, after deducting 66,712,070 and 24,818,459 shares held in treasury	249,751	291,644
Additional paid-in capital	2,911,223	3,627,711
Accumulated other comprehensive income (loss)	(288,917)	(273,039)
Retained earnings	6,531,836	5,933,389
Total Jefferies Financial Group Inc. shareholders' equity	9,403,893	9,579,705
Total	$ 10,656,833	$ 10,973,411

See accompanying notes to condensed financial statements.

Schedule I - Condensed Financial Information of Registrant, continued
Jefferies Financial Group Inc.
(Parent Company Only)
Condensed Statements of Operations
For the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018
(In thousands, except per share amounts)

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Revenues:			
Principal transactions	$ 53,243	$ (246,101)	$ 120,886
Gain on sale of equity interest in National Beef	—	205,017	—
Other	2,430	50,186	663
Total revenues	55,673	9,102	121,549
Expenses:			
Compensation and benefits	47,384	61,920	49,955
WilTel pension expense	2,822	2,594	2,659
Interest expense	53,445	53,048	54,090
Intercompany interest expense	—	—	3,642
Selling, general and other expenses	20,279	23,062	21,664
Total expenses	123,930	140,624	132,010
Loss from continuing operations before income taxes, income (loss) related to associated companies and equity in earnings of subsidiaries	(68,257)	(131,522)	(10,461)
Income (loss) related to associated companies	(4,325)	229,320	96,808
Income (loss) from continuing operations before income taxes and equity in earnings of subsidiaries	(72,582)	97,798	86,347
Income tax benefit	(16,290)	(523,310)	(5,281)
Income (loss) from continuing operations before equity in earnings of subsidiaries	(56,292)	621,108	91,628
Equity in earnings from continuing operations of subsidiaries, net of taxes	831,531	343,588	198,317
Income from continuing operations	775,239	964,696	289,945
Equity in earnings from discontinued operations of subsidiaries, net of taxes	—	—	92,922
Gain on disposal of discontinued operations, net of taxes	—	—	643,921
Net income	775,239	964,696	1,026,788
Preferred stock dividends	(5,634)	(5,103)	(4,470)
Net income attributable to Jefferies Financial Group Inc. common shareholders	$ 769,605	$ 959,593	$ 1,022,318
Basic earnings per common share attributable to Jefferies Financial Group Inc. common shareholders:			
Income from continuing operations	$ 2.68	$ 3.07	$ 0.82
Income from discontinued operations	—	—	0.27
Gain on disposal of discontinued operations	—	—	1.84
Net income	$ 2.68	$ 3.07	$ 2.93
Diluted earnings per common share attributable to Jefferies Financial Group Inc. common shareholders:			
Income from continuing operations	$ 2.65	$ 3.03	$ 0.81
Income from discontinued operations	—	—	0.26
Gain on disposal of discontinued operations	—	—	1.83
Net income	$ 2.65	$ 3.03	$ 2.90

See accompanying notes to condensed financial statements.

Schedule I - Condensed Financial Information of Registrant, continued
Jefferies Financial Group Inc.
(Parent Company Only)
Condensed Statements of Comprehensive Income (Loss)
For the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018
(In thousands)

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Net income	$ 775,239	$ 964,696	$ 1,026,788
Other comprehensive income (loss):			
Net unrealized holding gains (losses) on investments arising during the period, net of income tax provision (benefit) of $117, $165 and $(551)	372	487	(1,560)
Less: reclassification adjustment for net (gains) losses included in net income, net of income tax provision (benefit) of $0, $(545,054) and $37	—	(543,178)	(109)
Net change in unrealized holding gains (losses) on investments, net of income tax provision (benefit) of $117, $545,219 and $(588)	372	(542,691)	(1,669)
Net unrealized foreign exchange gains (losses) arising during the period, net of income tax provision (benefit) of $11,392, $1,146 and $(11,089)	35,991	544	(71,543)
Less: reclassification adjustment for foreign exchange (gains) losses included in net income, net of income tax provision (benefit) of $0, $(52) and $(16)	—	149	(20,459)
Net change in unrealized foreign exchange gains (losses), net of income tax provision (benefit) of $11,392, $1,198 and $(11,073)	35,991	693	(92,002)
Net unrealized gains (losses) on instrument specific credit risk arising during the period, net of income tax provision (benefit) of $(16,228), $(4,653) and $9,289	(51,865)	(13,588)	29,620
Less: reclassification adjustment for instrument specific credit risk (gains) losses included in net income, net of income tax provision (benefit) of $146, $(144) and $311	(397)	427	(916)
Net change in unrealized instrument specific credit risk gains (losses), net of income tax provision (benefit) of $(16,374), $(4,509) and $8,978	(52,262)	(13,161)	28,704
Net unrealized gains (losses) on cash flow hedges arising during the period, net of income tax provision (benefit) of $0, $0 and $552	—	—	1,608
Less: reclassification adjustment for cash flow hedges (gains) losses included in net income, net of income tax provision (benefit) of $0, $161 and $0	—	(470)	—
Net change in unrealized cash flow hedges gains (losses), net of income tax provision (benefit) of $0, $(161) and $552	—	(470)	1,608
Net pension gains (losses) arising during the period, net of income tax provision (benefit) of $(970), $(2,473) and $(297)	(2,851)	(7,103)	(844)
Less: reclassification adjustment for pension (gains) losses included in net income, net of income tax provision (benefit) of $(957), $(490) and $(697)	2,872	1,407	7,349
Net change in pension liability benefits, net of income tax provision (benefit) of $(13), $(1,983) and $400	21	(5,696)	6,505
Other comprehensive loss, net of income taxes	(15,878)	(561,325)	(56,854)
Comprehensive income	759,361	403,371	969,934
Preferred stock dividends	(5,634)	(5,103)	(4,470)
Comprehensive income attributable to Jefferies Financial Group Inc. common shareholders	$ 753,727	$ 398,268	$ 965,464

See accompanying notes to condensed financial statements.

Schedule I - Condensed Financial Information of Registrant, continued
Jefferies Financial Group Inc.
(Parent Company Only)
Condensed Statements of Cash Flows
For the twelve months ended November 30, 2020 and 2019 and the eleven months ended November 30, 2018
(In thousands)

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Net cash flows from operating activities:			
Net income	$ 775,239	$ 964,696	$ 1,026,788
Adjustments to reconcile net income to net cash provided by operations:			
Deferred income tax provision (benefit)	(1,787)	(12,953)	142,085
Recognition of accumulated other comprehensive income lodged taxes	—	(544,583)	—
Accretion of interest	1,151	1,088	944
Share-based compensation	40,038	49,848	48,249
Equity in earnings of subsidiaries, including equity in earnings of discontinued operations	(831,531)	(343,588)	(291,239)
Gain on disposal of discontinued operation	—	—	(873,474)
(Income) loss related to associated companies	4,325	(229,320)	(96,808)
Distributions from associated companies	1,359	319,142	24,711
Gains on sale/revaluation of associated companies	—	(254,875)	—
Net change in:			
Financial instruments owned, at fair value	74,203	196,245	(120,886)
Other assets	(328)	376	129
Accrued interest payable	—	—	(4,818)
Pension liabilities	(5,865)	(5,062)	(5,231)
Other payables, expense accruals and other liabilities	(74,274)	(5,260)	(1,712)
Income taxes receivable/payable, net	65,057	94,510	242,637
Other	3,094	3,770	6,315
Net cash provided by operating activities	50,681	234,034	97,690
Net cash flows from investing activities:			
Distributions (to) from subsidiaries, net	738,908	(388,739)	38,304
Proceeds from sale of subsidiary	180,664	—	—
Proceeds from sale of associated companies	—	790,612	—
Advances on loans receivables	(23,000)	—	—
Collections on loans receivables	23,000	—	—
Investments in associated companies	(1,237)	(51,622)	(1,228)
Capital distributions from associated companies	1,638	32,612	24,442
Purchases of investments (other than short-term)	—	—	(1,500)
Other	—	(948)	—
Net cash provided by investing activities - continuing operations	919,973	381,915	60,018
Net cash provided by investing activities - discontinued operations	—	—	1,158,655
Net cash provided by investing activities	919,973	381,915	1,218,673
Net cash flows from financing activities:			
Advances (to) from subsidiaries, net	3,293	(2,487)	(1,139)
Issuance of common shares	1,034	1,112	3,611
Purchase of common shares for treasury	(816,871)	(509,914)	(1,130,854)
Dividends paid	(160,940)	(149,647)	(151,758)
Net cash used for financing activities	(973,484)	(660,936)	(1,280,140)
Net increase (decrease) in cash, cash equivalents and restricted cash	(2,830)	(44,987)	36,223
Cash, cash equivalents and restricted cash at beginning of period	3,553	48,540	12,317
Cash, cash equivalents and restricted cash at end of period	$ 723	$ 3,553	$ 48,540

See accompanying notes to condensed financial statements.

Notes to Condensed Financial Statements

1. Introduction and Basis of Presentation

The notes to the consolidated financial statements of Jefferies Financial Group Inc. and Subsidiaries ("we," "our" or the "Company") are incorporated by reference into this schedule. For purposes of these condensed non-consolidated financial statements, the Company's wholly-owned and majority owned subsidiaries are accounted for using the equity method of accounting ("equity method subsidiaries").

The Parent Company Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The significant accounting policies of the Parent Company Financial Statements are those used by the Company on a consolidated basis, to the extent applicable. For further information regarding the significant accounting policies refer to Note 2, Significant Accounting Policies, in the Company's consolidated financial statements included in the 2020 10-K.

The Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. The most important of these estimates and assumptions relate to fair value measurements, goodwill and intangible assets, the ability to realize deferred tax assets and the recognition and measurement of uncertain tax positions. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

2. Cash Flows

Supplemental cash flow information related to the Parent Company is as follows (in thousands):

	Twelve Months Ended November 30, 2020	Twelve Months Ended November 30, 2019	Eleven Months Ended November 30, 2018
Cash paid for:			
Interest, net of amounts capitalized	$ 52,112	$ 51,786	$ 57,813
Income tax payments (refunds), net	1,811	10,796	32,576
Non-cash investing activities:			
Investments contributed to subsidiary	$ 51,190	$ —	$ —
Dividends received from subsidiaries	194,362	18,117	8,450,147

In June 2019, we entered into a Membership Interest Purchase Agreement ("MIPA") which provided for each of the then owners of National Beef Packing Company, LLC ("National Beef") to purchase, in the aggregate, 100% of the ownership interests in Iowa Premium, LLC ("Iowa Premium"). The funds used to acquire Iowa Premium were provided by way of a permitted distribution from National Beef to its owners, of which our proportionate share was approximately $49.0 million. The distribution from National Beef and the acquisition of Iowa Premium are included in our Consolidated Statement of Cash Flows for the twelve months ended November 30, 2019. Immediately following the acquisition, we contributed our ownership interest in Iowa Premium to National Beef, which was a non-cash investing activity.

During the twelve months ended November 30, 2019, we had $178.8 million in non-cash investing activities related to the issuance of common stock for the acquisition of the remaining common stock of HomeFed LLC.

During the twelve months ended November 30, 2019, we had $451.1 million in non-cash financing activities related to our distribution of all of our 7,514,477 shares of Spectrum Brands Holdings, Inc. through a special pro rata dividend to our stockholders.

During the twelve months ended November 30, 2019, the Parent Company had $1.2 million in non-cash financing activities related to purchases of common shares for treasury which settled subsequent to November 30, 2019. During the eleven months

ended November 30, 2018, the Parent Company had $17.6 million in non-cash financing activities related to purchases of common shares for treasury which settled subsequent to November 30, 2018.

Cash, cash equivalents and restricted cash is included in Cash and cash equivalents in the Condensed Statements of Financial Condition.

3. Transactions with Subsidiaries

The Parent Company has transactions with its equity method subsidiaries, many of which were structured as interest bearing advances to/from its subsidiaries. Intercompany interest expense primarily reflected the interest on funding advances incurred by the Parent to its wholly-owned subsidiary which holds assets related to its treasury function. Interest was incurred on funding advances based on the prime rate plus .125%. Although there is frequent cash movement between these subsidiaries and the Parent, they do not generally represent cash dividends. The Parent Company received cash distributions from Jefferies Group of $498.7 million during the twelve months ended November 30, 2020, $311.1 million during the twelve months ended November 30, 2019 and $248.7 million during the eleven months ended November 30, 2018.

Historically, excess cash was provided to the Parent Company by its subsidiaries in the form of loans rather than as distributions. Through a series of steps, the Parent Company has reduced these intercompany loans. During the eleven months ended November 30, 2018, the Parent Company received non-cash dividends totaling $8.5 billion from its subsidiaries.

4. Commitments, Contingencies and Guarantees

In the normal course of its business, the Parent Company has various commitments, contingencies and guarantees as described in Note 22, Commitments, Contingencies and Guarantees, and Note 14, Mezzanine Equity, in the Company's consolidated financial statements.

In connection with the 2018 transfers of the Company's Leucadia Asset Management seed investments, as well as its interest in Berkadia Commercial Mortgage Holding LLC, to Jefferies Group, related deferred tax liabilities of approximately $50.9 million were transferred to Jefferies Group, for which the Parent Company indemnified Jefferies Group. These transferred deferred tax liabilities were adjusted by an additional $19.1 million during the fourth quarter of 2019. At November 30, 2020 and 2019, $31.8 million and $51.7 million, respectively, related to such indemnification is reflected in Other payables, expense accruals and other liabilities in the Condensed Statements of Financial Condition.

5. Restricted Net Assets

For a discussion of the Company's regulatory requirements, see Note 23, Net Capital Requirements, in the Company's consolidated financial statements. Some of the Company's consolidated subsidiaries also have credit agreements which may restrict the payment of cash dividends, or the ability to make loans or advances to the Parent Company.

At November 30, 2020 and 2019, $6.5 billion and $5.7 billion, respectively, of net assets of the Parent Company's consolidated subsidiaries are restricted as to the payment of cash dividends, or the ability to make loans or advances to the Parent Company. At November 30, 2020 and 2019, $5.7 billion and $4.9 billion, respectively, of these net assets are restricted as they reflect regulatory capital requirements or require regulatory approval prior to the payment of cash dividends and advances to the Parent Company.

Included in retained earnings of the Parent Company at November 30, 2020 are $161.0 million of undistributed earnings of unconsolidated associated companies. For further information, see Note 9, Loans to and Investments in Associated Companies, in the Company's consolidated financial statements.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Managers
National Beef Packing Company, LLC

We have audited the accompanying consolidated financial statements of National Beef Packing Company, LLC (a Delaware limited liability company) and subsidiaries, which comprise the consolidated balance sheet as of December 28, 2019, and the related consolidated statements of operations, comprehensive income, members' capital, and cash flows for the fiscal years ended December 28, 2019 and December 29, 2018, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Beef Packing Company, LLC and subsidiaries as of December 28, 2019, and the results of their operations and their cash flows for the fiscal years ended December 28, 2019 and December 29, 2018 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 2, the Company has changed its method of accounting for leases in 2019 due to the adoption of ASC 842. Our opinion is not modified with respect to this matter.

/s/ Grant Thornton LLP
Kansas City, Missouri

February 25, 2020

NATIONAL BEEF PACKING COMPANY, LLC
AND SUBSIDIARIES

Consolidated Balance Sheet
(in thousands)

	December 28, 2019
Assets	
Current assets:	
Cash and cash equivalents	$ 12,507
Accounts receivable, less allowance for returns and doubtful accounts of $2,540	290,391
Due from affiliates	961
Other receivables	5,887
Inventories	287,795
Other current assets	28,819
Total current assets	626,360
Property, plant and equipment, at cost:	
Land and improvements	35,453
Buildings and improvements	261,280
Machinery and equipment	536,763
Trailers and automotive equipment	3,410
Furniture and fixtures	15,540
Construction in progress	88,372
	940,818
Less accumulated depreciation	412,921
Net property, plant and equipment	527,897
Goodwill	30,634
Other intangibles, net of accumulated amortization of $364,196	506,092
Right of use assets, net of accumulated amortization of $21,306	90,907
Other assets	29,316
Total Assets	$ 1,811,206
Liabilities and Members' Capital	
Current liabilities:	
Current installments of long-term debt	$ 19,678
Current portion of right of use liabilities	25,248
Cattle purchases payable	116,280
Accounts payable — trade	109,232
Due to affiliates	2,762
Accrued compensation and benefits	151,920
Accrued insurance	21,819
Other accrued expenses and liabilities	44,794
Total current liabilities	491,733
Long-term debt, excluding current installments	410,560
Long-term portion of right of use liabilities	67,077
Other liabilities	21,603
Total liabilities	990,973
Commitments and contingencies	
Members' capital:	
Members' capital	820,332
Accumulated other comprehensive loss	(99)
Total members' capital	820,233
Total Liabilities and Members' capital	$ 1,811,206

See accompanying notes to consolidated financial statements.

NATIONAL BEEF PACKING COMPANY, LLC
AND SUBSIDIARIES

Consolidated Statements of Operations
(in thousands)

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018 (a)
Net sales	$ 8,579,568	$ 7,680,763
Costs and expenses:		
Cost of sales	7,554,273	6,890,424
Selling, general and administrative	83,005	74,720
Depreciation and amortization	121,598	105,512
Total costs and expenses	7,758,876	7,070,656
Operating income	820,692	610,107
Other income (expense):		
Interest income	465	314
Interest expense	(11,515)	(10,483)
Income before taxes	809,642	599,938
Income tax expense	3,038	2,607
Net income	$ 806,604	$ 597,331

(a) Financial information has been recast to include results attributable to Ohio Beef.

See accompanying notes to consolidated financial statements.

NATIONAL BEEF PACKING COMPANY, LLC
AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
(in thousands)

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018 (a)
Net income	$ 806,604	$ 597,331
Other comprehensive income:		
Foreign currency translation adjustments	(20)	(22)
Comprehensive income	$ 806,584	$ 597,309

(a) Financial information has been recast to include results attributable to Ohio Beef.

See accompanying notes to consolidated financial statements.

NATIONAL BEEF PACKING COMPANY, LLC
AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(in thousands)

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018 (a)
Cash flows from operating activities:		
Net income	$ 806,604	$ 597,331
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	121,598	105,512
Provision for returns and doubtful accounts	11,294	9,575
Deferred income tax provision	166	248
Gain on disposal of property, plant and equipment	(93)	(960)
Amortization of debt issuance costs	735	722
Change in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	(57,561)	(41,361)
Due from affiliates	(158)	(17)
Other receivables	(1,169)	4,584
Inventories	(12,980)	14,615
Other assets	(17,480)	(9,829)
Right of use assets and lease liabilities, net	1,418	—
Cattle purchases payable	(11)	(7,649)
Accounts payable	8,674	(1,851)
Due to affiliates	2,612	(612)
Accrued compensation and benefits	40,874	28,406
Accrued insurance	(2,696)	9,854
Other accrued expenses and liabilities	4,633	6,611
Net cash provided by operating activities	906,460	715,179
Cash flows from investing activities:		
Capital expenditures, including interest capitalized	(91,553)	(96,530)
Acquisition of Iowa Premium LLC, net of cash acquired	(145,195)	—
Proceeds from sale of property, plant and equipment	1,916	2,122
Net cash used in investing activities	(234,832)	(94,408)
Cash flows from financing activities:		
Receipts under revolving credit lines	167,696	255,288
Payments under revolving credit lines	(200,000)	(290,288)
Receipts under reducing revolving credit lines	741,250	300,000
Payments under reducing revolving credit lines	(470,250)	(285,000)
Net repayments of other indebtedness/capital leases	(1,429)	(105)
Cash paid for financing costs	(450)	—
Cash paid for common control acquisition	(60,000)	—
Member distributions	(882,637)	(572,409)
Net cash used in financing activities	(705,820)	(592,514)
Effect of exchange rate changes on cash	(47)	(27)
Net (decrease) increase in cash	(34,239)	28,230
Cash and cash equivalents at beginning of period	46,746	18,516
Cash and cash equivalents at end of period	$ 12,507	$ 46,746
Supplemental disclosures:		
Cash paid during the period for interest	$ 11,409	$ 11,333
Cash paid during the period for taxes	$ 1,458	$ 1,906
Supplemental non-cash disclosures of investing and financing activities:		
Non-cash additions to property, plant and equipment	$ 11,551	$ 3,677
Assets acquired through capital lease	$ 12,849	$ 147

(a) Financial information has been recast to include results attributable to Ohio Beef.

See accompanying notes to consolidated financial statements.

NATIONAL BEEF PACKING COMPANY, LLC
AND SUBSIDIARIES

Consolidated Statements of Members' Capital
(in thousands)

	Members' Capital	Accumulated Other Comprehensive (Loss) Income	TOTAL
Balance at December 30, 2017	$ 929,265	$ (57)	$ 929,208
Net income	597,331	—	597,331
Equity acquired in common control transaction	2,178	—	2,178
Distributions	(572,409)	—	(572,409)
Foreign currency translation adjustments	—	(22)	(22)
Balance at December 29, 2018 (a)	$ 956,365	$ (79)	$ 956,286
Net income	806,604	—	806,604
Contributions	157,181	—	157,181
Common control transaction distribution	(60,000)	—	(60,000)
Distributions	(1,039,818)	—	(1,039,818)
Foreign currency translation adjustments	—	(20)	(20)
Balance at December 28, 2019	$ 820,332	$ (99)	$ 820,233

(a) Financial information has been recast to include results attributable to Ohio Beef.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS

National Beef Packing Company, LLC (the Company) is a Delaware limited liability company. The Company and its subsidiaries sell meat products to customers in the food service, international, further processor and retail distribution channels. The Company also produces and sells by-products that are derived from its meat processing operations and variety meats to customers in various industries.

The Company operates beef slaughter and fabrication facilities in Liberal and Dodge City, Kansas and Tama, Iowa, consumer-ready beef and pork processing facilities in Hummels Wharf, Pennsylvania, Moultrie, Georgia and Kansas City, Kansas and a beef patty manufacturing facility in North Baltimore, Ohio. National Carriers, Inc., or National Carriers, a wholly-owned subsidiary located in Dallas, Texas, provides trucking services to the Company and third parties and National Elite Transportation, LLC, or National Elite, a wholly-owned subsidiary located in Springdale, Arkansas, provides third-party logistics services to the transportation industry. National Beef Leathers, LLC, or NBL, a wholly-owned subsidiary located in St. Joseph, Missouri, provides hide tanning services for the Company. Kansas City Steak Company, LLC, or Kansas City Steak, includes a direct to consumer business and operates a warehouse and fulfilment facility in Kansas City, Kansas. As of December 28, 2019, approximately 58% of our employees were represented by collective bargaining agreements. The Company makes certain contributions for the benefit of employees (see Note 8).

On June 5, 2018, Marfrig Global Foods S.A (Marfrig) acquired a 51% interest in the Company from certain existing members for aggregate net cash consideration of approximately $969.0 million.

On November 30, 2019, Marfrig and certain existing members acquired an additional approximate 31% interest in the Company from an existing member for aggregate net cash consideration of approximately $860.0 million.

NOTE 2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of the Company and its direct and indirect subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. All amounts in the accompanying consolidated financial statements and related notes are presented in U.S. dollars.

Accounting Changes

Except for the changes discussed below, the Company has consistently applied the accounting policies to all periods presented in the consolidated financial statements.

Effective December 30, 2018, the beginning of our 2019 fiscal year, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, “Leases” (“ASC 842”). We adopted this standard utilizing the FASB’s transition option which allows the Company to continue to apply the legacy guidance in ASC 840, “Leases” (“ASC 840”), including its disclosure requirements, in the comparative periods presented in the year of adoption. Accordingly, the relevant lease information in the accompanying financial statements and disclosures is accounted for under ASC 842 for fiscal year 2019, and ASC 840 for fiscal year 2018. Adoption of the standard in fiscal 2019 resulted in an operating lease right of use asset of approximately $75.4 million and an operating lease right of use liability of approximately $76.4 million. Additional information regarding leases is included in “Note 4. Leases.”

Effective December 31, 2017, the beginning of our 2018 fiscal year, the Company adopted FASB’s ASC Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). We adopted this standard using the cumulative effect adjustment,

often referred to as modified retrospective approach. There was no cumulative effect to be recorded as an adjustment to the opening balance of retained earnings. Additional information regarding revenue recognition is included in "Note 3. Revenue Recognition."

Fiscal Year

The Company's fiscal year consists of 52 or 53 weeks, ending on the last Saturday in December. Fiscal 2019 and 2018 were each 52-week fiscal years. All references to years in these notes to consolidated financial statements represent fiscal years unless otherwise noted.

Use of Estimates

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, using management's best estimates and judgments where appropriate. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ materially from these estimates and judgments.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Allowance for Returns and Doubtful Accounts

The allowance for returns and doubtful accounts is the Company's best estimate of the amount of probable returns and credit losses in the Company's existing accounts receivable. The Company determines these allowances based on historical experience, customer conditions and management's judgments. Management considers factors such as changes in the economy and industry. Specific accounts are reviewed individually for collectability.

The following table represents the rollforward of the allowance for returns and doubtful accounts for the fiscal years ended December 28, 2019 and December 29, 2018 (in thousands):

Period Ended	Beginning Balance	Provision	Charge Off	Ending Balance
December 29, 2018	$ (4,211)	$ (9,575)	$ 11,202	$ (2,584)
December 28, 2019	$ (2,584)	$ (11,294)	$ 11,338	$ (2,540)

Inventories

Inventories consist primarily of beef and beef by-products, parts and supplies and are stated at the lower of cost or net realizable value, with cost principally determined under the first-in-first-out method for beef products and average cost for supplies.

Inventories consisted of the following (in thousands):

	December 28, 2019
Dressed and boxed beef products	$ 212,231
Beef by-products	38,542
Parts, supplies and other	37,022
Total inventory	$ 287,795

Property, plant and equipment

Property, plant and equipment were recorded at fair value as of December 31, 2011 as a result of the Leucadia transaction. Property, plant and equipment purchased subsequent to the transaction are recorded at cost. Property, plant and equipment are depreciated principally on a straight-line basis over the estimated useful life of the individual asset by major asset class as follows:

Buildings and improvements	15 to 25 years
Machinery and equipment	2 to 15 years
Automotive equipment	2 to 4 years
Furniture and fixtures	3 to 5 years

Depreciation expense was $74.2 million and $60.3 million for the fiscal years ended December 28, 2019 and December 29, 2018, respectively.

Upon disposition of these assets, any resulting gain or loss is included in selling, general, and administrative. Major repairs and maintenance costs that extend the useful life of the related assets are capitalized. Normal repairs and maintenance costs are charged to operations as incurred.

The Company capitalizes the cost of interest on borrowed funds which are used to finance the construction of certain property, plant and equipment. Such capitalized interest costs are charged to the property, plant and equipment accounts and are amortized through depreciation charges over the estimated useful lives of the assets. Interest capitalized was $1.4 million and $1.9 million for the fiscal years ended December 28, 2019 and December 29, 2018, respectively.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is assessed based on estimated undiscounted future cash flows. Impairment, if any, is recognized based on fair value of the assets. Assets to be disposed of are reported at the lower of cost or fair value less costs to sell and are no longer depreciated. There were no events or circumstances which would indicate that the carrying amount of our property plant, and equipment may not be recoverable during 2019 or 2018.

Goodwill and Other Intangible Assets

ASC 350, *Intangibles - Goodwill and Other,* provides that goodwill shall not be amortized but shall be tested for impairment on an annual basis. Identifiable intangible assets with definite lives are amortized over their estimated useful lives. The Company evaluates goodwill annually for impairment at the end of December and this test involves comparing the fair value of a reporting unit to the reporting unit's book value to determine if any impairment exists. Fair values are based on valuation techniques we believe market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The Company calculates the fair value of the reporting unit

using estimates of future cash flows and other market comparable information deemed appropriate. 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. If the book value of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. As a result of the testing performed on the Company's goodwill, the fair value exceeded the carrying value of the reporting unit and thus no impairment charge was recorded. Adverse market or economic events could result in impairment charges in future periods.

The amounts of goodwill are as follows (in thousands):

	December 28, 2019
Beginning balance	$ 14,991
Iowa Premium, LLC acquisition	15,643
Ending balance	$ 30,634

ASC 360, *Impairment and Disposal of Long-Lived Assets*, provides that we evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. When testing for impairment, we group our long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (or asset group). The determination of whether an asset group is recoverable is based on management's estimate of undiscounted future cash flows directly attributable to the asset group as compared to its carrying value. If the carrying amount of the asset group is greater than the undiscounted cash flows, an impairment loss would be recognized for the amount by which the carrying amount of the asset group exceeds its estimated fair value. As a result of the review performed, no triggering events occurred during 2019 or 2018 related to the Company's intangible assets, thus no impairment charge was recorded.

The amounts of other intangible assets are as follows (amounts in thousands):

		December 28, 2019	
	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:			
Customer relationships	18	$ 433,300	$ 181,675
Trade names	20	290,148	104,934
Cattle supply relationships	15	143,600	76,587
Other	6	3,240	1,000
Total intangible assets	18	$ 870,288	$ 364,196

For the fiscal years ended December 28, 2019 and December 29, 2018 the Company recognized $47.4 million and $45.3 million, respectively, of amortization expense on intangible assets. The following table reflects the anticipated amortization expense relative to intangible assets recognized in the Company's consolidated balance sheet as of December 28, 2019, for each of the next five years and thereafter (in thousands):

Estimated amortization expense for fiscal years ending:		
2020	$	49,134
2021		49,134
2022		49,051
2023		48,713
2024		48,445
Thereafter		261,615
Total	$	506,092

Overdraft Balances

The majority of the Company's bank accounts are zero balance accounts where cash needs are funded as checks are presented for payment by the holder. Checks issued pending clearance that result in overdraft balances for accounting purposes are included in the trade accounts payable and cattle purchases payable balances, and the change in the related balances are reflected in operating activities on the Company's consolidated statement of cash flows.

Self-insurance

The Company is self-insured for certain losses relating to workers' compensation, automobile liability, general liability and employee medical and dental benefits. The Company has purchased stop-loss coverage in order to limit its exposure to any significant levels of claims. Self-insured losses are accrued in accrued insurance and other long-term liabilities in the Company's consolidated balance sheets based upon the Company's estimates of the aggregate uninsured claims incurred using actuarial assumptions accepted in the insurance industry and the Company's historical experience rates.

Environmental Expenditures and Remediation Liabilities

Environmental expenditures that relate to current or future operations and which improve operational capabilities are capitalized at the time of expenditure. Expenditures that relate to an existing or prior condition caused by past operations, and do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated.

Foreign Currency Translation

The Company has representative offices located in Tokyo, Japan; Seoul, South Korea; and Hong Kong. The primary activity of these offices is to assist customers with product and order related issues. For foreign operations, the local currency is the functional currency. Translation into U.S. dollars is performed for assets and liabilities at the exchange rates as of the balance sheet date. Income and expense accounts are recorded at average exchange rates for the period. Adjustments resulting from the translation are reflected as a separate component of other comprehensive income.

Income Taxes

The provision for income taxes is computed on a separate legal entity basis. Accordingly, as the Company is a limited liability company, the separate legal entity does not provide for income taxes, as the results of operations are included in the

taxable income of the individual members. However, certain states impose privilege taxes on the apportioned taxable income or income related measurements of the Company. To the extent that entities provide for income taxes, deferred tax assets and liabilities are recognized based on the differences between the financial statement and tax basis of assets and liabilities at each balance sheet date using enacted tax rates expected to be in effect in the year the differences are expected to reverse and are thus included in the consolidated financial statements of the Company. Based on federal income tax statute of limitations, National Carriers remains subject to examination of its income taxes for calendar years 2019, 2018, 2017 and 2016.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, short-term trade and other receivables and payables, approximate their fair values due to the short-term nature of the instruments. The carrying value of debt approximates its fair value at December 28, 2019, as substantially all debt carries variable interest rates.

Selling, General and Administrative Costs

Selling expenses consist primarily of salaries, trade promotions, advertising, commissions and other marketing costs. General and administrative costs consist primarily of general management, insurance and professional expenses. Selling, general and administrative costs consist of aggregated expenses that generally apply to multiple locations.

Shipping Costs

Pass-through finished goods delivery costs reimbursed by customers are reported in sales, while an offsetting expense is included in cost of sales.

Advertising

Advertising expenses are charged to operations in the period incurred and were $17.5 million and $16.2 million for the fiscal years ended December 28, 2019 and December 29, 2018.

Comprehensive Income

Comprehensive income consists of net income and foreign currency translation adjustments.

Derivative Activities

The Company uses futures contracts in order to reduce exposure associated with entering into firm commitments to purchase live cattle at prices determined prior to the delivery of the cattle as well as firm commitments to sell certain beef products at sales prices determined prior to shipment. In accordance with ASC 815, *Derivatives and Hedging*, the Company accounts for futures contracts and their related firm purchase commitments at fair value. Firm commitments for sales are treated as normal sales and therefore not marked to market. Certain firm commitments to purchase cattle, are marked to market when a price has been agreed upon, otherwise they are treated as normal purchases and, therefore, not marked to market. ASC 815 imposes extensive recordkeeping requirements in order to treat a derivative financial instrument as a hedge for accounting purposes. Derivatives qualify for treatment as hedges when there is a high correlation between the change in fair value of the instrument and the related change in fair value of the underlying commitment. For derivatives that qualify as effective hedges, the change in fair value has no net effect on earnings until the hedged transaction is settled. For derivatives that are not designated as hedging instruments, or for the ineffective portion of a hedging instrument, the change in fair value does affect current period net earnings.

While management believes each of these instruments help mitigate various market risks, they are not designated and accounted for as hedges under ASC 815 as a result of the extensive recordkeeping requirements of this statement. Accordingly, the gains and losses associated with the change in fair value of the instrument and the offsetting gains and losses associated with changes in the market value of certain of the firm purchase commitments related to the futures contracts are recorded to income and expense in the period of change.

The fair value of derivative assets is recognized within other current assets, while the fair value of derivative liabilities is recognized within accrued liabilities.

NOTE 3. REVENUE RECOGNITION

The Company recognizes revenue mainly through retail, foodservice, international, and other distribution channels. Our revenues primarily result from contracts with customers and are generally short term in nature with the delivery of product as the single performance obligation. We recognize revenue for the sale of the product at the point in time when our performance obligation has been satisfied and control of the product has transferred to our customer, which generally occurs upon shipment or delivery to a customer based on terms of the sale. In accordance with Topic 340, an entity may elect a practical expedient that allows the entity to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. Our contracts are generally less than one year, therefore we have elected this practical expedient and have recognized costs paid to obtain contracts as expense when incurred. Additionally, items that are not material in the context of the contract are recognized as expense. Any taxes collected on behalf of government authorities are excluded from net revenues.

Revenue is measured by the transaction price, which is defined as the amount of consideration we expect to receive in exchange for providing goods to customers. The transaction price is adjusted for estimates of known or expected variable consideration, which includes consumer incentives, trade promotions, and allowances, such as discounts, rebates, volume-based incentives, cooperative advertising, and other programs. Variable consideration related to these programs is recorded as a reduction to revenue based on amounts we expect to pay. We base these estimates on current performance, historical utilization, and projected redemption rates of each program. We review and update these estimates regularly until the incentives or product returns are realized and the impact of any adjustments are recognized in the period the adjustments are identified. In many cases, key sales terms such as pricing and quantities ordered are established on a regular basis such that most customer arrangements and related incentives have a duration of less than one year. Amounts billed and due from customers are short term in nature and are classified as receivables since payments are unconditional and only the passage of time is required before payments are due. Additionally, we do not grant payment financing terms greater than one year.

Disaggregated Revenue

The following table further disaggregates our sales to customers by major revenue stream (in thousands):

	December 28, 2019	December 29, 2018
Beef, pork & beef by-products	$ 8,735,243	$ 7,811,381
Other	229,174	229,931
Intercompany	(384,849)	(360,549)
Net Sales	$ 8,579,568	$ 7,680,763

Contract Balances

Nearly all of the Company's contracts with its customers are short-term, defined as less than one year. The Company receives payment from customers based on terms established with the customer. Payments are typically due within seven days

of delivery. There are rarely contract assets related to costs incurred to perform in advance of scheduled billings. The Company, which ships internationally, requires certain customers to pay in advance to avoid collection risk. Revenue contract liabilities relate to payments received in advance of satisfying the performance under the customer contract and are included in other accrued expenses and liabilities in the consolidated balance sheets.

Changes in the contract liability balances during 2019 are as follows (in thousands):

	December 28, 2019	December 29, 2018	Change
Contract liabilities	$ 21,079	$ 15,096	$ 5,983

The Company expects to recognize substantially all of the current year liability in 2020.

NOTE 4. LEASES

The Company reviews all agreements entered into in order to determine if the contract contains a lease which will be accounted under ASC 842. Our portfolio of leases primarily consists of machinery, equipment and railcars for our slaughter and fabrication facilities and tractors and trailers for our wholly owned trucking subsidiary, National Carriers. In addition, we lease our corporate headquarters facility and various regional offices.

Many of our tractor and trailer leases include a terminal rental adjustments clause ("TRAC"). Under these arrangements, at the end of the lease term and upon the lessor's sale or disposition of the assets, if the amount received by the lessor is less than an amount predetermined and agreed upon in the lease arrangement, or the TRAC value, the Company is liable to the Lessor and shall immediately pay to the Lessor the amount of the deficiency as additional rental payments. The additional amount is typically limited to the TRAC value less a percentage of the original fair value of the leased assets. The Company considers these potential incremental lease payments as residual value guarantees and only includes the probable portion as lease payments upon lease commencement.

The majority of our leases include fixed rental payments. Certain of our lease agreements contain options or renewals that extend the lease term. Upon lease commencement, we only reflect the payments related to options or renewals within the right of use asset and lease liability balances when the option or renewals are reasonably certain to be exercised. The Company expects that it will renew lease agreements or enter new leases as the existing leases expire.

Upon adoption of ASC 842, we elected the package of practical expedients whereby the Company will not assess whether any expired or existing contracts are leases or contain leases under ASC 842, classification of any expired or existing leases under ASC 842 and whether unamortized initial direct costs for existing leases meet the definition of initial direct costs under ASC 842. In addition, we have elected the practical expedient to keep short-term leases (defined as less than 12 months without a purchase option that is likely to be exercised) off of our balance sheet and the practical expedient to combine lease and non-lease components by class of underlying asset.

When capitalizing right of use assets and lease liabilities, the Company uses the rate implicit in the lease, if it is readily available, otherwise, we use or our incremental borrowing rate.

During 2019, we recognized rent expense associated with our leases as follows (in thousands):

	December 28, 2019
Operating lease cost:	
Fixed rent expense	$ 25,494
Variable rent expense	14
Finance lease cost:	
Amortization of ROU assets	1,752
Interest expense	437
Short-term lease cost	6,448
Net lease cost	$ 34,145
Lease cost - Cost of sales	29,388
Lease cost - SG&A	2,568
Lease cost - Depreciation & Amortization	1,752
Lease cost - Interest expense	437
Net lease cost	$ 34,145

Rent expense associated with operating leases was $24.5 million for fiscal year 2018.

Amounts recognized as right-of-use assets related to finance leases are included in Property, plant and equipment, at cost in the accompanying consolidated balance sheet, while amounts related to finance lease liabilities are included in Current installments of long-term debt and Long-term debt. As of December 28, 2019, right-of-use assets and lease liabilities related to finance leases were as follows (in thousands):

	December 28, 2019
Finance lease ROU assets	$ 11,388
Finance lease liabilities:	
Current installments of long-term debt	1,832
Long-term debt	9,895

During the year ended, December 28, 2019, we had the following cash and non-cash activities associated with our leases (in thousands):

	December 28, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 24,928
Operating cash flows from finance leases	401
Financing cash flows from finance leases	1,429
Supplemental non-cash information	
Additions to ROU assets obtained from:	
New operating lease liabilities	112,218
New finance lease liabilities	12,849

The future payments due under operating and finance leases as of December 28, 2019 is as follows (in thousands):

	Operating	Finance
Due in:		
2020	$ 28,052	$ 2,287
2021	26,051	2,237
2022	20,860	2,309
2023	11,758	1,963
2024	6,401	2,133
Thereafter	7,070	2,346
Total	100,192	13,275
Future interest	(7,867)	(1,548)
Lease liabilities recognized	$ 92,325	$ 11,727

As of December 28, 2019, the weighted-average remaining lease term for all operating leases is 3.71 years, while the weighted-average remaining lease term for all finance leases is 5.96 years.

As of December 28, 2019, the weighted-average discount rate associated with operating leases is 3.7%, while the weighted-average discount rate associated with finance leases is 4.2%.

NOTE 5. ACQUISITIONS

On February 28, 2019, we acquired 100% of the ownership interests in Ohio Beef USA, LLC (Ohio Beef) from NBM US Holdings, Inc., a subsidiary of Marfrig, for $60.0 million in cash. Ohio Beef is a fresh and frozen beef patty processor in North Baltimore, Ohio. The Company determined this acquisition to be a common control transaction under ASC 805, "*Business Combinations*." Therefore, we accounted for this transaction at the carrying amount of the net assets acquired.

As a result of the Ohio Beef transaction, the prior period consolidated financial statements for the periods in which both entities were under common control have been adjusted. Accordingly, the Company's prior period consolidated financial statements from the date of common control under Marfrig, or June 5, 2018, have been adjusted to include the financial information of Ohio Beef for that same period. The $60.0 million cash payment in fiscal 2019 was treated as an equity distribution in the current period.

On June 10, 2019, the members of the Company acquired 100% of the ownership interests in Iowa Premium, LLC ("Iowa Premium") from Sysco Holdings, LLC for $153.2 million in cash after customary working capital adjustments. The cash utilized by the members for the acquisition was distributed from the Company and immediately upon closing of the acquisition, each of the members of the Company contributed all its Iowa Premium ownership interests to the Company. The distribution, acquisition and contribution transactions were governed by several related agreements that resulted in the Company, in substance, acquiring 100% of the Iowa Premium ownership interests. The following table summarizes the purchase price allocation for Iowa Premium and the fair value of the assets acquired, and liabilities assumed at the acquisition date (in thousands):

Tangible assets and liabilities		
Cash and cash equivalents	$	7,975
Accounts receivable		18,873
Inventory		18,477
Other current assets		69
Property, plant and equipment		48,815
Other assets		146
Accounts payable		(3,748)
Cattle purchases payable		(7,208)
Other accrued expenses and liabilities		(5,092)
Other intangible assets		59,220
Goodwill		15,643
Net assets acquired	$	153,170

The Company allocated approximately $59.2 million of the purchase price to identifiable intangible assets. The following table summarizes the major classes of intangible assets, as well as the respective weighted average amortization periods (amounts in thousands):

	Weighted-Average Amortization Period	Amount
Identifiable Intangible Assets:		
Trade names	20	$ 30,040
Non-compete	4	2,410
Noncontractual customer relationships	15	26,770
Total identifiable intangible assets		$ 59,220

The fair value of identifiable intangible assets consists of trade names, customer relationships, and non-compete agreements. As a result of the acquisition, we recognized $15.6 million of goodwill. The purchase price was allocated to assets acquired and liabilities assumed based on estimated fair values as of the date of acquisition, and the excess was allocated to goodwill. Goodwill represents the value we expect to achieve through the implementation of operation synergies and growth opportunities.

The fair value of assets acquired, and liabilities assumed are based on estimates of fair values as of the acquisition date. Several valuation techniques were used to determine fair value, with the primary techniques being discounted cashflow, relief-from-royalty and excess earnings methods, which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy.

NOTE 6. NEW ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which, in an effort to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables and any other financial assets

not excluded from the scope that have the contractual right to receive cash. The provisions of the new guidance will be effective as of the beginning of our 2020 fiscal year. We are currently evaluating the impact of the new guidance on our financial statements; however, given our historical experience with bad debt write-offs, we do not expect a material impact.

In August 2018, the FASB issued ASU 2018-13*, Fair Value Measurement (Topic 820): Disclosure Framework*-Changes to the Disclosure Requirements for Fair Value Measurement, new accounting guidance to improve the effectiveness of disclosures related to fair value measurements. The new guidance removes certain disclosure requirements related to transfers between Level 1 and Level 2 of the fair value hierarchy along with the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements. Additions to the disclosure requirements include more quantitative information related to significant unobservable inputs used in Level 3 fair value measurements and gains and losses included in other comprehensive income. The provisions of the new guidance will be effective as of the beginning of our 2020 fiscal year. Upon adoption, we do not expect this guidance will have a material impact on our consolidated financial statements.

NOTE 7. LONG-TERM DEBT AND LOAN AGREEMENTS

The Company has entered into various debt agreements in order to finance acquisitions and provide liquidity to operate the business on a going forward basis. As of December 28, 2019, debt consisted of the following (in thousands):

	December 28, 2019
Short-term debt:	
Reducing revolver credit facility (a)	18,750
Current portion of loan costs (c)	(904)
Current portion of capital lease obligations (c)	1,832
	19,678
Long-term debt:	
Reducing revolver credit facility (a)	387,250
Industrial Development Revenue Bonds (b)	2,000
Revolving credit facility (a)	12,696
Long-term portion of loan costs (c)	(1,281)
Long-term capital lease obligations (c)	9,895
	410,560
Total debt	$ 430,238

(a) *Senior Credit Facilities* - In June 2017, the Company entered into a Third Amended and Restated Credit Agreement (the "Debt Agreement"). The Debt Agreement matures in June 2022. In March 2018, the Company amended the Debt Agreement to include a $375.0 million reducing revolver loan and a $275.0 million revolving credit facility. In November 2019, the Company exercised an Accordion Option (the “Accordion Option”) associated with the reducing revolver credit facility. Through the exercise of the Accordion Option, the reducing revolver commitment was increased to $456.3 million. The reducing revolver loan commitment decreases by approximately $18.8 million on each annual anniversary of the Debt Agreement. The Debt Agreement is secured by a first priority lien on substantially all of the assets of the Company and its subsidiaries and includes customary covenants including a single financial covenant that requires the Company to maintain a minimum tangible net worth; at December 28, 2019, the Company was in compliance with the single financial covenant.

At December 28, 2019, the Company’s outstanding debt under the Debt Agreement consisted of a reducing revolver loan with an outstanding balance of $406.0 million and $12.7 million drawn on the revolving credit facility. The reducing revolving loan and the revolving credit facility bear interest at the Base Rate or the LIBOR Rate (as defined in the credit facility), plus a margin ranging from 0.75% to 3.0% depending upon certain financial ratios and the rate selected. At December

28, 2019, the interest rates on the outstanding reducing revolving loan and revolving credit facility were 3.4% and 5.5%, respectively.

Borrowings under the reducing revolver loan and the revolving credit facility are available for the Company's working capital requirements, capital expenditures and other general corporate purposes. Unused capacity under the revolving credit facility can also be used to issue letters of credit. Letters of credit aggregating $14.1 million were outstanding at December 28, 2019. Amounts available under the revolving credit facility are subject to a borrowing base calculation primarily comprised of receivable and inventory balances; amounts available under the reducing revolver facility are constrained only by the annual reduction in the commitment amount. At December 28, 2019, after deducting outstanding amounts and issued letters of credit, $248.2 million of the unused revolving credit facility and $50.3 million of the reducing revolver commitment was available to the Company.

(b) *Industrial Development Revenue Bonds* - Effective December 30, 2004, the Company entered into a transaction with the City of Dodge City, Kansas, designed to provide property tax savings. Under the transaction, the City purchased the Company's Dodge City facility, or the facility, by issuing $102.3 million in bonds due in December 2019, used the proceeds to purchase the facility and leased the facility to the Company for an identical term under a capital lease. The Company purchased the City's bonds with proceeds of its term loan under the Debt Agreement. Because the City has assigned the lease to the bond trustee for the benefit of the Company as the sole bondholder, the Company, effectively controls enforcement of the lease against itself. As a result of the capital lease treatment, the facility remains a component of property, plant and equipment in the Company's consolidated balance sheets. As a result of the legal right of offset, the capital lease obligation and the corresponding bond investments have been eliminated in consolidation. The transaction provides the Company with property tax exemptions for the leased facility, that, after netting payments to the City and local school district under payment in lieu of tax agreements, result in an annual property tax savings of approximately 25%. The facility remains subject to a prior mortgage and security interest in favor of the lenders under the Debt Agreement. Additional revenue bonds may be issued to cover the costs of certain improvements to this facility. The total amount of revenue bonds authorized for issuance is $120.0 million. During 2019 the Company extended the basic term of the bonds based on the original agreement and exercised its right to purchase the project. The purchase closed in 2020.

The cities of Liberal and Dodge City, Kansas issued an aggregate of $13.9 million of industrial development revenue bonds on the Company's behalf to fund the purchase of equipment and construction improvements at the Company's facilities in those cities. These bonds were issued in four series of $1.0 million, $1.0 million, $6.0 million and $5.9 million. Of the four series of bonds, only the $1.0 million and $1.0 million due on demand or on February 1, 2029 and March 1, 2027, respectively remain outstanding. The bonds issued in 1999 and 2000 are variable rate demand obligations that bear interest at a rate that is adjusted weekly, which rate will not exceed 10% per annum. The Company has the option to redeem a series of bonds at any time for an amount equal to the principal plus accrued interest to the date of such redemption. The holders of the bonds have the option to tender the bonds upon seven days' notice for an amount equal to par plus accrued interest. To the extent that the remarketing agent for the bonds is unable to resell any of the bonds that are tendered, the remarketing agent could use the letter of credit to fund such tender. Because each series of bonds is backed by a letter of credit under our Debt Agreement, these due-on-demand bonds have been presented as non-current obligations until twelve months prior to their maturity.

On December 17, 2010, National Beef Leathers, LLC, or Leathers, a subsidiary of NBP, entered into various agreements with the city of St. Joseph, Missouri, designed to provide NBP property tax savings. Under the transaction, the city of St. Joseph issued $10.2 million in bonds due in December 2022, used the proceeds to purchase the equipment within the Leathers facility and subsequently leased the equipment back to us for an identical term under a capital lease. The Company purchased the City's bonds with proceeds of our term loan under the Debt Agreement. Because the city of St. Joseph has assigned the lease to the bond trustee for our benefit as the sole bondholder, the Company, effectively controls enforcement of the lease against ourselves. As a result of the capital lease treatment, the equipment remains a component of property, plant and

equipment in NBP's consolidated balance sheets. As a result of the legal right of offset, the capital lease obligation and the corresponding bond investments have been eliminated in consolidation.

(c) *Debt issuance costs* - Amortization of $0.7 million and $0.7 million was charged to interest expense during the fiscal years ended December 28, 2019 and December 29, 2018, respectively.

The aggregate minimum principal maturities of the long-term debt for each of the five fiscal years and thereafter following December 28, 2019, are as follows (in thousands):

	Minimum Principal Maturities
Fiscal year ending December:	
2020	$ 19,678
2021	19,708
2022	382,806
2023	1,765
2024	1,997
Thereafter	4,284
Total minimum principal maturities	$ 430,238

Other Commitments

Utilities Commitment - Effective December 30, 2004, the Company finalized an agreement with the City of Dodge City, Kansas, whereby in consideration of certain improvements made to the city water and wastewater systems, the Company committed to make a series of service charge payments totaling $19.3 million over a 20-year period, of which $0.8 million was paid in each of the fiscal years 2019 and 2018, respectively. Payments under the commitment will be $0.8 million in each of the fiscal years 2020 through 2023.

NOTE 8. RETIREMENT PLANS

The Company maintains tax-qualified employee savings and retirement plans, or the 401(k) Plans, covering certain of the Company's employees. Pursuant to the 401(k) Plans, eligible employees may elect to reduce their current compensation by up to the lesser of 75% of their annual compensation or the statutorily prescribed annual limit and have the amount of such reduction contributed to the 401(k) Plans. The 401(k) Plans provide for additional matching contributions by the Company, based on specific terms contained in the 401(k) Plans. The trustees of the 401(k) Plans, at the direction of each participant, invest the assets of the 401(k) Plan in designated investment options. The 401(k) Plans are intended to qualify under Section 401 of the Internal Revenue Code. Expenses related to the 401(k) Plans totaled approximately $1.9 million and $1.5 million for the fiscal years 2019 and 2018, respectively.

During 2017, the Company bargained with the United Food and Commercial Workers International Union (UFCW) Local 2 for a complete withdrawal from a UFCW sponsored retirement plan in which certain of our employees participate (the "UFCW Plan"). As a result, the Company is required to make withdrawal payments into the fund over a 20-year period. Payments into the UFCW Plan began during 2018. The current portion of the withdrawal liability is approximately $0.8 million and is included in Other accrued expenses and liabilities on the Consolidated Balance Sheets. The long-term portion of the withdrawal liability is approximately $17.2 million for the period ending December 28, 2019 and is included in Other liabilities on the Consolidated Balance Sheet.

NOTE 9. INCOME TAXES

Income tax expense includes the following current and deferred provisions (in thousands):

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Current provision:		
Federal	$ 1,442	$ 1,233
State	1,338	1,081
Foreign	92	45
Total current tax expense	2,872	2,359
Deferred provision:		
Federal	136	200
State	30	48
Foreign	—	—
Total deferred tax expense	166	248
Total income tax expense	$ 3,038	$ 2,607

Income tax expense differed from the "expected" income tax (computed by applying the federal income tax rate of 21% in 2019 and 2018 to earnings before income taxes) as follows (in thousands):

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Computed "expected" income tax expense	$ 169,865	$ 125,395
Passthrough "expected" income tax expense	(168,442)	(124,152)
State taxes, net of federal	1,368	1,129
Permanent differences	249	229
Other	(2)	6
Total income tax expense	$ 3,038	$ 2,607

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in thousands):

	December 28, 2019
Deferred tax assets:	
Accounts receivable, due to allowance for doubtful accounts	$ 17
Intangible assets	22
Self-insurance and workers' compensation accruals	712
Employee benefit accruals	174
Total gross deferred tax assets	925
Deferred tax liabilities:	
Plant and equipment, principally due to differences in depreciation	1,112
Other	64
Total gross deferred tax liabilities	1,176
Net deferred tax liabilities	$ (251)

Net deferred tax liabilities at December 28, 2019 are included in the consolidated balance sheet as other liabilities.

Deferred tax liabilities relate to the operations of National Carriers.

There was no valuation allowance provided for at December 28, 2019. Management believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. There are no unrecognized tax benefits recorded in the Company's Consolidated Financial Statements as of December 28, 2019.

NOTE 10. RELATED PARTY TRANSACTIONS

The Company entered into various transactions with a company affiliated with NBPCo Holdings in the ordinary course of business. In addition, the Company has certain purchase and sale transactions with Marfrig in the ordinary course of business.

During fiscal years 2019 and 2018, the Company had sales and purchases with the following related parties (amounts in thousands):

	52 weeks ended December 28, 2019	52 weeks ended December 29, 2018
Sales to:		
Beef Products, Inc. (1)	$ 34,773	$ 28,360
MF Foods USA, LLC (2)	57	—
Total sales to affiliate	$ 34,830	$ 28,360
Purchases from:		
Beef Products, Inc. (1)	$ 12,565	$ 12,750
Weston Importers, LTD (3)	656	—
Total purchases from affiliate	$ 13,221	$ 12,750

(1) Beef Products, Inc. (BPI) is an affiliate of NBPCo Holdings
(2) MF Foods USA, LLC is a wholly owned subsidiary of Marfrig
(3) Weston Importers, LTD is a wholly owned subsidiary of Marfrig

At December 28, 2019, the amount due from BPI for the sale of beef trimmings was approximately $0.9 million. At December 28, 2019, the amount due to BPI for the purchase of processed lean beef was approximately $0.6 million.

In January 2007, we entered into an agreement with BPI for BPI to manufacture and install a grinding system in one of our plants. In accordance with the agreement with BPI, we are to pay BPI a technology and support fee based on the number of pounds of product produced using the grinding system. The installation of the grinding system was completed in fiscal year 2008. We paid approximately $1.6 million during 2019 and $1.7 million during 2018 to BPI in technology and support fees.

We are party to a long-term cattle supply agreement with US Premium Beef, a minority owner of the Company. Under this agreement we have agreed to purchase from the members of US Premium Beef, and US Premium Beef has agreed to cause its members to deliver, 735,385 head of cattle each year (subject to adjustment) at prices based on those published by the U.S. Department of Agriculture, subject to adjustments for cattle performance. We obtained approximately 23% and 25% of our cattle requirements under this agreement during 2019 and 2018, respectively.

NOTE 11. FAIR VALUE MEASUREMENTS

The Company determines fair value utilizing a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted market prices (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of inputs used to measure fair value are as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities accessible by the reporting entity.
- Level 2 - observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - unobservable inputs for an asset or liability. Unobservable inputs should only be used to the extent observable inputs are not available.

The following table details the assets and liabilities measured at fair value on a recurring basis as of December 28, 2019, and also the level within the fair value hierarchy used to measure each category of assets (in thousands).

Description	December 28, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other current assets — derivatives	$ 722	$ 25	$ 697	$ —
Other accrued expenses and liabilities — derivatives	$ 644	$ 637	$ 7	$ —

NOTE 12. DISCLOSURE ABOUT DERIVATIVE INSTRUMENTS

As part of the Company's ongoing operations, the Company is exposed to market risks such as changes in commodity prices. To manage these risks, the Company may enter into the following derivative instruments pursuant to our established policies:

- Forward purchase contracts for cattle for use in our beef plants
- Exchange traded futures contracts for cattle
- Exchange traded futures contracts for agricultural products

While management believes each of these instruments help mitigate various market risks, they are not designated and accounted for as hedges as a result of the extensive recordkeeping requirements associated with hedge accounting. Accordingly, the gains and losses associated with the change in fair value of the instruments are recorded to net sales and cost of goods sold in the period of change. Certain firm commitments for live cattle purchases and all firm commitments for boxed beef sales are purchased in the normal course of business and are treated as normal purchases and sales and not recorded at fair value.

The Company enters into certain commodity derivatives, primarily with a diversified group of counterparties. The maximum amount of loss due to the credit risk of the counterparties, should the counterparties fail to perform according to the terms of the contracts, is deemed to be immaterial as of December 28, 2019. The exchange-traded contracts have been entered into under a master netting agreement. None of the derivatives entered into have credit-related contingent features.

The following table presents the fair values as discussed in Note 11 and other information regarding derivative instruments not designated as hedging instruments (in thousands of dollars):

	Derivative Asset As of December 28, 2019		Derivative Liability As of December 28, 2019	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Commodity contracts	Other current assets	$ 722	Other accrued expenses and liabilities	$ 644
Totals		$ 722		$ 644

The following table presents the unrealized and realized gains (losses) on derivative contracts as reflected in the Consolidated Statement of Operations for the fiscal years ended December 28, 2019 and December 29, 2018 (in thousands):

		Amount of Gain or (Loss) Recognized in Income on Derivatives	
Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivatives	Fiscal Year Ended December 28, 2019	Fiscal Year Ended December 29, 2018
Commodity contracts	Net sales	$ (11)	$ 5,876
Commodity contracts	Cost of sales	2,443	4,936
Totals		$ 2,432	$ 10,812

NOTE 13. LEGAL PROCEEDINGS AND CONTINGENCIES

The Company is a defendant in two class action lawsuits in the United States District Court, Minnesota District alleging that it violated the Sherman Antitrust Act, the Packers and Stockyards Act, the Commodity Exchange Act, and various state laws (the "Antitrust Cases"). The Antitrust Cases are entitled *In re Cattle Antitrust Litigation*, which was filed originally on April 23, 2019, and *Peterson et al. v. JBS USA Food Company Holdings, et al*., which was filed originally on April 26, 2019. The plaintiffs in the Antitrust Cases seek treble damages and other relief under the Sherman Antitrust Act, the Packers & Stockyards Act, the Commodities Exchange Act and attorneys' fees. The Company is also a defendant in two class action lawsuits filed on January 7, 2020, alleging that it misrepresented the origin of its products in violation of the New Mexico Unfair Practices Act (the "Labelling Cases"). The Labelling Cases are entitled *Thornton v. Tyson Foods, Inc., et al.*, filed in the New Mexico Second Judicial District Court, Bernalillo County, and *Lucero v. Tyson Foods, et al*., filed in the New Mexico Thirteenth Judicial District Court, Sandoval County. The Labelling Cases were subsequently removed to the United States District Court, New Mexico District. The plaintiffs in the Labelling Cases seek treble damages and other relief and attorneys' fees. NBP believes it has meritorious defenses to the claims in the Antitrust Cases and the Labelling Cases and intends to defend these cases vigorously. There can be no assurances, however, as to the outcome of these matters or the impact on the Company's consolidated financial position, results of operations and cash flows.

The Company is a party to various other lawsuits and claims arising out of the operation of its business. Management believes the ultimate resolution of such matters should not have a material adverse effect on the Company's financial condition, results of operations or liquidity.

NOTE 14. SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through February 25, 2020, the date the financial statements were available for issuance.

Exhibit 4.2

DESCRIPTION OF REGISTRANT'S SECURITIES

The following summary includes a brief description of our ("Jefferies Financial Group Inc.," "Jefferies," "Company," "we," "us" or "our") common shares, par value $1.00 per share ("Common Shares"), as well as certain related additional information.

Authorized Capital

Pursuant to the Company's Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), the Company is authorized to issue 606,000,000 shares, which consist of 600,000,000 shares of our Common Shares, and 6,000,000 preferred shares, par value $1.00 per share (the "Preferred Shares").

Dividend Rights

Subject to the rights of the holders of our Preferred Shares that may be outstanding, holders of our Common Shares are entitled to receive dividends as may be declared by the Company's board of directors out of funds legally available to pay dividends.

Voting Rights

Each holder of our Common Shares is entitled to one vote for each share held of record on the applicable record date for all matters submitted to a vote of the Company's shareholders.

No Preemptive, Conversion or Redemption Rights; No Sinking Fund Provisions

Holders of our Common Shares have no preemptive rights to purchase or subscribe for any shares or other securities, and there are no conversion rights or redemption, purchase, retirement or sinking fund provisions with respect to our Common Shares.

Liquidation Rights

In the event of any liquidation, dissolution or other winding-up of the Company, whether voluntary or involuntary, and after the holders of our Preferred Shares shall have been paid in full the amounts to which they respectively shall be entitled, or an amount sufficient to pay the aggregate amount to which such holders will be entitled have been deposited in trust with a bank or trustee having its principal office in the Borough of Manhattan, City, County and State of New York, having a capital, undivided profits and surplus aggregating at least $50,000,000, for the benefit of the holders of our Preferred Stock, the remaining net assets of the Company shall be distributed pro rata to the holders of our Common Shares.

Certain Other Provisions of Our Certificate of Incorporation and By-Laws

The Certificate of Incorporation and/or the By-Laws, include the following provisions, not previously discussed above, that may have effect of delaying, deferring or preventing a change in control of the Company:

- Our board of directors may adopt, amend or repeal the By-Laws without shareholder approval;
- Vacancies on our board of directors (including any vacancy due to an increase in the size of our board of directors) may be filled by a majority of remaining directors, although less than a quorum;
- Our directors may only be removed with cause;
- Our By-Laws establish an advance notice procedure and proxy access procedures for shareholders to submit proposed nominations of persons for election to our board of directors at our annual meeting of shareholders;
- Our By-Laws otherwise limit the ability to call special meetings of shareholders to our board of directors; and
- Our board of directors is authorized to issue Preferred Shares without shareholder approval.

The foregoing summary does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Certificate of Incorporation and the By-Laws. For additional information we encourage you to read: the Certificate of Incorporation and By-Laws; and applicable provisions of the Business Corporation Law of the State of New York, including Section 717, Section 912 and Section 513.

Exhibit 10.5

JEFFERIES FINANCIAL GROUP INC.

2003 INCENTIVE COMPENSATION PLAN

As Amended and Restated as of May 23, 2018

1. Purpose of the Plan; Plan Background

1.1 *Purpose*. The purpose of this 2003 Incentive Compensation Plan, as amended and restated (the "Plan"), is to advance the interests of the Company and its shareholders by providing a means (a) to attract, retain, and reward officers, other employees, and certain other persons who provide services to the Company and its subsidiaries, (b) to link compensation to measures of the Company's and subsidiaries' performance in order to provide additional incentives, including stock-based incentives and cash-based annual incentives, to such persons for the creation of shareholder value, and (c) to enable such persons to acquire or increase a proprietary interest in the Company in order to promote a closer identity of interests between such persons and the Company's shareholders. The Plan is intended to qualify certain compensation awarded under the Plan as "performance-based" compensation under Code Section 162(m) to the extent deemed appropriate by the Committee that administers the Plan.

1.2 *Plan Background.* The Plan was originally adopted by Jefferies Group, Inc. effective May 5, 2003, the date on which the shareholders of Jefferies Group, Inc. approved the Plan. The Plan, as first amended and restated, was approved by the shareholders of Jefferies Group, Inc. on May 19, 2008. The Plan, as further amended and restated, was assumed by the Company on March 1, 2013, in connection with the Merger Transactions. Terms of Awards and participation in the Plan for periods prior to the Merger Transactions were established and governed by the terms and conditions of the Plan as then in effect. The Plan was amended on March 21, 2014 to reduce the share authorization under Section 5.1 and specify a fixed number of reserved shares in place of an "evergreen" share reservation. The Plan was amended on February 19, 2016, to add Section 7.8. The restatement of the Plan as of May 23, 2018 incorporated those prior amendments, reflected the change of the name of the Company (formerly Leucadia National Corporation) and included no substantive changes to the Plan.

2. Definitions

The definitions of awards under the Plan, including Options, SARs, Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of other awards, and Other Stock-Based Awards, are set forth in Section 6, and the definition of Performance Awards, including Annual Incentive Awards, is set forth in Section 8. Such awards, together with any other right or interest granted to a Participant under the Plan, are termed "Awards." In addition to such terms and the terms defined in Section 1, the following terms shall be defined as set forth below:

2.1 "Annual Incentive Award" means a conditional right granted to a Participant under Section 8.3 to receive a cash payment, Shares or other Awards based on performance during all or part of a specified fiscal year.

2.2 "Beneficiary" means the person(s) or trust(s) that have been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under the Plan upon such Participant's death. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the person(s) or trust(s) entitled by will or the laws of descent and distribution to receive such benefits.

2.3 “Board” means the Board of Directors of the Company.

2.4 “Code” means the Internal Revenue Code of 1986, as amended, including regulations thereunder and successor provisions and regulations thereto.

2.5 “Committee” means the Compensation Committee of the Board, the composition and governance of which is established in the Committee’s Charter as approved from time to time by the Board, subject to Section 303A.05 of the Listed Company Manual of the New York Stock Exchange, and other corporate governance documents of the Company. The term “Committee” shall refer to the full Board in any case in which it is performing any function of the Committee under the Plan. A member of the Committee is not required by the terms of the Plan to be a Qualified Member at the time of appointment or during his or her term of service on the Committee.

2.6 “Company” means Jefferies Financial Group Inc., a New York corporation.

2.7 “Covered Employee” means a person who is expected potentially to be a “Covered Employee” as defined in Treasury Regulation § 1.162-27(c)(2) under Code Section 162(m) at the time such person receives compensation under an Award.

2.8 “Effective Date” means the date on which the Plan takes effect, as set forth in Section 9.14 of the Plan.

2.9 “Fair Market Value,” means, with respect to Shares, Awards, or other property, the fair market value of such Shares, Awards, or other property determined by such methods or procedures as shall be established from time to time by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of a Share as of any given date means the closing sales price of a Share in composite trading of New York Stock Exchange-listed securities for that date or, if no sale occurred on that date, on the latest preceding day on which a sale occurred, as reported by a reliable reporting service.

2.10 “Jefferies” means Jefferies Group LLC, a Delaware limited liability company, which was formerly known as Jefferies Group, Inc., a Delaware corporation, in periods prior to the Merger Transactions.

2.11 “Merger Transactions” means the transactions described in the Joint Proxy Statement/Prospectus dated January 28, 2013 issued by the Company and Jefferies, which transactions became effective as of March 1, 2013, by which Jefferies became a wholly owned subsidiary of the Company. References to the “first merger” and “second merger” as components of the Merger Transactions means the first merger and second merger as described in such Joint Proxy Statement/Prospectus.

2.12 “Participant” means an individual who has been granted an Award under the Plan, for so long as the Company has any obligation under the Plan with respect to such Award or such Award remains subject to any restriction under the Plan.

2.13 “Qualified Member” means a member of the Committee who is a “Non-Employee Director” within the meaning of Rule 16b-3(b)(3) under the Securities Exchange Act

of 1934 and an "outside director" within the meaning of Treasury Regulation § 1.162-27 under Code Section 162(m).

2.14 "Shares" means common shares, $1.00 par value per share, of the Company and such other securities as may be substituted or resubstituted for Shares pursuant to Section 5.3.

3. Administration

3.1 *Authority of the Committee.* The Plan shall be administered by the Committee. The Committee shall have full and final authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:

(a) to select persons to whom Awards may be granted;

(b) to determine the type or types of Awards to be granted to each Participant;

(c) to determine the number of Awards to be granted, the number of Shares to which an Award will relate, the cash amount payable in settlement of an Annual Incentive Award and the performance conditions applicable thereto, all other terms and conditions of any Award granted under the Plan (including, but not limited to, any exercise price, grant price, or purchase price, any restriction or condition, any schedule or performance conditions for the lapse of restrictions or conditions relating to transferability, forfeiture, exercisability, or settlement of an Award, and accelerations or modifications thereof, based in each case on such considerations as the Committee shall determine), and all other matters to be determined in connection with an Award;

(d) to determine whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(e) to determine whether, to what extent, and under what circumstances cash, Shares, other Awards, or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee, or at the election of the Participant;

(f) to prescribe the form of each Award agreement, which need not be identical for each Participant;

(g) to adopt, amend, suspend, and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(h) to correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award agreement, or other instrument hereunder; and

(i) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

3.2 *Manner of Exercise of Committee Authority.* Any action of the Committee with respect to the Plan shall be final, conclusive, and binding on all persons, including the Company, subsidiaries of the Company, Participants, any person claiming any rights under the Plan from or

through any Participant, and shareholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. At any time that a member of the Committee is not a Qualified Member, (i) any action of the Committee relating to an Award intended by the Committee to qualify as "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder may be taken by a subcommittee, designated by the Committee or the Board, composed solely of two or more Qualified Members, and (ii) any action relating to an Award granted or to be granted to a Participant who is then subject to Section 16 of the Securities Exchange Act of 1934 in respect of the Company may be taken either by such a subcommittee or by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action, provided that, upon such abstention or recusal, the Committee remains composed of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of the Plan. The Committee may delegate to officers or managers of the Company or any subsidiary of the Company the authority, subject to such terms as the Committee shall determine, to perform functions designated by the Committee, to the extent that such delegation (i) will not result in the loss of an exemption under Rule 16b-3(d) for Awards granted to Participants subject to Section 16 of the Securities Exchange Act of 1934 in respect of the Company, (ii) will not cause Awards intended to qualify as "performance-based compensation" under Code Section 162(m) to fail to so qualify, (iii) will not result in a related-person transaction with an executive officer required to be disclosed under Item 404(a) of Regulation S-K (in accordance with Instruction 5.a.ii thereunder) under the Securities Exchange Act of 1934, and (iv) is permitted under applicable provisions of the New York Business Corporation Law and other applicable laws. Other provisions of the Plan notwithstanding, subject to Section 303A.05 of the Listed Company Manual of the New York Stock Exchange, the Board may perform any function of the Committee under the Plan, in order to ensure that transactions under the Plan are exempt under Rule 16b-3 or for any other reason; provided, however, that authority specifically reserved to the Board under the terms of the Plan, the Company's Restated Certificate of Incorporation, as amended, or Amended and Restated By-laws, as amended, or applicable law shall be exercised by the Board and not by the Committee. The board of directors of Jefferies, any committee of that board of directors and the Chief Executive Officer of the Company, the President of the Company , the Chief Financial Officer of the Company or of Jefferies, the General Counsel of the Company and the Director of Human Resources of the Company or Jefferies each are hereby delegated authority to perform all ministerial functions under the Plan; for clarity, this delegation of authority includes authority to specify terms of subplans and rules and regulations under the Plan (including with respect to the Jefferies Deferred Compensation Plan, Jefferies Stock Award Deferral Program and Jefferies Employee Stock Purchase Plan), and agreements evidencing Awards, but does not include authority to grant new Awards, to establish the material terms of new Awards, to take the actions specified under Section 8.4, to take actions or make determinations that would impose obligations on the Company to potentially deliver Shares or would affect any obligation of the Company relating to Shares (including, under Section 5.3(a)) or to amend, suspend, discontinue or terminate the Plan under Section 9.5.

3.3 *Limitation of Liability*. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him by any officer or other employee of the Company or any subsidiary, the Company's independent certified public accountants, or any executive compensation consultant, legal counsel, or other professional retained by the Company or any subsidiary to assist in the administration of the Plan. No member

of the Committee, nor any officer or employee of the Company or any subsidiary acting on behalf of the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company or any subsidiary acting on behalf of the Committee or members thereof shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination, or interpretation.

4. Eligibility

Persons who are eligible to be granted Awards under the Plan include (i) any executive officer and other officer or employee of the Company or any subsidiary, including any such person who may also be a director of the Company, (ii) any other person who provides substantial personal services to the Company or any subsidiary not solely in the capacity as a director, and (iii) any person who has agreed to become an employee of the Company or a subsidiary except that no such person may receive any payment or exercise any right relating to an Award until such person has commenced employment.

5. Limitation on Shares Available for Awards; Per-Person Limitations; Adjustments

5.1 *Aggregate Number of Shares Available for Awards.*

(a) *Share Reservation*. The total number of Shares that may be delivered under the Plan in connection with Awards granted on and after January 1, 2014 (including Awards under Section 7.1, relating to the Jefferies Deferred Compensation Plan) shall be 20,000,000, subject to adjustment as provided in Section 5.3. Shares subject to an Award that is forfeited for failure to meet service-based vesting requirement or an Award that expires unexercised, and Shares withheld or surrendered in payment of any exercise or purchase price of an Award or taxes relating to an Award, and Shares underlying a Stock Appreciation Right not delivered upon exercise thereof, shall be treated as delivered for purposes of this Section 5.1. Shares subject to an Award that are not delivered because the Award is forfeited due to failure to meet performance-based vesting requirements, is modified, is canceled and replaced, is not accepted by the Participant or is settled in cash will not be deemed delivered for purposes of the 2003 Plan. For purposes of this Section 5.1, Shares deliverable on or after January 1, 2014 in connection with Awards granted in 2013 or earlier will be treated as delivered out of the Shares reserved under the Plan prior to January 1, 2014 and in no event will Shares relating to such Awards be recaptured.

(b) *Type of Shares Deliverable.* The Shares delivered in connection with Awards may consist, in whole or in part, of authorized and unissued Shares, treasury Shares or Shares acquired in the market for the account of a Participant.

5.2 *Annual Per-Person Limitations.* In each calendar year during any part of which the Plan is in effect, a Participant may be granted Awards under Section 6 (including Performance Awards under Section 8) up to his or her Annual Limit. A Participant's Share-denominated Annual Limit, in any year during any part of which the Participant is then eligible under the Plan, shall equal 3.24 million Shares plus the amount of the Participant's unused Annual Limit relating to Share-denominated Awards as of the close of the previous year, subject to adjustment as provided in Section 5.3. With respect to Performance Awards pursuant to Section 8, including

Annual Incentive Awards, which are not valued by reference to Shares at the date of grant (so that the Share-denominated Annual Limit would not operate as an effective limitation satisfying Treasury Regulation § 1.162-27(e)(4)), a Participant may not be granted Awards authorizing the earning during any calendar year of an amount that exceeds the Participant's cash-denominated Annual Limit, which for this purpose shall equal $40 million plus the amount of the Participant's unused cash-denominated Annual Limit as of the close of the previous year. The foregoing notwithstanding, a Participant's Annual Limits each will be capped at two times the stated amount of the Annual Limit. For this purpose, (i) "earning" means satisfying performance conditions so that an amount becomes payable, without regard to whether it is to be paid currently or on a deferred basis or continues to be subject to any service requirement or other non-performance condition, and (ii) a Participant's Annual Limit is used to the extent a cash amount or number of Shares may be potentially earned or paid under an Award, regardless of whether such amount or Shares are in fact earned or paid. The per-person limitations set forth as the Share-denominated Annual Limit and the cash-denominated Annual Limit are each separate from one another.

5.3 *Adjustments.*

(a) *Generally.* In the event of any change in the outstanding Shares on or after March 1, 2013 by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of Shares, repurchase, liquidation, dissolution or other corporate exchange, any large, special and non-recurring dividend or distribution to shareholders, or other similar corporate transaction, the Committee may make such substitution or adjustment, if any, as it deems to be equitable and in order to preserve, without enlarging, the rights of Participants, as to (i) the number and kind of Shares which may be delivered in connection with Awards granted thereafter, including each specification of a number of Shares under Section 5.1, (ii) the number and kind of Shares by which annual per-person Award limitations are measured under Section 5.2, (iii) the number and kind of Shares subject to or deliverable in respect of outstanding Awards, and (iv) the exercise price, grant price or purchase price relating to any Award and/or make provision for payment of cash, other Awards or other property in respect of any outstanding Award; provided, however, that with respect to outstanding Awards, upon the occurrence of an event constituting an "equity restructuring" as defined under Financial Accounting Standards Board Accounting Standards Codification Topic 718 with respect to Shares, each Participant shall have a legal right to the equitable adjustment of his or her outstanding Awards, with the manner of such adjustment to be determined by the Committee as provided in this Section 5.3. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards, Annual Incentive Awards, and the performance goals relating thereto) in recognition of unusual or nonrecurring events (including events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or any business unit, or the financial statements of the Company or any subsidiary, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no such adjustment shall be authorized or made if and to the extent that such authority or the making of such adjustment would cause Options, SARs, Performance Awards granted under Section 8.2 hereof, or Annual Incentive Awards granted under Section 8.3 hereof, to Participants who are Covered Employees and intended to

qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder otherwise to fail to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder. If, in a transaction triggering an adjustment hereunder, public shareholders of the Company receive cash for their equity interest in the Company, an adjustment providing for cancellation of an Award in exchange for a cash payment based solely on the then intrinsic value of the Award shall be deemed to meet the requirements of this Section 5.3. Adjustments determined by the Committee shall be final, binding and conclusive.

(b) *Jefferies' Obligations.* Other provisions of the Plan notwithstanding, cash Annual Incentive Awards for Jefferies' fiscal 2013 granted under the Plan prior to the Merger Transactions, and cash Annual Incentive Awards granted thereafter to employees of Jefferies (including its subsidiaries) and cash deferral obligations existing at the time of the Merger Transactions and cash deferral obligations resulting from deferrals thereafter by employees of Jefferies (including its subsidiaries) shall be the exclusive obligations of Jefferies and not obligations of the Company. An obligation to pay cash compensation in the form of an Award under the Plan undertaken by any subsidiary of the Company to an employee or other service-provider to such subsidiary will be the exclusive obligation of such subsidiary unless the Company has affirmatively undertaken in writing to be obligated in connection with such Award.

6. Specific Terms of Awards

6.1 *General.* Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award, at the date of grant or thereafter (subject to Section 9.5), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service by the Participant or upon the occurrence of other events. The Committee may require payment of consideration in connection with any Award, including for purposes of complying with requirements of the New York Business Corporation Law.

6.2 *Options.* The Committee is authorized to grant options to purchase Shares ("Options") to Participants on the following terms and conditions:

(a) *Exercise Price.* The exercise price per Share purchasable under an Option shall be determined by the Committee; provided, however, that, except as provided in Section 7.5, such exercise price shall be not less than the Fair Market Value of a Share on the date of grant of such Option.

(b) *Time and Method of Exercise.* The Committee shall determine the time or times at which an Option may be exercised in whole or in part, the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including cash, Shares, other Awards or awards granted under other Company plans, or other property (including by withholding Shares deliverable upon exercise, if such withholding will not result in additional accounting expense to the Company, or through broker-assisted "cashless exercise" arrangements, to the extent permitted by applicable law), and the methods by which Shares will be delivered or deemed to be delivered to Participants.

(c) *Incentive Stock Options.* The terms of any incentive stock option ("ISO") granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code. Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to ISOs shall be interpreted, amended, or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify either the Plan or any ISO under Section 422 of the Code, unless the Participant has first requested such disqualification.

6.3 *Stock Appreciation Rights.* The Committee is authorized to grant stock appreciation rights ("SARs") to Participants on the following terms and conditions:

(a) *Right to Payment.* An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (X) the Fair Market Value of one Share on the date of exercise over (Y) the grant price of the SAR as determined by the Committee as of the date of grant of the SAR, which, except as provided in Section 7.5, shall be not less than the Fair Market Value of one Share on the date of grant.

(b) *Other Terms.* The Committee shall determine the time or times at which an SAR may be exercised in whole or in part, the method of exercise, method of settlement, whether cash or Shares shall be payable to the Participant upon exercise, the method by which Shares will be delivered or deemed to be delivered to Participants, whether or not an SAR shall be in tandem with any other Award, and any other terms and conditions of an SAR.

6.4 *Restricted Stock.* The Committee is authorized to grant Awards, in the form of shares issued at or shortly after grant of the Award subject to restrictions ("Restricted Stock"), to Participants on the following terms and conditions:

(a) *Grant and Restrictions.* Restricted Stock shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise as the Committee may determine. Except to the extent restricted under the terms of the Plan and any Award agreement relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a shareholder including the right to vote Restricted Stock or the right to receive dividends thereon (subject to Section 7.6).

(b) *Forfeiture.* Except as otherwise determined by the Committee, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided, however, that the Committee may provide, by rule or regulation or in any Award agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part in the event of terminations resulting from specified causes.

(c) *Certificates for Shares.* Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, such certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, the Company shall retain physical possession of the certificate, and the Participant shall have delivered a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(d) *Dividends and Distributions.* As a condition to the grant of an Award of Restricted Stock, the Committee may require that any cash dividends paid on a Share of Restricted Stock be automatically reinvested in additional Shares of Restricted Stock or applied to the purchase of additional Awards under the Plan. The dates and terms upon which such reinvestment or purchases occur shall be within the discretion of the Committee. Unless otherwise determined by the Committee (and subject to Section 7.6), Shares distributed in connection with a stock split or Share dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Shares or other property has been distributed.

6.5 *Deferred Stock.* The Committee is authorized to grant Awards in the form of Shares to be delivered at a specified future date ("Deferred Stock") to Participants, subject to the following terms and conditions:

(a) *Award and Restrictions.* Issuance of Shares will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times, separately or in combination, under such circumstances, in such installments, or otherwise as the Committee may determine.

(b) *Forfeiture.* Except as otherwise determined by the Committee, upon termination of employment or service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award agreement evidencing the Deferred Stock), all Deferred Stock that is at that time subject to such risk of forfeiture shall be forfeited; provided, however, that the Committee may provide, by rule or regulation or in any Award agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will lapse in whole or in part in the event of terminations resulting from specified causes. Deferred Stock which is subject to a risk of forfeiture may be denominated as "restricted stock units."

(c) *Dividend Equivalents.* Subject to Section 7.6, (i) the Committee may provide that payments in the form of dividend equivalents will be credited in respect of Deferred Stock, which amounts may be paid or distributed when accrued or deemed reinvested in additional Deferred Stock; (ii) the dates and terms upon which such accrual or deemed reinvestment will occur shall be within the discretion of the Committee; and (iii) restrictions on such dividends or the Deferred Stock or other Awards resulting from deemed reinvestment shall be specified by the Committee.

6.6 *Bonus Shares and Awards in Lieu of Cash Obligations.* The Committee is authorized to grant Shares as a bonus, or to grant Shares or other Awards in lieu of obligations of the Company or its subsidiaries to pay cash or grant other awards under other plans or compensatory arrangements of the Company or its subsidiaries. Shares or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee.

6.7 *Other Stock-Based Awards.* The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares and factors that may influence the value of Shares, as deemed by the Committee to be consistent

with the purposes of the Plan, including convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, purchase rights for Shares, Awards with value and payment contingent upon performance of the Company or any other factors designated by the Committee, and Awards valued by reference to the book value of Shares or the value of securities of or the performance of specified subsidiaries. The Committee shall determine the terms and conditions of such Awards. Shares issued pursuant to an Award in the nature of a purchase right granted under this Section 6.7 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including cash, Shares, other Awards, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may be granted pursuant to this Section 6.7. Rights of employees to purchase Shares under the Jefferies Employee Stock Purchase Plan constitute Awards authorized under this Section 6.7.

7. Certain Provisions Applicable to Awards

7.1 *Deferral of Cash Compensation into Awards.* The Committee is authorized to grant Awards in lieu of cash compensation or upon the deferral of cash compensation payable by the Company or any subsidiary, including cash amounts payable under other plans of the Company or its subsidiaries. In such case, the Committee shall determine the value of the Awards to be granted in lieu of or upon deferral of such cash compensation, and may provide for a discount in such valuation in order to promote the purposes of the Plan. Shares deliverable in connection with Awards under this Section 7.1 shall be drawn from the Shares authorized under Section 5.1. In furtherance of this authorization, upon effectiveness of the Plan, outstanding equity awards under the Jefferies Deferred Compensation Plan shall be deemed Awards of Deferred Stock and Options under the Plan, and Shares delivered in settlement or upon the exercise of such Awards shall be drawn from the Shares authorized under Section 5.1. From and after the Effective Date, the Jefferies Deferred Compensation Plan shall be implemented under this Plan with respect to any equity-based Awards thereunder.

7.2 *Term of Awards.* The term of each Award shall be for such period as may be determined by the Committee; provided, however, that in no event shall the term of any ISO or an SAR granted in tandem therewith exceed a period of ten years from the date of its grant (or such shorter period as may be applicable under Section 422 of the Code).

7.3 *Form and Timing of Payment Under Awards; Deferrals.* Subject to the terms of the Plan and any applicable Award agreement, payments to be made by the Company or a subsidiary upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including cash, Shares, other Awards, or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Shares in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events. The foregoing notwithstanding, no Award specified as settleable in Shares may be settled otherwise than by delivery of Shares if the Award agreement does not specify such alternative form of settlement and the authorization of alternative forms of settlement would preclude fixed accounting for the compensation expense relating to such Award under accounting rules then applicable to the Company prior to the determination or event which causes settlement to be in a form other than Shares. Installment or deferred payments may be required by the Committee (subject to Section 9.5 of the Plan, including the consent provisions thereof in the case

of any deferral of an outstanding Award not provided for in the original Award agreement) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of dividend equivalents or other amounts in respect of installment or deferred payments denominated in Shares.

7.4 *Cancellation and Rescission of Awards.* Unless the Award agreement specifies otherwise, the Committee may cancel any unexpired, unpaid, or deferred Awards at any time, and, unless otherwise determined by the Committee, the Company (which for purposes of and as used in this Section 7.4 includes subsidiaries of the Company) shall have the additional rights set forth in subsection (d) below, in each case if the Participant is not in compliance with all applicable material provisions of the Award agreement and the Plan, including the following conditions:

(a) A Participant shall not render services for any organization or engage directly or indirectly in any business which, in the judgment of the Chief Executive Officer of the Company or other senior executive officer designated by the Committee, is or becomes competitive with the Company. For Participants whose employment with the Company has terminated, the judgment of the Chief Executive Officer or other senior officer designated by the Committee shall be based on the Participant's post-employment responsibilities and position with the other organization or business, the extent of past, current and potential competition or conflict between the Company and the other organization or business, the effect on the Company's shareholders, customers, suppliers and competitors of the Participant assuming the post-employment responsibilities and such other considerations as are deemed relevant given the applicable facts and circumstances. A Participant who has terminated employment shall be free, however, to purchase as an investment or otherwise, stock or other securities of such organization or business so long as they are listed upon a recognized securities exchange or traded over-the-counter, and such investment does not represent a greater than five percent equity interest in the organization or business.

(b) A Participant shall not, without prior written authorization from the Company, disclose to anyone outside the Company or use in other than the Company's business any confidential information or material relating to the business of the Company which is acquired by the Participant either during or after employment with the Company.

(c) A Participant shall disclose promptly and assign to the Company all right, title, and interest in any invention or idea, patentable or not, made or conceived by the Participant during employment by the Company, relating in any manner to the actual or anticipated business, research, or development work of the Company and shall do anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in foreign countries.

(d) Upon exercise, settlement, payment, or delivery pursuant to an Award, the Participant shall certify on a form acceptable to the Committee that he or she is in compliance with the terms and conditions of this Section 7.4, if requested by the Company. Failure to comply with the provisions of this Section 7.4 prior to, or during the six months after, any exercise, payment or delivery pursuant to an Award shall cause such exercise, payment or delivery to be rescinded. The Company shall notify the Participant in writing of any such rescission promptly upon receiving notice of facts entitling the Company to such rescission. Within ten days after receiving such a notice from the Company, the Participant shall pay to the Company the amount

of any gain realized or payment received as a result of the rescinded exercise, payment, or delivery pursuant to an Award. Such payment shall be made either in cash or by returning to the Company the number of Shares that the Participant received in connection with the rescinded exercise, payment, or delivery, in which case the Company shall promptly repay any exercise price previously paid by the Participant for the Shares (provided that if such exercise price exceeds the Fair Market Value of the Shares returned (Fair Market Value to be determined at the time of the return), the amount repaid shall be such then-Fair Market Value of the Shares returned).

The Committee may modify the conditions imposed under this Section 7.4 with respect to any Award. If the terms of this Section 7.4 would require that the accounting expense for an Award that otherwise could be measured at the date of grant or other measurement date cannot be so measured until a later time, but such measurement would be permissible if the forfeiture of the Award were in connection with a termination of the Participant's employment, then the cancellation of the Award will occur at the later of the time of the Committee's determination or the Participant's termination of employment.

7.5 *Stand-Alone, Additional, Tandem, and Substitute Awards.* Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for any other Award or any award granted under another plan of the Company, any subsidiary, or any business entity to be acquired by the Company or a subsidiary, any other right of a Participant to receive payment from the Company or any subsidiary, subject to the restriction on "repricing" in Section 9.5. Such additional, tandem, and substituted or exchanged Awards may be granted at any time. Subject to Section 9.5, the Committee may determine that, in granting a new Award, the intrinsic value of any surrendered Award or award may be applied to reduce the exercise price of any Option, grant price of any SAR, or purchase price of any other Award.

7.6 *Limitations on Dividends and Dividend Equivalents.* Other provisions of the Plan notwithstanding, (i) dividends and dividend equivalents will not be credited or payable with respect to an Option or SAR for any periods prior to the valid exercise of the Option or SAR, except that this provision will not limit adjustments authorized under Section 5.3; and (ii) dividends and dividend equivalents relating to a Performance Award at minimum shall be forfeitable to the extent the related Performance Award remains forfeitable upon failure to achieve the specified performance conditions.

7.7 *Dodd-Frank Act Clawback.* Subject to Section 9.5, any clawback or recoupment provisions required under the Dodd-Frank Wall Street Reform and Consumer Protection Act shall apply to Awards granted on and after July 25, 2013 under the Plan.

7.8 *Required Post-Vesting Holding Period*. Awards granted to a Participant who at the time of the Award is the Chief Executive Officer or President shall include a requirement that upon vesting of the Award, 75% of the Shares remaining after satisfaction of the tax liabilities set forth in Section 9.4 shall be subject to the transfer limitations of Section 9.2 until the earlier of termination of employment or three years from the vesting date. Awards granted to a Participant, other than the Chief Executive Officer and President, who at the time of the Award is a named executive officer, as defined in Item 402 of Regulation S-K shall include a requirement that upon vesting of the Award, 50% of the Shares remaining after satisfaction of the tax liabilities set forth in Section 9.4 shall be subject to the transfer limitations of Section 9.2 until the earlier of termination of employment or three years from the vesting date.

8. Performance and Annual Incentive Awards

8.1 *Performance Conditions.* The right of a Participant to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee. The Committee may use such business criteria and measures of performance as it may deem appropriate in establishing performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 8.2 and 8.3 hereof in the case of a Performance Award or Annual Incentive Award intended to qualify under Code Section 162(m).

8.2 *Performance Awards Granted to Covered Employees.* If the Committee determines that a Performance Award to be granted to an eligible person who is a Covered Employee should qualify as "performance-based compensation" for purposes of Code Section 162(m), the grant, exercise, and/or settlement of such Performance Award shall be contingent upon achievement of preestablished performance goals and other terms set forth in this Section 8.2.

(a) *Performance Goals Generally.* The performance goals for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each such criteria, as specified by the Committee consistent with this Section 8.2. Performance goals shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder (including Treasury Regulation § 1.162-27 and successor regulations thereto), including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being "substantially uncertain." The Committee may determine that such Performance Awards shall be granted, exercised, and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise, and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

(b) *Business Criteria.* One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified subsidiaries, divisions, or other business units of the Company (where the criteria are applicable), on an audited or unaudited basis, shall be used by the Committee in establishing performance goals for such Performance Awards: (1) earnings per share; (2) revenues; (3) cash flow; (4) cash flow return on investment; (5) return on net assets, return on assets, return on investment, return on capital, return on equity; profitability; (6) economic value created ("EVC"); (7) operating margins or profit margins; (8) income or earnings before or after taxes; pretax earnings; pretax earnings before interest, depreciation and amortization; operating earnings; pretax operating earnings, before or after interest expense and before or after incentives, service fees, and extraordinary or special items; net income; (9) total shareholder return or stock price; (10) book value per share; (11) expense management; improvements in capital structure; working capital; costs; (12) completion of mergers, acquisitions, dispositions or transactions to which the Company, a subsidiary or a business unit acted as an advisor or underwriter; and (13) any of the above goals as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, the Standard & Poor's 500 Stock Index or a group of comparator companies. EVC means the amount by which a business unit's income exceeds the cost of the capital used by

the business unit during the performance period, as determined by the Committee. Income of a business unit may be before payment of bonuses, capital charges, non-recurring or extraordinary income or expense, general and administrative expenses for the performance period, or other items if so specified by the Committee. One or more of the foregoing business criteria shall also be exclusively used in establishing performance goals for Annual Incentive Awards granted to a Covered Employee under Section 8.3 hereof.

(c) *Performance Period; Timing for Establishing Performance Award Terms.* Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to ten years, as specified by the Committee. Performance goals, amounts payable upon achievement of such goals, and other material terms of Performance Awards shall be established by the Committee (i) while the performance outcome for that performance period is substantially uncertain and (ii) no more than 90 days after the commencement of the performance period to which the performance goal relates or, if less, the number of days which is equal to 25 percent of the relevant performance period. In all cases, the maximum amount payable in respect of a Performance Award to any Participant shall be subject to the limitations set forth in Section 5.2 hereof.

(d) *Performance Award Pool.* The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8.2(b) hereof during the given performance period, as specified by the Committee in accordance with Section 8.2(c) hereof. The Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria. In such case, Performance Awards may be granted as rights to payment of a specified portion of the Award pool; such grants shall be subject to the requirements of Section 8.2(c).

(e) *Settlement of Performance Awards; Other Terms.* Settlement of such Performance Awards shall be in cash, Shares, other Awards, or other property, in the discretion of the Committee. The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 8.2 in a manner that results in payment in excess of the amount corresponding to the level of achievement of the Code Section 162(m)-qualifying performance goal. The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant prior to the end of a performance period or settlement of Performance Awards.

8.3 *Annual Incentive Awards Granted to Covered Employees.* If the Committee determines that an Annual Incentive Award to be granted to an eligible person who is a Covered Employee should qualify as "performance-based compensation" for purposes of Code Section 162(m), the grant, exercise, and/or settlement of such Annual Incentive Award shall be contingent upon achievement of preestablished performance goals and other terms set forth in this Section 8.3.

(a) *Potential Annual Incentive Awards.* Not later than the deadline specified in Section 8.2(c) above, the Committee shall determine the eligible persons who will potentially receive Annual Incentive Awards, and the amounts potentially payable thereunder, for that fiscal year, either out of an Annual Incentive Award pool established by such date under Section 8.3(b) hereof or as individual Annual Incentive Awards. In the case of individual Annual Incentive Awards intended to qualify under Code Section 162(m), the amount potentially payable shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8.2(b) hereof in the given performance year, as specified by the Committee; in other cases, such amount shall be based on such criteria as shall be established by the Committee. In all cases, the maximum Annual Incentive Award of any Participant shall be subject to the limitations set forth in Section 5.2 hereof.

(b) *Annual Incentive Award Pool.* The Committee may establish an Annual Incentive Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Annual Incentive Awards. The amount of such Annual Incentive Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 8.2(b) hereof during the given performance period, as specified by the Committee in accordance with Section 8.2(c) hereof. The Committee may specify the amount of the Annual Incentive Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.

(c) *Payout of Annual Incentive Awards.* After the end of each fiscal year, the Committee shall determine the amount, if any, of the potential Annual Incentive Award payable to each Participant eligible therefor and, if applicable, the amount of any Annual Incentive Award pool. The Committee may, in its discretion, determine that the amount payable to any Participant as a final Annual Incentive Award shall be increased or reduced from the amount of his or her potential Annual Incentive Award, including a determination to make no final Award whatsoever, but may not exercise discretion to increase any such amount in the case of an Annual Incentive Award intended to qualify under Code Section 162(m). The Committee shall specify the circumstances in which an Annual Incentive Award shall be paid or forfeited in the event of termination of employment by the Participant prior to the end of a fiscal year or prior to settlement of such Annual Incentive Award.

8.4 *Written Determinations.* Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards and Annual Incentive Awards, the achievement of performance goals relating to Performance Awards and Annual Incentive Awards, and the amount of any final Performance Award and Annual Incentive Award shall be recorded in writing, except that the Committee may determine that this requirement shall not apply in the case of Performance Awards not intended to qualify under Section 162(m). Specifically, the Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m), prior to settlement of each such Award granted to a Covered Employee (including Annual Incentive Awards granted prior to the Merger Transactions that remain outstanding thereafter), that the performance goals and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied. The Committee may not delegate any responsibility relating to such Performance Awards or Annual Incentive Awards, and the Board shall not perform such functions at any time that the Committee is composed solely of Qualified Members.

8.5 *Status of Section 8.2 and Section 8.3 Awards under Code Section 162(m).* It is the intent of the Company that Performance Awards and Annual Incentive Awards under Sections 8.2 and 8.3 hereof granted to persons who are Covered Employees within the meaning of Code Section 162(m) and regulations thereunder (including Treasury Regulation § 1.162-27 and successor regulations thereto) shall, if so designated by the Committee, constitute "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder. Accordingly, the terms of Sections 8.2, 8.3, 8.4 and 8.5, including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder, with respect to any such Performance Award or Annual Incentive Award. If any provision of the Plan as in effect on the date of adoption of any agreements relating to Performance Awards or Annual Incentive Awards that are designated as intended to comply with Code Section 162(m) does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

9. General Provisions.

9.1 *Compliance with Laws and Obligations.* The Company shall not be obligated to issue or deliver Shares in connection with any Award or take any other action under the Plan in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any other federal or state securities law, any requirement under any listing agreement between the Company and any national securities exchange or automated quotation system, or any other law, regulation, or contractual obligation of the Company, until the Company is satisfied that such laws, regulations, and other obligations of the Company have been complied with in full. Certificates representing Shares issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be applicable under such laws, regulations, and other obligations of the Company, including any requirement that a legend or legends be placed thereon.

9.2 *Limitations on Transferability.* Awards and other rights under the Plan will not be transferable by a Participant except by will or the laws of descent and distribution (or to a designated Beneficiary in the event of the Participant's death), and, if exercisable, shall be exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative; provided, however, that such Awards and other rights (other than ISOs and SARs in tandem therewith) may be transferred during the lifetime of the Participant, for purposes of the Participant's estate planning or other purposes consistent with the purposes of the Plan (as determined by the Committee), and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent permitted by the Committee. The foregoing notwithstanding, no transfers of Awards or rights to third parties for value shall be permitted. Awards and other rights under the Plan may not be pledged, mortgaged, hypothecated, or otherwise encumbered, and shall not be subject to the claims of creditors. A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award agreement applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

9.3 *No Right to Continued Employment; Leaves of Absence.* Neither the Plan, the grant of any Award, nor any other action taken hereunder shall be construed as giving any employee, consultant, director, or other person the right to be retained in the employ or service of

the Company or any of its subsidiaries, nor shall it interfere in any way with the right of the Company or any of its subsidiaries to terminate any person's employment or service at any time. Unless otherwise specified in the applicable Award agreement, an approved leave of absence shall not be considered a termination of employment or service for purposes of an Award under the Plan.

9.4 *Taxes.* Awards shall be subject to applicable withholding taxes under U.S. federal (including FICA), state and local law (and any applicable tax law of a foreign jurisdiction). Each Participant, as a condition of the grant of any Award, shall have agreed to withholding for such taxes to the fullest extent authorized under this Section 9.4. Specifically, the Company and any subsidiary is authorized to withhold from any Award granted or to be settled, any delivery of Shares in connection with an Award, any other payment relating to an Award, or any payroll or other payment to a Participant amounts of mandatory withholding taxes due or payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of such withholding taxes relating to such Award (and other tax obligations relating to any Award, to the extent such authorization would not result in additional accounting expense to the Company). This authority shall include authority to withhold or receive Shares or other property and to make cash payments in respect thereof in satisfaction of the mandatory withholding tax obligations applicable to the Participant's Award.

9.5 *Changes to the Plan and Awards.* The Board may amend, suspend, discontinue, or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of shareholders or Participants, except that any amendment shall be subject to the approval of the Company's shareholders at or before the next annual meeting of shareholders for which the record date is after the date of such Board action if such shareholder approval is required by any applicable federal or state law or regulation or the rules of the New York Stock Exchange, and the Board may otherwise, in its discretion, determine to submit other such amendments to shareholders for approval; provided, however, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant under any Award theretofore granted. The Committee may amend, suspend, discontinue, or terminate the Plan if and to the extent that such action is within the scope of the Committee's authority under its Charter, and the Committee may amend, suspend, discontinue, or terminate any Award theretofore granted and any Award agreement relating thereto; provided, however, that no such amendment to an Award may provide for Award terms that the Plan would not then permit for a newly granted Award; and provided further, that, without the consent of an affected Participant, no such action with respect to the Plan or an Award may materially impair the rights of such Participant under an Award theretofore granted. Other provisions of the Plan notwithstanding, without the prior approval of shareholders, the Committee will not amend or replace previously granted Options or SARs (or options or stock appreciation rights granted under any other plan) in a transaction that constitutes a "repricing," as that term is defined in Section 303A.08 of the Listed Company Manual of the New York Stock Exchange (this includes a reduction in exercise price or any cancellation of such an Award or award at a time when its exercise price exceeds the fair market value of the underlying Shares in exchange for another Option or SAR, any other Award or cash).

9.6 *409A Awards and Deferrals.*

(a) Other provisions of the Plan notwithstanding, the terms of any 409A Award (as defined below), including any authority of the Company and rights of the Participant with respect to the 409A Award, shall be limited to those terms permitted under Section 409A, and any terms not permitted under Code Section 409A shall be modified and limited to the extent necessary to conform with Section 409A but only to the extent that such modification or limitation is permitted under Code Section 409A and the regulations and guidance issued thereunder. The following rules will apply to 409A Awards:

(i) Elections. If a Participant is permitted to elect to defer an Award or any payment under an Award, such election will be permitted in accordance with the provisions specified in Exhibit A hereto;

(ii) Changes to Distribution Elections. The Committee may, in its discretion, require or permit on an elective basis a change in the settlement terms applicable to such 409A Awards (and Non-409A Awards that qualify for the short-term deferral exemption under Code Section 409A) in accordance with, and to the fullest extent permitted by, applicable IRS guidance under Code Section 409A, provided that any modifications to an outstanding Award or election permitted of a Participant with respect to settlement dates of an outstanding Award may not otherwise increase the benefits to a Participant or the costs of such Awards to the Company or its subsidiaries other than administrative costs, changes in value of the Award based on investment performance of the underlying Shares or other assets, and indirect expense attributable to differences in the timing of receipt of taxable income and tax deductions;

(iii) Exercise and Distribution. Except as provided in Section 9.6(a)(iv) hereof, no 409A Award shall be exercisable (if the exercise would result in a distribution) or otherwise distributable to a Participant (or his or her beneficiary) except upon the occurrence of one of the following (or a date related to the occurrence of one of the following), which must be specified in a written document governing such 409A Award and otherwise meet the requirements of Treasury Regulation § 1.409A-3:

(A) Specified Time. A specified time or a fixed schedule.

(B) Separation from Service. The Participant's separation from service (within the meaning of Treasury Regulation § 1.409A-1(h) and other applicable rules under Code Section 409A); provided, however, that if the Participant is a "specified employee" as defined in Treasury Regulation § 1.409A-1(i), settlement under this Section 9.6(a)(iii)(B) may not be made before the date that is six months after the date of separation from service.

(C) Death. The death of the Participant.

(D) Disability. The date the Participant has experienced a 409A Disability (as defined below).

(E) 409A Ownership/Control Change. The occurrence of a 409A Ownership/Control Change (as defined below).

(iv) No Acceleration. The exercise or distribution of a 409A Award may not be accelerated prior to the time specified in accordance with Section 9.6(a)(iii) hereof, except in the case of one of the following events:

(A) Unforeseeable Emergency. The occurrence of an Unforeseeable Emergency, as defined below, but only if the net amount payable upon such

settlement does not exceed the amounts necessary to relieve such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the settlement, after taking into account the extent to which the emergency is or may be relieved through reimbursement or compensation from insurance or otherwise or by liquidation of the Participant's other assets (to the extent such liquidation would not itself cause severe financial hardship), or by cessation of deferrals under the Plan. Upon a finding that an Unforeseeable Emergency has occurred with respect to a Participant, any election of the Participant to defer compensation that will be earned in whole or part by services in the year in which the emergency occurred or is found to continue will be immediately cancelled.

(B) Domestic Relations Order. The 409A Award may permit the acceleration of the exercise or distribution time or schedule to an individual other than the Participant as may be necessary to comply with the terms of a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).

(C) Conflicts of Interest. Such 409A Award may permit the acceleration of the settlement time or schedule as may be necessary to comply with an ethics agreement with the Federal government or if reasonably necessary to comply with a Federal, state, local or foreign ethics law or conflict of interest law in compliance with Treasury Regulation § 1.409A-3(j)(4)(iii).

(D) Change. The Committee may exercise the discretionary right to accelerate the vesting of any unvested compensation deemed to be a 409A Award upon a 409A Ownership/Control Change or to terminate the Plan upon or within 12 months after a 409A Ownership/Control Change, or otherwise to the extent permitted under Treasury Regulation § 1.409A-3(j)(4)(ix), or accelerate settlement of such 409A Award in any other circumstance permitted under Treasury Regulation § 1.409A-3(j)(4).

(v) Definitions. For purposes of this Section 9.6, the following terms shall be defined as set forth below:

(A) "409A Awards" means Awards that constitute a deferral of compensation under Code Section 409A and regulations thereunder, except, for purposes of this Section 9.6, such term shall mean only such an Award held by an employee subject to United States federal income tax. "Non-409A Awards" means Awards other than 409A Awards. Although the Committee retains authority under the Plan to grant Options, SARs and Restricted Stock on terms that will qualify those Awards as 409A Awards, Options, SARs, and Restricted Stock are intended to be Non-409A Awards unless otherwise expressly specified by the Committee.

(B) "409A Ownership/Control Change" shall be deemed to have occurred if, in connection with any event otherwise defined as a change in control under any applicable Company document, there occurs a change in the ownership of the Company, a change in effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, as defined in Treasury Regulation § 1.409A-3(i)(5).

(C) "409A Disability" means an event which results in the Participant being (i) unable to engage in any substantial gainful activity by reason of any

medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii), by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or its subsidiaries.

(D) "Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) of the Participant, loss of the Participant's property due to casualty, or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, and otherwise meeting the definition set forth in Treasury Regulation § 1.409A-3(i)(3).

(vi) Determination of "Key Employee." For purposes of a settlement under Section 9.6(a)(iii)(B), status of a Participant as a "key employee" shall be determined annually under the Company's administrative procedure for such determination for purposes of all plans subject to Code Section 409A.

(vii) Non-Transferability. The provisions of Section 9.2 notwithstanding, no 409A Award or right relating thereto shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's Beneficiary.

(viii) 409A Rules Do Not Constitute Waiver of Other Restrictions. The rules applicable to 409A Awards under this Section 9.6(a) constitute further restrictions on terms of Awards set forth elsewhere in this Plan. Thus, for example, an Option or SAR that is a 409A Award shall be subject to restrictions, including restrictions on rights otherwise specified in Section 6.2 or 6.3, in order that such Award shall not result in constructive receipt of income before exercise or tax penalties under Code Section 409A.

(b) *Rules Applicable to Certain Participants Transferred to Affiliates.* For purposes of determining a separation from service (where the use of the following modified definition is based upon legitimate business criteria), in applying Code Sections 1563(a)(1), (2) and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the language "at least 20 percent" shall be used instead of "at least 80 percent" at each place it appears in Sections 1563(a)(1), (2) and (3), and in applying Treasury Regulation § 1.414(c)-2 (or any successor provision) for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code Section 414(c), the language "at least 20 percent" shall be used instead of "at least 80 percent" at each place it appears in Treasury Regulation § 1.414(c)-2.

(c) *Distributions Upon Vesting.* In the case of any Award providing for a distribution upon the lapse of a substantial risk of forfeiture, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made not later than March 15 of the year following the year in which the

substantial risk of forfeiture lapsed, provided that the Participant shall have no influence on any determination as to the tax year in which the distribution will be made.

(d) *Grandfathering*. Any Award that was both granted and vested before 2005 and which otherwise might constitute a deferral of compensation under Section 409A is intended to be "grandfathered" under Section 409A, unless such Award is designated by the Company as being subject to Section 409A in 2008 or earlier. No amendment or change to the Plan or other change (including an exercise of discretion) with respect to such a grandfathered award after October 3, 2004, shall be effective if such change would constitute a "material modification" of a grandfathered Award within the meaning of applicable guidance or regulations under Section 409A, except in the case of an Award that is specifically modified before 2009 to become compliant as a 409A Award or compliant with an exemption under Section 409A.

(e) *Scope and Application of this Provision.* For purposes of this Section 9.6, references to a term or event (including any authority or right of the Company or a Participant) being "permitted" under Code Section 409A mean that the term or event will not cause the Participant to be deemed to be in constructive receipt of compensation relating to the 409A Award prior to the distribution of cash, Shares or other property or to be liable for payment of interest or a tax penalty under Section 409A.

9.7 *No Rights to Awards; No Shareholder Rights.* No Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants, employees, consultants, or directors. No Award shall confer on any Participant any of the rights of a shareholder of the Company unless and until Shares are duly issued or transferred and delivered to the Participant in accordance with the terms of the Award or, in the case of an Option, the Option is duly exercised.

9.8 *International Participants.* With respect to Participants who reside or work outside the United States of America, the Committee may, in its sole discretion, amend the terms of the Plan with respect to such Participants or grant Awards not conforming to the terms of the Plan to such Participants in order that such Awards conform to the requirements of local law and customary employment practices in such locations and in order that such Awards shall serve the purposes of the Plan in light of such local laws and customary employment practices.

9.9 *Unfunded Status of Awards; Creation of Trusts.* The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company or Jefferies; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company's or any subsidiary's obligations under the Plan to deliver cash, Shares, other Awards, or other property pursuant to any Award, which trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

9.10 *Nonexclusivity of the Plan.* Neither the adoption of the Plan by the Board nor its submission or the submission of any amendment to shareholders for approval nor the assumption of the Plan by the Company shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements as it may deem desirable, including the

granting of awards otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

9.11 *Payments in the Event of Forfeitures; Fractional Shares.* Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award (although fractional share units may be credited in connection with any Award if so authorized by the Committee). The Committee shall determine whether and in what manner cash, other Awards, or other property shall be issued or paid in lieu of such fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

9.12 *Successors and Assigns.* The Plan shall be binding on all successors and assigns of the Company and a Participant, including any permitted transferee of a Participant, the Beneficiary or estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

9.13 *Governing Law.* The validity, construction, and effect of the Plan, any rules and regulations under the Plan, and any Award agreement will be determined in accordance with the laws of the State of New York (including those governing contracts), without giving effect to principles of conflicts of laws, and applicable federal law.

9.14 *Effective Date, Shareholder Approval, and Plan Termination.* The Plan became effective on May 5, 2003. The first amendment and restatement of the Plan in 2008 became effective upon its approval by shareholders at the Jefferies' 2008 annual meeting of shareholders. The Plan, as further amended and restated, was assumed by the Company upon consummation of the second merger component of the Merger Transactions, as described in Sections 1.2 and subject to Section 5.3(b). An amendment and restatement of the Plan became effective upon its approval by shareholders of the Company at the Company's 2013 annual meeting of shareholders. Unless earlier terminated by action of the Board, the Plan shall terminate on the day before the tenth anniversary of the date of the most recent shareholder approval of the Plan (including approval of the 2013 amendment and restatement of the Plan by the shareholders of the Company). Upon any such termination of the Plan, no new authorizations of grants of Awards may be made, but then-outstanding Awards shall remain outstanding in accordance with their terms, and the Committee otherwise shall retain its full powers under the Plan with respect to such Awards.

Exhibit A

Deferral Election Rules

If a participant in a plan, program or other compensatory arrangement (a "plan") of Jefferies Financial Group Inc. (the “Company,” which for purposes of these Deferral Election Rules includes Jefferies Group LLC and its subsidiaries) is permitted to elect to defer awards or other compensation, any such election relating to compensation deferred under the applicable plan must be received by the Company prior to the date specified by or at the direction of the administrator of such plan (the "Administrator"). For purposes of compliance with Section 409A of the Internal Revenue Code (the "Code"), any such election to defer shall be subject to the rules set forth below, subject to any additional restrictions as may be specified by the Administrator. Under no circumstances may a participant elect to defer compensation to which he or she has attained, at the time of deferral, a legally enforceable right to current receipt of such compensation.

(1) Initial Deferral Elections. Any initial election to defer compensation (including the election as to the type and amount of compensation to be deferred and the time and manner of settlement of the deferral) must be made (and shall be irrevocable) no later than December 31 of the year before the participant’s services are performed which will result in the earning of the compensation, except as follows:

- Initial deferral elections with respect to compensation that, absent the election, constitutes a short-term deferral may be made in accordance with Treasury Regulation § 1.409A-2(a)(4) and (b);
- Initial deferral elections with respect to compensation that remains subject to a requirement that the participant provide services for at least 12 months (a “forfeitable right” under Treasury Regulation § 1.409A-2(a)(5)) may be made on or before the 30th day after the participant obtains the legally binding right to the compensation, provided that the election is made at least 12 months before the earliest date at which the forfeiture condition could lapse and otherwise in compliance with Treasury Regulation § 1.409A-2(a)(5);
- Initial deferral elections by a participant in his or her first year of eligibility may be made within 30 days after the date the participant becomes eligible to participate in the applicable plan, with respect to compensation paid for services to be performed after the election and in compliance with Treasury Regulation § 1.409A-2(a)((7);
- Initial deferral elections by a participant with respect to performance-based compensation (as defined under Treasury Regulation § 1.409A-1(e)) may be made on or before the date that is six months before the end of the performance period, provided that (i) the participant was employed continuously from either the beginning of the performance period or the later date on which the performance goal was established, (ii) the election to defer is made before such compensation has become readily ascertainable (i.e., substantially certain to be paid), (iii) the performance period is at least 12 months in length and the performance goal was established no later than 90

days after the commencement of the service period to which the performance goal relates, (iv) the performance-based compensation is not payable in the absence of performance except due to death, disability, a 409A Ownership/Control Change (as defined in Section 9.6(a)(v)(B) of the Jefferies Financial Group Inc. 2003 Incentive Compensation Plan) or as otherwise permitted under Treasury Regulation § 1.409A-1(e), and (v) this initial deferral election must in any event comply with Treasury Regulation § 1.409A-2(a)(8);

- Initial deferral elections resulting in Company matching contributions may be made in compliance with Treasury Regulation § 1.409A-2(a)(9);
- Initial deferral elections may be made to the fullest permitted under other applicable provisions of Treasury Regulation § 1.409A-2(a); and

(2) Further Deferral Elections. The foregoing notwithstanding, for any election to further defer an amount that is deemed to be a deferral of compensation subject to Code Section 409A (to the extent permitted under Company plans, programs and arrangements), any further deferral election made under the Plan shall be subject to the following:

- The further deferral election will not take effect until at least 12 months after the date on which the election is made;
- If the election relates to a distribution event other than a Disability (as defined in Treasury Regulation § 1.409A-3(i)(4)), death, or Unforeseeable Emergency (as defined in Treasury Regulation § 1.409A-3(i)(3)), the payment with respect to which such election is made must be deferred for a period of not less than five years from the date such payment would otherwise have been paid (or in the case of a life annuity or installment payments treated as a single payment, five years from the date the first amount was scheduled to be paid), to the extent required under Treasury Regulation § 1.409A-2(b);
- The requirement that the further deferral election be made at least 12 months before the original deferral amount would be first payable may not be waived by the Administrator, and shall apply to a payment at a specified time or pursuant to a fixed schedule (and in the case of a life annuity or installment payments treated as a single payment, 12 months before the date that the first amount was scheduled to be paid);
- The further deferral election shall be irrevocable when filed with the Company; and
- The further deferral election otherwise shall comply with the applicable requirements of Treasury Regulation § 1.409A-2(b).

(3) Transition Rules. Initial deferral elections and elections to change any existing deferred date for distribution of compensation in any transition period designated under Department of the Treasury and IRS regulations may be permitted by the Company to the fullest extent authorized under transition rules and other applicable guidance under Code Section 409A.

JEFFERIES FINANCIAL GROUP INC. Exhibit 21
Subsidiaries as of November 30, 2020

Name	State/Country of Incorporation
Alumni Forest Products, LLC	Georgia
Baldwin Enterprise, LLC	Colorado
BEI Arch Holdings, LLC	Delaware
BEI Italia Wireless LLC	Delaware
BEI-Longhorn, LLC	Delaware
Chardaho, LLC	Delaware
Foursight Capital LLC	Utah
Foursight Holding LLC	Delaware
Foursight Receivables LLC	Delaware
HF Fulton Street Holdings, LLC	Delaware
HomeFed LLC	Delaware
HomeFed Village III, LLC	Delaware
Idaho Timber Holding LLC	Delaware
Idaho Timber of Carthage, LLC	Idaho
Idaho Timber of Coushatta, LLC	Delaware
Idaho Timber of North Carolina, LLC	Idaho
Idaho Timber of Texas, LLC	Idaho
JED Holding, LLC	Delaware
Jefferies (Japan) Limited	England and Wales
Jefferies Americas II Ltd.	Cayman Islands
Jefferies Asset Management Holdings LLC	Delaware
Jefferies Financial Products LLC	Delaware
Jefferies Financial Services, Inc.	Delaware
Jefferies Funding LLC	Delaware
Jefferies GmbH	Germany
Jefferies Group LLC	Delaware
Jefferies Holdings I Limited	Cayman Islands
Jefferies Holdings II Limited	Cayman Islands
Jefferies Hong Kong Limited	Hong Kong
Jefferies International Limited	United Kingdom/England and Wales
Jefferies Leveraged Credit Products, LLC	Delaware
Jefferies LLC	Delaware
Jefferies Singapore Limited	Singapore
Jefferies Strategic Investments, LLC	Delaware
JETX Energy, LLC	Delaware
JFG Funding, LLC	Delaware
JTOP Investments II LLC	Delaware
JTOP Investments LLC	Delaware
LAM Holding LLC	Delaware
Leucadia Asset Management LLC (f/k/a Jefferies Investment Advisers, LLC)	Delaware
Leucadia Investment Management LLC (f/k/a Leucadia Asset Management LLC)	Delaware
LUK-FX Holdings, LLC	Delaware
LUK Servicing, LLC	Delaware
LUK-Goober, LLC	Delaware
M Science LLC	Delaware
Otay Village III Lender, LLC	Delaware
Phlcorp Holding LLC	Pennsylvania
SR Warehouse LLC	Delaware
Station Place Securitization Trust 2020-WL 1	Delaware
Station Place Securitization Trust, Series 2020-10	Delaware
Vitesse Energy Finance LLC	Delaware
Vitesse Energy, LLC	Delaware

Subsidiaries not included on this list, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of November 30, 2020.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-185318 and No. 333-232532 on Form S-8, and No. 333-238931 on Form S-3ASR of our reports dated January 28, 2021, relating to the financial statements of Jefferies Financial Group Inc. (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K for the year ended November 30, 2020.

/s/Deloitte & Touche LLP

New York, New York
January 28, 2021

Exhibit 23.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated February 25, 2020, with respect to the consolidated financial statements of National Beef Packing Company, LLC and subsidiaries as of December 28, 2019 and for the fiscal years ended December 28, 2019 and December 29, 2018, included in the Annual Report of Jefferies Financial Group Inc. on Form 10-K for the year ended November 30, 2020. We consent to the incorporation by reference of said report in the Registration Statements of Jefferies Financial Group Inc. on Forms S-8 (File No. 333-185318 and No. 333-232532) and Form S-3ASR (File No. 333-238931).

/s/ Grant Thornton LLP
Kansas City, Missouri
January 28, 2021

Exhibit 31.1

CERTIFICATIONS

I, Richard B. Handler, certify that:

1. I have reviewed this annual report on Form 10-K of Jefferies Financial Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 28, 2021

By: /s/ Richard B. Handler

Name: Richard B. Handler

Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Teresa S. Gendron, certify that:

1. I have reviewed this annual report on Form 10-K of Jefferies Financial Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 28, 2021

By: /s/ Teresa S. Gendron

Name: Teresa S. Gendron

Title: Chief Financial Officer

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard B. Handler, as Chief Executive Officer of Jefferies Financial Group Inc. (the "Company") certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Annual Report on Form 10-K for the period ending November 30, 2020 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 28, 2021 By: /s/ Richard B. Handler

Name: Richard B. Handler
Title: Chief Executive Officer

Exhibit 32.2

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Teresa S. Gendron, as Chief Financial Officer of Jefferies Financial Group Inc. (the "Company") certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Annual Report on Form 10-K for the period ending November 30, 2020 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 28, 2021 By: /s/ Teresa S. Gendron

Name: Teresa S. Gendron
Title: Chief Financial Officer