

Jefferies Group LLC
Form 10-K
January 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended November 30, 2015

OR

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

For the transition period from to
Commission file number 1-14947

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

Delaware 95-4719745
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

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

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý 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 ý

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 ý No ..

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

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

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10-K. "

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller Reporting company ☐

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$0 as of May 31, 2015.

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

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November 30, 2015

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JEFFERIES GROUP LLC AND SUBSIDIARIES

PART I

Item 1. Business.

Introduction

Jefferies Group LLC and its subsidiaries operate as a global full service, integrated securities and investment banking firm. Our largest operating subsidiary, Jefferies LLC (“Jefferies”), was founded in the U.S. in 1962 and our first international operating subsidiary, Jefferies International Limited (“Jefferies Europe”), was established in the U.K. in 1986. On March 1, 2013, we converted into a limited liability company (renamed Jefferies Group LLC) and became an indirect wholly owned subsidiary of Leucadia National Corporation (“Leucadia”) (referred to herein as the “Leucadia Transaction”). Richard Handler, our Chief Executive Officer and Chairman, is Leucadia's Chief Executive Officer and Brian P. Friedman, our Chairman of the Executive Committee, is Leucadia’s President. Messrs. Handler and Friedman are also Leucadia Directors. We are an SEC reporting company and retain a credit rating separate from Leucadia. At November 30, 2015, we had approximately 3,550 employees in the Americas, Europe, Asia and the Middle East. Our global headquarters and executive offices are located at 520 Madison Avenue, New York, New York 10022. We also have regional headquarters in London and Hong Kong. Our primary telephone number is (212) 284-2550 and our Internet address is jefferies.com.

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

Earnings Releases and Other Public Announcements

• Annual and interim reports on Form 10-K;

• Quarterly reports on Form 10-Q;

• Current reports on Form 8-K;

• Code of Ethics;

• Reportable waivers, if any, from our Code of Ethics by our executive officers;

• Board of Directors Corporate Governance Guidelines;

• Charter of the Corporate Governance and Nominating Committee of the Board of Directors;

• Charter of the Compensation Committee of the Board of Directors;

• Charter of the Audit Committee of the Board of Directors; and

• Any amendments to the above-mentioned documents and reports.

We expect to use our website as our main form of communication of significant news. We encourage you to visit our website for additional information. In addition, you may also obtain a printed copy of any of the above documents or reports by sending a request to Investor Relations, Jefferies Group LLC, 520 Madison Avenue, New York, NY 10022, by calling 203-708-5975 or by sending an email to info@jefferies.com.

Business Segments

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

Financial information regarding our reportable business segments at November 30, 2015, November 30, 2014 and November 30, 2013 is set forth in Note 22, Segment Reporting, in this Annual Report on Form 10-K.

Our Businesses

Capital Markets

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

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Equities

Equities Research, Sales and Trading

We provide our clients full-service equities research, sales and trading capabilities across global securities markets. We earn commissions or spread revenue by executing, settling and clearing transactions for clients across these markets in equity and equity-related products, including common stock, American depository receipts, global depository receipts, exchange traded funds, exchange-traded and over-the-counter (“OTC”) equity derivatives, convertible and other equity-linked products and closed-end funds. Our equity research, sales and trading efforts are organized across three geographical regions: the Americas; Europe, the Middle East and Africa (“EMEA”); and Asia Pacific. Our main product lines within the regions are cash equities, electronic trading, derivatives and convertibles. Our clients are primarily institutional market participants such as mutual funds, hedge funds, investment advisors, pension and profit sharing plans and insurance companies. Through our global research team and sales force, we maintain relationships with our clients, distribute investment research and strategy, trading ideas, market information and analyses across a range of industries and receive and execute client orders. Our equity research covers over 2,000 companies around the world and a further nearly 700 companies are covered by eight leading local firms in Asia Pacific with whom we maintain alliances.

Equity Finance

Our Equity Finance business provides financing, securities lending and other prime brokerage services. We offer prime brokerage services in the U.S. that provide hedge funds, money managers and registered investment advisors with execution, financing, clearing, reporting and administrative services. We finance our clients’ securities positions through margin loans that are collateralized by securities, cash or other acceptable liquid collateral. We earn an interest spread equal to the difference between the amount we pay for funds and the amount we receive from our clients. We also operate a matched book in equity and corporate bond securities, whereby we borrow and lend securities versus cash or liquid collateral and earn a net interest spread. We offer selected prime brokerage clients with the option of custodizing their assets at an unaffiliated U.S. broker-dealer that is a subsidiary of a bank holding company. Under this arrangement, we provide our clients directly with all customary prime brokerage services.

Wealth Management

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

Fixed Income

Fixed Income Sales and Trading

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

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

Futures and Foreign Exchange

In April 2015 we entered into a definitive agreement to transfer most of our futures activities to Société Générale S.A. That transaction closed in the second quarter of 2015. As of the end of 2015, our futures business consists solely of executing certain customer and proprietary futures orders.

We also offer trade execution in foreign exchange spot, forward, swap and option contracts across major currencies.

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Investment Banking

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

Approximately 750 investment banking professionals operate in the Americas, Europe and Asia, and are organized into industry, product and geographic coverage groups. Our sector coverage groups include Consumer & Retailing; Financial Institutions; Industrials; Healthcare; Energy; Real Estate, Gaming & Lodging; Media & Telecommunications; Technology; Financial Sponsors and State & Local Governments. Our product coverage groups include equity capital markets; debt capital markets; financial advisory, which includes both mergers and acquisitions and restructuring and recapitalization and U.K. corporate broking. Our geographic coverage groups include coverage teams based in major cities in the United States, Canada, Brazil, United Kingdom, France, Germany, Sweden, India, United Arab Emirates, China and Singapore.

Equity Capital Markets

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

Debt Capital Markets

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

Advisory Services

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

Asset Management

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

Our strategic investment programs are systematic, multi-strategy, multi-asset class programs with the objective of generating a steady stream of absolute returns irrespective of the direction of major market indices or phase of the economic cycle. These strategies are provided through both long-short equity private funds and separately managed accounts. Our special situation programs consist of managed account and hedge fund offerings that employ event driven strategies evaluating corporate events, including mergers and restructuring for investment opportunities.

Our global macro programs consist of managed account and hedge fund offerings and are designed to profit from deep-rooted global macroeconomic trends.

Leucadia has made investments in certain managed accounts and funds managed by these programs and, accordingly, a portion of the net results are allocated to Leucadia.

Competition

All aspects of our business are intensely competitive. We compete primarily with large global bank holding companies that engage in capital markets activities, but also with firms listed in the AMEX Securities Broker/Dealer Index, other brokers and dealers, and boutique investment banking firms. The large global bank holding companies have substantially greater capital and resources than we do. We believe that the principal factors affecting our competitive standing include the quality, experience and skills of

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our professionals, the depth of our relationships, the breadth of our service offerings, our ability to deliver consistently our integrated capabilities, and our tenacity and commitment to serve our clients.

Regulation

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

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

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

U.S. registered FCMs are subject to the CFTC’s minimum financial requirements for futures commission merchants and introducing brokers. Jefferies Group LLC is not a registered FCM or a registered Introducing Broker, and is therefore not subject to the CFTC’s minimum financial requirements; however, Jefferies is registered as an FCM and is therefore subject to the minimum financial requirements. Under the minimum financial requirements, an FCM must maintain adjusted net capital equal to or in excess of the greater of (A) \$1,000,000 or (B) the FCM’s risk-based capital requirements totaling (1) eight percent of the total risk margin requirement for positions carried by the FCM in customer accounts, plus (2) eight percent of the total risk margin requirement for positions carried by the FCM in noncustomer accounts. An FCM’s ability to make capital and certain other distributions is subject to the rules and

regulations of various exchanges, clearing organizations and other regulatory agencies which may have capital requirements that are greater than the CFTC's. Jefferies, as a dually registered broker-dealer and FCM, is required to maintain net capital in excess of the greater of the SEC or CFTC minimum financial requirements.

During October 2015, Jefferies ceased being a full-service FCM. As a result, Jefferies no longer carries customer or proprietary accounts or holds any customer monies or funds. While Jefferies may execute certain customer orders, it no longer clears such transactions.

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

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See Net Capital within Item 7. Management's Discussion and Analysis and Note 21, Net Capital Requirements in this Annual Report on Form 10-K for additional discussion of net capital calculations.

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

Item 1A. Risk Factors.

Factors Affecting Our Business

The following factors describe some of the assumptions, risks, uncertainties and other factors that could adversely affect our business or that could otherwise result in changes that differ materially from our expectations. In addition to the specific factors mentioned in this report, we may also be affected by other factors that affect businesses generally such as global or regional changes in economic or business conditions, acts of war, terrorism and natural disasters. Recent legislation and new and pending regulation may significantly affect our business.

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

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

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

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

The financial services industry is subject to extensive laws, rules and regulations in every country in which we operate. Firms that engage in securities and derivatives trading, wealth and asset management and investment banking must comply with the laws, rules and regulations imposed by national and state governments and regulatory and self-regulatory bodies with jurisdiction over such activities. Such laws, rules and regulations cover all aspects of the financial services business, including, but not limited to,

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sales and trading methods, trade practices, use and safekeeping of customers' funds and securities, capital structure, anti-money laundering and anti-bribery and corruption efforts, recordkeeping and the conduct of directors, officers and employees.

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

The European Market Infrastructure Regulation ("EMIR") was enacted in August 2012 and, in common with the Dodd-Frank Act in the U.S., is intended, among other things, to reduce counterparty risk by requiring standardized over-the-counter derivatives be cleared through a central counterparty and reported to registered trade repositories. EMIR is being introduced in phases in the U.K., with implementation of additional requirements expected through 2019. The EU finalized the Markets in Financial Instruments Regulation and a revision of the Market in Financial Instruments Directive, both of which are expected to become effective in January 2018. These give effect to the G-20 commitments, including new market structure-related, reporting, investor protection-related and organizational requirements, requirements on pre- and post-trade transparency, requirements to use certain venues when trading financial instruments (which includes certain derivative instruments), requirements affecting the way investment managers can obtain research, powers of regulators to impose position limits and provisions on regulatory sanctions. The European Commission's changes to the Capital Requirements Directive ("CRD") comprising CRD IV and the Capital Requirements Regulation ("CRR") became effective January 1, 2014 implementing Basel III in the UK and imposing higher requirements around capital quality and liquidity monitoring. The EU is also currently considering or executing upon significant revisions to law covering: resolution of banks, investment firms and market infrastructure; administration of financial benchmarks; credit rating activities; anti-money-laundering controls; data security and privacy; remuneration principles and proportionality; disclosures under the Basel regime aiming to increase market transparency and consistency; and corporate governance in financial firms.

Additional legislation, changes in rules, changes in the interpretation or enforcement of existing laws and rules, or the entering into businesses that subject us to new rules and regulations may directly affect our business, results of operations and financial condition. We continue to monitor the impact of new European regulation on our businesses. Changing conditions in financial markets and the economy could result in decreased revenues, losses or other adverse consequences.

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

• A market downturn could lead to a decline in the volume of transactions executed for customers and, therefore, to a decline in the revenues we receive from commissions and spreads.

• Unfavorable financial or economic conditions could reduce the number and size of transactions in which we provide underwriting, financial advisory and other services. Our investment banking revenues, in the form of financial advisory and sales and trading or placement fees, are directly related to the number and size of the transactions in which we participate and could therefore be adversely affected by unfavorable financial or economic conditions.

• Adverse changes in the market could lead to losses from principal transactions on our inventory positions.

• Adverse changes in the market could also lead to a reduction in revenues from asset management fees and investment income from managed funds and losses on our own capital invested in managed funds. Even in the absence of a

market downturn, below-market investment performance by our funds and portfolio managers could reduce asset management revenues and assets under management and result in reputational damage that might make it more difficult to attract new investors.

Limitations on the availability of credit, such as occurred during 2008, can affect our ability to borrow on a secured or unsecured basis, which may adversely affect our liquidity and results of operations. Global market and economic conditions have been particularly disrupted and volatile in the last several years and may be in the future. Our cost and availability of funding could be affected by illiquid credit markets and wider credit spreads.

New or increased taxes on compensation payments such as bonuses or on balance sheet items may adversely affect our profits.

Should one of our customers or competitors fail, our business prospects and revenue could be negatively impacted due to negative market sentiment causing customers to cease doing business with us and our lenders to cease loaning us money, which could adversely affect our business, funding and liquidity.

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

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

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

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

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

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

We may incur losses if our risk management is not effective.

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

As a holding company, we are dependent for liquidity from payments from our subsidiaries, many of which are subject to restrictions.

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

lend or transact with affiliates and to minimum regulatory capital requirements.

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

All aspects of our business are intensely competitive. We compete directly with a number of bank holding companies and commercial banks, other brokers and dealers, investment banking firms and other financial institutions. In addition to competition from firms currently in the securities business, there has been increasing competition from others offering financial services, including automated trading and other services based on technological innovations. We believe that the principal factors affecting competition

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involve market focus, reputation, the abilities of professional personnel, the ability to execute the transaction, relative price of the service and products being offered, bundling of products and services and the quality of service. Increased competition or an adverse change in our competitive position could lead to a reduction of business and therefore a reduction of revenues and profits.

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

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

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

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

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

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and devote significant resources to maintaining and upgrading our systems and networks with measures such as intrusion and detection prevention systems, monitoring firewall to safeguard critical business applications and supervising third party providers that have access to our systems, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. Additionally, if a client's computer system, network or other technology is compromised by unauthorized access, we may face losses or other adverse consequences by unknowingly entering into unauthorized transactions. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks. Furthermore, such events may cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations, including the transmission and execution of unauthorized transactions. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. The increased use of smartphones, tablets and other mobile devices as well as cloud computing may also heighten these and other operational risks. Similar to other firms, we and our third party providers continue to be the subject of attempted unauthorized access, computer viruses and malware, and cyber attacks designed to disrupt or degrade service or cause other damage and denial of service. Additional challenges are posed by external parties, including foreign state actors. There can be no assurance that such unauthorized access or cyber incidents will not occur in the future, and they could occur more frequently and on a larger scale.

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

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

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

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

Legal liability may harm our business.

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

Our business is subject to significant credit risk.

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

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

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

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

Item 1B.

Unresolved Staff Comments.

None.

Item 2.

Properties.

We maintain offices in over 30 cities throughout the world including, in the United States, New York, Charlotte, Chicago, Boston, Houston, Los Angeles, San Francisco, Stamford, and Jersey City, and internationally, London, Frankfurt, Milan, Paris, Zurich,

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Dubai, Hong Kong, Singapore, Tokyo and Mumbai. In addition, we maintain backup data center facilities with redundant technologies for each of our three main data center hubs in Jersey City, London and Hong Kong. We lease all of our office space, or contract via service arrangement, which management believes is adequate for our business.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

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

Prior to the Leucadia Transaction, our common stock was traded on the NYSE under the symbol JEF. On March 1, 2013, all of our outstanding common shares were exchanged for shares of Leucadia, our common stock was delisted and there is no longer a public trading market for our common stock. Our ability to pay distributions to Leucadia is subject to the restrictions set forth in the governing provisions of the Delaware Limited Liability Company Act. We do not currently anticipate making distributions.

Dividends per Common Share (declared) were as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2015	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A
2013	\$0.075	N/A	N/A	N/A

Item 6. Selected Financial Data.

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

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

This report contains or incorporates by reference “forward looking statements” within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward looking statements include statements about our future and statements that are not historical facts. These forward looking statements are usually preceded by the words “believe,” “intend,” “may,” “will,” or similar expressions. Forward looking statements may contain expectations regarding revenues, earnings, operations and other results, and may include statements of future performance, plans and objectives. Forward looking statements also include statements pertaining to our strategies for future development of our business and products. Forward looking statements represent only our belief regarding future events, many of which by their nature are inherently uncertain. It is possible that the actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward looking statements is contained in this report and other documents we file. You should read and interpret any forward looking statement together with these documents, including the following:

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

Any forward looking statement speaks only as of the date on which that statement is made. We will not update any forward looking statement to reflect events or circumstances that occur after the date on which the statement is made, except as required by applicable law.

Consolidated Results of Operations

On March 1, 2013, Jefferies Group, Inc. converted into a limited liability company (renamed Jefferies Group LLC) and became an indirect wholly owned subsidiary of Leucadia National Corporation (“Leucadia”) pursuant to an agreement with Leucadia (the “Leucadia Transaction”). Each outstanding share of Jefferies Group LLC was converted into 0.81 of a common share of Leucadia

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(the “Exchange Ratio”). Jefferies Group LLC operates as a full-service investment banking firm and as the holding company to its various regulated and unregulated operating subsidiaries, retains a credit rating separate from Leucadia and is an SEC reporting company, filing annual, quarterly and periodic financial reports. Richard Handler, our Chief Executive Officer and Chairman, is the Chief Executive Officer of Leucadia, as well as a Director of Leucadia. Brian P. Friedman, our Chairman of the Executive Committee, is Leucadia’s President and a Director of Leucadia. (See Note 1, Organization and Basis of Presentation in our consolidated financial statements for further information.)

In Management’s Discussion and Analysis of Financial Condition and Results of Operations, we have presented the historical financial results in the tables that follow for the periods before and after the Leucadia Transaction. The period prior to March 1, 2013 is referred to as the Predecessor period, while periods after March 1, 2013 are referred to as Successor periods to reflect the fact that under U.S. generally accepted accounting principles (“U.S. GAAP”) Leucadia’s cost of acquiring Jefferies Group LLC has been pushed down to create a new accounting basis for Jefferies Group LLC. The Predecessor and Successor periods have been separated by a vertical line to highlight the fact that the financial information for such periods has been prepared under two different cost bases of accounting. Our financial results of operations are discussed separately for the following periods (i) the year ended November 30, 2015 and the year ended November 30, 2014 and the nine months ended November 30, 2013 (the “Successor periods”) and (ii) the three months ended February 28, 2013 (the “Predecessor period”) The following table provides an overview of our consolidated results of operations (in thousands):

	Successor Year Ended November 30, 2015 (1)	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Predecessor Three Months Ended February 28, 2013
Net revenues, less interest on mandatorily redeemable preferred interests	\$2,475,241	\$2,990,138	\$2,137,313	\$807,583
Non-interest expenses	2,361,014	2,687,117	1,873,018	668,096
Earnings before income taxes	114,227	303,021	264,295	139,487
Income tax expense	18,898	142,061	94,686	48,645
Net earnings	95,329	160,960	169,609	90,842
Net earnings to noncontrolling interests	1,795	3,400	8,418	10,704
Net earnings attributable to Jefferies Group LLC / common stockholders	93,534	157,560	161,191	80,138
Effective tax rate	16.5	% 46.9	% 35.8	% 34.9

(1) Our results of operations for the year ended November 30, 2015 as reported in this Annual Report on Form 10-K differ from the results of operations as presented in our Current Report on Form 8-K, dated December 15, 2015 to reflect post-closing adjustments for inventory valuations, increases in legal reserves and accruals of certain expenses. The net impact of these adjustments was to decrease Net earnings attributable to Jefferies Group LLC for the reported period from that previously disclosed by \$4.5 million. As a result of these adjustments, Total net revenues decreased by \$9,000 from \$2,475.250 million to \$2,475.241 million and Total Non-interest expenses increased by \$7.6 million from \$2,353.5 million to \$2,361.0 million. The tax effect of these adjustments was to decrease income tax expense by \$3.0 million from \$21.9 million to \$18.9 million.

Executive Summary

Year Ended November 30, 2015

Net revenues, less interest on mandatorily redeemable preferred interests for the year ended November 30, 2015 were \$2,475.2 million, primarily reflecting challenging market conditions in fixed income throughout the year, partially offset by increased revenues in equities. Almost all our fixed income credit businesses were impacted by lower levels of liquidity due to the expectations of interest rate increases by the Federal Reserve and deterioration in the global energy and distressed markets. There were a number of periods of extreme volatility, which were followed by periods of low trading volume. The results for the year ended November 30, 2015 reflect within Net revenues positive income of \$100.2 million from the amortization of premiums arising from recognizing our long-term debt at fair value as part of the pushdown accounting for the Leucadia Transaction. Results in the year ended November 30, 2015 also include a net gain of \$49.1 million from our investment in KCG Holdings, Inc. ("KCG").

Non-interest expenses were \$2,361.0 million for the year ended November 30, 2015 and include Compensation and benefits expense of \$1,467.1 million recognized commensurate with the level of net revenues for the year. Compensation and benefits expenses as a percentage of Net revenues was 59.3% for the year ended November 30, 2015. Non-interest expenses include \$4.1

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million in additional lease expense related to recognizing existing leases at their current market value, incremental amortization expense of \$14.8 million associated with intangible assets and internally developed software recognized at the Leucadia Transaction date, and \$13.3 million of additional amortization expense related to the write-up of the cost of outstanding share-based awards which had future service requirements and was recognized in connection with the Leucadia Transaction.

On April 9, 2015, we entered into an agreement to transfer certain of the client activities of our Jefferies Bache (also referred to as Futures) business to Société Générale S.A. At November 30, 2015, we have transferred all of our client accounts to Société Générale S.A. and other brokers. We substantially completed the exit of the Bache business during the third quarter of fiscal 2015. We expect to incur additional restructuring and exit costs in fiscal 2016 in connection with our exit activities.

Total non-interest expenses, since the agreement on April 9, 2015, include costs of \$73.1 million, on a pre-tax basis, related to our exit of the Bache business. The after-tax impact of these costs is \$52.6 million. These costs consist primarily of severance, retention and benefit payments for employees, incremental amortization of outstanding restricted stock and cash awards, contract termination costs and incremental amortization expense of capitalized software expected to no longer be used subsequent to the wind-down of the business. Net revenues from this business activity for the year ended November 30, 2015, which are included within our fixed income results, were \$80.2 million. This is comprised of commissions, principal transaction revenues and net interest revenues. Expenses directly related to the Bache business, which are included within non-interest expenses, for the year ended November 30, 2015 were \$214.8 million. For further information, refer to Note 24, Exit Costs in our consolidated financial statements.

At November 30, 2015, we had 3,557 employees globally, a decrease of 358 employees from our headcount at November 30, 2014 of 3,915. Since November 30, 2014, our headcount has decreased due to headcount reductions related to the exiting of the Bache business and corporate services outsourcing, partially offset by increases across our investment banking, equities and asset management businesses.

Year Ended November 30, 2014

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

Non-interest expenses were \$2,687.1 million for the year ended November 30, 2014 and include Compensation and benefits expense of \$1,698.5 million recognized commensurate with the level of net revenues for the year.

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

Net revenues from the Bache business activity for the year ended November 30, 2014, which are included within our fixed income results, were \$202.8 million. This is comprised of commissions, principal transaction revenues and net interest revenues. Expenses directly related to the Bache business, which are included within non-interest expenses, for the year ended November 30, 2014 were \$348.2 million. For further information, refer to Note 24, Exit Costs in our consolidated financial statements.

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

Nine Months Ended November 30, 2013

Net revenues, less mandatorily redeemable preferred interests, for the nine months ended November 30, 2013 were \$2,137.3 million reflecting a challenging environment for our fixed income businesses during portions of the period, partially offset by strong results in equities and investment banking. The results for the nine month period reflect within Net revenues positive income

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of \$73.8 million, representing the amortization of premiums arising from recognizing our long-term debt at fair value as part of the pushdown accounting for the Leucadia Transaction and gains of \$89.3 million in aggregate from our investments in KCG and HRG.

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

Net revenues from the Bache business activity for the nine months ended November 30, 2013, which are included within our fixed income results, were \$158.4 million. This is comprised of commissions, principal transaction revenues and net interest revenues. Expenses directly related to the Bache business, which are included within non-interest expenses, for the year ended November 30, 2014 were \$193.4 million. For further information, refer to Note 24, Exit Costs in our consolidated financial statements.

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

Three Months Ended February 28, 2013

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

Net revenues from the Bache business activity for the three months ended February 28, 2013, which are included within our fixed income results, were \$56.1 million. This is comprised of commissions, principal transaction revenues and net interest revenues. Expenses directly related to the Bache business, which are included within non-interest expenses, for the year ended November 30, 2014 were \$65.8 million. For further information, refer to Note 24, Exit Costs in our consolidated financial statements.

Revenues by Source

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

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

business's associated assets and liabilities and the related funding costs.

The composition of our net revenues has varied over time as financial markets and the scope of our operations have changed. The composition of net revenues can also vary from period to period due to fluctuations in economic and market conditions, and our own performance. The following provides a summary of "Revenues by Source" (amounts in thousands):

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	Successor Year Ended November 30, 2015 (1)		Year Ended November 30, 2014		Nine Months Ended November 30, 2013		Predecessor Three Months Ended February 28, 2013	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Equities	\$757,447	30.7 %	\$696,221	23.3 %	\$582,355	27.4 %	\$167,354	20.4 %
Fixed income	270,772	10.9	747,596	25.0	504,092	23.5	352,029	43.0
Total sales and trading	1,028,219	41.6	1,443,817	48.3	1,086,447	50.9	519,383	63.4
Other	—	—	—	—	4,624	0.2	—	—
Equity	408,474	16.5	339,683	11.4	228,394	10.7	61,380	7.5
Debt	398,179	16.1	627,536	21.0	415,932	19.4	140,672	17.2
Capital markets	806,653	32.6	967,219	32.4	644,326	30.1	202,052	24.7
Advisory	632,354	25.5	562,055	18.8	369,191	17.2	86,226	10.5
Total investment banking	1,439,007	58.1	1,529,274	51.2	1,013,517	47.3	288,278	35.2
Asset management fees and investment income (loss) from managed funds:								
Asset management fees	31,819	1.3	26,682	0.9	26,473	1.2	11,083	1.4
Investment income (loss) from managed funds	(23,804)	(1.0)	(9,635)	(0.4)	9,620	0.4	(200)	—
Total	8,015	0.3	17,047	0.5	36,093	1.6	10,883	1.4
Net revenues	2,475,241	100.0 %	2,990,138	100.0 %	2,140,681	100.0 %	818,544	100.0 %
Interest on mandatorily redeemable preferred interests of consolidated subsidiaries	—		—		3,368		10,961	
Net revenues, less interest on mandatorily redeemable preferred interests	\$2,475,241		\$2,990,138		\$2,137,313		\$807,583	

(1) Equities revenues and Fixed income revenues for the year ended November 30, 2015 as reported in this Annual Report on Form 10-K differ from the results of operations as presented in our Current Report on Form 10-K, dated December 15, 2015 to reflect post-closing adjustments for inventory valuations. The net impact of the adjustments was to reduce Equities revenues by \$1.0 million and increase Fixed income revenues by \$1.0 million.

Net Revenues

Year Ended November 30, 2015

Net revenues for the year ended November 30, 2015 were \$2,475.2 million, primarily reflecting lower fixed income revenues due to challenging market conditions and global economic pressures, partially offset by higher revenues in equities. Investment banking revenues for the year ended November 30, 2015 were \$1,439.0 million, reflecting record equity capital markets and advisory revenues, partially offset by lower debt capital markets revenue. Overall, capital markets revenues were \$806.7 million, primarily due to lower transaction volume in the leveraged finance and energy debt capital markets. Fixed income revenues for the year ended November 30, 2015 were \$270.8 million primarily driven by lower trading volumes and mark to market losses in distressed trading, as a result of lower levels of liquidity due to the future expectations of Federal Reserve rate increases and the deterioration of the global energy markets. The wind-down of our Bache business also contributed to the lower fixed income revenues. Results in the year ended November 30, 2015 reflect revenues in our equities business of \$757.4 million. Results in the year ended November 30, 2015 also include a net gain of \$49.1 million from our investment in KCG. Net revenues from our asset management business were \$8.0 million for the year ended November 30, 2015, as a result of asset management fees of \$31.8 million, partially offset by investment losses from managed funds of \$23.8 million.

Year Ended November 30, 2014

Net revenues for the year ended November 30, 2014 were \$2,990.1 million, reflecting record investment banking revenues, partially offset by lower revenues due to challenging trading environments in our fixed income business, particularly in the fourth quarter of 2014. Our core equities business performed relatively well during the year ended November 30, 2014. The 2014 results include a loss of \$14.7 million from our investment in KCG and a gain of \$19.9 from our investment in HRG, the latter of which we sold

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to Leucadia in March 2014. Asset management fee results were offset by write-downs on certain of our investments in unconsolidated funds and the exclusion of fees from our ownership interest in CoreCommodity Management, LLC ("CoreCommodity"), which we restructured on September 11, 2013.

Nine Months Ended November 30, 2013

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

Three Months Ended February 28, 2013

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

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

Equities Revenue

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

Year Ended November 30, 2015

Total equities revenue was \$757.4 million for the year ended November 30, 2015. Results in the year ended November 30, 2015 include a net gain of \$49.1 million from our investment in KCG. Also included within interest expense allocated to our equities business is positive income of \$48.9 million related to the amortization of premiums arising from the adjustment of our long-term debt to fair value as part of accounting for the Leucadia Transaction

U.S. equity market conditions were characterized by instability in stock prices and moderate economic growth. In the equity markets, the NASDAQ Composite Index increased 6.6% and the S&P 500 Index increased 0.6%, while the Dow Jones Industrial Average decreased by 0.6% during the fiscal year. In Europe and Asia, the recovery remains gradual and economic developments vary across regions. Strong revenues, as a result of increased trading volumes, from our electronic trading platform contributed to higher commissions revenues. Total equities revenue also includes higher revenues from the Asia equity cash desk and net mark-to-market gains from equity investments, as well as growth from our wealth management platform. This was partially offset by lower revenues from equity block trading results from our U.S. equity cash desk and lower commissions in our Europe equity cash desk.

Equities revenue from our Jefferies LoanCore joint venture during the year ended November 30, 2015 includes higher revenues from an increase in loan closings and securitizations by the venture over the comparable prior year period. Equities revenue from our Jefferies Finance joint venture during the year ended November 30, 2015 includes lower revenues as a result of syndicate costs associated with the sell down of commitments, as well as reserves taken on certain loans held for investment as compared with the prior year period.

Year Ended November 30, 2014

Total equities revenue was \$696.2 million for the year ended November 30, 2014. Equities revenue includes losses of \$14.7 million from our investment in KCG and a gain of \$19.9 from our investment in HRG, as compared to gains of \$116.8 million recognized

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primarily in the fourth quarter of fiscal 2013. Revenues also include an unrealized gain of \$8.9 million from marking to market the option on Leucadia shares embedded in our 3.875% Senior Convertible Debentures. Additionally, during the first quarter of 2014, we recognized a gain of \$12.2 million in connection with our investment in CoreCommodity, which was transferred to Leucadia on February 28, 2014. Also included within interest expense allocated to our equities business is positive income of \$45.1 million related to the amortization of premiums arising from the adjustment of our long-term debt to fair value as part of accounting for the Leucadia Transaction.

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

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

Nine Months Ended November 30, 2013

Total equities revenue was \$582.4 million for the nine months ended November 30, 2013. Equities revenue includes within Principal transaction revenues a gain of \$19.5 million on our investment in KCG, a gain of \$69.8 million from our investment in HRG and an unrealized gain of \$6.9 million from marking to market the option on Leucadia shares embedded in our 3.875% Senior Convertible Debentures. In addition, included within Interest expense is positive income of \$33.7 million from the allocation to our equities business of a portion of the amortization of premiums arising from the adjustment of our long-term debt to fair value as part of accounting for the Leucadia Transaction. U.S. equity market conditions during the period were characterized by continually increasing stock prices as the U.S. government maintained its monetary stimulus program. In the equity markets, the NASDAQ Composite Index, the S&P 500 Index and the Dow Jones Industrial Average increased by 28%, 19% and 14%, respectively, over the nine month period ended November 30, 2013, with the S&P Index registering a series of record closing highs. However, during the nine months ended November 30, 2013, economic data in the U.S. continued to indicate a slow recovery and geopolitical concerns regarding the Middle East and a U.S. federal government shutdown added volatility in the U.S. and international markets. Despite the rally in the equity markets in 2013, overall market volumes were subdued moderating customer flow in our U.S. cash equity business, although we benefited from certain block trading opportunities during the period.

In Europe, liquidity returned to the market as the European Central Bank convinced investors that it would not allow the Eurozone to break up aiding results to both our cash and option desks, although the results are still impacted by relatively low trading volumes given the region's fragile economy. Additionally, Asian equity commissions are stronger, particularly in Japan with new monetary policies increasing trading volumes on the Nikkei Exchange. Our Securities Finance desk also contributed solidly to Equities revenue for the period and the performance of certain strategic investment strategies were strong. Revenue from our sales and trading of convertible securities for the nine months are reflective of increased market share as we have expanded our team in this business. Net earnings from our Jefferies Finance and Jefferies LoanCore joint ventures reflect a solid level of securitization deals and loan closings

during the 2013 nine month period.

Three Months Ended February 28, 2013

Total equities revenue was \$167.4 million for the three months ended February 28, 2013 and includes within Principal transaction revenues an unrealized gain of \$26.5 million recognized on our investment in KCG. While U.S. equity markets posted gains during our first quarter, with the S&P index up 7%, investors remained cautious as evidenced by declining volumes. Although market

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volumes declined, our equity trading desks experienced ample client trading volumes. For the three months ended February 28, 2013, performance from certain strategic investments benefited from the increase in the overall stock markets and other positioning.

Fixed Income Revenue

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

Year Ended November 30, 2015

Total fixed income revenue was \$270.8 million for the year ended November 30, 2015. The lower revenues were primarily due to tighter trading conditions across most core businesses and losses in our high yield distressed sales and trading business and international mortgages business, partially offset by higher revenues in our U.S. and International rates businesses, as well as our U.S. investment grade corporate credit business. Included within Interest expense for the year is positive income of \$51.3 million from the allocation to our fixed income business of a portion of the amortization of premiums arising from adjusting our long-term debt to fair value as part of accounting for the Leucadia Transaction.

During the year ended November 30, 2015, the fixed income markets were impacted at various points by the expectations of and uncertainty related to interest rate increases by the Federal Reserve, deterioration in the global energy markets, the slowdown of China's economic growth, geopolitical concerns in the Middle East, the potential of a Greece default, and economic uncertainty, which led to volatility in currency markets. The uncertainty as to the timing of the interest rate increases by the Federal Reserve and extremely low rates globally drove investors to seek spread and yield primarily in more liquid investments. The higher revenues in our U.S. and International rates businesses, as well as our U.S. investment grade corporate credit business, resulted from higher transaction volumes as volatility caused attractive yields and interest in new issuances. However, that same volatility negatively impacted the municipal securities business as prices declined and the sector experienced overall net cash outflows. Most of our credit fixed income businesses were negatively impacted during the year ended November 30, 2015 by periods of extreme volatility and market conditions, as investors focused on liquidity, resulting in periods of low trading volume during the year. In addition, results in our distressed trading businesses were negatively impacted by our position in the energy sector and led to mark-to-market write-downs in our inventory and results in our emerging markets business were lower due to slower growth in the emerging markets during the year. Revenues from futures sales and trading were also lower for the year ended November 30, 2015 as we exited this business activity. Our mortgages business was also negatively impacted by market volatility as credit spreads tightened for these asset classes and expectations of future rate increases resulted in lower trading volumes and revenues.

Year Ended November 30, 2014

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

The fixed income markets during the year ended November 30, 2014 were impacted at various points by uncertainty with respect to U.S. economic data and concerns about the global economy, as well as reactions to legal matters regarding Freddie Mac and Fannie Mae and anticipated monetary policy, which created market uncertainty. Client trading demand was lower across most of the fixed income platform with the exception of increased customer flow in our international rates business, which benefited from tightening yields in Europe. Credit spreads continued to tighten

as the U.S. Federal Reserve continued to taper its bond buyback program at a measured pace. In the fourth quarter of 2014, the volatility in the equity markets and the lowering of oil prices, put downward pressure on high yield bonds, especially those in the energy and transport sectors, as well as on the distressed trading markets. We experienced a decline in the results of our efforts in distressed trading for the year, which was primarily due to mark to market inventory losses as a result of the broad sell-off in distressed and post-reorganization securities, although investor interest in high yield asset classes was strong during the year as investors continued to migrate to certain asset classes in search of higher yields. Futures sales and trading revenues for the year ended November 30, 2014 were negatively impacted by challenging market conditions for foreign currency trading and U.S. futures trading given political and economic instability in various global environments.

Nine Months Ended November 30, 2013

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

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The second quarter of fiscal 2013 was characterized by improving U.S. macroeconomic conditions, and, through the first half of May 2013, the U.S. Federal Reserve's policies resulted in historically low yields for fixed income securities motivating investors to take on more risk in search for yield. In May 2013, however, the Treasury market experienced a steep sell-off and credit spreads widened across the U.S. fixed income markets in reaction to an anticipated decrease in Federal Reserve treasury issuances and mortgage debt security purchases in future periods. These market conditions negatively impacted our U.S. rates, corporates and U.S. mortgages revenues through August as the volatility made it difficult to realize net revenue from our customer flow. In the latter part of the 2013 year, the fixed income markets stabilized with lower volatility and tightening spreads increasing overall customer flows across the various fixed income product classes.

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

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

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

Three Months Ended February 28, 2013

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

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

Other Revenue

Other revenue for the nine months ended November 30, 2013 includes a gain of \$4.6 million related to the restructuring of our ownership interest in our commodity asset management business.

Investment Banking Revenue

We provide capital markets and financial advisory services to our clients across most industry sectors in the Americas, Europe and Asia. Capital markets revenue includes underwriting and placement revenue related to corporate debt, municipal bonds, mortgage- and asset-backed securities and equity and equity-linked securities. Advisory revenue consists primarily of advisory

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and transaction fees generated in connection with merger, acquisition and restructuring transactions. The following table sets forth our investment banking revenue (in thousands):

	Successor Year Ended November 30, 2015	Year Ended November 30, 2014	Nine Months Ended November 30, 2013	Predecessor Three Months Ended February 28, 2013
Equity	\$408,474	\$339,683	\$228,394	\$61,380
Debt	398,179	627,536	415,932	140,672
Capital markets	806,653	967,219	644,326	202,052
Advisory	632,354	562,055	369,191	86,226
Total	\$1,439,007	\$1,529,274	\$1,013,517	\$288,278

Year Ended November 30, 2015

Total investment banking revenue was \$1,439.0 million for the year ended November 30, 2015, reflecting lower debt capital market revenues, partially offset by record equity capital markets and advisory revenues. Overall, capital markets revenues of \$806.7 million in the year ended November 30, 2015 were lower primarily due to significantly lower transaction volume in the leveraged finance market. Record advisory revenues of \$632.4 million for the year ended November 30, 2015 were primarily due to higher transaction volume.

From equity and debt capital raising activities, we generated \$408.5 million and \$398.2 million in revenues, respectively. During the year ended November 30, 2015, we completed 1,003 public and private debt financings that raised \$199.8 billion in aggregate and we completed 191 public equity and convertible offerings that raised \$53.9 billion (176 of which we acted as sole or joint bookrunner). Financial advisory revenues totaled \$632.4 million, including revenues from 158 merger and acquisition transactions and 13 restructuring and recapitalization transactions with an aggregate transaction value of \$141.0 billion.

Year Ended November 30, 2014

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

Investment banking revenues were a record \$1,529.3 million for the year ended November 30, 2014. From equity and debt capital raising activities, we generated \$339.7 million and \$627.5 million in revenues, respectively. During the year ended November 30, 2014, we completed 1,109 public and private debt financings that raised \$250.0 billion and we completed 193 public equity and convertible offerings that raised \$66.0 billion (159 of which we acted as sole or joint bookrunner). Financial advisory revenues totaled \$562.1 million, including revenues from 132 merger and acquisition transactions and 12 restructuring and recapitalization transactions with an aggregate transaction value of \$176.0 billion.

Nine Months Ended November 30, 2013

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