

LEUCADIA NATIONAL CORP
Form 10-Q
November 01, 2017

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

FORM 10-Q

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from _____ to _____

Commission File Number 1-5721

LEUCADIA NATIONAL CORPORATION

(Exact name of registrant as specified in its Charter)

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

520 Madison Avenue, New York, New York 10022
(Address of principal executive offices) (Zip Code)
(212) 460-1900
(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 x No o

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 x No o

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

Large accelerated filer x Accelerated filer o Non-accelerated filer o
(Do not check if a smaller reporting company)

Smaller reporting company o Emerging growth company o

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

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

The number of shares outstanding of each of the issuer's classes of common stock at October 25, 2017 was 356,273,068.

PART I. FINANCIAL INFORMATION

Item I. Financial Statements.

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Condition

September 30, 2017 and December 31, 2016

(Dollars in thousands, except par value)

(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	\$5,016,932	\$3,807,558
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	903,744	857,337
Financial instruments owned, including securities pledged of \$10,257,188 and \$9,706,881:		
Trading assets, at fair value	15,505,065	14,985,237
Available for sale securities	520,497	301,049
Total financial instruments owned	16,025,562	15,286,286
Investments in managed funds	541,275	515,318
Loans to and investments in associated companies	2,350,980	2,125,098
Securities borrowed	7,758,532	7,743,562
Securities purchased under agreements to resell	3,371,435	3,862,488
Receivables	5,507,847	4,425,178
Property, equipment and leasehold improvements, net	727,685	709,242
Intangible assets, net and goodwill	2,473,292	2,513,678
Deferred tax asset, net	1,262,648	1,461,815
Assets held for sale	—	128,083
Other assets	1,727,012	1,635,664
Total assets (1)	\$47,666,944	\$45,071,307
LIABILITIES		
Short-term borrowings	\$417,122	\$525,842
Trading liabilities, at fair value	8,767,710	8,388,619
Securities loaned	2,763,253	2,819,132
Securities sold under agreements to repurchase	8,473,419	6,791,676
Other secured financings	892,692	1,026,429
Payables, expense accruals and other liabilities	7,104,957	7,373,708
Long-term debt	8,092,642	7,380,443
Total liabilities (1)	36,511,795	34,305,849
Commitments and contingencies		
MEZZANINE EQUITY		
Redeemable noncontrolling interests	388,572	336,809
Mandatorily redeemable convertible preferred shares	125,000	125,000
EQUITY		

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Common shares, par value \$1 per share, authorized 600,000,000 shares; 356,189,758 and 359,425,061 shares issued and outstanding, after deducting 60,203,260 and 56,947,654 shares held in treasury	356,190	359,425
Additional paid-in capital	4,731,811	4,812,587
Accumulated other comprehensive income	363,486	310,697
Retained earnings	5,000,423	4,645,391
Total Leucadia National Corporation shareholders' equity	10,451,910	10,128,100
Noncontrolling interests	189,667	175,549
Total equity	10,641,577	10,303,649
 Total	 \$47,666,944	 \$45,071,307

(1) Total assets include assets related to variable interest entities of \$826.0 million and \$815.8 million at September 30, 2017 and December 31, 2016, respectively, and Total liabilities include liabilities related to variable interest entities of \$1,111.0 million and \$1,284.7 million at September 30, 2017 and December 31, 2016, respectively. See Note 8 for additional information related to variable interest entities. See notes to interim consolidated financial statements.

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

For the periods ended September 30, 2017 and 2016

(In thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Beef processing services	\$2,038,821	\$1,746,841	\$5,472,339	\$5,175,592
Commissions	139,082	152,044	437,547	454,025
Principal transactions	95,419	299,066	737,955	458,930
Investment banking	475,702	294,930	1,235,586	778,906
Interest income	253,974	226,648	727,202	690,257
Net realized securities gains	19,707	60	21,278	8,202
Other	119,187	164,121	580,069	366,423
Total revenues	3,141,892	2,883,710	9,211,976	7,932,335
Interest expense of Jefferies	245,370	207,335	715,092	615,496
Net revenues	2,896,522	2,676,375	8,496,884	7,316,839
Expenses:				
Cost of sales	1,888,076	1,689,093	5,241,721	5,113,515
Compensation and benefits	504,831	418,715	1,500,587	1,266,213
Floor brokerage and clearing fees	42,852	40,189	133,145	124,259
Interest	27,325	23,121	82,543	68,145
Depreciation and amortization	55,424	52,691	155,651	153,070
Selling, general and other expenses	208,044	239,160	576,018	612,674
	2,726,552	2,462,969	7,689,665	7,337,876
Income (loss) before income taxes and income (loss) related to associated companies	169,970	213,406	807,219	(21,037)
Income (loss) related to associated companies	30,057	36,503	(84,413)	108,445
Income before income taxes	200,027	249,909	722,806	87,408
Income tax provision	63,260	73,703	218,054	59,192
Net income	136,767	176,206	504,752	28,216
Net (income) loss attributable to the noncontrolling interests	(28 )	) 1,870	1,941	3,682
Net income attributable to the redeemable noncontrolling interests	(36,216 )	) (22,702 )	) (64,538 )	) (40,084)
Preferred stock dividends	(1,172 )	) (1,016 )	) (3,203 )	) (3,047)
Net income (loss) attributable to Leucadia National Corporation common shareholders	\$99,351	\$154,358	\$438,952	\$(11,233)
Basic earnings (loss) per common share attributable to Leucadia National Corporation common shareholders:				
Net income (loss)	\$0.27	\$0.41	\$1.19	\$(0.03)
Diluted earnings (loss) per common share attributable to Leucadia National Corporation common shareholders:				

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Net income (loss)	\$0.27	\$0.41	\$1.17	\$(0.03)
Dividends per common share	\$0.1000	\$0.0625	\$0.2250	\$0.1875

See notes to interim consolidated financial statements.

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the periods ended September 30, 2017 and 2016

(In thousands)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$136,767	\$176,206	\$504,752	\$28,216
Other comprehensive income (loss):				
Net unrealized holding gains (losses) on investments arising during the period, net of income tax provision (benefit) of \$(598), \$2,937, \$5,106 and \$1,639	(1,030)	5,064	8,767	2,826
Less: reclassification adjustment for net (gains) losses included in net income (loss), net of income tax provision (benefit) of \$(257), \$(1), \$14 and \$5	443	1	(24)	(8)
Net change in unrealized holding gains (losses) on investments, net of income tax provision (benefit) of \$(341), \$2,938, \$5,092 and \$1,634	(587)	5,065	8,743	2,818
Net unrealized foreign exchange gains (losses) arising during the period, net of income tax provision (benefit) of \$4,374, \$262, \$12,929 and \$1,588	11,250	(55,573)	49,125	(77,309)
Less: reclassification adjustment for foreign exchange (gains) losses included in net income (loss), net of income tax provision (benefit) of \$(11), \$0, \$1,086 and \$0	20	—	5,310	—
Net change in unrealized foreign exchange gains (losses), net of income tax provision (benefit) of \$4,385, \$262, \$11,843 and \$1,588	11,270	(55,573)	54,435	(77,309)
Net unrealized gains (losses) on instrument specific credit risk arising during the period, net of income tax provision (benefit) of \$2,149, \$(1,627), \$(5,270) and \$(3,077)	3,508	(2,466)	(8,870)	(4,771)
Less: reclassification adjustment for instrument specific credit risk (gains) losses included in net income (loss), net of income tax provision (benefit) of \$0, \$0, \$0 and \$0	—	—	—	—
Net change in unrealized instrument specific credit risk gains (losses), net of income tax provision (benefit) of \$2,149, \$(1,627), \$(5,270) and \$(3,077)	3,508	(2,466)	(8,870)	(4,771)
Net unrealized gains (losses) on cash flow hedges arising during the period, net of income tax provision (benefit) of \$0, \$0, \$0 and \$0	(1,585)	—	(1,585)	—
Less: reclassification adjustment for cash flow hedges (gains) losses included in net income (loss), net of income tax provision (benefit) of \$0, \$0, \$0 and \$0	—	—	—	—
Net change in unrealized cash flow hedges gains (losses), net of income tax provision (benefit) of \$0, \$0, \$0 and \$0	(1,585)	—	(1,585)	—
Net pension gains (losses) arising during the period, net of income tax provision (benefit) of \$0, \$0, \$0 and \$0	—	—	—	—

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Less: reclassification adjustment for pension (gains) losses included in net income (loss), net of income tax provision (benefit) of \$(201), \$(175), \$(1,835) and \$(526)	438	383	66	1,150
Net change in pension liability, net of income tax provision (benefit) of \$201, \$175, \$1,835 and \$526	438	383	66	1,150
Other comprehensive income (loss), net of income taxes	13,044	(52,591)	52,789	(78,112)
Comprehensive income (loss)	149,811	123,615	557,541	(49,896)
Comprehensive (income) loss attributable to the noncontrolling interests	(28)	1,870	1,941	3,682
Comprehensive income attributable to the redeemable noncontrolling interests	(36,216)	(22,702)	(64,538)	(40,084)
Preferred stock dividends	(1,172)	(1,016)	(3,203)	(3,047)
Comprehensive income (loss) attributable to Leucadia National Corporation common shareholders	\$ 112,395	\$ 101,767	\$ 491,741	\$ (89,345)

See notes to interim consolidated financial statements.

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2017 and 2016

(In thousands)

(Unaudited)

	2017	2016
Net cash flows from operating activities:		
Net income	\$ 504,752	\$ 28,216
Adjustments to reconcile net income to net cash provided by operations:		
Deferred income tax provision	185,994	52,241
Depreciation and amortization of property, equipment and leasehold improvements	109,061	106,948
Other amortization	13,418	13,510
Share-based compensation	31,494	24,936
Provision for doubtful accounts	33,163	26,372
Net securities gains	(21,278)	(8,202)
(Income) loss related to associated companies	19,090	(92,583)
Distributions from associated companies	100,033	118,855
Net losses related to property and equipment, and other assets	10,290	73,384
Gain on sale of subsidiary	(178,236)	—
Net change in:		
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	(45,746)	(277,019)
Trading assets	(613,332)	2,190,420
Investments in managed funds	(24,226)	44,306
Securities borrowed	—	(1,510,588)
Securities purchased under agreements to resell	524,937	(248,931)
Receivables from brokers, dealers and clearing organizations	(602,761)	(364,929)
Receivables from customers of securities operations	(458,066)	331,266
Other receivables	(157,062)	(124,191)
Other assets	(55,027)	(310,542)
Trading liabilities	328,060	1,268,979
Securities loaned	(68,310)	(22,326)
Securities sold under agreements to repurchase	1,668,725	(1,824,027)
Payables to brokers, dealers and clearing organizations	(652,668)	777,228
Payables to customers of securities operations	162,387	(31,159)
Trade payables, expense accruals and other liabilities	123,448	79,650
Other	73,525	9,117
Net cash provided by operating activities	1,011,665	330,931
Net cash flows from investing activities:		
Acquisitions of property, equipment and leasehold improvements, and other assets	(129,358)	(255,367)
Proceeds from disposals of property and equipment, and other assets	27,688	58,650
Proceeds from sale of subsidiary, net of expenses and cash of operations sold	289,767	—
Acquisitions, net of cash acquired	—	(9,673)
Advances on notes, loans and other receivables	(37,805)	(234,091)
Collections on notes, loans and other receivables	267,170	52,507
Loans to and investments in associated companies	(3,043,800)	(530,883)
Capital distributions and loan repayments from associated companies	2,765,006	495,246
Purchases of investments (other than short-term)	(770,687)	(507,048)

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Proceeds from maturities of investments	196,493	122,041
Proceeds from sales of investments	412,158	251,918
Other	1,341	(1,846)
Net cash (used for) investing activities	(22,027)	(558,546)
(continued)		

See notes to interim consolidated financial statements.

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows, continued

For the nine months ended September 30, 2017 and 2016

(In thousands)

(Unaudited)

	2017	2016
Net cash flows from financing activities:		
Issuance of debt, net of issuance costs	\$1,594,460	\$614,062
Other change in short-term borrowings, net	4,282	120,865
Repayment of debt	(1,063,058)	(760,274)
Net change in other secured financings	(134,743)	(2,194)
Net change in bank overdrafts	(5,764)	(56,126)
Issuance of common shares	1,288	894
Net distributions to redeemable noncontrolling interests	(37,214)	(18,469)
Distributions to noncontrolling interests	(9,617)	(2,044)
Contributions from noncontrolling interests	25,724	116,847
Purchase of common shares for treasury	(75,930)	(59,784)
Dividends paid	(81,445)	(68,633)
Other	—	388
Net cash provided by (used for) financing activities	217,983	(114,468)
Effect of foreign exchange rate changes on cash	4,889	(17,590)
Change in cash classified as assets held for sale	(3,136)	—
Net increase (decrease) in cash and cash equivalents	1,209,374	(359,673)
Cash and cash equivalents at January 1,	3,807,558	3,638,648
Cash and cash equivalents at September 30,	\$5,016,932	\$3,278,975

See notes to interim consolidated financial statements.

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2017 and 2016

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

(Unaudited)

	Leucadia National Corporation Common Shareholders						
	Common Shares \$1 Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Subtotal	Noncontrolling Interests	Total
Balance, January 1, 2016	\$362,617	\$4,986,819	\$ 438,793	\$4,612,982	\$10,401,211	\$ 64,679	\$10,465,890
Net loss				(11,233)	(11,233)	(3,682)	(14,915)
Other comprehensive loss, net of taxes			(78,112)		(78,112)		(78,112)
Contributions from noncontrolling interests					—	118,940	118,940
Distributions to noncontrolling interests					—	(2,044)	(2,044)
Deconsolidation of asset management entities					—	(385)	(385)
Change in interest in consolidated subsidiary		(282)			(282)	282	—
Share-based compensation expense		24,936			24,936		24,936
Change in fair value of redeemable noncontrolling interests		(132,831)			(132,831)		(132,831)
Purchase of common shares for treasury	(4,300)	(68,824)			(73,124)		(73,124)
Dividends (\$.1875 per common share)				(70,420)	(70,420)		(70,420)
Other	1,354	(1,829)			(475)	17	(458)
Balance, September 30, 2016	\$359,671	\$4,807,989	\$ 360,681	\$4,531,329	\$10,059,670	\$ 177,807	\$10,237,477
	\$359,425	\$4,812,587	\$ 310,697	\$4,645,391	\$10,128,100	\$ 175,549	\$10,303,649

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Balance, January 1, 2017							
Net income			438,952	438,952	(1,941))	437,011
Other comprehensive income, net of taxes	52,789			52,789			52,789
Contributions from noncontrolling interests				—	25,724		25,724
Distributions to noncontrolling interests					(9,617)	)	(9,617)
Change in interest in consolidated subsidiary	48			48	(48))	—
Share-based compensation expense	31,494			31,494			31,494
Change in fair value of redeemable noncontrolling interests	(24,404)	)		(24,404)	)		(24,404)
Exercise of options to purchase common shares	20	442		462			462
Purchase of common shares for treasury	(3,883)	)	(92,999)	)	(96,882)	)	(96,882)
Dividends (\$.225 per common share)				(83,920)	)	(83,920))
Other	628	4,643		5,271			5,271
Balance, September 30, 2017	\$ 356,190	\$ 4,731,811	\$ 363,486	\$ 5,000,423	\$ 10,451,910	\$ 189,667	\$ 10,641,577

See notes to interim consolidated financial statements.

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Nature of Operations

Leucadia National Corporation (“Leucadia” or the “Company”) is a diversified holding company focused on long-term value creation to maximize shareholder value. We continuously review acquisitions of businesses, securities and assets that have the potential for significant long-term value creation, invest in a broad array of businesses, and evaluate the retention and disposition of our existing operations and holdings. Changes in the mix of our businesses and investments should be expected.

Our financial services businesses and investments include Jefferies (investment banking and capital markets), Leucadia Asset Management (asset management), Berkadia (commercial mortgage banking, investment sales and servicing), FXCM (provider of online foreign exchange trading services), HomeFed (publicly traded real estate company) and Foursight Capital (vehicle finance). We also own and have investments in a diverse array of other businesses, including National Beef (beef processing), HRG Group (insurance and consumer products), Vitesse Energy and JETX Energy (oil and gas exploration and development), Garcadia (automobile dealerships), Linkem (fixed wireless broadband services in Italy), Idaho Timber (manufacturing company) and Golden Queen (gold and silver mining). The structure of each of our investments was tailored to the unique opportunity each transaction presented. Our investments may be reflected in our consolidated results as consolidated subsidiaries, equity investments, securities, or in other ways, depending on the structure of our specific holdings.

Jefferies is a global full-service, integrated securities and investment banking firm. In March 2013, Jefferies became an indirect wholly-owned subsidiary of Leucadia, yet retains a separate credit rating and continues to be a separate SEC reporting company. Through Jefferies, we own 50% of Jefferies Finance LLC (“Jefferies Finance”), our joint venture with Massachusetts Mutual Life Insurance Company. Jefferies Finance is a commercial finance company whose primary focus is the origination and syndication of senior secured debt of middle market and growth companies in the form of term and revolving loans. Through Jefferies, we also own a 48.5% voting interest in Jefferies LoanCore, LLC (“Jefferies LoanCore”), a joint venture with the Government of Singapore Investment Corporation, the Canadian Pension Plan Investment Board and LoanCore, LLC. Jefferies LoanCore originates, purchases and securitizes commercial real estate loans throughout the U.S. On October 31, 2017, Jefferies sold all of its membership interests in Jefferies LoanCore for approximately \$170 million, the estimated book value as of October 31, 2017. In addition, Jefferies may be entitled to additional cash consideration over the next five years in the event Jefferies LoanCore's yearly return on equity exceeds certain thresholds.

Jefferies has a November 30 year-end, which it retains for standalone reporting purposes. We reflect Jefferies in our consolidated financial statements utilizing a one month lag. We have reviewed Jefferies business and internal operating results for the month of September 2017 for the purpose of evaluating whether financial statement disclosure or adjustments are required in this Quarterly Report on Form 10-Q, and we have concluded that no additional disclosures or adjustments are warranted.

Berkadia Commercial Mortgage LLC (“Berkadia”), our 50-50 equity method joint venture with Berkshire Hathaway Inc., is a U.S. commercial real estate finance company providing capital solutions, investment sales advisory and mortgage servicing for multifamily and commercial properties.

Leucadia Asset Management (“LAM”) supports and develops focused alternative asset management businesses led by distinct management teams. These primarily include Folger Hill Asset Management LLC (“Folger Hill”), a multi-manager discretionary long/short equity hedge fund platform; Topwater Capital, a first-loss product; 54

Madison Capital, LLC ("54 Madison"), which invests in real estate projects; CoreCommodity Management LLC, an asset manager that focuses on commodities strategies; Tenacis Capital, a systematic macro investment platform; Lake Hill, an electronic trader in listed options and futures across asset classes; as well as several other smaller businesses. In addition, several investment management businesses, including Jefferies Strategic Investments Division, operate under Jefferies and are included under our marketing of the LAM platform.

Our investment in FXCM Group, LLC ("FXCM") and associated companies consists of a senior secured term loan due January 2018 (\$67.6 million outstanding at September 30, 2017), a 49.9% common membership interest in FXCM and up to 65% of all distributions. FXCM's six-member board is comprised of three directors appointed by Leucadia and three directors appointed by Global Brokerage Holdings, LLC ("Global Brokerage Holdings" and formerly FXCM Holdings, LLC). See Notes 3 and 9 to our consolidated financial statements for additional information.

We own an approximate 70% equity method interest in HomeFed, which owns and develops residential and mixed use real estate properties. HomeFed is a public company traded on the NASD OTC Bulletin Board.

We own 100% of Foursight Capital, an auto loan originator and servicer, and 85% of Chrome Capital, which owns and manages a portfolio of leases on used Harley-Davidson motorcycles and is in the process of winding down.

We own approximately 23% of HRG Group, Inc. ("HRG"), a publicly traded company (NYSE: HRG), and we reflect this investment at fair value based on quoted market prices. HRG primarily owns approximately 59% of Spectrum Brands, a publicly traded (NYSE: SPB) global consumer products company; an approximately 80% ownership stake in Fidelity & Guaranty Life ("FGL"), a publicly traded (NYSE: FGL) life insurance and annuity products company; and Front Street, a long-term reinsurance company. On May 24, 2017, FGL and CF Corporation entered into a definitive agreement and plan of merger pursuant to which CF Corporation will acquire FGL for \$31.10 per share in cash. The transaction is expected to close in the fourth quarter of 2017.

We own 78.9% of National Beef Packing Company. National Beef processes and markets fresh and chilled boxed beef, ground beef, beef by-products, consumer-ready beef and pork, and wet blue leather for domestic and international markets. National Beef operates two beef processing facilities, three further processing facilities and a wet blue tanning facility, all located in the U.S. National Beef operates one of the largest wet blue tanning facilities in the world that sells processed hides to tanners that produce finished leather for the automotive, luxury goods, apparel and furniture industries. National Beef owns Kansas City Steak Company, LLC, which sells portioned beef and other products directly to customers through the internet, direct mail and direct response television. National Beef also owns a refrigerated and livestock transportation and logistics company that provides transportation services for National Beef and third parties.

Garcadia is an equity method joint venture that owns and operates 28 automobile dealerships in California, Texas, Iowa and Michigan. We own approximately 75% of Garcadia.

We own approximately 42% of the common shares of Linkem, as well as convertible preferred shares which, if converted, would increase our ownership to approximately 53% of Linkem's common equity at September 30, 2017. Linkem provides residential broadband services using LTE technologies deployed over the 3.5 GHz spectrum band. Linkem operates in Italy, which has few cable television systems and poor broadband alternatives. Linkem is accounted for under the equity method.

Vitesse Energy, LLC ("Vitesse") is our 96% owned consolidated subsidiary that acquires and develops non-operated working and royalty oil and gas interests in the Bakken Shale oil field in North Dakota and Montana as well as the Denver-Julesburg Basin in Wyoming. JETX Energy, LLC ("JETX"), formerly Juneau Energy, LLC, is our 98% owned consolidated subsidiary that engages in the exploration, development and production of oil and gas from onshore, unconventional resource areas. JETX currently has non-operated working interests and acreage in the Texas Gulf Coast region.

Idaho Timber is our consolidated subsidiary engaged in the manufacture and distribution of various wood products, including the following principal activities: remanufacturing dimension lumber; remanufacturing, bundling and bar coding of home center boards for large retailers; and production of pine dimension lumber and 5/4" radius-edge pine decking.

Golden Queen Mining Company, LLC ("Golden Queen") owns the Soledad Mountain project, an open pit, heap leach gold and silver mining project in Kern County, California, which commenced gold and silver production in March 2016. We and the Clay family have formed and made contributions to a limited liability company, controlled by us, through which we invested in Golden Queen for the development and operation of the project. Our effective ownership of Golden Queen is approximately 35% which is accounted for under the equity method.

Conwed Plastics ("Conwed") was our consolidated subsidiary that manufactured and marketed lightweight plastic netting used for building and construction, erosion and sediment control, packaging, agricultural purposes, carpet padding, filtration, consumer products and other purposes. In January 2017, we sold 100% of Conwed to Schweitzer-Mauduit International, Inc., (NYSE: SWM) for \$295 million in cash plus potential earn-out payments over five years of up to \$40 million in cash to the extent the results of Conwed's subsidiary, Filtrexx International, exceed certain performance thresholds. We recognized a \$178.2 million pre-tax gain (net of working capital adjustments) on the sale of Conwed in Other revenues during the nine months ended September 30, 2017.

Note 2. Basis of Presentation and Significant Accounting Policies

Our unaudited interim consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes which are normally included in our Annual Report on Form 10-K. These financial statements reflect all adjustments (consisting of normal recurring items or items discussed herein) that management believes are necessary to fairly state results for the interim periods presented. Results of operations for interim periods are not necessarily indicative of annual results of operations. For a detailed discussion about the Company's significant accounting policies, see Note 2, Significant Accounting Policies, included in our Annual Report on Form 10-K for the year ended December 31, 2016. Other than the following, there were no significant updates made to the Company's significant accounting policies. The accounting policy updates are attributable to the implementation of hedge accounting in connection with an interest rate swap entered into during the nine months ended September 30, 2017 and the adoption of the Financial Accounting Standards Board ("FASB") guidance on improvements to employee share-based payment accounting.

The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires us to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingent assets and liabilities. On an on-going basis, we evaluate all of these estimates and assumptions. The most important of these estimates and assumptions relate to fair value measurements, compensation and benefits, asset impairment, the ability to realize deferred tax assets, the recognition and measurement of uncertain tax positions and contingencies. Although these and other estimates and assumptions are based on the best available information, actual results could be different from these estimates.

Principal Transactions Revenues

Trading assets and trading liabilities (all of which are recorded on a trade-date basis) are carried at fair value with gains and losses reflected in Principal transaction revenues in our Consolidated Statements of Operations, except for derivatives accounted for as hedges (see "Hedge Accounting" section herein and Note 4). Fees received on loans carried at fair value are also recorded within Principal transaction revenues.

Hedge Accounting

Jefferies applies hedge accounting using interest rate swaps designated as fair value hedges of changes in the benchmark interest rate of fixed rate senior long-term debt. Jefferies interest rate swaps are included as derivative contracts in Trading assets and Trading liabilities in the Consolidated Statements of Financial Condition. Jefferies uses regression analysis to perform ongoing prospective and retrospective assessments of the effectiveness of these hedging relationships. A hedging relationship is deemed effective if the change in fair value of the interest rate swap and the change in the fair value of the long-term debt due to changes in the benchmark interest rate offset within a range of 80% to 125%. The impact of valuation adjustments related to Jefferies own credit spreads and counterparty credit spreads are included in the assessment of effectiveness.

For qualifying fair value hedges of benchmark interest rates, the change in the fair value of the derivative and the change in fair value of the long-term debt provide offset of one another, and together with any resulting ineffectiveness, are recorded in Interest expense. See Note 4 for further information.

Receivables

At September 30, 2017 and December 31, 2016, Receivables include receivables from brokers, dealers and clearing organizations of \$2,674.7 million and \$2,062.9 million, respectively, and receivables from customers of securities operations of \$1,291.5 million and \$843.1 million, respectively.

Payables, expense accruals and other liabilities

At September 30, 2017 and December 31, 2016, Payables, expense accruals and other liabilities include payables to brokers, dealers and clearing organizations of \$2,668.9 million and \$3,290.4 million, respectively, and payables to customers of securities operations of \$2,459.7 million and \$2,297.3 million, respectively.

Impairment of Long-Lived Assets

We evaluate our long-lived assets for impairment whenever events or changes in circumstances indicate, in management's judgment that the carrying value of such assets may not be recoverable. In the third quarter of 2016, JETX recorded impairment charges in Selling, general and other expenses of \$55.0 million related to write-downs of unproved oil and gas properties. JETX assesses its unproved oil and gas properties for impairment based on remaining lease terms, drilling results or future plans to develop acreage and they record impairment expense for any decline in value. In the third quarter of 2016, JETX curtailed development of its southern acreage in the East Eagle Ford and its Houston County acreage. As a result, an impairment was recorded for the difference between the carrying value and the estimated net realizable value of the acreage.

In the third quarter of 2017, JETX decided to focus on its other higher returning acreage and as a result wrote off the remaining carrying value for its Houston County acreage. JETX recorded an impairment charge of \$10.1 million in Selling, general and other expenses in the third quarter of 2017 related to the write-down of unproved oil and gas properties.

Supplemental Cash Flow Information

	For the Nine Months Ended September 30,	
	2017	2016
Cash paid during the year for:	(In thousands)	
Interest	\$837,020	\$727,115
Income tax payments (refunds), net	\$9,183	\$(13,933)

During the nine months ended September 30, 2016, we had \$334.5 million in non-cash investing activities related to the transfer of the investment in FXCM from Trading assets to Loans to and investments in associated companies. During the nine months ended September 30, 2017 and 2016, we had \$21.0 million and \$13.3 million, respectively, in non-cash financing activities related to purchases of common shares for treasury which settled subsequent to quarter end.

Accounting Developments - Accounting Standards to be Adopted in Future Periods

Revenue Recognition. In May 2014, the FASB issued new guidance that defines how companies report revenues from contracts with customers, and also requires enhanced disclosures. The core principle of this new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This guidance is effective for interim and annual periods beginning after December 15, 2017. We intend to adopt the new guidance using the modified retrospective approach with a cumulative-effect adjustment to opening retained earnings. The evaluation of the impact this new guidance will have on our consolidated financial statements is ongoing. Our implementation efforts include the identification of revenue streams within the scope of the guidance, the evaluation of certain revenue contracts and education and discussion with our consolidated subsidiaries. The below focuses on our two largest consolidated subsidiaries, whose combined revenues make up more than 92% of our Net revenues in the Consolidated Statements of Operations for the nine months ended September 30, 2017. We continue to evaluate revenues for our consolidated subsidiaries not disclosed below, however, we do not expect the adoption of the new guidance for these subsidiaries to have a material impact on our consolidated financial statements.

For Jefferies, as the new revenue recognition guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other GAAP, Jefferies does not expect the guidance to have a material impact on the elements of its revenues most closely associated with financial instruments, including Principal transaction revenues, Interest income and Interest expense. Jefferies evaluation of the impact of

the new guidance on its consolidated financial statements is ongoing. Jefferies continues to evaluate the timing of recognition for each revenue stream within scope, which includes investment banking and asset management fees which may be accelerated or deferred depending on the features of the client arrangements, and the timing and presentation of certain related investment banking expenses (whether presented gross or offset against revenues).

National Beef's evaluation of the impact of the new guidance on its consolidated financial statements is ongoing. National Beef continues to evaluate its revenue streams and its contracts with customers within each revenue stream, however, National Beef does not expect the adoption of the new revenue standard to materially impact its consolidated financial statements.

Financial Instruments. In January 2016, the FASB issued new guidance that affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The guidance is effective for annual and interim periods beginning after December 15, 2017. We are currently evaluating the impact of the new guidance related to equity investments and the presentation and disclosure requirements of financial instruments on our consolidated

financial statements. Early adoption was permitted for the accounting guidance on financial liabilities under the fair value option and we adopted this guidance in the first quarter of 2016. The adoption of the guidance on financial liabilities under the fair value option did not have a significant impact on our consolidated financial statements.

Leases. In February 2016, the FASB issued new guidance that affects the accounting and disclosure requirements for leases. The FASB requires the recognition of lease assets and lease liabilities on the statement of financial condition. The guidance is effective for annual and interim periods beginning after December 15, 2018. We are currently evaluating the impact this new guidance will have on our consolidated financial statements.

Financial Instruments - Credit Losses. In June 2016, the FASB issued new guidance for estimating credit losses on certain types of financial instruments by introducing an approach based on expected losses. The guidance is effective for annual and interim periods beginning after December 15, 2019. We are currently evaluating the impact this new guidance will have on our consolidated financial statements.

Cash Flow Classifications. In August 2016, the FASB issued new guidance to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. The guidance adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. The guidance is effective for annual and interim periods beginning after December 15, 2017. In November 2016, the FASB issued new guidance on restricted cash. The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The guidance is effective for annual and interim periods beginning after December 15, 2017. We are currently evaluating the impact this new guidance will have on our consolidated financial statements.

Goodwill. In January 2017, the FASB issued new guidance for simplifying goodwill impairment testing. The guidance is effective for annual and interim periods beginning after December 15, 2019 and early adoption is permitted. We are currently evaluating the impact this new guidance will have on our consolidated financial statements.

Retirement Benefits. In March 2017, the FASB issued new guidance for improving the presentation of net periodic pension costs in the statement of operations. The update also allows the service cost to be eligible for capitalization, when applicable. The guidance is effective for annual and interim periods beginning after December 15, 2017 and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Compensation. In May 2017, the FASB issued new guidance providing clarity and reducing diversity in practice and cost and complexity when accounting for a change to the terms or conditions of a share-based payment award. The guidance is effective for annual and interim periods beginning after December 15, 2017 and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Derivatives and hedging. In August 2017, the FASB issued new guidance to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The guidance is effective for annual and interim periods beginning after December 15, 2018 and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Accounting Developments - Adopted Accounting Standards

Share-Based Payments to Employees. In January 2017, we adopted the FASB's new guidance that simplifies and improves accounting for share-based payments. The amendments include the recognition of all excess tax benefits and tax deficiencies as income tax expense or benefit in the statement of operations and changes to the timing of

recognition of excess tax benefits, the accounting for forfeitures, classification of awards as either equity or liabilities and classification on the statement of cash flows. The adoption of this guidance did not have a significant impact on our consolidated financial statements. We elected to account for forfeitures as they occur, which results in dividends and dividend equivalents originally charged against retained earnings for forfeited shares to be reclassified to compensation expense in the period in which the forfeiture occurs.

Note 3. Fair Value Disclosures

The following is a summary of our financial instruments, trading liabilities, short-term borrowings, long-term debt and other secured financings that are accounted for at fair value on a recurring basis, excluding Investments at fair value based on net asset value ("NAV") (within trading assets) of \$24.2 million and \$24.3 million, respectively, by level within the fair value hierarchy at September 30, 2017 and December 31, 2016 (in thousands):

	September 30, 2017				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting (1)	Total
Assets:					
Trading assets, at fair value:					
Corporate equity securities	\$2,740,135	\$83,565	\$22,174	\$—	\$2,845,874
Corporate debt securities	—	2,732,943	25,015	—	2,757,958
Collateralized debt obligations and collateralized loan obligations	—	54,433	50,070	—	104,503
U.S. government and federal agency securities	1,834,270	95,175	—	—	1,929,445
Municipal securities	—	680,634	—	—	680,634
Sovereign obligations	1,384,264	668,053	—	—	2,052,317
Residential mortgage-backed securities	—	1,671,170	20,649	—	1,691,819
Commercial mortgage-backed securities	—	508,665	17,636	—	526,301
Other asset-backed securities	—	157,354	68,946	—	226,300
Loans and other receivables	—	2,014,650	62,656	—	2,077,306
Derivatives	67,929	2,713,413	2,671	(2,595,355)	188,658
Investments at fair value	—	—	328,969	—	328,969
FXCM term loan	—	—	70,800	—	70,800
Total trading assets, excluding investments at fair value based on NAV	\$6,026,598	\$11,380,055	\$669,586	\$(2,595,355)	\$15,480,884
Available for sale securities:					
Corporate equity securities	\$93,355	\$—	\$—	\$—	\$93,355
Corporate debt securities	—	179	—	—	179
U.S. government securities	345,740	—	—	—	345,740
Residential mortgage-backed securities	—	37,090	—	—	37,090
Commercial mortgage-backed securities	—	10,908	—	—	10,908
Other asset-backed securities	—	33,225	—	—	33,225
Total available for sale securities	\$439,095	\$81,402	\$—	\$—	\$520,497
Liabilities:					
Trading liabilities:					
Corporate equity securities	\$1,585,186	\$23,821	\$119	\$—	\$1,609,126
Corporate debt securities	—	1,574,931	522	—	1,575,453
U.S. government and federal agency securities	1,314,800	—	—	—	1,314,800
Municipal securities	—	44	—	—	44
Sovereign obligations	1,600,423	653,106	—	—	2,253,529
Commercial mortgage-backed securities	—	979	35	—	1,014
Loans	—	1,434,380	3,285	—	1,437,665

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Derivatives	148,296	3,134,145	7,753	(2,714,115)	576,079
Total trading liabilities	\$4,648,705	\$6,821,406	\$11,714	\$(2,714,115)	\$8,767,710
Short-term borrowings	\$—	\$4,281	\$—	\$—	\$4,281
Long-term debt - structured notes	\$—	\$553,870	\$—	\$—	\$553,870

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	December 31, 2016			Counterparty and Cash Collateral Netting (1)	Total
	Level 1	Level 2	Level 3		
Assets:					
Trading assets, at fair value:					
Corporate equity securities	\$2,522,977	\$92,839	\$21,739	\$—	\$2,637,555
Corporate debt securities	—	2,675,020	25,005	—	2,700,025
Collateralized debt obligations and collateralized loan obligations	—	54,306	54,354	—	108,660
U.S. government and federal agency securities	2,389,397	56,726	—	—	2,446,123
Municipal securities	—	708,469	27,257	—	735,726
Sovereign obligations	1,432,556	990,492	—	—	2,423,048
Residential mortgage-backed securities	—	960,494	38,772	—	999,266
Commercial mortgage-backed securities	—	296,405	20,580	—	316,985
Other asset-backed securities	—	63,587	40,911	—	104,498
Loans and other receivables	—	1,557,233	81,872	—	1,639,105
Derivatives	3,825	4,616,822	6,429	(4,255,998)	371,078
Investments at fair value	—	—	314,359	—	314,359
FXCM term loan	—	—	164,500	—	164,500
Total trading assets, excluding investments at fair value based on NAV	\$6,348,755	\$12,072,393	\$795,778	\$(4,255,998)	\$14,960,928
Available for sale securities:					
Corporate equity securities	\$79,425	\$—	\$—	\$—	\$79,425
Corporate debt securities	—	179	—	—	179
U.S. government securities	174,933	—	—	—	174,933
Residential mortgage-backed securities	—	19,133	—	—	19,133
Commercial mortgage-backed securities	—	8,337	—	—	8,337
Other asset-backed securities	—	19,042	—	—	19,042
Total available for sale securities	\$254,358	\$46,691	\$—	\$—	\$301,049
Liabilities:					
Trading liabilities:					
Corporate equity securities	\$1,593,548	\$16,806	\$313	\$—	\$1,610,667
Corporate debt securities	—	1,718,424	523	—	1,718,947
U.S. government and federal agency securities	976,497	—	—	—	976,497
Sovereign obligations	1,375,590	1,253,754	—	—	2,629,344
Loans	—	801,977	378	—	802,355
Derivatives	2,566	4,867,586	9,870	(4,229,213)	650,809
Total trading liabilities	\$3,948,201	\$8,658,547	\$11,084	\$(4,229,213)	\$8,388,619
Other secured financings	\$—	\$41,350	\$418	\$—	\$41,768
Long-term debt - structured notes	\$—	\$248,856	\$—	\$—	\$248,856

(1) Represents counterparty and cash collateral netting across the levels of the fair value hierarchy for positions with the same counterparty.

The following is a description of the valuation basis, including valuation techniques and inputs, used in measuring our financial assets and liabilities that are accounted for at fair value on a recurring basis:

Corporate Equity Securities

Exchange Traded Equity Securities: Exchange traded equity securities are measured based on quoted closing exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy, otherwise they are categorized within Level 2 of the fair value hierarchy.

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

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

Corporate Debt Securities

Corporate Bonds: Corporate bonds are measured primarily using pricing data from external pricing services and broker quotations, where available, prices observed from recently executed market transactions and bond spreads or credit default swap spreads of the issuer adjusted for basis differences between the swap curve and the bond curve. Corporate bonds measured using these valuation methods are categorized within Level 2 of the fair value hierarchy. If broker quotes, pricing data or spread data is not available, alternative valuation techniques are used including cash flow models incorporating interest rate curves, single name or index credit default swap curves for comparable issuers and recovery rate assumptions. Corporate bonds measured using alternative valuation techniques are categorized within Level 3 of the fair value hierarchy and are a limited portion of our corporate bonds.

High Yield Corporate and Convertible Bonds: A significant portion of our high yield corporate and convertible bonds are categorized within Level 2 of the fair value hierarchy and are measured primarily using broker quotations and pricing data from external pricing services, where available, and prices observed from recently executed market transactions of comparable size. Where pricing data is less observable, valuations are categorized within Level 3 and are based on pending transactions involving the issuer or comparable issuers, prices implied from an issuer's subsequent financings or recapitalizations, models incorporating financial ratios and projected cash flows of the issuer and market prices for comparable issuers.

Collateralized Debt Obligations and Collateralized Loan Obligations

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

U.S. Government and Federal Agency Securities

U.S. Treasury Securities: U.S. Treasury securities are measured based on quoted market prices and categorized within Level 1 of the fair value hierarchy.

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

Municipal Securities

Municipal securities are measured based on quoted prices obtained from external pricing services and are generally categorized within Level 2 of the fair value hierarchy.

Sovereign Obligations

Foreign sovereign government obligations are measured based on quoted market prices obtained from external pricing services, where available, or recently executed independent transactions of comparable size. To the extent external price quotations are not available or recent transactions have not been observed, valuation techniques incorporating interest rate yield curves and country spreads for bonds of similar issuers, seniority and maturity are used to determine fair value of sovereign bonds or obligations. Foreign sovereign government obligations are classified in Level 1, Level 2 or Level 3 of the fair value hierarchy, primarily based on the country of issuance.

Residential Mortgage-Backed Securities

Agency Residential Mortgage-Backed Securities: Agency residential mortgage-backed securities include mortgage pass-through securities (fixed and adjustable rate), collateralized mortgage obligations and interest-only and principal-only securities and are generally measured using market price quotations from external pricing services and categorized within Level 2 of the fair value hierarchy.

Agency Residential Interest-Only and Inverse Interest-Only Securities ("Agency Inverse IOs"): The fair value of Agency Inverse IOs is estimated using expected future cash flow techniques that incorporate prepayment models and other prepayment assumptions to amortize the underlying mortgage loan collateral. We use prices observed from recently executed transactions to develop market-clearing spread and yield curve assumptions. Valuation inputs with regard to the underlying collateral incorporate weighted average coupon, loan-to-value, credit scores, geographic location, maximum and average loan size, originator, servicer, and weighted average loan age. Agency Inverse IOs are categorized within Level 2 of the fair value hierarchy. We also use vendor data in developing our assumptions, as appropriate.

Non-Agency Residential Mortgage-Backed Securities: Fair values are determined primarily using discounted cash flow methodologies and securities are categorized within Level 2 or Level 3 of the fair value hierarchy based on the observability and significance of the pricing inputs used. Performance attributes of the underlying mortgage loans are evaluated to estimate pricing inputs, such as prepayment rates, default rates and the severity of credit losses.

Attributes of the underlying mortgage loans that affect the pricing inputs include, but are not limited to, weighted average coupon; average and maximum loan size; loan-to-value; credit scores; documentation type; geographic location; weighted average loan age; originator; servicer; historical prepayment, default and loss severity experience of the mortgage loan pool; and delinquency rate. Yield curves used in the discounted cash flow models are based on observed market prices for comparable securities and published interest rate data to estimate market yields.

Commercial Mortgage-Backed Securities

Agency Commercial Mortgage-Backed Securities: Government National Mortgage Association ("GNMA") project loans are measured based on inputs corroborated from and benchmarked to observed prices of recent securitization transactions of similar securities with adjustments incorporating an evaluation for various factors, including prepayment speeds, default rates, and cash flow structures as well as the likelihood of pricing levels in the current market environment. Federal National Mortgage Association ("FNMA") Delegated Underwriting and Servicing ("DUS") mortgage-backed securities are generally measured by using prices observed for recently executed market transactions to estimate market-clearing spread levels for purposes of estimating fair value. GNMA project loan bonds and FNMA DUS mortgage-backed securities are categorized within Level 2 of the fair value hierarchy.

Non-Agency Commercial Mortgage-Backed Securities: Non-agency commercial mortgage-backed securities are measured using pricing data obtained from external pricing services and prices observed from recently executed market transactions and are categorized within Level 2 and Level 3 of the fair value hierarchy.

Other Asset-Backed Securities

Other asset-backed securities include, but are not limited to, securities backed by auto loans, credit card receivables, student loans and other consumer loans and are categorized within Level 2 and Level 3 of the fair value hierarchy. Valuations are primarily determined using pricing data obtained from external pricing services and broker quotes and prices observed from recently executed market transactions.

Loans and Other Receivables

Corporate Loans: Corporate loans categorized within Level 2 of the fair value hierarchy are measured based on market price quotations where market price quotations from external pricing services are supported by transaction data. Corporate loans categorized within Level 3 of the fair value hierarchy are measured based on price quotations that are considered to be less transparent, market prices for debt securities of the same creditor, and estimates of future cash flow incorporating assumptions regarding creditor default and recovery rates and consideration of the issuer's capital structure.

Participation Certificates in Agency Residential Loans: Valuations of participation certificates in agency residential loans are based on observed market prices of recently executed purchases and sales of similar loans. The loan participation certificates are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions and availability of data provider pricing.

Project Loans and Participation Certificates in GNMA Project and Construction Loans: Valuations of participation certificates in GNMA project and construction loans are based on inputs corroborated from and benchmarked to observed prices of recent securitizations of assets with similar underlying loan collateral to derive an implied spread. Securitization prices are adjusted to estimate the fair value of the loans incorporating an evaluation for various factors, including prepayment speeds, default rates, and cash flow structures as well as the likelihood of pricing levels in the current market environment. The measurements are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions.

Consumer Loans and Funding Facilities: Consumer and small business whole loans and related funding facilities are valued based on observed market transactions incorporating additional valuation inputs including, but not limited to, delinquency and default rates, prepayment rates, borrower characteristics, loan risk grades and loan age. These assets are categorized within Level 2 or Level 3 of the fair value hierarchy.

Escrow and Trade Claim Receivables: Escrow and trade claim receivables are categorized within Level 3 of the fair value hierarchy where fair value is estimated based on reference to market prices and implied yields of debt securities of the same or similar issuers. Escrow and trade claim receivables are categorized within Level 2 of the fair value hierarchy where fair value is based on recent trade activity in the same security.

Derivatives

Listed Derivative Contracts: Listed derivative contracts that are actively traded are measured based on quoted exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy. Listed derivatives for which there is limited trading activity are measured based on incorporating the closing auction price of the underlying equity security, use similar valuation approaches as those applied to over-the-counter derivative contracts and are categorized within Level 2 of the fair value hierarchy.

OTC Derivative Contracts: Over-the-counter ("OTC") derivative contracts are generally valued using models, whose inputs reflect assumptions that we believe market participants would use in valuing the derivative in a current period transaction. Inputs to valuation models are appropriately calibrated to market data. For many OTC derivative contracts, the valuation models do not involve material subjectivity as the methodologies do not entail significant judgment and the inputs to valuation models do not involve a high degree of subjectivity as the valuation model inputs are readily observable or can be derived from actively quoted markets. OTC derivative contracts are primarily categorized within Level 2 of the fair value hierarchy given the observability and significance of the inputs to the valuation models. Where significant inputs to the valuation are unobservable, derivative instruments are categorized within Level 3 of the fair value hierarchy.

OTC options include OTC equity, foreign exchange, interest rate and commodity options measured using various valuation models, such as the Black-Scholes, with key inputs impacting the valuation including the underlying security, foreign exchange spot rate or commodity price, implied volatility, dividend yield, interest rate curve, strike price and maturity date. Discounted cash flow models are utilized to measure certain OTC derivative contracts

including the valuations of our interest rate swaps, which incorporate observable inputs related to interest rate curves, valuations of our foreign exchange forwards and swaps, which incorporate observable inputs related to foreign currency spot rates and forward curves and valuations of our commodity swaps and forwards, which incorporate observable inputs related to commodity spot prices and forward curves. Credit default swaps include both index and single-name credit default swaps. External prices are available as inputs in measuring index credit default swaps and single-name credit default swaps. For commodity and equity total return swaps, market prices are observable for the underlying asset and used as the basis for measuring the fair value of the derivative contracts. Total return swaps executed on other underlyings are measured based on valuations received from external pricing services.

National Beef Derivatives: National Beef uses futures contracts in order to reduce its exposure associated with entering into firm commitments to purchase live cattle at prices determined prior to the delivery of the cattle as well as firm commitments to sell certain beef products at sales prices determined prior to shipment. The futures contracts and their related firm purchase commitments are accounted for at fair value, which are classified as Level 1 or Level 2 within the fair value hierarchy. Certain firm commitments for live cattle purchases and all firm commitments for sales are treated as normal purchases and sales and

therefore not marked to market. Fair values classified as Level 1 are calculated based on the quoted market prices of identical assets or liabilities compared to National Beef's cost of those same assets or liabilities. Fair values classified as Level 2 are calculated based on the difference between the contracted price for live cattle and the relevant quoted market price for live cattle futures.

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

Investments at Fair Value

Investments at fair value included in Trading assets on the Consolidated Statements of Financial Condition include direct equity investments in private companies, which are measured at fair value using valuation techniques involving quoted prices of or market data for comparable companies, similar company ratios and multiples (e.g., price/EBITDA, price/book value), discounted cash flow analysis and transaction prices observed for subsequent financing or capital issuance by the company. Direct equity investments in private companies are categorized within Level 2 or Level 3 of the fair value hierarchy. Additionally, investments at fair value include investments in insurance contracts relating to Jefferies defined benefit plan in Germany. Fair value for the insurance contracts are determined using a third party and is categorized within Level 3 of the fair value hierarchy.

Investment in FXCM

FXCM is an online provider of foreign exchange trading services. In January 2015, we entered into a credit agreement with FXCM, and provided FXCM a \$300 million senior secured term loan due January 2017 (the term of which was subsequently extended by one year to January 2018), with rights to a variable proportion of certain future distributions in connection with an FXCM sale of assets or certain other events, and to require a sale of FXCM beginning in January 2018. The loan had an initial interest rate of 10% per annum, increasing by 1.5% per annum each quarter, not to exceed 20.5% per annum. During the nine months ended September 30, 2017, interest accrued at 20.5% per annum. During the nine months ended September 30, 2017, we received \$111.3 million of principal and interest from FXCM and \$67.6 million of principal remained outstanding under the term loan as of September 30, 2017. Through September 30, 2017, we have received cumulatively \$328.0 million of principal, interest and fees from our initial \$279.0 million investment in FXCM.

Through September 1, 2016, the total amount of our investment in FXCM was reported within Trading assets, at fair value in our Consolidated Statements of Financial Condition, and unrealized and realized changes in value, including the component related to interest income on the loan, were included within Principal transactions in the Consolidated Statements of Operations. We recorded gains (losses) in Principal transactions of \$2.3 million and \$17.6 million during the three and nine months ended September 30, 2017, respectively, from our term loan and \$42.7 million and \$(58.3) million during the three and nine months ended September 30, 2016, respectively, from our term loan and related rights.

On September 1, 2016, we, Global Brokerage Inc. ("Global Brokerage" and formerly FXCM Inc.) and Global Brokerage Holdings entered into an agreement that amended the terms of our loan and associated rights. Among other changes, the amendments extended the maturity of the term loan by one year to January 2018 to allow FXCM more time to optimize remaining asset sales; gave Leucadia a 49.9% common membership interest in FXCM, and up to 65% of all distributions; created a six-member board for FXCM, comprised of three directors appointed by Leucadia and three directors appointed by Global Brokerage Holdings; put in place a long-term incentive program for FXCM's senior management; and gave Global Brokerage Holdings the same right Leucadia has to require a sale of FXCM

beginning in January 2018. Distributions to Leucadia under the amended agreements are now: 100% until amounts due under the loan are repaid; 45% of the next \$350 million; then 79.2% of the next \$500 million; and 51.6% of all amounts thereafter.

During February 2017, Global Brokerage Holdings and FXCM's U.S. subsidiary, Forex Capital Markets LLC ("FXCM U.S.") settled complaints filed by the National Futures Association ("NFA") and the Commodity Futures Trading Commission ("CFTC") against FXCM U.S. and certain of its principals relating to matters that occurred between 2010 and 2014. The NFA settlement has no monetary fine and the CFTC settlement has a \$7 million fine. As part of the settlements, FXCM U.S. withdrew from business and agreed to sell FXCM U.S.'s customer accounts to Gain Capital Holdings, Inc. FXCM U.S. generated approximately 20% of FXCM's revenue, but was not profitable. FXCM also announced the implementation of a restructuring plan that included the termination of approximately 170 employees, which represented approximately 22% of its global workforce. The proceeds from the sale of the U.S. accounts, net of closure and severance costs, as well as regulatory capital released after a sale, has been used to pay down the Leucadia term loan. As part of the settlement, Leucadia, Global Brokerage Holdings and FXCM have amended the management and incentive compensation agreements, giving any three directors of the FXCM board the right to

terminate management and any unvested incentive compensation at any time. On October 1, 2017, the management agreement between FXCM and Global Brokerage Holdings was terminated.

We do not hold any equity interest in Global Brokerage, a publicly traded company and an issuer of senior convertible notes. Global Brokerage holds an economic interest of 74.5% in Global Brokerage Holdings, which in turn holds 50.1% of FXCM. As more fully described above, we own the remaining 49.9% of FXCM, and our senior secured term loan is also with FXCM, which is a holding company for all of FXCM's affiliated operating subsidiaries. Net profits and proceeds generated by these subsidiaries, and from the sales of these subsidiaries, flow first to FXCM, where they are applied to the outstanding balance of our term loan and then, in accordance with the agreement described above, to us and Global Brokerage Holdings. A portion of the profits and proceeds that flow to Global Brokerage Holdings then flow to Global Brokerage, in accordance with its economic interest.

Through the amendments on September 1, 2016, our derivative rights were exchanged for a 49.9% common membership interest in FXCM and up to 65% of all distributions. We gained the ability to significantly influence FXCM through our common membership interest and our seats on the board of directors. As a result, we classify our equity investment in FXCM in our September 30, 2017 Consolidated Statement of Financial Condition as Loans to and investments in associated companies. We account for our equity interest on a one month lag. As the amendments only extended the maturity of the term loan, we continue to use the fair value option and classify our term loan within Trading assets, at fair value.

FXCM is considered a variable interest entity ("VIE") and our term loan and equity ownership are variable interests. We have determined that we are not the primary beneficiary of FXCM because we do not have the power to direct the activities that most significantly impact FXCM's performance. Therefore, we do not consolidate FXCM and we account for our equity interest as an investment in an associated company.

Our maximum exposure to loss as a result of our involvement with FXCM is limited to the carrying value of the term loan (\$70.8 million) and the investment in associated company (\$170.6 million), which totaled \$241.4 million at September 30, 2017.

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

Nonrecurring Fair Value Measurements

As described further in Note 9, in the first quarter of 2017 we engaged an independent valuation firm to assist management in estimating the fair value of our equity investment in FXCM. Our first quarter estimate of fair value was based on a discounted cash flow and comparable public company analysis and is categorized within Level 3 of the fair value hierarchy. The discounted cash flow valuation model used inputs including management's projections of future FXCM cash flows and a discount rate of approximately 15%. The comparable public company model used market data for comparable companies including a price to EBITDA multiple of 5.4 and a price to revenue multiple of 1.5. The estimated fair value of our equity investment in FXCM was \$186.7 million, which was \$130.2 million lower than the carrying value at the end of the first quarter 2017. As a result, an impairment charge of \$130.2 million was recorded in the first quarter of 2017.

JETX owns unproved oil and gas properties that are included in Other assets in our Consolidated Statements of Financial Condition. As described further in Note 2, in the third quarter of 2016, JETX curtailed development of its southern acreage in the East Eagle Ford and its Houston County acreage and performed an impairment analysis of these unproved oil and gas properties. To measure the estimated fair value of the unproved properties, we used

unobservable Level 3 inputs, which took into account the following factors: remaining lease terms, drilling results and/or future plans to develop the acreage. The estimated fair value of JETX's southern acreage in the East Eagle Ford and its Houston County acreage totaled \$51.6 million, which was \$55.0 million lower than the carrying value as of the end of third quarter of 2016. As a result, an impairment charge of \$55.0 million was recorded in the third quarter of 2016.

In the third quarter of 2017, JETX decided to focus on its other higher returning acreage and as a result JETX wrote off the remaining carrying value for its Houston County acreage. JETX recorded an impairment charge of \$10.1 million in Selling, general and other expenses in the third quarter of 2017 related to the write-down of unproved oil and gas properties.

Investments at Fair Value Based on NAV and Investments in Managed Funds

Investments at fair value based on NAV and Investments in managed funds include investments in hedge funds, fund of funds, private equity funds and other funds, which are measured at the NAV of the funds, provided by the fund managers and are excluded from the fair value hierarchy.

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

	Fair Value (1)	Unfunded Commitments	Redemption Frequency (if currently eligible)
September 30, 2017			
Equity Long/Short Hedge Funds (2)	\$406,280	\$ —	(2)
Fixed Income and High Yield Hedge Funds (3)	421	—	—
Fund of Funds (4)	183	—	—
Equity Funds (5)	33,568	19,084	—
Multi-asset Funds (6)	125,004	—	—
Total	\$565,456	\$ 19,084	
December 31, 2016			
Equity Long/Short Hedge Funds (2)	\$363,256	\$ —	(2)
Fixed Income and High Yield Hedge Funds (3)	772	—	—
Fund of Funds (4)	230	—	—
Equity Funds (5)	42,179	20,295	—
Multi-asset Funds (6)	133,190	—	—
Total	\$539,627	\$ 20,295	

(1) Where fair value is calculated based on NAV, fair value has been derived from each of the funds' capital statements.

This category includes investments in hedge funds that invest, long and short, in primarily equity securities in domestic and international markets in both the public and private sectors. At September 30, 2017 and

(2) December 31, 2016, 74% and 83%, respectively, of these investments are redeemable with 10 business days or less prior written notice, and 15% and 17%, respectively, of these investments are redeemable with 30 to 60 days prior written notice.

(3) This category includes investments in funds that invest in loans secured by a first trust deed on property, domestic and international public high yield debt, private high yield investments, senior bank loans, public leveraged equities, distressed debt, and private equity investments. There are no redemption provisions.

(4) This category includes investments in fund of funds that invest in various private equity funds. The investments in this category are managed by us and have no redemption provisions. These investments are gradually being liquidated or we have requested redemption, however, we are unable to estimate when these funds will be received.

(5) The investments in this category include investments in equity funds that invest in the equity of various U.S. and foreign private companies in the energy, technology, internet service and telecommunication service industries. These investments cannot be redeemed; instead distributions are received through the liquidation of the underlying assets of the funds, which are expected to liquidate in one to six years.

(6) This category includes investments in hedge funds that invest, long and short, primarily in multiple classes of securities in domestic and international markets in both the public and private sectors. At September 30, 2017 and December 31, 2016, investments representing approximately 15% and 12%, respectively, of the fair value of investments in this category are redeemable with 30 to 90 days prior written notice.

Other Secured Financings

Other secured financings that are accounted for at fair value include notes issued by consolidated VIEs, which are classified as Level 2 or Level 3 within the fair value hierarchy. Fair value is based on recent transaction prices for similar assets.

Short-term Borrowings/Long-term Debt - Structured Notes

Short-term borrowings that are accounted for at fair value include equity-linked notes, which are generally categorized as Level 2 within the fair value hierarchy, as the fair value is based on the price of the underlying equity security. Long-term debt includes variable rate, fixed-to-floating rate, CMS (constant maturity swap) and Bermuda structured notes. These are valued using various valuation models that include Jefferies own credit spreads. These models incorporate market price quotations from external pricing sources referencing the appropriate interest rate curves, volatilities and other inputs and are generally categorized within Level 2 of the fair value hierarchy. In addition, pricing transparency has been evidenced based on the transaction data on recently issued notes.

Transfers Between Levels 1 and 2 for Instruments Carried at Fair Value

There were no material transfers between Level 1 and Level 2 for the three and nine months ended September 30, 2017 and 2016.

Level 3 Rollforwards

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the three months ended September 30, 2017 (in thousands):

Three months ended September 30, 2017

	Balance, June 30, 2017	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances (out of) Level 3	Net transfers to (out of) Level 3	Balance at September 30, 2017	Changes in unrealized gains/ losses relating to instruments still held at September 30, 2017 (1)
Assets:									
Trading assets:									
Corporate equity securities	\$ 20,548	\$ 4,344	\$ 4	\$ (645)	\$ (55)	\$ —	—	\$ 22,174	\$ 4,319
Corporate debt securities	24,727	(2,350)	5,901	(5,551)	(31)	—	2,319	25,015	(2,224)
CDOs and CLOs	48,208	(15,205)	52,918	(36,564)	245	—	468	50,070	(12,638)
Residential mortgage-backed securities	33,032	(263)	494	(732)	(291)	—	(11,591)	20,649	188
Commercial mortgage-backed securities	16,263	(125)	—	(676)	(637)	—	2,811	17,636	(161)
Other asset-backed securities	43,349	(6,454)	5,798	(3,789)	(2,924)	—	32,966	68,946	(3,570)
Loans and other receivables	49,365	15,261	9,265	(5,854)	(8,249)	—	2,868	62,656	14,005
Investments at fair value	315,297	3,964	10,000	—	(292)	—	—	328,969	3,964
FXCM term loan	129,050	2,330	—	—	(60,580)	—	—	70,800	(2,401)
Liabilities:									
Trading liabilities:									
Corporate equity securities	\$ 354	\$ 107	\$ (369)	\$ 27	\$ —	\$ —	—	\$ 119	\$ (92)
Corporate debt securities	522	—	—	—	—	—	—	522	—
Commercial mortgage-backed securities	70	(35)	—	—	—	—	—	35	(35)
Net derivatives (2)	3,022	(2,980)	—	—	5,040	—	—	5,082	(2,474)
Loans	4,967	(3,071)	—	333	—	—	1,056	3,285	3,018

(1) Realized and unrealized gains (losses) are reported in Principal transactions in the Consolidated Statements of Operations.

(2) Net derivatives represent Trading assets - Derivatives and Trading liabilities - Derivatives.

Analysis of Level 3 Assets and Liabilities for the three months ended September 30, 2017

During the three months ended September 30, 2017, transfers of assets of \$63.5 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

• Other asset-backed securities of \$46.4 million due to a lack of observable market transactions.

During the three months ended September 30, 2017, transfers of assets of \$35.7 million from Level 3 to Level 2 are primarily attributed to:

• Residential mortgage-backed securities of \$14.6 million and other asset-backed securities of \$13.5 million due to greater pricing transparency supporting classification into Level 2.

Net gains on Level 3 assets were \$1.5 million and net gains on Level 3 liabilities were \$6.0 million for the three months ended September 30, 2017. Net gains on Level 3 assets were primarily due to increased valuations of our FXCM term loan, loans and other receivables, corporate equity securities and certain investments at fair value, partially offset by decreased valuations of other asset-backed securities, CDOs and CLOs and corporate debt securities. Net gains on Level 3 liabilities were primarily due to increased valuations of certain net derivatives and decreased valuations of certain loans.

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The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the nine months ended September 30, 2017 (in thousands):
 Nine Months Ended September 30, 2017

	Balance, December 31, 2016	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances (out of) Level 3	Net transfers to (out of) Level 3	Balance at September 30, 2017	Changes in unrealized gains/losses relating to instruments still held at September 30, 2017 (1)
Assets:									
Trading assets:									
Corporate equity securities	\$ 21,739	\$ 3,416	\$ 945	\$(1,502)	\$(356)	\$ —	\$(2,068)	\$ 22,174	\$ 2,689
Corporate debt securities	25,005	(3,280)	19,610	(18,364)	(1,724)	—	3,768	25,015	(3,424)
CDOs and CLOs	54,354	(21,595)	65,523	(62,441)	239	—	13,990	50,070	(21,998)
Municipal securities	27,257	(1,547)	—	(25,710)	—	—	—	—	—
Residential mortgage-backed securities	38,772	(1,446)	113,391	(125,731)	(572)	—	(3,765)	20,649	(2,005)
Commercial mortgage-backed securities	20,580	(1,180)	2,033	(5,199)	(985)	—	2,387	17,636	(952)
Other asset-backed securities	40,911	(15,338)	67,611	(4,121)	(16,891)	—	(3,226)	68,946	(8,872)
Loans and other receivables	81,872	27,709	84,342	(83,791)	(23,241)	—	(24,235)	62,656	16,294
Investments at fair value	314,359	12,760	12,800	(10,119)	(831)	—	—	328,969	14,783
FXCM term loan	164,500	17,638	—	—	(111,338)	—	—	70,800	(930)
Liabilities:									
Trading liabilities:									
Corporate equity securities	\$ 313	\$ 134	\$(355)	\$27	\$ —	\$ —	\$ —	\$ 119	\$(92)
Corporate debt securities	523	(1)	—	—	—	—	—	522	1
Commercial mortgage-backed securities	—	35	—	—	—	—	—	35	(35)
Net derivatives (2)	3,441	(2,854)	—	—	5,162	404	(1,071)	5,082	(2,333)
Loans	378	1,604	(364)	333	—	—	1,334	3,285	(1,583)
Other secured financings	418	(418)	—	—	—	—	—	—	—

(1) Realized and unrealized gains (losses) are reported in Principal transactions in the Consolidated Statements of Operations.

(2) Net derivatives represent Trading assets - Derivatives and Trading liabilities - Derivatives.

Analysis of Level 3 Assets and Liabilities for the nine months ended September 30, 2017

During the nine months ended September 30, 2017, transfers of assets of \$30.9 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

• CDOs and CLOs of \$14.0 million and corporate debt securities of \$8.1 million due to a lack of observable market transactions.

During the nine months ended September 30, 2017, transfers of assets of \$44.0 million from Level 3 to Level 2 are primarily attributed to:

Loans and other receivables of \$28.3 million due to greater pricing transparency supporting classification into Level 2.

Net gains on Level 3 assets were \$17.1 million and net gains on Level 3 liabilities were \$1.5 million for the nine months ended September 30, 2017. Net gains on Level 3 assets were primarily due to increased valuations of our FXCM term loan, certain loans and other receivables and certain investments at fair value, partially offset by decreased valuations of other asset-backed securities and CDOs and CLOs. Net gains on Level 3 liabilities were primarily due to increased valuations of certain net derivatives partially offset by increased valuations of certain loans.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the three months ended September 30, 2016 (in thousands):
Three Months Ended September 30, 2016

	Balance, June 30, 2016	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances (into of) Level 3	Net transfers (out of) Level 3	Balance, September 30, 2016	Changes in unrealized gains/ losses relating to instruments still held at September 30, 2016 (1)
Assets:									
Trading assets:									
Corporate equity securities	\$48,816	\$(6,492)	\$ 291	\$(49)	\$ —	\$ —	-\$ (20,371)	\$ 22,195	\$(892)
Corporate debt securities	24,113	(145)	10,696	(5,046)	—	—	5,389	35,007	405
CDOs and CLOs	52,710	(4,067)	4,205	(5,203)	—	—	(3,575)	44,070	(4,606)
Municipal securities	—	(7,074)	—	—	—	—	34,331	27,257	(7,074)
Sovereign obligations	120	5	—	(125)	—	—	—	—	—
Residential mortgage-backed securities	63,308	(2,343)	1,884	(10,874)	(463)	—	(4,631)	46,881	(183)
Commercial mortgage-backed securities	24,983	(1,531)	—	—	—	—	1,141	24,593	(236)
Other asset-backed securities	43,033	(2,247)	3,416	(2,727)	(1,429)	—	21,066	61,112	(2,202)
Loans and other receivables	104,399	(23,445)	31,512	(10,140)	(16,804)	—	(7,065)	78,457	(16,044)
Investments at fair value	273,271	(599)	—	(485)	(278)	—	29,000	300,909	(746)
Investment in FXCM (2)	508,400	42,721	—	—	(343,721)	—	—	207,400	(2,000)
Liabilities:									
Trading liabilities:									
Corporate equity securities	\$—	\$—	\$—	\$—	\$—	\$—	-\$38	\$ 38	\$—
Corporate debt securities	—	(27)	—	550	—	—	—	523	—
Net derivatives (3)	4,424	(4,736)	—	11,101	32	601	(375)	11,047	(1,589)
Loans	1,896	(402)	—	170	—	—	(816)	848	(400)
Other secured financings	468	(200)	—	—	—	—	—	268	200

(1) Realized and unrealized gains (losses) are reported in Principal transactions in the Consolidated Statements of Operations.

Includes \$334.5 million related to the settlement of our participation rights for equity ownership in FXCM on (2) September 1, 2016. We classify the equity ownership as a Loan to and investment in associated company at September 30, 2016.

(3) Net derivatives represent Trading assets - Derivatives and Trading liabilities - Derivatives.

Analysis of Level 3 Assets and Liabilities for the three months ended September 30, 2016

During the three months ended September 30, 2016, transfers of assets of \$147.0 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

Other asset-backed securities of \$27.3 million, CDOs and CLOs of \$23.7 million and residential mortgage-backed securities of \$13.7 million, for which no recent trade activity was observed for purposes of determining observable inputs; and
Municipal securities of \$34.3 million and investments at fair value of \$29.0 million due to a lack of observable market transactions.

During the three months ended September 30, 2016, transfers of assets of \$91.8 million from Level 3 to Level 2 are primarily attributed to:

CDOs and CLOs of \$27.3 million and residential mortgage-backed securities of \$18.3 million for which market trades were observed in the period for either identical or similar securities;

Corporate equity securities of \$20.5 million due to an increase in observable market transactions; and

Loans and other receivables of \$15.8 million due to a greater number of contributors for certain vendor quotes to support classification within Level 2.

Net losses on Level 3 assets were \$5.2 million and net gains on Level 3 liabilities were \$5.4 million for the three months ended September 30, 2016. Net losses on Level 3 assets were primarily due to decreased valuations of loans and other receivables, municipal securities, corporate equity securities, CDOs and CLOs, residential mortgage-backed securities, other asset-backed securities and commercial mortgage-backed securities partially offset by increased valuations of our investment in FXCM. Net gains on Level 3 liabilities were primarily due to increased valuations of certain net derivative.

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The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the nine months ended September 30, 2016 (in thousands):
 Nine Months Ended September 30, 2016

	Balance, December 31, 2015	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers to (out of) Level 3	Balance, September 30, 2016	Changes in unrealized gains/ losses relating to instruments still held at September 30, 2016 (1)
Assets:									
Trading assets:									
Corporate equity securities	\$ 40,906	\$ (8,388)	\$ 5,225	\$ (49)	\$ —	\$ —	\$(15,499)	\$ 22,195	\$ (727)
Corporate debt securities	25,876	5,239	29,629	(20,331)	—	—	(5,406)	35,007	1,456
CDOs and CLOs	85,092	(24,356)	61,707	(69,397)	(605)	—	(8,371)	44,070	(13,196)
Municipal securities	—	(1,462)	—	—	—	—	28,719	27,257	(1,462)
Sovereign obligations	120	5	—	(125)	—	—	—	—	—
Residential mortgage-backed securities	70,263	(7,243)	1,948	(13,203)	(1,078)	—	(3,806)	46,881	228
Commercial mortgage-backed securities	14,326	(4,606)	1,256	(2,023)	—	—	15,640	24,593	(3,337)
Other asset-backed securities	42,925	(2,420)	66,503	(60,525)	(6,678)	—	21,307	61,112	(9,993)
Loans and other receivables	189,289	(30,843)	305,920	(206,587)	(163,913)	—	(15,409)	78,457	(27,714)
Investments at fair value	199,794	46,644	29,727	(485)	(834)	—	26,063	300,909	53,711
Investment in FXCM (2)	625,689	(58,335)	—	—	(359,954)	—	—	207,400	3,852
Liabilities:									
Trading liabilities:									
Corporate equity securities	\$ 38	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 38	\$ —
Corporate debt securities	—	(27)	—	550	—	—	—	523	—
Net derivatives (3)	(242)	3,104	—	11,101	(14)	1,606	(4,508)	11,047	(5,745)
Loans	10,469	7	—	681	(213)	—	(10,096)	848	45
Other secured financings	544	(276)	—	—	—	—	—	268	276

(1) Realized and unrealized gains (losses) are reported in Principal transactions in the Consolidated Statements of Operations.

Includes \$334.5 million related to the settlement of our participation rights for equity ownership in FXCM on (2) September 1, 2016. We classify the equity ownership as a Loan to and investment in associated company at September 30, 2016.

(3) Net derivatives represent Trading assets - Derivatives and Trading liabilities - Derivatives.

Analysis of Level 3 Assets and Liabilities for the nine months ended September 30, 2016

During the nine months ended September 30, 2016, transfers of assets of \$157.8 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

CDOs and CLOs of \$16.9 million, other asset-backed securities of \$38.5 million, residential mortgage-backed securities of \$21.7 million and commercial mortgage-backed securities of \$17.2 million, for which no recent trade activity was observed for purposes of determining observable inputs; and
Municipal securities of \$28.7 million and investments at fair value of \$26.1 million due to lack of observable market transactions.

During the nine months ended September 30, 2016, transfers of assets of \$114.5 million from Level 3 to Level 2 are primarily attributed to:

CDOs and CLOs of \$25.3 million, residential mortgage-backed securities of \$25.5 million and other asset-backed securities of \$17.0 million, for which market trades were observed in the period for either identical or similar securities;

Loans and other receivables of \$19.8 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2; and

Corporate equity securities of \$19.2 million due to an increase in observable market transactions.

During the nine months ended September 30, 2016, there were \$10.2 million transfers of loan liabilities from Level 3 to Level 2 due to an increase in observable inputs in the valuation.

Net losses on Level 3 assets were \$85.8 million and net losses on Level 3 liabilities were \$2.8 million for the nine months ended September 30, 2016. Net losses on Level 3 assets were primarily due to decreased valuations of our investment in FXCM, loans

and other receivables, CDOs and CLOs, corporate equity securities, residential mortgage-backed securities and municipal securities partially offset by increased valuations of investments at fair value. Net losses on Level 3 liabilities were primarily due to increased valuations of certain net derivatives.

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

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

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

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September 30, 2017

Financial Instruments Owned	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input/Range	Weighted Average
Corporate equity securities	\$ 17,964				
Non-exchange traded securities		Market approach	Price	\$3 to \$75	\$59.0
			Underlying stock price	\$6	—
		Comparable pricing	Comparable asset price	\$9	—
Corporate debt securities	\$ 25,015	Convertible bond model	Discount rate/yield	8%	—
			Volatility	40%	—
		Market approach	Estimated recovery percentage	17%	—
			Price	\$15	—
CDOs and CLOs	\$ 43,153	Discounted cash flows	Constant prepayment rate	20%	—
			Constant default rate	2%	—
			Loss severity	25% to 30%	27 %
			Discount rate/yield	9% to 23%	12 %
		Scenario analysis	Estimated recovery percentage	6% to 45%	29 %
Residential mortgage-backed securities	\$ 20,649	Discounted cash flows	Cumulative loss rate	5% to 30%	13 %
			Duration (years)	3 to 10	5
			Discount rate/yield	8% to 10%	9 %
Commercial mortgage-backed securities	\$ 17,636	Discounted cash flows	Cumulative loss rate	0% to 58%	29 %
			Duration (years)	1 to 3	2
			Discount rate/yield	2% to 21%	11 %
Other asset-backed securities	\$ 68,946	Discounted cash flows	Cumulative loss rate	0% to 25%	20 %
			Duration (years)	1 to 10	2
			Discount rate/yield	4% to 12%	8 %
		Market approach	Price	\$100	—
		Scenario analysis	Estimated recovery percentage	23%	—
Loans and other receivables	\$ 59,398	Market approach	EBITDA (a) multiple	1.6	—
			Price	\$60 to \$100	\$95.0
		Scenario analysis	Estimated recovery percentage	10% to 107%	67 %
Derivatives	\$ 2,671				

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Interest rate swaps		Market approach	Credit spread	800 bps	—
Investments at fair value	\$ 100,446				
Private equity securities		Market approach	Price	\$7 to \$250	\$123.0
			Transaction level	\$3	—
			Discount rate	20%	—
Investment in FXCM					
Term loan	\$ 70,800	Discounted cash flows	Term based on the pay off	0 months to .3 years	0.3 years
Trading Liabilities	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input/Range	Weighted Average
Derivatives	\$ 7,753				
Equity options		Option model/default rate	Default probability	0%	—
Variable funding note swaps		Discounted cash flows	Constant prepayment rate	20%	—
			Constant default rate	2%	—
			Loss severity	25%	—
			Discount rate/yield	23%	—

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December 31, 2016

Financial Instruments Owned	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input/Range	Weighted Average
Corporate equity securities	\$ 19,799				
Non-exchange traded securities		Market approach	Underlying stock price	\$3 to \$75	\$15.0
		Comparable pricing	Underlying stock price	\$218	—
			Comparable asset price	\$11	—
		Present value	Average silver production (tons per day)	666	—
Corporate debt securities	\$ 25,005	Convertible bond model	Discount rate/yield	9%	—
			Volatility	40%	—
		Market approach	Transaction level	\$30	—
CDOs and CLOs	\$ 33,016	Discounted cash flows	Constant prepayment rate	10% to 20%	19 %
			Constant default rate	2% to 4%	2 %
			Loss severity	25% to 70%	40 %
			Yield	7% to 17%	12 %
		Scenario analysis	Estimated recovery percentage	28% to 38%	31 %
Residential mortgage-backed securities	\$ 38,772	Discounted cash flows	Constant prepayment rate	0% to 11%	5 %
			Constant default rate	1% to 7%	3 %
			Loss severity	35% to 100%	62 %
			Yield	2% to 10%	6 %
Commercial mortgage-backed securities	\$ 20,580	Discounted cash flows	Yield	6% to 11%	8 %
			Cumulative loss rate	5% to 95%	39 %
Other asset-backed securities	\$ 40,911	Discounted cash flows	Constant prepayment rate	4% to 20%	14 %
			Constant default rate	0% to 31%	13 %
			Loss severity	0% to 100%	90 %
			Yield	4% to 17%	15 %
		Market approach	Price	\$72	—
Loans and other receivables	\$ 54,347	Market approach	Discount rate/yield	2% to 4%	3 %
			EBITDA (a) multiple	3.3	—
			Transaction level	\$0.42	—
		Present value	Average silver production (tons per day)	666	—
		Scenario analysis		6% to 50%	37 %

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Estimated recovery
percentage

Derivatives	\$ 6,429				
Equity swaps		Comparable pricing	Comparable asset price	\$102	—
Credit default swaps		Market approach	Credit spread	265 bps	—
Investments at fair value	\$ 67,383				
Private equity securities		Market approach	Transaction level Price	\$250 \$25,815,720	— —
			Discount rate	15% to 30%	23 %
Investment in FXCM					
Term loan	\$ 164,500	Discounted cash flows	Term based on the pay off	0 months to .5 years	0.4 years
Trading Liabilities	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input/Range	Weighted Average
Derivatives	\$ 9,870				
Equity options		Option model	Volatility	45%	—
		Default rate	Default probability	0%	—
Equity swaps		Comparable pricing	Comparable asset price	\$102	—
Unfunded commitments		Market approach	Discount rate/yield	4%	—
Variable funding note swaps		Discounted cash flows	Constant prepayment rate	20%	—
			Constant default rate	2%	—
			Loss severity	25%	—
			Yield	16%	—

(a) Earnings before interest, taxes, depreciation and amortization (“EBITDA”).

The fair values of certain Level 3 assets and liabilities that were determined based on third-party pricing information, unadjusted past transaction prices, reported net asset value or a percentage of the reported enterprise fair value are excluded from the above table. At September 30, 2017 and December 31, 2016, asset exclusions consisted of \$242.9 million and \$325.0 million, respectively, primarily comprised of investments at fair value, private equity securities, municipal securities, non-exchange traded securities, CDOs and CLOs and loans and other receivables. At September 30, 2017 and December 31, 2016, liability exclusions consisted of \$4.0 million and \$1.6 million, respectively, of other secured financings, commercial mortgage-backed securities, loans and corporate debt and equity securities.

Sensitivity of Fair Values to Changes in Significant Unobservable Inputs

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

Non-exchange traded securities and equity swaps using comparable pricing valuation techniques. A significant increase (decrease) in the comparable asset and underlying stock price in isolation would result in a significantly higher (lower) fair value measurement.

Corporate debt securities using a convertible bond model. A significant increase (decrease) in the bond discount rate/yield would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in volatility would result in a significantly higher (lower) fair value measurement.

Non-exchange traded securities, corporate debt securities, loans and other receivables, unfunded commitments, credit default swaps, interest rate swaps, other asset-backed securities, private equity securities and loans using a market approach valuation technique. A significant increase (decrease) in the EBITDA or other multiples in isolation would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the discount rate/yield of a loan and other receivable or certain derivatives would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the transaction level of a private equity security, corporate debt security or loan and other receivable would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the underlying stock price of the non-exchange traded securities would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the credit spread of certain derivatives would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the price of the private equity securities, non-exchange traded securities, corporate debt securities, other asset-backed securities or loans and other receivables would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the estimated recovery rates of the cash flow outcomes underlying the corporate debt securities would result in a significantly higher (lower) fair value measurement.

Loans and other receivables, CDOs and CLOs and other asset-backed securities using scenario analysis. A significant increase (decrease) in the possible recovery rates of the cash flow outcomes underlying the investment would result in a significantly higher (lower) fair value measurement for the financial instrument.

CDOs and CLOs, residential and commercial mortgage-backed securities, other asset-backed securities and variable funding notes using a discounted cash flow valuation technique. A significant increase (decrease) in isolation in the constant default rate, loss severity or cumulative loss rate would result in a significantly lower (higher) fair value measurement. The impact of changes in the constant prepayment rate and duration would have differing impacts depending on the capital structure and type of security. A significant increase (decrease) in the discount rate/security yield would result in a significantly lower (higher) fair value measurement.

Derivative equity options using an option model. A significant increase (decrease) in volatility would result in a significantly higher (lower) fair value measurement.

Derivative equity options using a default rate model. A significant increase (decrease) in default probability would result in a significantly lower (higher) fair value measurement.

Non-exchange traded securities and loans and other receivables using a present value model. A significant increase (decrease) in average silver production would result in a significantly higher (lower) fair value measurement.

FXCM term loan using a discounted cash flow valuation technique. A significant increase (decrease) in term based on the time to pay off the loan would result in a higher (lower) fair value measurement.

Fair Value Option Election

We have elected the fair value option for all loans and loan commitments made by Jefferies capital markets businesses. These loans and loan commitments include loans entered into by Jefferies Investment Banking division in connection with client bridge financing and loan syndications, loans purchased by Jefferies leveraged credit trading desk as part of its bank loan trading activities and mortgage and consumer loan commitments, purchases and fundings in connection with mortgage- and other asset-backed securitization activities. Loans and loan commitments originated or purchased by Jefferies leveraged credit and mortgage-backed businesses are managed on a fair value basis. Loans are included in Trading assets and loan commitments are included in Trading liabilities. The fair value option election is not applied to loans made to affiliate entities as such loans are entered into as part of

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ongoing, strategic business ventures. Loans to affiliate entities are included in Loans to and investments in associated companies on the Consolidated Statements of Financial Condition and are accounted for on an amortized cost basis. Jefferies has also elected the fair value option for certain of its structured notes which are managed by Jefferies capital markets business and are included in Long-term debt and Short-term borrowings in the Consolidated Statements of Financial Condition. Jefferies has elected the fair value option for certain financial instruments held by its subsidiaries as the investments are risk managed on a fair value basis. The fair value option has also been elected for certain secured financings that arise in connection with Jefferies securitization activities and other structured financings. Other secured financings, receivables from brokers, dealers and clearing organizations, receivables from customers of securities operations, payables to brokers, dealers and clearing organizations and payables to customers of securities operations, are accounted for at cost plus accrued interest rather than at fair value; however, the recorded amounts approximate fair value due to their liquid or short-term nature.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Financial Instruments Owned:				
Loans and other receivables	\$24,846	\$(24,874)	\$27,715	\$(48,658)
Financial Instruments Sold:				
Loans	\$3,436	\$212	\$(7,286)	\$229
Loan commitments	\$82	\$4,769	\$229	\$2,196
Long-term Debt:				
Changes in instrument specific credit risk (1)	\$5,638	\$(4,093)	\$(14,141)	\$(7,848)
Other changes in fair value (2)	\$(1,854)	\$4,474	\$2,786	\$15,225
Short-term Borrowings:				
Changes in instrument specific credit risk (1)	\$19	\$—	\$1	\$—
Other changes in fair value (2)	\$(2,570)	\$—	\$(37)	\$—

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

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

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

	September 30, 2017	December 31, 2016
Financial Instruments Owned:		
Loans and other receivables (1)	\$ 663,618	\$ 1,325,938
Loans and other receivables on nonaccrual status and/or greater than 90 days past due (1) (2)	\$ 159,000	\$ 205,746
Long-term Debt	\$ 9,725	\$ 20,202

(1)

Interest income is recognized separately from other changes in fair value and is included within Interest income in the Consolidated Statements of Operations.

- (2) Amounts include all loans and other receivables greater than 90 days past due of \$48.3 million and \$64.6 million at September 30, 2017 and December 31, 2016, respectively.

The aggregate fair value of Jefferies loans and other receivables on nonaccrual status and/or greater than 90 days or more past due was \$62.6 million and \$29.8 million at September 30, 2017 and December 31, 2016, respectively, which includes loans and other receivables greater than 90 days past due of \$41.9 million and \$18.9 million at September 30, 2017 and December 31, 2016, respectively.

Jefferies has elected the fair value option for its investment in KCG Holdings, Inc. ("KCG"). The change in the fair value of this investment were gains of \$2.2 million and \$6.1 million for the three months ended September 30, 2017 and 2016, respectively, and \$93.4 million and \$24.6 million for the nine months ended September 30, 2017 and 2016, respectively. Jefferies has also separately entered into securities lending transactions with KCG in the normal course of its capital markets activities. The balances of Securities borrowed and Securities loaned were \$9.2 million and \$9.2 million, respectively, at December 31, 2016. In April 2017, Virtu Financial agreed to acquire KCG at a price of \$20.00 per share in cash and the transaction closed July 20, 2017.

As of September 30, 2017 and December 31, 2016, we owned approximately 46.6 million common shares of HRG, representing approximately 23% of HRG's outstanding common shares, which are accounted for under the fair value option. The shares are included in our Consolidated Statements of Financial Condition at fair value of \$727.4 million and \$725.1 million at September 30, 2017 and December 31, 2016, respectively. The shares were acquired at an aggregate cost of \$475.6 million. The change in the fair value of our investment in HRG aggregated \$(97.9) million and \$91.8 million for the three months ended September 30, 2017 and 2016, respectively, and \$2.3 million and \$99.7 million for the nine months ended September 30, 2017 and 2016, respectively. As reported in its Form 10-Q, for the nine months ended June 30, 2017 and 2016, HRG's revenues were \$3,686.7 million and \$3,798.8 million, respectively; net income from continuing operations was \$53.8 million and \$152.5 million, respectively; net income (loss) was \$249.2 million and \$(70.1) million, respectively; and net income (loss) attributable to HRG was \$132.2 million and \$(191.5) million, respectively. We currently have two directors on HRG's board, including our Chairman who serves as HRG's Chairman and CEO.

We believe accounting for these investments at fair value better reflects the economics of these investments, and quoted market prices for these investments provides an objectively determined fair value at each balance sheet date. Our investment in HomeFed, which is a publicly traded company, is accounted for under the equity method of accounting rather than the fair value option. HomeFed's common stock is not listed on any stock exchange, and price information for the common stock is not regularly quoted on any automated quotation system. It is traded in the over-the-counter market with high and low bid prices published by the NASD OTC Bulletin Board Service; however, trading volume is minimal. For these reasons, we did not elect the fair value option for HomeFed.

Financial Instruments Not Measured at Fair Value

Certain of our financial instruments are not carried at fair value but are recorded at amounts that approximate fair value due to their liquid or short-term nature and generally negligible credit risk. These financial assets include Cash and cash equivalents and Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations and would generally be presented in Level 1 of the fair value hierarchy. Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations includes U.S. treasury securities of \$99.8 million and \$99.9 million at September 30, 2017 and December 31, 2016, respectively. See Note 22 for additional information related to financial instruments not measured at fair value.

Note 4. Derivative Financial Instruments

Off-Balance Sheet Risk

Jefferies has contractual commitments arising in the ordinary course of business for securities loaned or purchased under agreements to resell, repurchase agreements, future purchases and sales of foreign currencies, securities transactions on a when-issued basis and underwriting. Each of these financial instruments and activities contains varying degrees of off-balance sheet risk whereby the fair values of the securities underlying the financial instruments may be in excess of, or less than, the contract amount. The settlement of these transactions is not expected to have a material effect upon our consolidated financial statements.

Derivative Financial Instruments

Derivative activities are recorded at fair value in the Consolidated Statements of Financial Condition in Trading assets and Trading liabilities, net of cash paid or received under credit support agreements and on a net counterparty basis

when a legally enforceable right to offset exists under a master netting agreement. Predominantly, Jefferies and our Leucadia Asset Management businesses enter into derivative transactions to satisfy the needs of its clients and to manage its own exposure to market and credit risks resulting from its trading activities. In addition, Jefferies applies hedge accounting to an interest rate swap that has been designated as a fair value hedge of the changes in fair value due to the benchmark interest rate for certain fixed rate senior long-term debt. See Notes 3 and 20 for additional disclosures about derivative financial instruments.

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Derivatives are subject to various risks similar to other financial instruments, including market, credit and operational risk. The risks of derivatives should not be viewed in isolation, but rather should be considered on an aggregate basis along with our other trading-related activities. Jefferies manages the risks associated with derivatives on an aggregate basis along with the risks associated with proprietary trading as part of its firm wide risk management policies.

In connection with Jefferies derivative activities, Jefferies may enter into International Swaps and Derivative Association, Inc. ("ISDA") master netting agreements or similar agreements with counterparties. See Note 10 for additional information with respect to financial statement offsetting.

The following tables present the fair value and related number of derivative contracts categorized by type of derivative contract as reflected in the Consolidated Statements of Financial Condition at September 30, 2017 and December 31, 2016. The fair value of assets/liabilities represents our receivable/payable for derivative financial instruments, gross of counterparty netting and cash collateral received and pledged. The following tables also provide information regarding: 1) the extent to which, under enforceable master netting arrangements, such balances are presented net in our Consolidated Statements of Financial Condition as appropriate under GAAP and 2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our financial position (in thousands, except contract amounts):

	Assets		Liabilities	
	Fair Value	Number	Fair Value	Number
		of		of
		Contracts		Contracts
September 30, 2017				
Derivatives designated as accounting hedges - interest rate contracts	\$11,654	1	\$—	—
Derivatives not designated as accounting hedges:				
Interest rate contracts	\$1,777,254	17,997	\$1,698,297	42,934
Foreign exchange contracts	370,203	5,690	369,971	6,733
Equity contracts	549,030	2,199,786	1,127,705	1,849,003
Commodity contracts	5	3,673	3,543	8,727
Credit contracts	75,867	303	90,678	389
Total	2,772,359		3,290,194	
Counterparty/cash-collateral netting (1)	(2,595,355)		(2,714,115)	
Total derivatives not designated as accounting hedges	\$177,004		\$576,079	
Total per Consolidated Statement of Financial Condition (2)	\$188,658		\$576,079	
December 31, 2016				
Derivatives not designated as accounting hedges:				
Interest rate contracts	\$3,282,245	29,032	\$3,159,457	34,845
Foreign exchange contracts	529,669	7,826	516,869	8,319
Equity contracts	786,987	2,843,329	1,169,201	2,414,715
Commodity contracts	1,906	2,766	6,430	7,289
Credit contracts	26,269	311	28,065	20,084
Total	4,627,076		4,880,022	
Counterparty/cash-collateral netting (1)	(4,255,998)		(4,229,213)	
Total per Consolidated Statement of Financial Condition (2)	\$371,078		\$650,809	

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

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

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

	For the Three Months Ended September 30, 2017		For the Nine Months Ended September 30, 2016	
Interest rate swaps	\$6,217	\$	-\$13,960	\$
Long-term debt	(4,680)	—	(9,570)	—
Total	\$1,537	\$	-\$4,390	\$

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

	For the Three Months Ended September 30, 2017		For the Nine Months Ended September 30, 2016	
Interest rate contracts	\$(7,485)	\$(27,354)	\$2,555	\$(101,744)
Foreign exchange contracts	481	11,089	3,341	15,992
Equity contracts	(142,931)	(184,020)	(294,635)	(505,872)
Commodity contracts	(3,626)	2,777	(5,169)	351
Credit contracts	(7,947)	(3,616)	6,133	(3,812)
Total	\$(161,508)	\$(201,124)	\$(287,775)	\$(595,085)

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

OTC Derivatives. The following tables set forth by remaining contract maturity the fair value of OTC derivative assets and liabilities as reflected in the Consolidated Statement of Financial Condition at September 30, 2017 (in thousands):

	OTC Derivative Assets (1) (2) (3)				
	0-12 Months	1-5 Years	Greater Than 5 Years	Cross- Maturity Netting (4)	Total
Commodity swaps, options and forwards	\$—	\$5	\$—	\$—	\$5
Equity swaps and options	5,117	3,204	—	—	8,321
Credit default swaps	289	3,399	7,421	(26)	11,083
Total return swaps	11,411	5,823	—	(2,458)	14,776
Foreign currency forwards, swaps and options	95,638	29,277	—	(14)	124,901
Fixed income forwards	134	—	—	—	134
Interest rate swaps, options and forwards	49,714	171,691	98,719	(83,961)	236,163
Total	\$162,303	\$213,399	\$106,140	\$(86,459)	395,383
Cross product counterparty netting					(70,712)
Total OTC derivative assets included in Trading assets					\$324,671

(1)

At September 30, 2017, we held exchange traded derivative assets and other credit agreements with a fair value of \$21.3 million, which are not included in this table.

OTC derivative assets in the table above are gross of collateral received. OTC derivative assets are recorded net of (2) collateral received in the Consolidated Statements of Financial Condition. At September 30, 2017, cash collateral received was \$157.3 million.

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

(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

	OTC Derivative Liabilities (1) (2) (3)				Total
	0-12 Months	1-5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	
Commodity swaps, options and forwards	\$1,072	\$—	\$—	\$ —	\$1,072
Equity swaps and options	2,980	146,505	2,631	—	152,116
Credit default swaps	1,077	23,931	—	(26	) 24,982
Total return swaps	11,666	1,802	—	(2,458	) 11,010
Foreign currency forwards, swaps and options	94,182	30,561	—	(14	) 124,729
Fixed income forwards	1,145	—	—	—	1,145
Interest rate swaps, options and forwards	30,735	97,284	102,566	(83,961	) 146,624
Total	\$142,857	\$300,083	\$105,197	\$(86,459	) 461,678
Cross product counterparty netting					(70,712)
Total OTC derivative liabilities included in Trading liabilities					\$390,966

(1) At September 30, 2017, we held exchange traded derivative liabilities and other credit agreements with a fair value of \$461.2 million, which are not included in this table.

(2) OTC derivative liabilities in the table above are gross of collateral pledged. OTC derivative liabilities are recorded net of collateral pledged in the Consolidated Statements of Financial Condition. At September 30, 2017, cash collateral pledged was \$276.0 million.

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

(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

At September 30, 2017, the counterparty credit quality with respect to the fair value of our OTC derivative assets was as follows (in thousands):

Counterparty credit quality (1):	
A- or higher	\$143,935
BBB- to BBB+	50,742
BB+ or lower	72,249
Unrated	57,745
Total	\$324,671

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

Credit Related Derivative Contracts

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

	External Credit Rating		
	Investment Grade	Non-investment grade	Total Notional
September 30, 2017			
Credit protection sold:			
Index credit default swaps	\$1,103	\$ 338	\$ 1,441
Single name credit default swaps	\$139	\$ 192	\$ 331

December 31, 2016

Credit protection sold:

Index credit default swaps	\$54	\$	92	\$ 146
Single name credit default swaps	\$122	\$	261	\$ 383

Contingent Features

Certain of Jefferies derivative instruments contain provisions that require their debt to maintain an investment grade credit rating from each of the major credit rating agencies. If Jefferies debt were to fall below investment grade, it would be in violation of these provisions and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on Jefferies derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position at September 30, 2017 and December 31, 2016 is \$65.2 million and \$70.6 million, respectively, for which Jefferies has posted collateral of \$51.4 million and \$44.4 million, respectively, in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on September 30, 2017 and December 31, 2016, Jefferies would have been required to post an additional \$12.6 million and \$26.1 million, respectively, of collateral to its counterparties.

Other Derivatives

National Beef uses futures contracts in order to reduce its exposure associated with entering into firm commitments to purchase live cattle at prices determined prior to the delivery of the cattle as well as firm commitments to sell certain beef products at sales prices determined prior to shipment. National Beef accounts for the futures contracts at fair value. Firm commitments for sales are treated as normal sales and therefore not marked to market. Certain firm commitments to purchase cattle, are marked to market when a price has been agreed upon, otherwise they are treated as normal purchases and, therefore, not marked to market. The gains and losses associated with the change in fair value of the futures contracts and offsetting gains and losses associated with changes in the market value of certain of the firm purchase commitments are recorded to income and expense in the period of change.

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

Note 5. Collateralized Transactions

Jefferies enters into secured borrowing and lending arrangements to obtain collateral necessary to effect settlement, finance inventory positions, meet customer needs or re-lend as part of dealer operations. Jefferies monitors the fair value of the securities loaned and borrowed on a daily basis as compared with the related payable or receivable, and requests additional collateral or returns excess collateral, as appropriate. Jefferies pledges financial instruments as collateral under repurchase agreements, securities lending agreements and other secured arrangements, including clearing arrangements. Jefferies agreements with counterparties generally contain contractual provisions allowing the counterparty the right to sell or repledge the collateral. Pledged securities owned that can be sold or repledged by the counterparty are included in Financial instruments owned and noted parenthetically as Securities pledged on our Consolidated Statements of Financial Condition.

The following tables set forth the carrying value of securities lending arrangements and repurchase agreements by class of collateral pledged and remaining contractual maturity (in thousands):

Collateral Pledged	Securities Lending Arrangements	Repurchase Agreements	Total
September 30, 2017			
Corporate equity securities	\$ 2,183,030	\$ 100,178	\$ 2,283,208
Corporate debt securities	579,925	2,154,639	2,734,564
Mortgage- and asset-backed securities	—	3,046,491	3,046,491
U.S. government and federal agency securities	298	12,046,271	12,046,569
Municipal securities	—	389,752	389,752
Sovereign obligations	—	1,577,231	1,577,231
Loans and other receivables	—	524,645	524,645
Total	\$ 2,763,253	\$ 19,839,207	\$ 22,602,460

December 31, 2016			
Corporate equity securities	\$ 2,046,243	\$ 66,291	\$ 2,112,534
Corporate debt securities	731,276	1,907,888	2,639,164
Mortgage- and asset-backed securities	—	2,171,480	2,171,480
U.S. government and federal agency securities	41,613	9,232,624	9,274,237
Municipal securities	—	553,010	553,010
Sovereign obligations	—	2,625,079	2,625,079
Loans and other receivables	—	455,960	455,960
Total	\$ 2,819,132	\$ 17,012,332	\$ 19,831,464

	Contractual Maturity				Total
	Overnight and Continuous	Up to 30 Days	30 to 90 Days	Greater than 90 Days	
September 30, 2017					
Securities lending arrangements	\$ 1,490,137	\$—	\$ 783,633	\$ 489,483	\$ 2,763,253
Repurchase agreements	12,556,923	3,187,276	3,051,449	1,043,559	19,839,207
Total	\$ 14,047,060	\$ 3,187,276	\$ 3,835,082	\$ 1,533,042	\$ 22,602,460
December 31, 2016					
Securities lending arrangements	\$ 2,131,891	\$ 39,673	\$ 104,516	\$ 543,052	\$ 2,819,132
Repurchase agreements	9,147,176	2,008,119	3,809,533	2,047,504	17,012,332
Total	\$ 11,279,067	\$ 2,047,792	\$ 3,914,049	\$ 2,590,556	\$ 19,831,464

Jefferies receives securities as collateral under resale agreements, securities borrowing transactions and customer margin loans. Jefferies also receives securities as collateral in connection with securities-for-securities transactions in which it is the lender of securities. In many instances, Jefferies is permitted by contract to rehypothecate the securities received as collateral. These securities may be used to secure repurchase agreements, enter into securities lending transactions, satisfy margin requirements on derivative transactions or cover short positions. At September 30, 2017 and December 31, 2016, the approximate fair value of securities received as collateral by Jefferies that may be sold or repledged was \$27.2 billion and \$25.5 billion, respectively. A substantial portion of these securities have been sold or repledged.

Note 6. Securitization Activities

Jefferies engages in securitization activities related to corporate loans, commercial mortgage loans, consumer loans and mortgage-backed and other asset-backed securities. In securitization transactions, Jefferies transfers assets to special purpose entities ("SPEs") and acts as the placement or structuring agent for the beneficial interests sold to investors by the SPE. A significant portion of the securitization transactions are securitization of assets issued or guaranteed by U.S. government agencies. These SPEs generally meet the criteria of VIEs; however, the SPEs are generally not consolidated as Jefferies is not considered the primary beneficiary for these SPEs. Jefferies accounts for securitization transactions as sales provided it has relinquished control over the transferred assets. Transferred assets are carried at fair value with unrealized gains and losses reflected in Principal transactions revenues in the Consolidated

Statements of Operations prior to the identification and isolation for securitization. Subsequently, revenues recognized upon securitization are reflected as net underwriting revenues. Jefferies generally receives cash proceeds in connection with the transfer of assets to an SPE. Jefferies may, however, have continuing involvement with the transferred assets, which is limited to retaining one or more tranches of the securitization (primarily senior and subordinated debt securities in the form of mortgage- and other asset-backed securities or CLOs), which are included in Trading assets and are generally initially categorized as Level 2 within the fair value hierarchy. Jefferies applies fair value accounting to the securities.

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Transferred assets	\$1,009.1	\$1,390.7	\$2,677.7	\$4,523.5
Proceeds on new securitizations	\$1,017.2	\$1,394.0	\$2,703.3	\$4,541.3
Cash flows received on retained interests	\$8.7	\$6.3	\$22.7	\$24.9

Jefferies has no explicit or implicit arrangements to provide additional financial support to these SPEs, has no liabilities related to these SPEs and has no outstanding derivative contracts executed in connection with these securitization activities at September 30, 2017 and December 31, 2016.

The following table summarizes Jefferies retained interests in SPEs where it transferred assets and has continuing involvement and received sale accounting treatment (in millions):

Securitization Type	September 30, 2017		December 31, 2016	
	Total Assets	Retained Interests	Total Assets	Retained Interests
U.S. government agency residential mortgage-backed securities	\$5,584.5	\$ 13.9	\$7,584.9	\$ 31.0
U.S. government agency commercial mortgage-backed securities	\$2,103.7	\$ 46.9	\$1,806.3	\$ 29.6
CLOs	\$2,936.1	\$ 19.6	\$4,102.2	\$ 37.0
Consumer and other loans	\$301.4	\$ 57.0	\$395.7	\$ 25.3

Total assets represent the unpaid principal amount of assets in the SPEs in which Jefferies has continuing involvement and are presented solely to provide information regarding the size of the transactions and the size of the underlying assets supporting its retained interests, and are not considered representative of the risk of potential loss. Assets retained in connection with a securitization transaction represent the fair value of the securities of one or more tranches issued by an SPE, including senior and subordinated tranches. Jefferies risk of loss is limited to this fair value amount which is included in total Trading assets in our Consolidated Statements of Financial Condition.

Although not obligated, in connection with secondary market-making activities Jefferies may make a market in the securities issued by these SPEs. In these market-making transactions, Jefferies buys these securities from and sells these securities to investors. Securities purchased through these market-making activities are not considered to be continuing involvement in these SPEs. To the extent Jefferies purchased securities through these market-making activities and Jefferies is not deemed to be the primary beneficiary of the VIE, these securities are included in agency and non-agency mortgage- and asset-backed securitizations in the nonconsolidated VIEs section presented in Note 8.

If Jefferies has not relinquished control over the transferred assets, the assets continue to be recognized in Trading assets and a corresponding liability is recognized in Other secured financings. The carrying values of both the assets and the liabilities resulting from transfers of financial assets treated as secured financings were \$11.0 million at September 30, 2017. Jefferies did not have any such assets and liabilities at December 31, 2016. The related liabilities do not have recourse to our general credit.

Foursight Capital also utilized SPEs to securitize automobile loans receivable. These SPEs are VIEs and our subsidiary is the primary beneficiary; the related assets and the secured borrowings are recognized in the Consolidated Statements of Financial Condition. These secured borrowings do not have recourse to our subsidiary's general credit. See Note 8 for further information on securitization activities and VIEs.

Note 7. Available for Sale Securities

The amortized cost, gross unrealized gains and losses and estimated fair value of investments classified as available for sale are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2017				
Bonds and notes:				
U.S. government securities	\$ 345,745	\$ 15	\$ 20	\$ 345,740
Residential mortgage-backed securities	36,925	235	70	37,090
Commercial mortgage-backed securities	10,892	38	22	10,908
Other asset-backed securities	33,150	97	22	33,225
All other corporates	179	—	—	179
Total fixed maturities	426,891	385	134	427,142
Equity securities:				
Common stocks:				
Banks, trusts and insurance companies	35,071	18,428	—	53,499
Industrial, miscellaneous and all other	17,836	22,020	—	39,856
Total equity securities	52,907	40,448	—	93,355
	\$ 479,798	\$ 40,833	\$ 134	\$ 520,497
December 31, 2016				
Bonds and notes:				
U.S. government securities	\$ 174,938	\$ 8	\$ 13	\$ 174,933
Residential mortgage-backed securities	19,129	108	104	19,133
Commercial mortgage-backed securities	8,275	64	2	8,337
Other asset-backed securities	18,918	124	—	19,042
All other corporates	180	—	1	179
Total fixed maturities	221,440	304	120	221,624
Equity securities:				
Common stocks:				
Banks, trusts and insurance companies	35,071	15,115	—	50,186
Industrial, miscellaneous and all other	17,946	11,293	—	29,239
Total equity securities	53,017	26,408	—	79,425
	\$ 274,457	\$ 26,712	\$ 120	\$ 301,049

The amortized cost and estimated fair value of investments classified as available for sale at September 30, 2017, by contractual maturity, are shown below. Expected maturities are likely to differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due within one year	\$ 345,745	\$ 345,740

(In thousands)

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Due after one year through five years	179	179
	345,924	345,919
Mortgage-backed and asset-backed securities	80,967	81,223
	\$426,891	\$427,142

At September 30, 2017, the unrealized losses on investments which have been in a continuous unrealized loss position 12 months or longer were not significant.

Note 8. Variable Interest Entities

VIEs are entities in which equity investors lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has both the power to direct the activities of a VIE that most significantly impact the entity's economic performance and an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity.

Our variable interests in VIEs include debt and equity interests, equity interests in associated companies, commitments, guarantees and certain fees. Our involvement with VIEs arises primarily from the following activities, but also includes other activities discussed below:

- Purchases of securities in connection with our trading and secondary market-making activities;
- Retained interests held as a result of securitization activities, including the resecuritization of mortgage- and other asset-backed securities and the securitization of commercial mortgage, corporate and consumer loans;
- Acting as placement agent and/or underwriter in connection with client-sponsored securitizations;
- Financing of agency and non-agency mortgage- and other asset-backed securities;
- Real estate investments;
- Warehousing funding arrangements for client-sponsored consumer loan vehicles and CLOs through participation certificates and revolving loan and note commitments; and
- Loans to, investments in and fees from various investment vehicles.

We determine whether we are the primary beneficiary of a VIE upon our initial involvement with the VIE and we reassess whether we are the primary beneficiary of a VIE on an ongoing basis. Our determination of whether we are the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires significant judgment. Our considerations in determining the VIE's most significant activities and whether we have power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees. In situations where we have determined that the power over the VIE's significant activities is shared, we assess whether we are the party with the power over the most significant activities. If we are the party with the power over the most significant activities, we meet the "power" criteria of the primary beneficiary. If we do not have the power over the most significant activities or we determine that decisions require consent of each sharing party, we do not meet the "power" criteria of the primary beneficiary.

We assess our variable interests in a VIE both individually and in aggregate to determine whether we have an obligation to absorb losses of or a right to receive benefits from the VIE that could potentially be significant to the VIE. The determination of whether our variable interest is significant to the VIE requires significant judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

Consolidated VIEs

The following table presents information about the assets and liabilities of our consolidated VIEs, which are presented in our Consolidated Statements of Financial Condition in the respective asset and liability categories (in millions). The assets and liabilities in the table below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

	September 30, 2017		December 31, 2016	
	Securitization Vehicles	Real Estate Investment Vehicles	Securitization Vehicles	Real Estate Investment Vehicles
Cash	\$8.2	\$ 1.6	\$18.4	\$ 2.2
Financial instruments owned	44.5	—	86.6	—
Securities purchased under agreement to resell (1)	546.7	—	733.5	—
Receivables	353.0	281.0	277.7	296.9
Loans to and investments in associated companies	—	113.5	—	108.7
Other	19.9	4.4	14.5	10.8
Total assets	\$972.3	\$ 400.5	\$1,130.7	\$ 418.6
Other secured financings (2)	\$930.8	\$ —	\$1,083.8	\$ —
Long-term debt	—	217.2	24.1	243.9
Other (3)	41.6	11.3	22.3	11.7
Total liabilities	\$972.4	\$ 228.5	\$1,130.2	\$ 255.6
Noncontrolling interests	\$—	\$ 104.1	\$—	\$ 98.7

(1) Securities purchased under agreement to resell represent an amount due under a collateralized transaction on a related consolidated entity, which is eliminated in consolidation.

(2) Approximately \$49.2 million and \$57.6 million of the secured financing represents an amount held by Jefferies in inventory and eliminated in consolidation at September 30, 2017 and December 31, 2016, respectively.

(3) Includes \$36.4 million and \$20.0 million at September 30, 2017 and December 31, 2016, respectively, of intercompany payables that are eliminated in consolidation.

Securitization Vehicles. Jefferies is the primary beneficiary of mortgage-backed financing vehicles to which Jefferies sells agency and non-agency residential and commercial mortgage loans and mortgage-backed securities pursuant to the terms of a master repurchase agreement. Jefferies manages the assets within these vehicles. Jefferies variable interests in these vehicles consist of its collateral margin maintenance obligations under the master repurchase agreement and retained interests in securities issued. The assets of these VIEs consist of reverse repurchase agreements, which are available for the benefit of the vehicle's debt holders. The creditors of these VIEs do not have recourse to Jefferies general credit and each such VIE's assets are not available to satisfy any other debt.

Jefferies is also the primary beneficiary of securitization vehicles associated with their financing of consumer and small business loans. In the creation of the securitization vehicles, Jefferies was involved in the decisions made during the establishment and design of the entities and holds variable interests consisting of the securities retained that could potentially be significant. The assets of the VIEs consist of the small business loans and term loans backed by consumer installment receivables, which are available for the benefit of the vehicles' beneficial interest holders. The creditors of the VIEs do not have recourse to Jefferies general credit and the assets of the VIEs are not available to satisfy any other debt.

At September 30, 2017 and December 31, 2016, Foursight Capital is the primary beneficiary of SPEs it utilized to securitize automobile loans receivable. Foursight Capital acts as the servicer for which it receives a fee, and owns an equity interest in the SPEs. The notes issued by the SPEs are secured solely by the assets of the SPEs and do not have recourse to Foursight Capital's general credit and the assets of the VIEs are not available to satisfy any other debt. During the nine months ended September 30, 2017, a pool of automobile loan receivables aggregating \$186.5 million was securitized by Foursight Capital in connection with a secured borrowing offering. The majority of the proceeds from issuance of the secured borrowing were used to pay down Foursight Capital's two credit facilities.

Real Estate Investment Vehicles. 54 Madison, which we consolidate as a result of our control of the 54 Madison investment committee, has real estate investments in which it is the primary beneficiary. 54 Madison was involved in the decisions made during the establishment and design of the investment entities. 54 Madison variable interests consist of its investment in and management of the assets within these entities. The assets of these VIEs consist primarily of financing note receivables and investments in associated companies, which are available for the benefit of the VIEs' debt holders. The debt holders of these VIEs have recourse to 54 Madison's general credit and the assets of the VIEs are not available to satisfy any other debt.

Nonconsolidated VIEs

The following tables present information about our variable interests in nonconsolidated VIEs (in millions):

	Financial Statement Carrying Amount		Maximum Exposure to Loss	VIE Assets
	Assets	Liabilities		
September 30, 2017				
CLOs	\$62.7	\$ 1.9	\$ 800.1	\$3,540.8
Consumer loan vehicles	195.8	—	761.9	2,287.2
Related party private equity vehicles	28.1	—	49.8	106.3
Real estate investment vehicles	88.3	—	99.7	83.9
Other private investment vehicles	132.6	—	142.7	4,840.2
Total	\$507.5	\$ 1.9	\$ 1,854.2	\$10,858.4
December 31, 2016				
CLOs	\$264.7	\$ 4.8	\$ 930.0	\$4,472.9
Consumer loan vehicles	90.3	—	219.6	985.5
Related party private equity vehicles	37.6	—	63.6	155.6
Real estate investment vehicles	90.3	—	101.8	85.6
Other private investment vehicles	84.0	—	95.8	4,529.7
Total	\$566.9	\$ 4.8	\$ 1,410.8	\$10,229.3

Our maximum exposure to loss often differs from the carrying value of the variable interests. The maximum exposure to loss is dependent on the nature of the variable interests in the VIEs and is limited to the notional amounts of certain loan and equity commitments and guarantees. Our maximum exposure to loss does not include the offsetting benefit of any financial instruments that may be utilized to hedge the risks associated with its variable interests and is not reduced by the amount of collateral held as part of a transaction with a VIE.

Collateralized Loan Obligations. Assets collateralizing the CLOs include bank loans, participation interests and sub-investment grade and senior secured U.S. loans. Jefferies underwrites securities issued in CLO transactions on behalf of sponsors and provides advisory services to the sponsors. Jefferies may also sell corporate loans to the CLOs. Jefferies variable interests in connection with CLOs where it has been involved in providing underwriting and/or advisory services consist of the following:

- Forward sale agreements whereby Jefferies commits to sell, at a fixed price, corporate loans and ownership interests in an entity holding such corporate loans to CLOs;
- Warehouse funding arrangements in the form of participation interests in corporate loans held by CLOs and commitments to fund such participation interests;
- Trading positions in securities issued in a CLO transaction;
- Investments in variable funding notes issued by CLOs; and
-

A guarantee to a CLO managed by Jefferies Finance, whereby Jefferies guarantees certain of the obligations of Jefferies Finance to the CLO.

Consumer Loan Vehicles. Jefferies provides financing and lending related services to certain client-sponsored VIEs in the form of revolving funding note agreements, revolving credit facilities and forward purchase agreements. The underlying assets, which are collateralizing the vehicles, are primarily composed of unsecured consumer and small business loans. In addition, Jefferies may provide structuring and advisory services and act as an underwriter or placement agent for securities issued by the vehicles. Jefferies does not control the activities of these entities.

Related Party Private Equity Vehicles. Jefferies committed to invest equity in private equity funds (the "JCP Funds") managed by Jefferies Capital Partners, LLC (the "JCP Manager"). Additionally, Jefferies committed to invest equity in the general partners of the JCP Funds (the "JCP General Partners") and the JCP Manager. Jefferies variable interests in the JCP Funds, JCP General Partners and JCP Manager (collectively, the "JCP Entities") consist of equity interests that, in total, provide Jefferies with limited and general partner investment returns of the JCP Funds, a portion of the carried interest earned by the JCP General Partners and a portion of the management fees earned by the JCP Manager. Jefferies total equity commitment in the JCP Entities was \$148.1 million, of which \$126.3 million and \$125.1 million had been funded as of September 30, 2017 and December 31, 2016, respectively. The carrying value of Jefferies equity investments in the JCP Entities was \$28.1 million and \$37.6 million at September 30, 2017 and December 31, 2016, respectively. Jefferies exposure to loss is limited to the total of its carrying value and unfunded equity commitment. The assets of the JCP Entities primarily consist of private equity and equity related investments.

Jefferies has also provided a guarantee of a portion of Energy Partners I, LP's obligations under a credit agreement ("Energy Partners Credit Agreement"). Energy Partners I, LP, is a private equity fund owned and managed by certain of our employees. The maximum exposure to loss of the guarantee was \$3.0 million at December 31, 2016. Energy Partners I, LP has assets consisting primarily of debt and equity investments. The Energy Partners Credit Agreement was terminated in April 2017.

Real Estate Investment Vehicles. 54 Madison has committed to invest \$98.0 million in real estate investment vehicles, of which \$86.5 million was funded as of September 30, 2017. 54 Madison's maximum exposure to loss is limited to its carrying value and unfunded equity commitment. 54 Madison is not the primary beneficiary of the investment vehicles as it does not have the power to control the most important activities of the VIEs. The assets of the VIEs consist primarily of investments in real estate projects.

Other Private Investment Vehicles. The carrying amount of our equity investment was \$132.6 million and \$84.0 million at September 30, 2017 and December 31, 2016, respectively. Our unfunded equity commitment related to these investments totaled \$10.1 million and \$11.8 million at September 30, 2017 and December 31, 2016, respectively. Our exposure to loss is limited to the total of our carrying value and unfunded equity commitment. These private investment vehicles have assets primarily consisting of private and public equity investments, debt instruments and various oil and gas assets.

Mortgage- and Other Asset-Backed Securitization Vehicles. In connection with Jefferies secondary trading and market-making activities, Jefferies buys and sells agency and non-agency mortgage-backed securities and other asset-backed securities, which are issued by third party securitization SPEs and are generally considered variable interests in VIEs. Securities issued by securitization SPEs are backed by residential mortgage loans, U.S. agency collateralized mortgage obligations, commercial mortgage loans, CDOs and CLOs and other consumer loans, such as installment receivables, auto loans and student loans. These securities are accounted for at fair value and included in Trading assets in our Consolidated Statements of Financial Condition. Jefferies has no other involvement with the related SPEs and therefore does not consolidate these entities.

Jefferies also engages in underwriting, placement and structuring activities for third-party-sponsored securitization trusts generally through agency (FNMA ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") or GNMA ("Ginnie Mae")) or non-agency-sponsored SPEs and may purchase loans or mortgage-backed securities from third parties that are subsequently transferred into the securitization trusts. The securitizations are backed by residential and commercial mortgage, home equity and auto loans. Jefferies does not consolidate agency-sponsored securitizations as it does not have the power to direct the activities of the SPEs that most significantly impact their economic performance. Further, Jefferies is not the servicer of non-agency-sponsored securitizations and therefore does not have power to direct the most significant activities of the SPEs and accordingly, does not consolidate these entities. Jefferies may retain unsold senior and/or subordinated interests at the time of securitization in the form of

securities issued by the SPEs.

Jefferies transfers existing securities, typically mortgage-backed securities, into resecuritization vehicles. These transactions in which debt securities are transferred to a VIE in exchange for new beneficial interests occur in connection with both agency and non-agency-sponsored VIEs. The consolidation analysis is largely dependent on Jefferies role and interest in the resecuritization trusts. Most resecuritizations in which Jefferies is involved are in connection with investors seeking securities with specific risk and return characteristics. As such, Jefferies has concluded that the decision-making power is shared between Jefferies and the investor(s), considering the joint efforts involved in structuring the trust and selecting the underlying assets as well as the level of security interests the investor(s) hold in the SPE; therefore, Jefferies does not consolidate the resecuritization VIEs.

At September 30, 2017 and December 31, 2016, Jefferies held \$2,026.7 million and \$1,002.2 million of agency mortgage-backed securities, respectively, and \$272.4 million and \$439.4 million of non-agency mortgage- and other asset-backed securities, respectively, as a result of its secondary trading and market-making activities, underwriting, placement and structuring activities and resecuritization activities. Jefferies maximum exposure to loss on these securities is limited to the carrying value of its investments in these securities. Mortgage- and other asset-backed securitization vehicles discussed within this section are not included in the above table containing information about Jefferies variable interests in nonconsolidated VIEs.

We also have a variable interest in a nonconsolidated VIE consisting of our equity interest in an associated company, Golden Queen. In addition, we have a variable interest in a nonconsolidated VIE consisting of our senior secured term loan receivable and equity interest in FXCM. See Notes 3 and 9 for further discussion.

Note 9. Loans to and Investments in Associated Companies

A summary of Loans to and investments in associated companies accounted for under the equity method of accounting during the nine months ended September 30, 2017 and 2016 is as follows (in thousands):

	Loans to and investments in associated companies as of January 1,	Income (losses) related to associated companies	Income (losses) related to Jefferies associated companies (1)	Contributions to (distributions from) associated companies, net	Other, including foreign exchange and unrealized gains (losses)	Loans to and investments in associated companies as of September 30,
2017						
Jefferies Finance	\$ 490,464	\$—	\$ 63,685	\$ 109,899	\$—	\$ 664,048
Jefferies LoanCore	154,731	—	8,030	43,714	1,095	207,570
Berkadia	184,443	67,979	—	(52,300)	(174)	199,948
FXCM	336,258	(166,360)	—	—	731	170,629
Garcadia Companies	185,815	38,536	—	(40,955)	—	183,396
Linkem	154,000	(26,557)	—	31,996	33,979	193,418
HomeFed	302,231	9,922	—	31,918	—	344,071
Golden Queen (2)	111,302	(3,684)	—	(59)	—	107,559
54 Madison (3)	161,400	(4,495)	—	21,159	—	178,064
Other	44,454	246	(6,392)	58,477	5,492	102,277
Total	\$ 2,125,098	\$(84,413)	\$ 65,323	\$ 203,849	\$ 41,123	\$ 2,350,980
2016						
Jefferies Finance	\$ 528,575	\$—	\$(26,000)	\$(19,300)	\$—	\$ 483,275
Jefferies LoanCore	288,741	—	11,186	(133,635)	—	166,292
Berkadia	190,986	59,456	—	(70,847)	291	179,886
FXCM	—	—	—	—	334,500	334,500
Garcadia Companies	172,660	43,501	—	(22,562)	—	193,599
Linkem	150,149	(20,709)	—	33,297	4,155	166,892
HomeFed	275,378	23,146	—	—	—	298,524
Golden Queen	114,323	(1,608)	—	—	—	112,715
54 Madison	—	3,389	—	123,731	3,642	130,762
Other	36,557	1,270	(1,048)	5,265	(3,401)	38,643
Total	\$ 1,757,369	\$ 108,445	\$(15,862)	\$(84,051)	\$ 339,187	\$ 2,105,088

(1) Primarily classified in Investment banking revenues and Other revenues.

(2)

At September 30, 2017 and December 31, 2016, the balance reflects \$31.7 million and \$32.8 million, respectively, related to a noncontrolling interest.

(3) At September 30, 2017 and December 31, 2016, the balance reflects \$105.0 million and \$95.3 million, respectively, related to noncontrolling interests.

Income (losses) related to associated companies includes the following (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Berkadia	\$34,839	\$26,004	\$67,979	\$59,456
FXCM	(4,345)	—	(166,360)	—
Garcadia companies	12,565	14,233	38,536	43,501
Linkem	(9,533)	(5,836)	(26,557)	(20,709)
HomeFed	238	800	9,922	23,146
Golden Queen	(1,975)	56	(3,684)	(1,608)
54 Madison	(331)	906	(4,495)	3,389
Other	(1,401)	340	246	1,270
Total	\$30,057	\$36,503	\$(84,413)	\$108,445

Income (losses) related to Jefferies associated companies (primarily classified in Investment banking revenues and Other revenues) includes the following (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September	
	2017	2016	2017	2016
Jefferies Finance	\$13,509	\$12,481	\$63,685	\$(26,000)
Jefferies LoanCore	1,656	3,172	8,030	11,186
Other	(4,337)	(263)	(6,392)	(1,048)
Total	\$10,828	\$15,390	\$65,323	\$(15,862)

Jefferies Finance

Jefferies Finance, a joint venture entity pursuant to an agreement with Massachusetts Mutual Life Insurance Company (“MassMutual”), is a commercial finance company whose primary focus is the origination and syndication of senior secured debt to middle market and growth companies in the form of term and revolving loans. Loans are originated primarily through the investment banking efforts of Jefferies. Jefferies Finance may also originate other debt products such as second lien term, bridge and mezzanine loans, as well as related equity co-investments. Jefferies Finance also purchases syndicated loans in the secondary market and acts as an investment advisor for various loan funds.

In July 2017, the Jefferies equity commitment to Jefferies Finance was increased by \$150.0 million to \$750.0 million, of which Jefferies contributed \$74.8 million in July 2017. At September 30, 2017, Jefferies and MassMutual each had equity commitments to Jefferies Finance of \$750.0 million. At September 30, 2017, \$612.1 million of Jefferies commitment was funded. The investment commitment is scheduled to expire on March 1, 2018 with automatic one year extensions absent a 60-day termination notice by either party.

In addition, Jefferies and MassMutual have entered into a Secured Revolving Credit Facility, to be funded equally, to support loan underwritings by Jefferies Finance. The Secured Revolving Credit Facility bears interest based on the interest rates of the related Jefferies Finance underwritten loans and is secured by the underlying loans funded by the proceeds of the facility. The total Secured Revolving Credit Facility is for a total committed amount of \$500.0 million at September 30, 2017 and December 31, 2016. Advances are shared equally between Jefferies and MassMutual. The facility is scheduled to mature on March 1, 2018 with automatic one year extensions absent a 60-day termination notice by either party. At September 30, 2017 and December 31, 2016, \$35.1 million and \$0.0 million, respectively,

of Jefferies \$250.0 million commitment was funded.

Jefferies engages in debt capital markets transactions with Jefferies Finance related to the originations and syndications of loans by Jefferies Finance. In connection with such services, Jefferies earned fees of \$104.2 million and \$19.0 million during the three months ended September 30, 2017 and 2016, respectively, and \$243.5 million and \$42.1 million during the nine months ended September 30, 2017 and 2016, respectively, which are recognized in Investment banking revenues in the Consolidated Statements of Operations. In addition, Jefferies paid fees to Jefferies Finance in respect of certain loans originated by Jefferies Finance of \$2.5 million and \$1.6 million during the nine months ended September 30, 2017 and 2016, respectively, which are recognized within Selling, general and other expenses in the Consolidated Statements of Operations.

Jefferies acts as a placement agent for CLOs managed by Jefferies Finance, for which Jefferies recognized fees of \$0.8 million and \$1.3 million during the three months ended September 30, 2017 and 2016, respectively, and \$4.7 million and \$1.3 million during the nine months ended September 30, 2017 and 2016, respectively, which are included in Investment banking revenues in the Consolidated Statements of Operations. At September 30, 2017 and December 31, 2016, Jefferies held securities issued by CLOs managed by Jefferies Finance, which are included in Trading assets, and provided a guarantee, whereby Jefferies is required to make certain payments to a CLO in the event Jefferies Finance is unable to meet its obligations to the CLO. Additionally, Jefferies has entered into participation agreements and derivative contracts with Jefferies Finance based upon certain securities issued by the CLO. Gains (losses) related to the derivative contracts were not material.

Under a service agreement, Jefferies charged Jefferies Finance \$7.9 million and \$7.2 million for services provided during the three months ended September 30, 2017 and 2016, respectively, and \$37.4 million and \$35.8 million for services provided during the nine months ended September 30, 2017 and 2016, respectively. At September 30, 2017, Jefferies had a receivable from Jefferies Finance, included in Other assets in the Consolidated Statement of Financial Condition, of \$22.5 million. At December 31, 2016, Jefferies had a payable to Jefferies Finance, included in Payables, expense accruals and other liabilities in the Consolidated Statement of Financial Condition, of \$5.8 million.

Jefferies LoanCore

Jefferies LoanCore, a commercial real estate finance company, is a joint venture with the Government of Singapore Investment Corporation, the Canada Pension Plan Investment Board and LoanCore, LLC. Jefferies LoanCore originates and purchases commercial real estate loans throughout the U.S. and Europe. Jefferies LoanCore aggregate equity commitment was \$400.0 million at September 30, 2017 and December 31, 2016. At September 30, 2017 and December 31, 2016, Jefferies had funded \$130.6 million and \$70.1 million, respectively, of its \$194.0 million equity commitment, and has a 48.5% voting interest in Jefferies LoanCore.

Jefferies LoanCore has entered into master repurchase agreements with Jefferies. Jefferies recognized interest income and fees related to these agreements of \$1.8 million and \$6.9 million, during the three and nine months ended September 30, 2016, respectively. Amounts for the 2017 periods were not material. In connection with such master repurchase agreements, at December 31, 2016, Jefferies had securities purchased with agreements to resell from Jefferies LoanCore of \$68.1 million. Jefferies also enters into OTC foreign exchange contracts with Jefferies LoanCore. In connection with these contracts, Jefferies had \$5.0 million and \$8.3 million at September 30, 2017 and December 31, 2016, respectively, recorded in Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition.

On October 31, 2017, Jefferies sold all of its membership interests in Jefferies LoanCore for approximately \$170 million, the estimated book value as of October 31, 2017. In addition, Jefferies may be entitled to additional cash consideration over the next five years in the event Jefferies LoanCore's yearly return on equity exceeds certain thresholds.

Berkadia

Berkadia is a commercial mortgage banking and servicing joint venture formed in 2009 with Berkshire Hathaway. We and Berkshire Hathaway each contributed \$217.2 million of equity capital to the joint venture and each have a 50% equity interest in Berkadia. Through September 30, 2017, cumulative cash distributions received by Leucadia from this investment aggregated \$546.9 million. Berkadia originates commercial/multifamily real estate loans that are sold to U.S. government agencies, and originates and brokers commercial/multifamily mortgage loans which are not part of government agency programs. Berkadia is an investment sales advisor focused on the multifamily industry. Berkadia is a servicer of commercial real estate loans in the U.S., performing primary, master and special servicing functions for U.S. government agency programs, commercial mortgage-backed securities transactions, banks, insurance companies and other financial institutions.

Berkadia uses all of the proceeds from the commercial paper sales of an affiliate of Berkadia to fund new mortgage loans, servicer advances, investments and other working capital requirements. Repayment of the commercial paper is supported by a \$1.5 billion surety policy issued by a Berkshire Hathaway insurance subsidiary and corporate guaranty, and we have agreed to reimburse Berkshire Hathaway for one-half of any losses incurred thereunder. As of September 30, 2017, the aggregate amount of commercial paper outstanding was \$1.47 billion.

FXCM

As discussed more fully in Note 3, at September 30, 2017, Leucadia has a 49.9% common membership interest in FXCM and a senior secured term loan to FXCM due January 2018. On September 1, 2016, we gained the ability to significantly influence

FXCM through our common membership interest and our seats on the board of directors. As a result, we classify our equity investment in FXCM in our Consolidated Statements of Financial Condition as Loans to and investments in associated companies. Our term loan remains classified within Trading assets, at fair value. We account for our equity interest in FXCM on a one month lag. We are amortizing our basis difference between the estimated fair value and the underlying book value of FXCM customer relationships, technology, trade name, leases and long-term debt over their respective useful lives.

Based on the February 2017 actions described further in Note 3, we evaluated in the first quarter of 2017 whether our equity method investment was fully recoverable. We engaged an independent valuation firm to assist management in estimating the fair value of FXCM. Our estimate of fair value was based on a discounted cash flow and comparable public company analysis. The result of our analysis indicated that the estimated fair value of our equity interest in FXCM was lower than our carrying value by \$130.2 million. We concluded based on the regulatory actions, FXCM's restructuring plan described further in Note 3, investor perception and declines in the trading price of Global Brokerage's common shares and convertible debt, that the decline in fair value of our equity interest was other than temporary. As such, we impaired our equity investment in FXCM in the first quarter of 2017 by \$130.2 million.

FXCM is considered a VIE and our term loan and equity interest are variable interests. We have determined that we are not the primary beneficiary of FXCM because we do not have the power to direct the activities that most significantly impact FXCM's performance. Therefore, we do not consolidate FXCM.

Garcadia

Garcadia is a joint venture between us and Garff Enterprises, Inc. ("Garff") that owns and operates 28 automobile dealerships comprised of domestic and foreign automobile makers. The Garcadia joint venture agreement specifies that we and Garff shall have equal board representation and equal votes on all matters affecting Garcadia, and that all cash flows from Garcadia will be allocated 65% to us and 35% to Garff, with the exception of one dealership from which we receive 83% of all cash flows and four other dealerships from which we receive 71% of all cash flows. Garcadia's strategy is to acquire automobile dealerships in primary or secondary market locations meeting its specified return criteria.

Linkem

We own approximately 42% of the common shares of Linkem, a fixed wireless broadband services provider in Italy. In addition, we own 5% convertible preferred stock, which is automatically convertible to common shares in 2020. If all of our convertible preferred stock was converted, it would increase our ownership to approximately 53% of Linkem's common equity at September 30, 2017. The excess of our investment in Linkem's common shares over our share of underlying book value is being amortized to expense over 12 years.

HomeFed

At September 30, 2017, we own 10,852,123 shares of HomeFed's common stock, representing approximately 70% of HomeFed's outstanding common shares; however, we have agreed to limit our voting rights such that we will not be able to vote more than 45% of HomeFed's total voting securities voting on any matter, assuming all HomeFed shares not owned by us are voted. HomeFed develops and owns residential and mixed-use real estate properties. HomeFed is a public company traded on the NASD OTC Bulletin Board (Symbol: HOFD). As a result of a 1998 distribution to all of our shareholders, approximately 4.8% of HomeFed is beneficially owned by our Chairman at September 30, 2017. Three of our executives serve on the board of directors of HomeFed, including our Chairman who serves as HomeFed's Chairman, and our President. Since we do not control HomeFed, our investment in HomeFed is accounted for as an investment in an associated company.

Golden Queen Mining Company

During 2014 and 2015, we invested \$83.0 million, net in cash in a limited liability company (Gauss LLC) to partner with the Clay family and Golden Queen Mining Co. Ltd., to jointly fund, develop and operate the Soledad Mountain gold and silver mine project. Previously 100% owned by Golden Queen Mining Co. Ltd., the project is a fully-permitted, open pit, heap leach gold and silver project located in Kern County, California, which commenced gold and silver production in March 2016. In exchange for a noncontrolling ownership interest in Gauss LLC, the Clay family contributed \$34.5 million, net in cash. Gauss LLC invested both our and the Clay family's net contributions totaling \$117.5 million to the joint venture, Golden Queen, in exchange for a 50% ownership interest. Golden Queen Mining Co. Ltd. contributed the Soledad Mountain project to the joint venture in exchange for the other 50% interest.

As a result of our consolidating Gauss LLC, our Loans to and investments in associated companies reflects Gauss LLC's net investment of \$117.5 million in the joint venture, which includes both the amount we contributed and the amount contributed by the Clay family. The joint venture, Golden Queen, is considered a VIE as the voting rights of the investors are not proportional to their obligations to absorb the expected losses and their rights to receive the expected residual returns, given the provision of services to the joint venture by Golden Queen Mining Co. Ltd. Golden Queen Mining Co. Ltd. has entered into an agreement with the joint venture for the provision of executive officers, financial, managerial, administrative and other services, and office space and equipment. We have determined that we are not the primary beneficiary of the joint venture and are therefore not consolidating its results.

Our maximum exposure to loss as a result of our involvement with the joint venture is limited to our investment. The excess of Gauss LLC's investment in Golden Queen's underlying book value is being amortized to expense over the estimated life of mine gold and silver sales.

54 Madison

We own approximately 48.1% of 54 Madison, which we consolidate as a result of our control of the 54 Madison investment committee. 54 Madison seeks long-term capital appreciation through investment in real estate development and similar projects. 54 Madison invests both in projects which they consolidate and projects where they have significant influence and utilize the equity method of accounting. Through September 30, 2017, 54 Madison invested an aggregate net amount of \$178.3 million in projects accounted for under the equity method and \$105.2 million of that was contributed from noncontrolling interests.

Other

The following table provides summarized data for certain associated companies (Jefferies Finance, Jefferies LoanCore, Berkadia, Garcadia, Linkem and HomeFed) (in thousands):

	For the Nine Months Ended September 30,	
	2017	2016
Revenues	\$3,101,152	\$2,839,721
Income from continuing operations before extraordinary items	\$291,261	\$161,514
Net income	\$291,261	\$165,184

Note 10. Financial Statement Offsetting

In connection with Jefferies derivative activities and securities financing activities, Jefferies may enter into master netting agreements and collateral arrangements with counterparties. Generally, transactions are executed under standard industry agreements, including, but not limited to: derivative transactions – ISDA master netting agreements; securities lending transactions – master securities lending agreements; and repurchase transactions – master repurchase agreements. A master agreement creates a single contract under which all transactions between two counterparties are executed allowing for trade aggregation and a single net payment obligation. Master agreements provide protection in bankruptcy in certain circumstances and, where legally enforceable, enable receivables and payables with the same counterparty to be settled or otherwise eliminated by applying amounts due to a counterparty against all or a portion of an amount due from the counterparty or a third party.

Under Jefferies derivative ISDA master netting agreements, Jefferies typically will also execute credit support annexes, which provide for collateral, either in the form of cash or securities, to be posted by or paid to a counterparty based on the fair value of the derivative receivable or payable based on the rates and parameters established in the credit support annex. In the event of the counterparty's default, provisions of the master agreement permit acceleration and termination of all outstanding transactions covered by the agreement such that a single amount is owed by, or to, the non-defaulting party. In addition, any collateral posted can be applied to the net obligations, with any excess returned; and the collateralized party has a right to liquidate the collateral. Any residual claim after netting is treated along with other unsecured claims in bankruptcy court.

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

enforceable, the related amounts are not offset. Master netting agreements are a critical component of Jefferies risk management processes as part of reducing counterparty credit risk and managing liquidity risk.

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

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

(In thousands)	Gross Amounts	Netting in Consolidated Statements of Financial Condition	Net Amounts in Consolidated Statements of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (3)
Assets at September 30, 2017						
Derivative contracts	\$2,784,013	\$(2,595,355)	\$ 188,658	\$—	\$—	\$ 188,658
Securities borrowing arrangements	\$7,758,532	\$—	\$ 7,758,532	\$(662,882)	\$(952,004)	\$6,143,646
Reverse repurchase agreements	\$ 14,737,223	\$(11,365,788)	\$ 3,371,435	\$(307,453)	\$(3,037,903)	\$ 26,079
Liabilities at September 30, 2017						
Derivative contracts	\$3,290,194	\$(2,714,115)	\$ 576,079	\$—	\$—	\$ 576,079
Securities lending arrangements	\$2,763,253	\$—	\$ 2,763,253	\$(662,882)	\$(2,058,137)	\$42,234
Repurchase agreements	\$ 19,839,207	\$(11,365,788)	\$ 8,473,419	\$(307,453)	\$(7,216,449)	\$ 949,517
Assets at December 31, 2016						
Derivative contracts	\$4,627,076	\$(4,255,998)	\$ 371,078	\$—	\$—	\$ 371,078
Securities borrowing arrangements	\$7,743,562	\$—	\$ 7,743,562	\$(710,611)	\$(647,290)	\$6,385,661
Reverse repurchase agreements	\$ 14,083,144	\$(10,220,656)	\$ 3,862,488	\$(176,275)	\$(3,591,654)	\$ 94,559
Liabilities at December 31, 2016						
Derivative contracts	\$4,880,022	\$(4,229,213)	\$ 650,809	\$—	\$—	\$ 650,809
Securities lending arrangements	\$2,819,132	\$—	\$ 2,819,132	\$(710,611)	\$(2,064,299)	\$44,222
Repurchase agreements	\$ 17,012,332	\$(10,220,656)	\$ 6,791,676	\$(176,275)	\$(5,780,909)	\$ 834,492

Under master netting agreements with our counterparties, we have the legal right of offset with a counterparty, which incorporates all of the counterparty's outstanding rights and obligations under the arrangement. These (1) balances reflect additional credit risk mitigation that is available by a counterparty in the event of a counterparty's default, but which are not netted in the balance sheet because other provisions of GAAP are not met. Further, for derivative assets and liabilities, amounts netted include cash collateral paid or received.

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

(3) At September 30, 2017, amounts include \$6,088.9 million of securities borrowing arrangements, for which we have received securities collateral of \$5,942.3 million, and \$887.2 million of repurchase agreements, for which we

have pledged securities collateral of \$908.8 million, which are subject to master netting agreements but we have not determined the agreements to be legally enforceable. At December 31, 2016, amounts include \$6,337.5 million of securities borrowing arrangements, for which we have received securities collateral of \$6,146.0 million, and \$810.4 million of repurchase agreements, for which we have pledged securities collateral of \$834.2 million, which are subject to master netting agreements but we have not determined the agreements to be legally enforceable.

Note 11. Intangible Assets, Net and Goodwill

A summary of Intangible assets, net and goodwill is as follows (in thousands):

	September 30, 2017	December 31, 2016
Indefinite-lived intangibles:		
Exchange and clearing organization membership interests and registrations	\$ 8,734	\$ 9,041
Amortizable intangibles:		
Customer and other relationships, net of accumulated amortization of \$222,095 and \$198,674	355,253	378,136
Trademarks and tradename, net of accumulated amortization of \$91,350 and \$78,778	297,349	309,382
Supply contracts, net of accumulated amortization of \$55,047 and \$47,867	88,553	95,733
Other, net of accumulated amortization of \$3,642 and \$2,914	4,944	5,672
Total intangible assets, net	754,833	797,964
Goodwill:		
National Beef	14,991	14,991
Jefferies	1,699,609	1,696,864
Other operations	3,859	3,859
Total goodwill	1,718,459	1,715,714
Total Intangible assets, net and goodwill	\$ 2,473,292	\$ 2,513,678

Amortization expense on intangible assets was \$15.4 million and \$15.8 million for the three months ended September 30, 2017 and 2016, respectively, and \$43.6 million and \$47.1 million for the nine months ended September 30, 2017 and 2016, respectively.

The estimated aggregate future amortization expense for the intangible assets for each of the next five years is as follows (in thousands):

Remainder of current year	\$14,612
2018	\$58,454
2019	\$58,454
2020	\$58,455
2021	\$58,067

Goodwill and Intangible Impairment Testing

We performed our annual impairment testing of Jefferies goodwill as of August 1, 2017. The quantitative goodwill impairment test is performed at our reporting unit level and consists of two steps. In the first step, the fair value of the reporting unit is compared with its carrying value, including goodwill and allocated intangible assets. If the fair value is in excess of the carrying value, the goodwill for the reporting unit is considered not to be impaired. If the fair value is less than the carrying value, then a second step is performed in order to measure the amount of the impairment loss, if any, which is based on comparing the implied fair value of the reporting unit's goodwill to the carrying value of the reporting unit's goodwill.

The estimated fair value of Jefferies is based on valuation techniques that we believe market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The methodologies we utilize in estimating fair value include price-to-earnings and price-to-book

multiples of comparable public companies and/or projected cash flows. In addition, as the fair values determined under the market approach represent a noncontrolling interest, we applied a control premium to arrive at the estimated fair value of our reporting units on a controlling basis. An independent valuation specialist was engaged to assist with the valuation process for Jefferies at August 1, 2017. The results of our annual goodwill impairment test for Jefferies did not indicate any goodwill impairment.

Jefferies performed its annual impairment testing of intangible assets with an indefinite useful life, which consists of exchange and clearing organization membership interests and registrations, at August 1, 2017. Jefferies elected to perform a quantitative assessment of membership interests and registrations that have available quoted sales prices as well as certain other membership

interests and registrations that have declined in utilization. A qualitative assessment was performed on the remainder of its indefinite-life intangible assets. With regard to its qualitative assessment of the remaining indefinite-life intangible assets, based on its assessment of market conditions, the utilization of the assets and the replacement costs associated with the assets, Jefferies has concluded that it is not more likely than not that the intangible assets are impaired. Jefferies recognized an immaterial impairment loss on certain exchange membership interests and registrations during the nine months ended September 30, 2017.

Note 12. Inventory

A summary of inventory, which is classified as Other assets, is as follows (in thousands):

	September 30, December 31,	
	2017	2016
Finished goods	\$ 238,752	\$ 243,488
Work in process	35,234	35,714
Raw materials, supplies and other	32,333	30,733
Total inventory	\$ 306,319	\$ 309,935

Note 13. Short-Term Borrowings

Jefferies short-term borrowings, which mature in one year or less, are as follows (in thousands):

	September 30, December 31,	
	2017	2016
Bank loans	\$ 304,537	\$ 372,301
Secured revolving loan facilities	—	57,086
Floating rate puttable notes	108,304	96,455
Equity-linked notes	4,281	—
Total short-term borrowings	\$ 417,122	\$ 525,842

At September 30, 2017 and December 31, 2016, the weighted average interest rate on short-term borrowings outstanding is 2.00% and 1.77% per annum, respectively.

During the nine months ended September 30, 2017, Jefferies issued equity-linked notes with a principal amount of \$30.6 million which matured on July 18, 2017. The remaining equity-linked notes will mature in the fourth quarter of 2017. See Note 3 for further information.

The Bank of New York Mellon agrees to make revolving intraday credit advances (“Intraday Credit Facility”) for an aggregate committed amount of \$250.0 million. The Intraday Credit Facility contains a financial covenant, which includes a minimum regulatory net capital requirement for Jefferies. Interest is based on the higher of the Federal funds effective rate plus 0.5% or the prime rate. At September 30, 2017, Jefferies was in compliance with debt covenants under the Intraday Credit Facility.

In October 2015, Jefferies entered into a secured revolving loan facility (“First Secured Revolving Loan Facility”) whereby the lender agreed to make available a revolving loan facility in a maximum principal amount of \$50.0 million to purchase eligible receivables that met certain requirements as defined in the First Secured Revolving Loan Facility agreement. Interest was based on an annual rate equal to the lesser of the LIBOR rate plus 3.75% or the maximum rate as defined in the First Secured Revolving Loan Facility agreement. In December 2015, Jefferies entered into a second secured revolving loan facility (“Second Secured Revolving Loan Facility”) whereby the lender agreed to make available a revolving loan facility in a maximum principal amount of \$50.0 million to purchase eligible receivables that met certain requirements as defined in the Second Secured Revolving Loan Facility agreement. Interest was based

on an annual rate equal to the lesser of the LIBOR rate plus 4.25% or the maximum rate as defined in the Second Secured Revolving Loan Facility agreement. The First Secured Revolving Loan Facility was terminated effective December 6, 2016. The Second Secured Revolving Loan Facility was terminated effective January 24, 2017.

Note 14. Long-Term Debt

The principal amount (net of unamortized discounts and premiums), stated interest rate and maturity date of outstanding debt are as follows (dollars in thousands):

	September 30, 2017	December 31, 2016
Parent Company Debt:		
Senior Notes:		
5.50% Senior Notes due October 18, 2023, \$750,000 principal	\$ 742,072	\$ 741,264
6.625% Senior Notes due October 23, 2043, \$250,000 principal	246,661	246,627
Total long-term debt – Parent Company	988,733	987,891
Subsidiary Debt (non-recourse to Parent Company):		
Jefferies:		
5.125% Senior Notes, due April 13, 2018, \$707,000 and \$800,000 principal	714,115	817,813
8.50% Senior Notes, due July 15, 2019, \$684,000 and \$700,000 principal	739,465	778,367
2.375% Euro Medium Term Notes, due May 20, 2020, \$595,075 and \$529,975 principal	593,547	528,250
6.875% Senior Notes, due April 15, 2021, \$750,000 principal	812,131	823,797
2.25% Euro Medium Term Notes, due July 13, 2022, \$4,761 and \$4,240 principal	4,374	3,848
5.125% Senior Notes, due January 20, 2023, \$600,000 principal	616,378	618,355
4.85% Senior Notes, due January 15, 2027, \$750,000 principal (1)	753,932	—
6.45% Senior Debentures, due June 8, 2027, \$350,000 principal	376,307	377,806
3.875% Convertible Senior Debentures, due November 1, 2029, \$345,000 principal	345,217	346,163
6.25% Senior Debentures, due January 15, 2036, \$500,000 principal	512,131	512,396
6.50% Senior Notes, due January 20, 2043, \$400,000 principal	421,078	421,333
Structured Notes (2)	561,010	255,203
National Beef Reducing Revolver Loan	87,500	—
National Beef Revolving Credit Facility	21,821	—
National Beef Term Loan	—	273,811
54 Madison Term Loans	313,727	406,028
Foursight Capital Credit Facilities	114,329	97,138
Other	116,847	132,244
Total long-term debt – subsidiaries	7,103,909	6,392,552
Long-term debt	\$ 8,092,642	\$ 7,380,443

(1) Amount includes \$9.6 million associated with an interest rate swap based on its designation as a fair value hedge. See Notes 2 and 4 for further information.

(2) Includes \$553.9 million and \$248.9 million at fair value at September 30, 2017 and December 31, 2016, respectively.

Subsidiary Debt:

Jefferies 3.875% Convertible Senior Debentures due 2029 are convertible into our common shares; each \$1,000 are convertible into 22.9719 common shares (equivalent to a conversion price of approximately \$43.53 per share). The debentures are convertible at the holders' option any time beginning on August 1, 2029 and convertible at any time if: 1) our common stock price is greater than or equal to 130% of the conversion price for at least 20 trading days in a period of 30 consecutive trading days; 2) if the trading price per debenture is less than 95% of the price of our common stock times the conversion ratio for any 10 consecutive trading days; 3) if the debentures are called for

redemption; or 4) upon the occurrence of specific corporate actions. The debentures may be redeemed for par, plus accrued interest, on or after November 1, 2012 if the price of our common stock is greater than 130% of the conversion price for at least 20 days in a period of 30 consecutive trading days and we may redeem the debentures for par, plus accrued interest, at our election any time on or after November 1, 2017. Holders may require us to repurchase the

debentures for par, plus accrued interest, on November 1, 2017, 2019 and 2024. In addition to ordinary interest, commencing November 1, 2017, contingent interest will accrue at 0.375% if the average trading price of a debenture for 5 trading days ending on and including the third trading day immediately preceding a six-month interest period equals or exceeds \$1,200 per \$1,000 debenture.

During the nine months ended September 30, 2017, Jefferies issued structured notes with a total principal amount of approximately \$287.5 million, net of retirements. Structured notes of \$553.9 million and \$248.9 million at September 30, 2017 and December 31, 2016, respectively, contain various interest rate payment terms and are accounted for at fair value, with changes in fair value resulting from a change in the instrument specific credit risk presented in Accumulated other comprehensive income and changes in fair value resulting from non-credit components recognized in Principal transaction revenues.

In January 2017, Jefferies issued 4.85% senior notes with a principal amount of \$750.0 million, due 2027.

In June 2017, National Beef entered into a Third Amended and Restated Credit Agreement (the "Debt Agreement"). The Debt Agreement matures in June 2022 and includes a \$275.0 million reducing revolver loan and a \$275.0 million revolving credit facility. The reducing revolver loan commitment decreases by \$13.8 million on each annual anniversary of the Debt Agreement. The Debt Agreement is secured by a first priority lien on substantially all of the assets of National Beef and its subsidiaries and includes customary covenants including a single financial covenant that requires National Beef to maintain a minimum tangible net worth; at September 30, 2017, National Beef was in compliance with the covenants.

At September 30, 2017, National Beef's outstanding debt under the Debt Agreement consisted of a reducing revolver loan with an outstanding balance of \$87.5 million and \$21.8 million drawn on the revolving credit facility. The reducing revolving loan and the revolving credit facility bear interest at the Base Rate or the LIBOR Rate (as defined in the Debt Agreement), plus a margin ranging from 0.75% to 2.75% depending upon certain financial ratios and the rate selected. At September 30, 2017, the interest rate on the outstanding reducing revolving loan was 2.98% and the interest rate on the outstanding revolving credit facility was 5.00%.

Borrowings under the reducing revolver loan and the revolving credit facility are available for National Beef's working capital requirements, capital expenditures and other general corporate purposes. Unused capacity under the revolving credit facility can also be used to issue letters of credit; letters of credit aggregating \$13.9 million were outstanding at September 30, 2017. Amounts available under the revolving credit facility are subject to a borrowing base calculation primarily comprised of receivable and inventory balances; amounts available under the reducing revolver facility are constrained only by the annual reduction in the commitment amount. At September 30, 2017, after deducting outstanding amounts and issued letters of credit, \$198.1 million of the unused revolving credit facility and \$187.5 million of the reducing revolver commitment was available to National Beef.

54 Madison seeks long-term capital appreciation through real estate development and similar projects. Many of these development projects are funded through long-term debt at the project level. The debt holders do not have recourse to the Leucadia parent company. At September 30, 2017, 54 Madison had \$62.6 million of 6.0% term loan debt maturing in January 2018, \$96.5 million of 5.5% term loan debt maturing in February 2019, \$0.5 million of 3.5% term loan debt maturing in March 2019, \$52.0 million of 4.15% term loan debt maturing in April 2019, \$101.6 million of 5.5% term loan debt maturing in January 2020 and \$0.5 million of 3.5% term loan debt maturing in January 2020. As discussed further in Note 23, the majority of the debt holders are also investors in 54 Madison.

At September 30, 2017, Foursight Capital's credit facilities consisted of two warehouse credit commitments aggregating \$225.0 million, which mature in March 2019 and July 2020. The 2019 credit facility bears interest based on the three-month LIBOR plus a credit spread fixed through its maturity and the 2020 credit facility bears interest based on the one-month LIBOR plus a credit spread fixed through its maturity. As a condition of the 2019 credit facility, Foursight Capital is obligated to maintain cash reserves in an amount equal to the quoted price of an

interest rate cap sufficient to meet the hedging requirements of the credit commitment. The credit facilities are secured by first priority liens on auto loan receivables owed to Foursight Capital of approximately \$140.0 million at September 30, 2017.

Note 15. Mezzanine Equity

Redeemable Noncontrolling Interests

Redeemable noncontrolling interests primarily relate to National Beef and are held by its minority owners, USPB, NBPCo Holdings and the chief executive officer of National Beef. The holders of these interests share in the profits and losses of National Beef on a pro rata basis with us. However, the minority owners have the right to require us to purchase their interests under certain specified circumstances at fair value (put rights), and we also have the right to purchase their interests under certain specified circumstances at fair value (call rights). Each of the holders of the put rights has the right to make an election that requires us to purchase up to one-third of their interests on December 30, 2016, one-third on December 30, 2018, and the remainder on December 30, 2021. In addition, USPB may elect to exercise their put rights following the termination of the cattle supply agreement, and the chief executive officer following the termination of his employment. Holders of the put rights had from December 30, 2016 through January 29, 2017 to make an election that would require us to purchase up to one-third of their interests. The holders of the put rights did not make such election.

Our call rights with respect to USPB may be exercised following the termination of the cattle supply agreement or after USPB's ownership interest is less than 20% of their interest held at the time we acquired National Beef. Our call rights with respect to other members may be exercised after the ten year anniversary of our acquisition of National Beef if such member's ownership interest is less than 50% of the interest held at the time we acquired National Beef. Additionally, we may acquire the chief executive officer's interest following the termination of his employment.

Redeemable noncontrolling interests in National Beef are reflected in the Consolidated Statements of Financial Condition at fair value. The following table rolls forward National Beef's redeemable noncontrolling interests activity during the nine months ended September 30, 2017 and 2016 (in thousands):

	For the Nine Months Ended September 30,	
	2017	2016
As of January 1,	\$321,962	\$189,358
Income allocated to redeemable noncontrolling interests	65,088	40,225
Distributions to redeemable noncontrolling interests	(37,029)	(18,460)
Increase (decrease) in fair value of redeemable noncontrolling interests	24,404	134,503
Balance, September 30,	\$374,425	\$345,626

At acquisition, we prepared a projection of future cash flows of National Beef, which was used along with other information to allocate the purchase price to National Beef's individual assets and liabilities. At September 30, 2017, we calculated the fair value of the redeemable noncontrolling interests by updating our estimate of future cash flows. The projected future cash flows consider estimated revenue growth, cost of sales changes, capital expenditures and other unobservable inputs. However, the most significant unobservable inputs affecting the estimate of fair value are the discount rate (11.9%) and the terminal growth rate (2.0%) used to calculate the capitalization rate of the terminal value.

The table below is a sensitivity analysis which shows the fair value of the redeemable noncontrolling interests using the assumed discount and the terminal growth rates and fair values under different rate assumptions as of September 30, 2017 (dollars in millions):

	Discount Rates		
Terminal Growth Rates	11.65%	11.90%	12.15%
1.75%	\$379.3	\$370.7	\$362.6
2.00%	\$383.2	\$374.4	\$366.0

2.25%

\$387.4 \$378.3 \$369.7

The projection of future cash flows is updated with input from National Beef personnel. The estimate is reviewed by personnel at our corporate office as part of the normal process for the preparation of our quarterly and annual financial statements.

At September 30, 2017 and December 31, 2016, redeemable noncontrolling interests also include other redeemable noncontrolling interests of \$14.1 million and \$14.8 million, respectively, primarily related to our oil and gas exploration and development businesses.

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Mandatorily Redeemable Convertible Preferred Shares

In connection with our acquisition of Jefferies in March 2013, we issued a new series of 3.25% Cumulative Convertible Preferred Shares ("Preferred Shares") (\$125.0 million at mandatory redemption value) in exchange for Jefferies outstanding 3.25% Series A-1 Cumulative Convertible Preferred Stock. The Preferred Shares have a 3.25% annual, cumulative cash dividend and are currently convertible into 4,162,200 common shares, an effective conversion price of \$30.03 per share. The holders of the Preferred Shares are also entitled to an additional quarterly payment in the event we declare and pay a dividend on our common stock in an amount greater than \$0.0625 per common share per quarter. The additional quarterly payment would be paid to the holders of Preferred Shares on an as converted basis and on a per share basis would equal the quarterly dividend declared and paid to a holder of a share of common stock in excess of \$0.0625 per share. In the third quarter of 2017 we increased our quarterly dividend from \$0.0625 to \$0.10 per common share. This increased the preferred stock dividend from \$1.0 million in the third quarter of 2016 to \$1.2 million in the third quarter of 2017. The Preferred Shares are callable beginning in 2023 at a price of \$1,000 per share plus accrued interest and are mandatorily redeemable in 2038.

Note 16. Stock-Based Compensation Plans

Restricted Stock and Restricted Stock Units. Restricted stock and restricted stock units ("RSUs") may be granted to new employees as "sign-on" awards, to existing employees as "retention" awards and to certain executive officers as awards for multiple years. Sign-on and retention awards are generally subject to annual ratable vesting over a four-year service period and are amortized as compensation expense on a straight-line basis over the related four years. Restricted stock and RSUs are granted to certain senior executives with market, performance and service conditions. Market conditions are incorporated into the grant-date fair value of senior executives' awards using a Monte Carlo valuation model. Compensation expense for awards with market conditions is recognized over the service period and is not reversed if the market condition is not met. Awards with performance conditions are amortized over the service period if it is determined that it is probable that the performance condition will be achieved.

Senior Executive Compensation Plan. In January 2017, the Compensation Committee of our Board of Directors approved an executive compensation plan for our CEO and our President (together, our "Senior Executives") in respect of 2017 that is based on performance metrics achieved over a three-year period from 2017 through 2019. This executive compensation plan is identical to the 2016 executive compensation plan where cash incentive bonuses were eliminated. 100% of each of our CEO and President's compensation beyond their base salaries is composed entirely of performance based RSUs that will vest at the end of 2019 if certain performance criteria are met. Any vested RSUs will be subject to a post-vesting, three-year holding period such that no vested RSUs can be sold or transferred until the first quarter of 2023.

Performance-vesting of the award is based equally on the compound annual growth rates of Leucadia's Total Shareholder Return ("TSR"), which will be measured from the December 30, 2016 stock price of \$23.25, and Leucadia's Return on Tangible Deployable Equity ("ROTDE"), the annual, two- and three-year results of which will be used to determine vesting. TSR is based on annualized rate of return reflecting price appreciation plus reinvestment of dividends and distributions to shareholders. ROTDE is net income adjusted for amortization of intangible assets divided by tangible book value at the beginning of year adjusted for intangible assets and deferred tax assets.

If Leucadia's TSR and ROTDE annual compound growth rates are less than 4%, our Senior Executives will not receive any incentive compensation. If Leucadia's TSR and ROTDE grow between 4% and 8% on a compounded basis over the three-year measurement period, each of our Senior Executives will be eligible to receive between 537,634 and 1,075,268 RSUs. If TSR and ROTDE growth rates are greater than 8%, our Senior Executives are eligible to receive up to 50% additional incentive compensation on a pro rata basis up to 12% growth rates. When determining whether RSUs will vest, the calculation will be weighted equally between TSR and ROTDE. If TSR

growth was below minimum thresholds, but ROTDE growth was above minimum thresholds, our Senior Executives would still be eligible to receive some number of vested RSUs based on ROTDE growth. The TSR award contains a market condition and compensation expense is recognized over the service period and will not be reversed if the market condition is not met. The ROTDE award contains a performance condition and compensation expense is recognized over the service period if it is determined that it is probable that the performance condition will be achieved.

Former Stock-Based Compensation Plans. Prior to the acquisition of Jefferies, we had a fixed stock option plan, which provided for the issuance of stock options and stock appreciation rights to non-employee directors and certain employees at not less than the fair market value of the underlying stock at the date of grant. Options granted to employees under this plan were intended to qualify as incentive stock options to the extent permitted under the Internal Revenue Code and became exercisable in five equal annual installments starting one year from date of grant. Options granted to non-employee directors became exercisable in four equal annual installments starting one year from date of grant. No stock appreciation rights have been granted. In March 2014, we ceased issuing options and rights under our option plan. No shares remain available for future issuances under this plan. At September 30, 2017, 331,312 of our common shares were reserved for stock options.

Stock-Based Compensation Expense. Compensation and benefits expense included \$11.1 million and \$8.9 million for the three months ended September 30, 2017 and 2016, respectively, and \$31.5 million and \$24.9 million for the nine months ended September 30, 2017 and 2016, respectively, for share-based compensation expense relating to grants made under our share-based compensation plans. Total compensation cost includes the amortization of sign-on, retention and senior executive awards, less forfeitures and clawbacks. The total tax benefit recognized in results of operations related to share-based compensation expenses was \$4.0 million and \$3.3 million for the three months ended September 30, 2017 and 2016, respectively, and \$11.2 million and \$9.2 million for the nine months ended September 30, 2017 and 2016, respectively. As of September 30, 2017, total unrecognized compensation cost related to nonvested share-based compensation plans was \$71.8 million; this cost is expected to be recognized over a weighted average period of 1.8 years.

At September 30, 2017, there were 1,332,000 shares of restricted stock outstanding with future service required, 5,679,000 RSUs outstanding with future service required (including target RSUs issuable under the senior executive compensation plan), 10,442,000 RSUs outstanding with no future service required and 701,000 shares issuable under other plans. Excluding shares issuable pursuant to outstanding stock options, the maximum potential increase to common shares outstanding resulting from these outstanding awards is 16,822,000.

Note 17. Accumulated Other Comprehensive Income

Activity in accumulated other comprehensive income is reflected in the Consolidated Statements of Comprehensive Income (Loss) and Consolidated Statements of Changes in Equity but not in the Consolidated Statements of Operations. A summary of accumulated other comprehensive income, net of taxes is as follows (in thousands):

	September 30, December 31,	
	2017	2016
Net unrealized gains on available for sale securities	\$ 570,240	\$ 561,497
Net unrealized foreign exchange losses	(130,394)	(184,829)
Net unrealized losses on instrument specific credit risk	(15,364)	(6,494)
Net unrealized losses on cash flow hedges	(1,585)	—
Net minimum pension liability	(59,411)	(59,477)
	\$ 363,486	\$ 310,697

For the nine months ended September 30, 2017 and 2016, significant amounts reclassified out of accumulated other comprehensive income to net income are as follows (in thousands):

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Consolidated Statements of Operations
	2017	2016	
Net unrealized gains on available for sale securities, net of income tax provision of \$14 and \$5	\$24	\$8	Net realized securities gains
Net unrealized foreign exchange losses, net of income tax provision of \$1,086 and \$0	(5,310)	—	Other income and other expenses
Amortization of defined benefit pension plan actuarial losses, net of income tax benefit of \$(604) and \$(526)	(1,297)	(1,150)	Compensation and benefits, which includes pension expense.
Other pension, net of income tax benefit of \$(1,231) and \$0	1,231	—	Income tax provision (benefit)
Total reclassifications for the period, net of tax	\$(5,352)	\$(1,142)	

Note 18. Income Taxes

The aggregate amount of gross unrecognized tax benefits related to uncertain tax positions at September 30, 2017 was \$215.8 million (including \$54.8 million for interest), of which \$164.2 million related to Jefferies. The aggregate amount of gross unrecognized tax benefits related to uncertain tax positions at December 31, 2016 was \$196.5 million (including \$47.7 million for interest), of which \$148.8 million related to Jefferies. If recognized, such amounts would lower our effective tax rate. Accrued

interest is included in Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition. No material penalties were accrued for the nine months ended September 30, 2017 and the year ended December 31, 2016.

The statute of limitations with respect to our federal income tax returns has expired for all years through 2012. Our 2013 federal tax return is currently under examination by the Internal Revenue Service. Our New York State and New York City income tax returns are currently being audited for the 2012 to 2014 period and 2011 to 2012 period, respectively. Prior to becoming a wholly-owned subsidiary, Jefferies filed a consolidated U.S. federal income tax return with its qualifying subsidiaries and was subject to income tax in various states, municipalities and foreign jurisdictions. Jefferies is currently under examination by the Internal Revenue Service and other major tax jurisdictions. The statute of limitations with respect to Jefferies federal income tax returns has expired for all years through 2006.

We do not expect that resolution of these examinations will have a significant effect on our consolidated financial position, but could have a significant impact on the consolidated results of operations for the period in which resolution occurs.

Our provision for income taxes for the nine months ended September 30, 2017 was reduced by a \$31.9 million benefit resulting from the repatriation of Jefferies earnings from certain of its foreign subsidiaries, along with their associated foreign tax credits.

Note 19. Earnings (Loss) Per Common Share

Basic and diluted earnings (loss) per share amounts were calculated by dividing net income (loss) by the weighted average number of common shares outstanding. The numerators and denominators used to calculate basic and diluted earnings (loss) per share are as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator for earnings (loss) per share:				
Net income (loss) attributable to Leucadia National Corporation common shareholders	\$99,351	\$154,358	\$438,952	\$(11,233)
Allocation of earnings to participating securities (1)	(368)	(2,060)	(1,692)	—
Net income (loss) attributable to Leucadia National Corporation common shareholders for basic earnings (loss) per share	98,983	152,298	437,260	(11,233)
Adjustment to allocation of earnings to participating securities related to diluted shares (1)	(2)	6	3	—
Mandatorily redeemable convertible preferred share dividends	—	1,016	3,203	—
Net income (loss) attributable to Leucadia National Corporation common shareholders for diluted earnings (loss) per share	\$98,981	\$153,320	\$440,466	\$(11,233)
Denominator for earnings (loss) per share:				
Denominator for basic earnings (loss) per share – weighted average shares	367,828	370,404	368,736	371,814
Stock options	23	1	22	—
Warrants	—	—	—	—
Senior executive compensation plan awards	2,347	—	2,313	—
Mandatorily redeemable convertible preferred shares	—	4,162	4,162	—
3.875% Convertible Senior Debentures	—	—	—	—

Denominator for diluted earnings (loss) per share	370,198	374,567	375,233	371,814
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(1) Represents dividends declared during the period on participating securities plus an allocation of undistributed earnings to participating securities. Net losses are not allocated to participating securities. Participating securities represent restricted stock and RSUs for which requisite service has not yet been rendered and amounted to weighted average shares of 1,366,700 and 5,009,500 for the three months ended September 30, 2017 and 2016, respectively, and 1,433,500 and 4,859,900 for the nine months ended September 30, 2017 and 2016, respectively. Dividends declared on participating securities were not material during three and nine months ended September 30, 2017 and 2016. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

Options to purchase 647,300 and 660,000 weighted average shares of common stock were outstanding during the three and nine months ended September 30, 2016, respectively, but were not included in the computation of diluted per share amounts as the effect was antidilutive. Amounts for the three and nine months ended September 30, 2017 were not material.

In the table above, the denominator for diluted earnings (loss) per share does not include weighted average common shares of 1,200,000 during the nine months ended September 30, 2016, related to outstanding warrants to purchase common shares at \$33.33 per share, as the effect was antidilutive. The warrants expired in the first quarter of 2016.

For the three and nine months ended September 30, 2017 and 2016, shares related to the 3.875% Convertible Senior Debentures were not included in the computation of diluted per share amounts as the conversion price exceeded the average market price. For the three months ended September 30, 2017 and the nine months ended September 30, 2016, shares related to the mandatorily redeemable convertible preferred shares were not included in the computation of diluted per share amounts as the effect was antidilutive.

Note 20. Commitments, Contingencies and Guarantees

Commitments

The following table summarizes commitments associated with certain business activities (in millions):

	Expected Maturity Date					Maximum Payout
	2017	2018	2019 and 2020	2021 and 2022	2023 and Later	
Equity commitments (1)	\$9.3	\$40.2	\$11.4	\$—	\$214.2	\$ 275.1
Loan commitments (1)	—	244.1	—	53.0	—	297.1
Mortgage-related and other purchase commitments	—	—	177.7	—	—	177.7
Underwriting commitments	70.0	—	—	—	—	70.0
Forward starting reverse repos (2)	3,943.7	—	—	—	—	3,943.7
Forward starting repos (2)	2,018.0	—	—	—	—	2,018.0
Other unfunded commitments (1)	45.0	154.5	130.6	226.2	12.1	568.4
	\$6,086.0	\$438.8	\$319.7	\$279.2	\$226.3	\$ 7,350.0

(1) Equity commitments, loan commitments and other unfunded commitments are presented by contractual maturity date. The amounts are however mostly available on demand.

(2) At September 30, 2017, all of the forward starting securities purchased under agreements to resell and securities sold under agreements to repurchase (collectively “repos”) settled within three business days.

Equity Commitments. Equity commitments include commitments to invest in Jefferies joint ventures, Jefferies Finance and Jefferies LoanCore, and commitments to invest in private equity funds and in Jefferies Capital Partners, LLC, the manager of the private equity funds, which consists of a team led by Brian P. Friedman, our President and a Director. As of September 30, 2017, Jefferies outstanding commitments relating to Jefferies Capital Partners, LLC and its private equity funds were \$22.0 million.

See Note 9 for additional information regarding Jefferies investments in Jefferies Finance and Jefferies LoanCore.

Our equity commitments also include our commitment to invest in 54 Madison, a fund which targets real estate projects. We plan to invest a cumulative total of \$202.5 million to this fund, of which we have already contributed \$134.4 million. Capital commitments are contingent upon approval of the related investment by the investment

committee, which we control. Through September 30, 2017, approved unfunded commitments totaled \$36.3 million.

Additionally, as of September 30, 2017, we have other equity commitments to invest up to \$15.4 million in various other investments.

Loan Commitments. From time to time Jefferies makes commitments to extend credit to investment banking and other clients in loan syndication, acquisition finance and securities transactions and to SPE sponsors in connection with the funding of CLO and other asset-backed transactions. These commitments and any related drawdowns of these facilities typically have fixed maturity

dates and are contingent on certain representations, warranties and contractual conditions applicable to the borrower. As of September 30, 2017, Jefferies has \$64.9 million of outstanding loan commitments to clients.

Loan commitments outstanding as of September 30, 2017, also include Jefferies portion of the outstanding secured revolving credit facility provided to Jefferies Finance to support loan underwritings by Jefferies Finance. At September 30, 2017, \$35.1 million of Jefferies \$250.0 million commitment was funded.

In August 2014, we and Solomon Kumin established Folger Hill; we committed to provide Folger Hill with a three-year, \$20.0 million revolving credit facility to fund its start-up and initial operating expenses. During the third quarter of 2017, the facility was amended to extend the maturity date until December 31, 2018 and to provide for an optional termination right for the Company with ten days prior written notice. As of September 30, 2017, \$10.2 million has been provided to Folger Hill under the revolving credit facility.

Mortgage-Related and Other Purchase Commitments. Jefferies enters into forward contracts to purchase mortgage participation certificates, mortgage-backed securities and consumer loans. The mortgage participation certificates evidence interests in mortgage loans insured by the Federal Housing Administration and the mortgage-backed securities are insured or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. Jefferies frequently securitizes the mortgage participation certificates and mortgage-backed securities. The fair value of mortgage-related and other purchase commitments recorded in the Consolidated Statement of Financial Condition at September 30, 2017 was \$44.5 million.

Forward Starting Reverse Repos and Repos. Jefferies enters into commitments to take possession of securities with agreements to resell on a forward starting basis and to sell securities with agreements to repurchase on a forward starting basis that are primarily secured by U.S. government and agency securities.

Other Unfunded Commitments. Other unfunded commitments include obligations in the form of revolving notes to provide financing to asset-backed and CLO vehicles. Upon advancing funds, drawn amounts are collateralized by the assets of an entity.

In October 2017, Jefferies entered into a contract for technology operations services under which they have contractual obligations of approximately \$2.5 million for the remainder of fiscal 2017, approximately \$11.9 million for fiscal 2018 and annual obligations for each year thereafter of approximately \$15.7 million through 2028.

Contingencies

We and our subsidiaries are parties to legal and regulatory proceedings that are considered to be either ordinary, routine litigation incidental to their business or not significant to our consolidated financial position. We and our subsidiaries are also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding our businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions. We do not believe that any of these actions will have a significant adverse effect on our consolidated financial position or liquidity, but any amounts paid could be significant to results of operations for the period.

Guarantees

Derivative Contracts. Jefferies dealer activities cause it to make markets and trade in a variety of derivative instruments. Certain derivative contracts that Jefferies has entered into meet the accounting definition of a guarantee under GAAP, including credit default swaps, written foreign currency options and written equity put options. On certain of these contracts, such as written interest rate caps and foreign currency options, the maximum payout cannot be quantified since the increase in interest or foreign exchange rates are not contractually limited by the terms of the contract. As such, we have disclosed notional values as a measure of Jefferies maximum potential payout under these

contracts.

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The following table summarizes the notional amounts associated with our derivative contracts meeting the definition of a guarantee under GAAP as of September 30, 2017 (in millions):

Guarantee Type	Expected Maturity Date					Notional/ Maximum Payout
	2017	2018	2019 and 2020	2021 and 2022	2023 and Later	
Derivative contracts – non-credit related	\$8,530.1	\$5,114.5	\$2,183.1	\$215.0	\$595.7	\$16,638.4
Written derivative contracts – credit related	—	41.4	10.0	279.8	—	331.2
Total derivative contracts	\$8,530.1	\$5,155.9	\$2,193.1	\$494.8	\$595.7	\$16,969.6

The derivative contracts deemed to meet the definition of a guarantee under GAAP are before consideration of hedging transactions and only reflect a partial or "one-sided" component of any risk exposure. Written equity options and written credit default swaps are often executed in a strategy that is in tandem with long cash instruments (e.g., equity and debt securities). Jefferies substantially mitigates its exposure to market risk on these contracts through hedges, such as other derivative contracts and/or cash instruments and Jefferies manages the risk associated with these contracts in the context of its overall risk management framework. Jefferies believes notional amounts overstate its expected payout and that fair value of these contracts is a more relevant measure of its obligations. The fair value of derivative contracts meeting the definition of a guarantee is approximately \$245.5 million as of September 30, 2017.

Berkadia. We have agreed to reimburse Berkshire Hathaway for up to one-half of any losses incurred under a \$1.5 billion surety policy securing outstanding commercial paper issued by an affiliate of Berkadia. As of September 30, 2017, the aggregate amount of commercial paper outstanding was \$1.47 billion.

Loan Guarantee. Jefferies has provided a guarantee to Jefferies Finance that matures in January 2021, whereby Jefferies is required to make certain payments to a SPE sponsored by Jefferies Finance in the event that Jefferies Finance is unable to meet its obligations to the SPE. The maximum amount payable under the guarantee is \$0.2 million at September 30, 2017.

Other Guarantees. Jefferies is a member of various exchanges and clearing houses. In the normal course of business Jefferies provides guarantees to securities clearinghouses and exchanges. These guarantees generally are required under the standard membership agreements, such that members are required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. Jefferies obligations under such guarantees could exceed the collateral amounts posted. Jefferies maximum potential liability under these arrangements cannot be quantified; however, the potential for Jefferies to be required to make payments under such guarantees is deemed remote. Accordingly, no liability has been recognized for these arrangements.

Indemnification. In connection with the 2013 sale of Empire Insurance Company, we agreed to indemnify the buyer for certain of Empire's lease obligations that were assumed by another subsidiary of ours as part of the sale of Empire. Our subsidiary was subsequently sold in 2014 to HomeFed as part of the real estate transaction with HomeFed. Although HomeFed has agreed to indemnify us for these lease obligations, our indemnification obligation under the Empire transaction remains. The primary lease expires in 2018 and the aggregate amount of lease obligation as of September 30, 2017 was approximately \$12.7 million. Substantially all of the space under the primary lease has been sublet to various third-party tenants for the full length of the lease term in amounts in excess of the obligations under the primary lease.

Standby Letters of Credit. At September 30, 2017, Jefferies provided guarantees to certain counterparties in the form of standby letters of credit in the amount of \$54.0 million. Standby letters of credit commit Jefferies to make payment to the beneficiary if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary. Since commitments associated with these collateral instruments may expire unused, the amount shown does not necessarily reflect the actual future cash funding requirement. Other subsidiaries of ours have

outstanding letters of credit aggregating \$15.0 million at September 30, 2017. Primarily all letters of credit expire within one year.

Note 21. Net Capital Requirements

Jefferies operates broker-dealers registered with the SEC and member firms of the Financial Industry Regulatory Authority ("FINRA"). Jefferies LLC and Jefferies Execution are subject to the Securities and Exchange Commission Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital and have elected to calculate minimum capital

requirements under the alternative method as permitted by Rule 15c3-1 in calculating net capital. Jefferies LLC is also registered as a futures commission merchant ("FCM") and is subject to Rule 1.17 of the CFTC which sets forth minimum financial requirements. The minimum net capital requirement in determining excess net capital for a dually-registered U.S. broker-dealer and FCM is equal to the greater of the requirement under Rule 15c3-1 or CFTC Rule 1.17.

Jefferies LLC and Jefferies Execution's net capital and excess net capital as of September 30, 2017 were as follows (in thousands):

	Net Capital	Excess Net Capital
Jefferies LLC	\$ 1,491,122	\$ 1,411,625
Jefferies Execution	\$ 7,961	\$ 7,711

FINRA is the designated examining authority for Jefferies U.S. broker-dealers and the National Futures Association is the designated self-regulatory organization for Jefferies LLC as an FCM.

Certain other U.S. and non-U.S. subsidiaries of Jefferies are subject to capital adequacy requirements as prescribed by the regulatory authorities in their respective jurisdictions, including Jefferies International Limited which is authorized and regulated by the Financial Conduct Authority in the United Kingdom.

The regulatory capital requirements referred to above may restrict our ability to withdraw capital from Jefferies regulated subsidiaries. Some of our other consolidated subsidiaries also have credit agreements which may restrict the payment of cash dividends, or the ability to make loans or advances to the parent company.

Note 22. Other Fair Value Information

The carrying amounts and estimated fair values of our principal financial instruments that are not recognized at fair value on a recurring basis are as follows (in thousands):

	September 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Receivables:				
Notes and loans receivable (1)	\$ 961,641	\$ 950,780	\$ 962,938	\$ 958,377
Financial Liabilities:				
Short-term borrowings (2)	\$ 412,841	\$ 412,841	\$ 525,842	\$ 525,842
Long-term debt (3)	\$ 7,538,772	\$ 7,930,261	\$ 7,131,587	\$ 7,221,459

Notes and loans receivable: The fair values are estimated principally based on a discounted future cash flows (1) model using market interest rates for similar instruments. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy.

Short-term borrowings: The fair values of short-term borrowings are estimated to be the carrying amount due to (2) their short maturities. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy.

Long-term debt: The fair values are estimated using quoted prices, pricing information obtained from external data (3) providers and, for certain variable rate debt, is estimated to be the carrying amount. If measured at fair value in the financial statements, these financial instruments would be classified as Level 2 and Level 3 in the fair value hierarchy.

Note 23. Related Party Transactions

Jefferies Capital Partners Related Funds. Jefferies has equity investments in the JCP Manager and in private equity funds, which are managed by a team led by Brian P. Friedman, our President and a Director ("Private Equity Related Funds"). Reflected in our Consolidated Statements of Financial Condition at September 30, 2017 and December 31, 2016 are Jefferies equity investments in Private Equity Related Funds of \$28.1 million and \$37.7 million, respectively. Net gains (losses) aggregating \$(0.4) million and \$6.0 million for the three months ended September 30, 2017 and 2016, respectively, and \$(9.8) million and \$(1.7) million for the nine months ended September 30, 2017 and 2016, respectively, were recorded in Other revenues related to the Private Equity Related Funds. For further information regarding our commitments and funded amounts to the Private Equity Related Funds, see Notes 8 and 20.

Berkadia Commercial Mortgage, LLC. At September 30, 2017 and December 31, 2016, Jefferies has commitments to purchase \$722.9 million and \$817.0 million, respectively, in agency commercial mortgage-backed securities from Berkadia.

Officers, Directors and Employees. We have \$52.1 million and \$41.2 million of loans outstanding to certain officers and employees (none of whom are an executive officer or director of the Company) at September 30, 2017 and December 31, 2016, respectively.

Receivables from and payables to customers include balances arising from officers, directors and employees' individual security transactions. These transactions are subject to the same regulations as all customer transactions and are provided on substantially the same terms. At December 31, 2016, Jefferies provided a guarantee of a credit agreement for a private equity fund owned by Jefferies employees and in April 2017 this guarantee was terminated.

National Beef. National Beef participates in a cattle supply agreement with a minority owner and holder of a redeemable noncontrolling interest in National Beef. Under this agreement National Beef has agreed to purchase 735,385 head of cattle each year (subject to adjustment), from the members of the minority owner, with prices based on those published by the U.S. Department of Agriculture, subject to adjustments for cattle performance. National Beef obtained approximately 24% and 26% of its cattle requirements under this agreement during the nine months ended September 30, 2017 and 2016, respectively.

National Beef also enters into transactions with an affiliate of another minority owner and holder of a redeemable noncontrolling interest in National Beef to buy and sell a limited number of beef products. During the nine months ended September 30, 2017, sales to this affiliate were \$24.6 million and purchases were \$9.7 million. During the nine months ended September 30, 2016, sales to this affiliate were \$22.7 million and purchases were \$10.6 million. At September 30, 2017 and December 31, 2016, amounts due from and payable to these related parties were not significant.

HomeFed. During 2014, we sold to HomeFed substantially all of our then-owned real estate properties and operations as well as cash of approximately \$14.0 million, in exchange for 7,500,000 newly issued unregistered HomeFed common shares. As discussed in Note 9, as a result of a 1998 distribution to all of our shareholders, approximately 4.8% of HomeFed is beneficially owned by our Chairman at September 30, 2017. Three of our executives serve on the board of directors of HomeFed, including our Chairman who serves as HomeFed's Chairman, and our President. 54 Madison. At September 30, 2017 and December 31, 2016, approximately \$188.2 million and \$230.2 million, respectively, of long-term debt held by 54 Madison is owed to minority owners of 54 Madison. The interest rate on these long-term notes range between 4.2% and 6.0%.

The employees of the asset manager of 54 Madison and employees of certain asset managers of 54 Madison's investments are also employees of Leucadia. These employees are also minority owners of 54 Madison. See Note 9 for information on transactions with Jefferies Finance and Jefferies LoanCore.

Note 24. Segment Information

Our operating segments consist of our consolidated businesses, which offer different products and services and are managed separately. Our reportable segments, based on qualitative and quantitative requirements, are Jefferies, National Beef, and Corporate and other. Jefferies is a global full-service, integrated securities and investment banking firm. National Beef processes and markets fresh boxed beef, consumer-ready beef, beef by-products and wet blue leather for domestic and international markets.

Corporate and other assets primarily consist of financial instruments owned, the deferred tax asset (exclusive of Jefferies deferred tax asset), cash and cash equivalents and Corporate and other revenues primarily consist of interest, other income and net realized securities gains and losses. We do not allocate Corporate and other revenues or overhead expenses to the operating units.

All other consists of our other financial services businesses and investments and our other merchant banking businesses and investments. Our other financial services businesses and investments include the Leucadia Asset

Management platform, Foursight Capital, and our investments in Berkadia, HomeFed and FXCM. Our other merchant banking businesses and investments primarily include Idaho Timber, Conwed, Vitesse, JETX, real estate, and our investments in HRG, Linkem, Garcadia and Golden Queen.

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Certain information concerning our segments is presented in the following table. Consolidated subsidiaries are reflected as of the date a majority controlling interest was acquired. As discussed above, Jefferies is reflected in our consolidated financial statements utilizing a one month lag.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Net Revenues:				
Reportable Segments:				
Jefferies	\$802,909	\$656,496	\$2,381,967	\$1,678,212
National Beef	2,039,299	1,747,042	5,476,274	5,180,127
Corporate and other	21,722	1,006	31,748	78,354
Total net revenues related to reportable segments	2,863,930	2,404,544	7,889,989	6,936,693
All other	32,592	271,831	606,895	380,146
Total consolidated net revenues	\$2,896,522	\$2,676,375	\$8,496,884	\$7,316,839
Income (loss) before income taxes:				
Reportable Segments:				
Jefferies	\$128,112	\$83,190	\$383,094	\$(55,127)
National Beef	174,479	108,269	310,007	192,533
Corporate and other	1,595	(16,619)	(30,167)	23,926
Income before income taxes related to reportable segments	304,186	174,840	662,934	161,332
All other	(89,422)	89,791	104,073	(29,769)
Parent Company interest	(14,737)	(14,722)	(44,201)	(44,155)
Total consolidated income before income taxes	\$200,027	\$249,909	\$722,806	\$87,408
Depreciation and amortization expenses:				
Reportable Segments:				
Jefferies	\$15,928	\$16,108	\$46,877	\$45,331
National Beef	26,664	23,100	73,522	68,511
Corporate and other	865	867	2,599	2,754
Total depreciation and amortization expenses related to reportable segments	43,457	40,075	122,998	116,596
All other	11,967	12,616	32,653	36,474
Total consolidated depreciation and amortization expenses	\$55,424	\$52,691	\$155,651	\$153,070

Interest expense classified as a component of Net revenues relates to Jefferies. For the three months ended September 30, 2017 and 2016, interest expense classified as a component of Expenses was primarily comprised of National Beef (\$1.7 million and \$3.0 million, respectively), parent company interest (\$14.7 million and \$14.7 million, respectively) and all other (\$10.9 million and \$5.4 million, respectively). For the nine months ended September 30, 2017 and 2016, interest expense classified as a component of Expenses was primarily comprised of National Beef (\$5.8 million and \$10.7 million, respectively), parent company interest (\$44.2 million and \$44.2 million, respectively) and all other (\$32.6 million and \$13.3 million, respectively).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Statements included in this report may contain forward-looking statements. See "Cautionary Statement for Forward-Looking Information" below. The following should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and the description of our businesses included in our Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 10-K").

Results of Operations

We focus on long-term value creation and invest in a broad variety of businesses. The mix of our businesses and investments change from time to time. Our investments may be reflected in our consolidated results as consolidated subsidiaries, equity investments, securities or in other ways, depending on the structure of our specific holdings. Further, as our investments span a number of industries, each may be impacted by different factors. For these reasons, our pre-tax income (loss) is not predictable or necessarily comparable from period to period.

A summary of results for the three months ended September 30, 2017 is as follows (in thousands):

	Jefferies	National Beef	Other Financial Services Businesses and Investments	Other Merchant Banking Businesses and Investments	Corporate and Other	Parent Company Interest	Total
Net revenues	\$802,909	\$2,039,299	\$37,707	\$(5,115)	\$21,722	\$—	\$2,896,522
Expenses:							
Cost of sales	—	1,816,480	—	71,596	—	—	1,888,076
Compensation and benefits	462,933	10,505	15,217	4,511	11,665	—	504,831
Floor brokerage and clearing fees	42,852	—	—	—	—	—	42,852
Interest	—	1,713	9,936	939	—	14,737	27,325
Depreciation and amortization	15,928	26,664	2,439	9,528	865	—	55,424
Selling, general and other expenses	153,084	9,458	20,362	19,445	5,695	—	208,044
Total expenses	674,797	1,864,820	47,954	106,019	18,225	14,737	2,726,552
Income (loss) before income taxes and income (loss) related to associated companies	128,112	174,479	(10,247)	(111,134)	3,497	(14,737)	169,970
Income (loss) related to associated companies	—	—	30,902	1,057	(1,902)	—	30,057
Income (loss) before income taxes	\$128,112	\$174,479	\$20,655	\$(110,077)	\$1,595	\$(14,737)	\$200,027

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A summary of results for the nine months ended September 30, 2017 is as follows (in thousands):

	Jefferies	National Beef	Other Financial Services Businesses and Investments	Other Merchant Banking Businesses and Investments	Corporate and Other	Parent Company Interest	Total
Net revenues	\$2,381,967	\$5,476,274	\$ 153,270	\$ 453,625	\$31,748	\$—	\$8,496,884
Expenses:							
Cost of sales	—	5,030,887	—	210,834	—	—	5,241,721
Compensation and benefits	1,374,127	29,649	45,349	13,880	37,582	—	1,500,587
Floor brokerage and clearing fees	133,145	—	—	—	—	—	133,145
Interest	—	5,781	29,797	2,764	—	44,201	82,543
Depreciation and amortization	46,877	73,522	8,003	24,650	2,599	—	155,651
Selling, general and other expenses	444,724	26,428	47,463	36,511	20,892	—	576,018
Total expenses	1,998,873	5,166,267	130,612	288,639	61,073	44,201	7,689,665
Income (loss) before income taxes and income (loss) related to associated companies	383,094	310,007	22,658	164,986	(29,325)	(44,201)	807,219
Income (loss) related to associated companies	—	—	(91,866)	8,295	(842)	—	(84,413)
Income (loss) before income taxes	\$383,094	\$310,007	\$(69,208)	\$ 173,281	\$(30,167)	\$(44,201)	\$722,806

A summary of results for the three months ended September 30, 2016 is as follows (in thousands):

	Jefferies	National Beef	Other Financial Services Businesses and Investments	Other Merchant Banking Businesses and Investments	Corporate and Other	Parent Company Interest	Total
Net revenues	\$656,496	\$1,747,042	\$ 54,742	\$ 217,089	\$1,006	\$—	\$2,676,375
Expenses:							
Cost of sales	—	1,595,671	—	93,422	—	—	1,689,093
Compensation and benefits	376,438	9,660	15,100	7,334	10,183	—	418,715
Floor brokerage and clearing fees	40,189	—	—	—	—	—	40,189
Interest	—	2,967	4,596	836	—	14,722	23,121
Depreciation and amortization	16,108	23,100	3,882	8,734	867	—	52,691
Selling, general and other expenses	140,571	7,375	13,826	70,569	6,819	—	239,160
Total expenses	573,306	1,638,773	37,404	180,895	17,869	14,722	2,462,969
Income (loss) before income taxes and income related to associated companies	83,190	108,269	17,338	36,194	(16,863)	(14,722)	213,406
	—	—	27,806	8,453	244	—	36,503

Income related to associated
companies

Income (loss) before income taxes	\$83,190	\$108,269	\$45,144	\$44,647	\$(16,619)	\$(14,722)	\$249,909
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A summary of results for the nine months ended September 30, 2016 is as follows (in thousands):

	Jefferies	National Beef	Other Financial Services Businesses and Investments	Other Merchant Banking Businesses and Investments	Corporate Parent and Other	Parent Company Interest	Total
Net revenues	\$ 1,678,212	\$ 5,180,127	\$ (71,338)	\$ 451,484	\$ 78,354	\$—	\$ 7,316,839
Expenses:							
Cost of sales	—	4,856,045	—	257,470	—	—	5,113,515
Compensation and benefits	1,141,873	28,628	44,292	22,083	29,337	—	1,266,213
Floor brokerage and clearing fees	124,259	—	—	—	—	—	124,259
Interest	—	10,730	10,988	2,272	—	44,155	68,145
Depreciation and amortization	45,331	68,511	9,973	26,501	2,754	—	153,070
Selling, general and other expenses	421,876	23,680	31,806	111,898	23,414	—	612,674
Total expenses	1,733,339	4,987,594	97,059	420,224	55,505	44,155	7,337,876
Income (loss) before income taxes and income related to associated companies	(55,127)	192,533	(168,397)	31,260	22,849	(44,155)	(21,037)
Income related to associated companies	—	—	86,121	21,247	1,077	—	108,445
Income (loss) before income taxes	\$(55,127)	\$ 192,533	\$(82,276)	\$ 52,507	\$ 23,926	\$(44,155)	\$ 87,408
Jefferies							

Jefferies is reflected in our consolidated financial statements and disclosures utilizing a one month lag; Jefferies year ends on November 30 and its fiscal quarters end one month prior to our reporting periods. A summary of results of operations for Jefferies is as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenues	\$ 802,909	\$ 656,496	\$ 2,381,967	\$ 1,678,212
Expenses:				
Compensation and benefits	462,933	376,438	1,374,127	1,141,873
Floor brokerage and clearing fees	42,852	40,189	133,145	124,259
Depreciation and amortization	15,928	16,108	46,877	45,331
Selling, general and other expenses	153,084	140,571	444,724	421,876
Total expenses	674,797	573,306	1,998,873	1,733,339
Income (loss) before income taxes	\$ 128,112	\$ 83,190	\$ 383,094	\$(55,127)

Jefferies comprises many business units, with many interactions and much integration among them. Jefferies business, by its nature, does not produce predictable or necessarily recurring revenues or earnings. Jefferies results in any given period can be materially affected by conditions in global financial markets, economic conditions generally,

and its own activities and positions.

The discussion below is presented on a detailed product and expense basis. Net revenues presented for equity and fixed income businesses include allocations of interest income and interest expense as Jefferies assesses the profitability of these businesses inclusive of the net interest revenue or expense associated with the respective sales and trading activities, which is a function of the mix of each business's associated assets and liabilities and the related funding costs.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Equities	\$ 178,106	\$ 149,458	\$ 608,770	\$ 376,632
Fixed income	143,688	196,241	525,941	493,086
Total sales and trading	321,794	345,699	1,134,711	869,718
Investment banking:				
Capital markets:				
Equities	86,081	68,218	222,549	173,122
Debt	186,261	72,473	474,736	175,870
Advisory	203,360	154,239	538,301	429,914
Total investment banking	475,702	294,930	1,235,586	778,906
Other	5,413	15,867	11,670	29,588
Total net revenues	\$ 802,909	\$ 656,496	\$ 2,381,967	\$ 1,678,212

Net Revenues

The increase in net revenues for Jefferies for the three months ended September 30, 2017, as compared to the three months ended September 30, 2016, primarily reflects record quarterly investment banking results and higher equities net revenues, partially offset by lower fixed income net revenues. Higher investment banking results during the three months ended September 30, 2017 reflect increased capital markets activity, including record debt capital markets revenues, solid results in Jefferies equity capital markets business and a strong performance in its mergers, acquisitions and advisory activities compared with the prior year quarter. The increase in equities revenues was primarily attributable to growth in market share in Jefferies core equities businesses.

Equity revenues include a net gain of \$2.2 million recognized during the three months ended September 30, 2017 from Jefferies investment in KCG Holdings, Inc. (“KCG”), compared with \$6.1 million in the comparable prior year quarter, as well as net revenues of \$20.4 million from Jefferies share of its Jefferies Finance LLC (“Jefferies Finance”) joint venture, compared with \$11.4 million in the prior year quarter. The decrease in fixed income net revenues is primarily due to lower levels of volatility and volumes across most core businesses compared with the prior year quarter. Net revenues in the three months ended September 30, 2017 included investment income from managed funds of \$1.2 million, compared with investment income of \$8.3 million in the prior year quarter.

The increase in net revenues for Jefferies for the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016, primarily reflects higher net revenues in investment banking, equities and fixed income. Higher investment banking results during the nine months ended September 30, 2017 reflect increased debt and equity capital markets revenues and advisory revenues, as a result of higher transaction volumes. In the prior year period, new issue equity and leveraged finance capital markets were extremely constrained in the early part of 2016 and remained slow throughout the nine months ended September 30, 2016. The increase in fixed income net revenues is primarily due to higher levels of trading activity in the first quarter of 2017 due to improved market conditions compared with the prior year period.

The increase in equities revenues was primarily attributable to a net gain of \$109.0 million recognized during the nine months ended September 30, 2017 from Jefferies investment in two equity securities, including KCG, compared with a net loss of \$20.0 million during the nine months ended September 30, 2016 from these two equity securities. KCG was sold for \$20.00 per share in cash on July 20, 2017. The increase in equities net revenues was also due to net

revenues of \$66.8 million from Jefferies share of its Jefferies Finance joint venture during the nine months ended September 30, 2017, compared with a net loss of \$27.5 million during the nine months ended September 30, 2016. Net revenues in the nine months ended September 30, 2017 included investment losses from managed funds of \$4.7 million, compared with investment income from managed funds of \$4.0 million during the nine months ended September 30, 2016.

Equities Net Revenues

Equities net revenues include equity commissions, equity security principal trading and investments (including Jefferies investment in KCG and other equity securities) and net interest revenue generated by its equities sales and trading, prime services and wealth management business relating to cash equities, electronic trading, equity derivatives, convertible securities, prime brokerage, securities finance and alternative investment strategies. Equities net revenues include Jefferies share of the net earnings of its joint venture investments in Jefferies Finance and Jefferies LoanCore, LLC (“Jefferies LoanCore”), which are accounted for under the equity method.

Equities net revenues during the three months ended September 30, 2017 increased \$28.6 million as compared to the three months ended September 30, 2016. Equities revenue for the three months ended September 30, 2017 include a final net gain of \$2.2 million from Jefferies investment in KCG, compared with \$6.1 million in the 2016 period.

Equities revenues were solid during the three months ended September 30, 2017 across most of Jefferies equities sales and trading businesses due to growth in market share. Equities commission revenues declined slightly in Jefferies U.S. and Europe cash equities and equity derivatives trading businesses due to lower institutional investor volumes and reduced volatility, partially offset by an increase in its electronic trading volumes during the three months ended September 30, 2017 as compared to the prior year quarter.

Equities revenues during the three months ended September 30, 2017 include net revenues of \$20.4 million from Jefferies share of Jefferies Finance, primarily due to an increase in activity, compared with \$11.4 million in the prior year quarter. Net revenues from Jefferies share of Jefferies LoanCore during the three months ended September 30, 2017 decreased as compared to the 2016 period due to a decline in loan securitizations.

Equities net revenues during the nine months ended September 30, 2017 increased \$232.1 million as compared to the nine months ended September 30, 2016. Equities revenue for the nine months ended September 30, 2017 include a net gain of \$109.0 million from Jefferies investment in two equity securities, including KCG, compared with a net loss of \$20.0 million in the 2016 period from these two equity securities.

Equities revenues related to the core equities businesses during the nine months ended September 30, 2017 decreased with lower revenues in Jefferies equity derivatives businesses and its Europe cash equities business due to reduced market making activities and lower equity volatility. The decrease was partially offset by higher electronic trading revenues.

Equities commission revenues declined in Jefferies equity derivatives and U.S. cash equities businesses during the nine months ended September 30, 2017 as compared to the prior year period, due to reduced trading volumes and lower levels of volatility, partially offset by higher revenues in its electronic trading and Asia Pacific cash equities businesses due to increased trading volumes.

Equities revenues during the nine months ended September 30, 2017 include net revenues of \$66.8 million from Jefferies share of Jefferies Finance, primarily due to an increase in activity, compared with a net loss of \$27.5 million in the prior year period, primarily due to the mark down of certain loans held for sale. Net revenues from Jefferies share of Jefferies LoanCore declined during the nine months ended September 30, 2017 as compared to the 2016 period due to a decrease in loan closings and syndications.

Fixed Income Net Revenues

Fixed income net revenues include commissions, principal transactions and net interest revenue generated by Jefferies fixed income sales and trading businesses from investment grade corporate bonds, mortgage- and asset-backed securities, government and agency securities, high yield and distressed securities, bank loans, municipal bonds,

emerging markets debt, foreign exchange and interest rate derivatives.

Fixed income net revenues during the three months ended September 30, 2017 decreased \$52.6 million as compared to the three months ended September 30, 2016. Jefferies recorded lower secondary sales and trading revenues in most of its businesses compared with the prior year quarter due to reduced trading volumes and lower levels of volatility, partially offset by higher revenues in Jefferies European credit, international rates and municipal securities businesses. The trading environment during the prior year quarter was characterized by improved financial market and secondary market trading conditions, which was also positively impacted by increased demand for higher yielding asset classes.

Revenues from Jefferies corporates businesses decreased as compared to the prior year quarter due to decreased trading activity, as a result of lower new issuance activity. Lower revenues in Jefferies U.S. securitized markets group during the three months

ended September 30, 2017 resulted from reduced trading volumes, while the prior year quarter was positively impacted by increased demand for spread products, particularly, demand for higher yielding asset classes after the Brexit vote.

Revenues from Jefferies emerging markets business were lower during the three months ended September 30, 2017 due to decreased trading volumes and lower levels of volatility in the emerging markets as compared with the prior year quarter. Revenues in its leveraged credit business declined due to reduced volatility and decreased trading volumes within high yield and distressed products. Lower revenues in Jefferies U.S. rates business resulted from lower transaction volumes given decreased interest rate volatility, while the prior year quarter was characterized by a low interest rate environment and moderate economic growth in the U.S., which led to increased trading opportunities in its U.S. rates business.

Revenue declines in the three months ended September 30, 2017 were offset by higher revenues in Jefferies European credit business due to improved credit market conditions as demand increased for higher yielding products, as well as higher revenues in its international rates businesses due to a more favorable trading environment. Additionally, its municipal securities business generated higher revenues as Jefferies added new team members and expanded market share.

Fixed income net revenues during the nine months ended September 30, 2017 increased \$32.9 million as compared to the nine months ended September 30, 2016. Jefferies recorded higher revenues compared with the prior year period primarily due to improved trading conditions and an increase in transaction volumes. The trading environment during the prior year period was characterized by significant market dislocation and lower trading volumes.

Revenues in Jefferies leveraged credit business during the nine months ended September 30, 2017 were strong on increased trading volumes within high yield and distressed products, as a result of an improved credit environment, as well as strategic growth in the business, compared with mark-to-market losses in the prior year period. Additionally, higher revenues in Jefferies European credit business were due to improved trading conditions and increased demand for higher yielding products, while volatile oil prices and uncertainty as to bank liquidity negatively impacted revenues in this business in the prior year period. Jefferies municipal securities business performed well during the 2017 period, driven by increased client activity. Revenues in Jefferies international securitized markets group increased due to improved trading volumes, compared with a market slowdown in the prior year period. Higher revenues in Jefferies international rates business were due to a more favorable trading environment compared with the prior year period.

These increases were partially offset by lower revenues in Jefferies corporates business due to decreased trading activity, as a result of lower new issuance activity and demand, as well as lower revenues in its U.S. rates, emerging markets and U.S. securitized markets businesses due to decreased trading volumes and lower levels of volatility compared with the prior year period.

Investment Banking Revenues

Jefferies provides a full range of capital markets and financial advisory services to its clients across most industry sectors in the Americas, Europe and Asia. Capital markets revenues include underwriting and placement revenues related to corporate debt, municipal bonds, mortgage- and asset-backed securities and equity and equity-linked securities. Advisory revenues consist primarily of advisory and transaction fees generated in connection with merger, acquisition and restructuring transactions.

Total investment banking revenues were \$475.7 million for the three months ended September 30, 2017, a record quarter, 61% higher than the three months ended September 30, 2016. This increase primarily reflects record debt capital markets revenues, solid results in Jefferies equity capital markets business and a strong performance by its mergers, acquisitions and advisory activities.

Capital markets revenues for the three months ended September 30, 2017 increased 94% from the prior year quarter. Advisory revenues for the three months ended September 30, 2017 increased 32% compared to the prior year quarter.

From equity and debt capital raising activities, Jefferies generated \$86.1 million and \$186.3 million in revenues, respectively, for the three months ended September 30, 2017. During the three months ended September 30, 2017, Jefferies completed 381 public and private debt financings that raised \$91.0 billion in aggregate and Jefferies completed 34 public and private equity and convertible offerings that raised \$15.7 billion (33 of which Jefferies acted as sole or joint bookrunner). Financial advisory revenues totaled \$203.4 million, including revenues from 48 merger and acquisition transactions and two restructuring and recapitalization transactions with an aggregate transaction value of \$29.0 billion.

Investment banking revenues were \$294.9 million for the three months ended September 30, 2016. From equity and debt capital raising activities, Jefferies generated \$68.2 million and \$72.5 million in revenues, respectively. During the three months ended September 30, 2016, Jefferies completed 316 public and private debt financings that raised \$47.1 billion in aggregate and Jefferies completed 37 public equity and private equity and convertible offerings that raised \$6.5 billion (34 of which Jefferies acted as sole

or joint bookrunner). Financial advisory revenues totaled \$154.2 million, including revenues from 40 merger and acquisition transactions and five restructuring and recapitalization transactions with an aggregate transaction value of \$31.9 billion.

Total investment banking revenues were \$1,235.6 million for the nine months ended September 30, 2017, 59% higher than the nine months ended September 30, 2016. This increase was due to significantly increased debt and equity capital markets and advisory revenues as a result of higher transaction volumes. In the prior year period, new issue equity and leveraged finance capital markets were virtually closed throughout January and February and remained slow throughout the nine months ended September 30, 2016.

Capital markets revenues for the nine months ended September 30, 2017 increased 100% from the prior year period. Advisory revenues for the nine months ended September 30, 2017 increased 25% compared to the prior year period.

From equity and debt capital raising activities, Jefferies generated \$222.5 million and \$474.7 million in revenues, respectively, for the nine months ended September 30, 2017. During the nine months ended September 30, 2017, Jefferies completed 817 public and private debt financings that raised \$209.9 billion in aggregate and Jefferies completed 125 public and private equity and convertible offerings that raised \$50.1 billion (118 of which Jefferies acted as sole or joint bookrunner). Financial advisory revenues totaled \$538.3 million, including revenues from 119 merger and acquisition transactions and eight restructuring and recapitalization transactions with an aggregate transaction value of \$106.1 billion.

Investment banking revenues were \$778.9 million for the nine months ended September 30, 2016. From equity and debt capital raising activities, Jefferies generated \$173.1 million and \$175.9 million in revenues, respectively. During the nine months ended September 30, 2016, Jefferies completed 674 public and private debt financings that raised \$126.3 billion in aggregate and Jefferies completed 88 public and private equity and convertible offerings that raised \$17.6 billion (83 of which Jefferies acted as sole or joint bookrunner). Financial advisory revenues totaled \$429.9 million, including revenues from 106 merger and acquisition transactions and nine restructuring and recapitalization transactions with an aggregate transaction value of \$90.3 billion.

Compensation and Benefits

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

Included in Compensation and benefits expense is share-based amortization expense for senior executive awards granted in February 2016 and January 2017, non-annual share-based and cash-based awards to other employees and certain year end awards that contain future service requirements for vesting. Such senior executive awards contain market and performance conditions and are being amortized over their respective future service periods.

Compensation expense related to the amortization of share-based and cash-based awards amounted to \$71.7 million and \$62.4 million for the three months ended September 30, 2017 and 2016, respectively, and \$206.5 million and \$207.9 million for the nine months ended September 30, 2017 and 2016, respectively. Compensation and benefits as a percentage of Net revenues was 58% and 57% for the three months ended September 30, 2017 and 2016, respectively, and 58% and 68% for the nine months ended September 30, 2017 and 2016, respectively.

Non-Compensation Expenses

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

Non-compensation expenses increased during the three and nine months ended September 30, 2017 as compared to the prior year periods. The increase in non-compensation expenses during the three months ended September 30, 2017 was primarily due to an increase in technology and communications expenses due to costs associated with the development of the various trading systems and projects associated with corporate support infrastructure, higher floor brokerage and clearing expenses due to the mix of costs across certain equities and fixed income businesses and an increase in other expenses, partially offset by a decline in professional services expense.

The increase in non-compensation expenses during the nine months ended September 30, 2017 was primarily due to an increase in floor brokerage and clearing expenses due to improved market and trading conditions across most core businesses, primarily in the first quarter of 2017, technology and communications expenses due to costs associated with the development of the various trading systems and projects associated with corporate support infrastructure and an increase in other expenses.

National Beef

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

	For the Three Months		For the Nine Months	
	Ended September 30,		Ended September 30,	
	2017	2016	2017	2016
Net revenues	\$2,039,299	\$1,747,042	\$5,476,274	\$5,180,127
Expenses:				
Cost of sales	1,816,480	1,595,671	5,030,887	4,856,045
Compensation and benefits	10,505	9,660	29,649	28,628
Interest	1,713	2,967	5,781	10,730
Depreciation and amortization	26,664	23,100	73,522	68,511
Selling, general and other expenses	9,458	7,375	26,428	23,680
Total expenses	1,864,820	1,638,773	5,166,267	4,987,594
Income before income taxes	\$174,479	\$108,269	\$310,007	\$192,533

National Beef's profitability is dependent, in large part, on the spread between its cost for live cattle, the primary raw material for its business, and the value received from selling boxed beef and other products, coupled with its overall volume. National Beef operates in a large and liquid commodity market and it does not have much influence over the price it pays for cattle or the selling price it receives for the products it produces. National Beef's profitability typically fluctuates seasonally, with relatively higher margins in the spring and summer months and during times of ample cattle availability. National Beef's fiscal year consists of 52 or 53 weeks, ending on the last Saturday in December and its quarters range from twelve to fourteen weeks ending on the last Saturday of March, June, September or December. Revenues in the three months ended September 30, 2017 increased 17% in comparison to the same period in 2016, due to an increase in the number of cattle processed and higher selling prices. Cost of sales increased 14% for the three months ended September 30, 2017 as compared to the same period in 2016. The increase is primarily due to an increase in volume, partially offset by a small decrease in the price of fed cattle. Revenue and expense comparisons were also impacted by the third quarter of 2017 being a fourteen-week period for National Beef as compared to a thirteen-week period in the third quarter of 2016. The combined effects of increased margin per head, an increase in volume and the extra week led to higher profitability in the 2017 period as compared to the 2016 period. Revenues in the nine months ended September 30, 2017 increased 6% in comparison to the same period in 2016, primarily due to an increase in the number of cattle processed. Cost of sales increased by 4% for the nine months ended September 30, 2017 as compared to the same period in 2016. The increase is also due to an increase in the number of cattle processed, partially offset by a decrease in the price of fed cattle. The combined effects of increased margin per head and an increase in volume led to higher profitability in the 2017 period as compared to the 2016 period.

Corporate and Other Results

A summary of results of operations for corporate and other is as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenues	\$21,722	\$1,006	\$31,748	\$78,354
Expenses:				
Compensation and benefits	11,665	10,183	37,582	29,337
Depreciation and amortization	865	867	2,599	2,754
Selling, general and other expenses	5,695	6,819	20,892	23,414
Total expenses	18,225	17,869	61,073	55,505
Income (loss) before income taxes and income (loss) related to associated companies	3,497	(16,863)	(29,325)	22,849
Income (loss) related to associated companies	(1,902)	244	(842)	1,077
Income (loss) before income taxes	\$1,595	\$(16,619)	\$(30,167)	\$23,926

Net revenues of corporate and other primarily include realized and unrealized securities gains and interest income for investments held at the holding company. Net revenues for the three and nine months ended September 30, 2017 include a \$19.7 million realized security gain from an investment in a non-public security. Net revenues for the nine months ended September 30, 2017 and 2016, respectively, include a \$6.1 million and \$65.6 million increase in a trading asset which is held at fair value.

The increase in corporate compensation and benefits for the nine months ended September 30, 2017 is primarily due to additional share-based compensation expense recorded in the 2017 period. Share-based compensation expense totaled \$13.5 million and \$6.8 million for the nine months ended September 30, 2017 and 2016, respectively.

Other Financial Services Businesses and Investments

A summary of results for other financial services businesses and investments is as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenues	\$37,707	\$54,742	\$153,270	\$(71,338)
Expenses:				
Compensation and benefits	15,217	15,100	45,349	44,292
Interest	9,936	4,596	29,797	10,988
Depreciation and amortization	2,439	3,882	8,003	9,973
Selling, general and other expenses	20,362	13,826	47,463	31,806
Total expenses	47,954	37,404	130,612	97,059
Income (loss) before income taxes and income (loss) related to associated companies	(10,247)	17,338	22,658	(168,397)
Income (loss) related to associated companies	30,902	27,806	(91,866)	86,121
Income (loss) before income taxes	\$20,655	\$45,144	\$(69,208)	\$(82,276)

Our other financial services businesses and investments include the consolidated results of Leucadia Asset Management fund managers, the returns on our investments in these funds, the consolidated results of Foursight Capital and Chrome Capital (vehicle finance), our share of the income of Berkadia, the results of our investment in FXCM Group, LLC ("FXCM") and our share of the income of HomeFed.

Excluding the FXCM revenues discussed below, the net revenues in other financial services businesses and investments reflect revenue (losses) of \$35.4 million and \$12.0 million for the three months ended September 30, 2017 and 2016, respectively, and \$135.6 million and \$(13.0) million for the nine months ended September 30, 2017 and 2016, respectively. The year-over-year increases in revenues primarily reflect greater returns on investments related to the Leucadia Asset Management businesses and

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at our 54 Madison real estate fund. All expense categories were impacted by the growth of our Leucadia Asset Management businesses for the three and nine months ended September 30, 2017, as compared to the same periods of 2016. Pre-tax income (losses) related to our Leucadia Asset Management businesses totaled \$(7.7) million and \$(16.3) million for the three months ended September 30, 2017 and 2016, respectively, and \$13.0 million and \$(90.4) million for the nine months ended September 30, 2017 and 2016, respectively. Pre-tax income at our Leucadia Asset Management businesses primarily reflect the continued build out of the businesses, as well as returns on investments recorded at market value.

Income related to Berkadia was \$34.8 million and \$26.0 million for the three months ended September 30, 2017 and 2016, respectively, and \$68.0 million and \$59.5 million for the nine months ended September 30, 2017 and 2016, respectively. Our share of income related to HomeFed was \$0.2 million and \$0.8 million for the three months ended September 30, 2017 and 2016, respectively, and \$9.9 million and \$23.1 million during the nine months ended September 30, 2017 and 2016, respectively. The nine months ended September 30, 2016 primarily reflects a reversal of HomeFed's deferred tax valuation allowance in the second quarter of 2016 as HomeFed concluded that it was more likely than not that they would have future taxable income sufficient to realize their net deferred tax asset.

As more fully discussed in Note 3 to our consolidated financial statements, on September 1, 2016, we, Global Brokerage Inc. ("Global Brokerage" and formerly FXCM Inc.) and Global Brokerage Holdings, LLC ("Global Brokerage Holdings" and formerly FXCM Holdings, LLC) entered into an agreement that amended the terms of our loan and associated rights. Among other changes, the amendments gave Leucadia a 49.9% common membership interest in FXCM and we gained the ability to significantly influence FXCM through the amendments and as a result, we account for our equity interest in FXCM under the equity method of accounting. Net revenues include gains (losses) of \$2.3 million and \$17.6 million, respectively, during the three and nine months ended September 30, 2017 from our FXCM term loan and \$42.7 million and \$(58.3) million, respectively, during the three and nine months ended September 30, 2016 from our FXCM term loan and related rights. This includes the component related to interest income, which is recorded within Principal transactions revenues. We also recorded losses, before impairment charges, related to our equity method investment in FXCM of \$4.3 million and \$36.2 million during the three and nine months ended September 30, 2017, respectively.

During February 2017, Global Brokerage Holdings and FXCM's U.S. subsidiary, Forex Capital Markets LLC ("FXCM U.S.") settled complaints filed by the National Futures Association ("NFA") and the Commodity Futures Trading Commission ("CFTC") against FXCM U.S. and certain of its principals relating to matters that occurred between 2010 and 2014. The NFA settlement has no monetary fine and the CFTC settlement has a \$7 million fine. As part of the settlements, FXCM U.S. withdrew from business and agreed to sell FXCM U.S.'s customer accounts to Gain Capital Holdings, Inc. FXCM U.S. generated approximately 20% of FXCM's revenue, but was not profitable. FXCM also announced the implementation of a restructuring plan that included the termination of approximately 170 employees, which represented approximately 22% of its global workforce.

Based on the above February 2017 actions, we evaluated in the first quarter of 2017 whether our equity method investment was fully recoverable. We engaged an independent valuation firm to assist management in estimating the fair value of FXCM. Our estimate of fair value was based on a discounted cash flow and comparable public company analysis. The result of our analysis indicated that the estimated fair value of our equity interest in FXCM was lower than our carrying value by \$130.2 million. We concluded based on the above regulatory actions, FXCM's restructuring plan, investor perception and declines in the trading price of Global Brokerage's common shares and convertible debt, that the decline in fair value of our equity interest was other than temporary. As such, we impaired our equity investment in FXCM in the first quarter of 2017 by \$130.2 million.

Other Merchant Banking Businesses and Investments

A summary of results for other merchant banking businesses and investments is as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenues	\$ (5,115)	\$ 217,089	\$ 453,625	\$ 451,484
Expenses:				
Cost of sales	71,596	93,422	210,834	257,470
Compensation and benefits	4,511	7,334	13,880	22,083
Interest	939	836	2,764	2,272
Depreciation and amortization	9,528	8,734	24,650	26,501
Selling, general and other expenses	19,445	70,569	36,511	111,898
Total expenses	106,019	180,895	288,639	420,224
Income (loss) before income taxes and income related to associated companies	(111,134)	36,194	164,986	31,260
Income related to associated companies	1,057	8,453	8,295	21,247
Income (loss) before income taxes	\$ (110,077)	\$ 44,647	\$ 173,281	\$ 52,507

Our other merchant banking operations include our ownership of HRG Group, Inc. ("HRG") shares, which is accounted for at fair value and impacts our results through its mark-to-market adjustments reflected within net revenues, and the consolidated results of Vitesse and JETX, formerly Juneau, (oil and gas exploration and development) and Conwed and Idaho Timber (manufacturing companies). It also includes our equity investments in Garcadia (automobile dealerships), Linkem (fixed wireless broadband services in Italy) and Golden Queen (a gold and silver mining project).

Net revenues for the three months ended September 30, 2017 include unrealized losses of \$97.9 million from the change in value of our investment in HRG, partially offset by revenues of \$82.0 million from our manufacturing companies and \$12.0 million from our oil and gas exploration and development businesses. Net revenues for the three months ended September 30, 2016 include \$91.8 million of unrealized gains from the change in value of our investment in HRG, \$111.8 million from our manufacturing companies and \$11.6 million from our oil and gas exploration and development businesses. The decline in revenues from our manufacturing companies for the three months ended September 30, 2017 compared to the three months ended September 30, 2016 is due to the sale of Conwed in the first quarter of 2017.

Net revenues for the nine months ended September 30, 2017 include \$2.3 million of unrealized gains from the change in value of our investment in HRG, \$421.8 million from our manufacturing companies, including the gain on the sale of Conwed of \$178.2 million (net of working capital adjustments) and \$26.8 million from our oil and gas exploration and development businesses. Net revenues for the nine months ended September 30, 2016 include \$99.7 million of unrealized gains from the change in value of our investment in HRG, \$313.6 million from our manufacturing companies and \$30.1 million from our oil and gas exploration and development businesses.

As discussed further in Note 3 to our consolidated financial statements, Vitesse uses swaps and call and put options in order to reduce exposure to future oil price fluctuations. Net unrealized gains (losses) recorded related to these options were \$(1.6) million and \$(3.3) million during the three months ended September 30, 2017 and 2016, respectively, and \$3.4 million and \$(8.2) million during the nine months ended September 30, 2017 and 2016, respectively. JETX revenues during the three and nine months ended September 30, 2017 were impacted by \$3.3 million and \$22.0

million, respectively, of unrealized losses on a trading asset which is held at fair value.

Total expenses decreased \$74.9 million and \$131.6 million, respectively, in the three and nine months ended September 30, 2017 as compared to the same periods in 2016, primarily reflecting lower costs for our oil and gas exploration and development businesses and the sale of Conwed in early 2017. Selling, general and other expenses for our oil and gas exploration and development businesses declined \$50.2 million and \$67.6 million, respectively, during the three and nine months ended September 30, 2017 as compared to the same periods in 2016. The declines are primarily due to a \$55.0 million impairment recorded by JETX in the third quarter of 2016, partially offset by a \$10.1 million impairment of JETX's Houston County acreage in the third quarter of 2017. The third quarter 2017 write-off of the remaining Houston County acreage was due to the decision made in the third quarter of 2017 to focus on JETX's other higher returning acreage. The 2016 impairment charge related to decisions made by JETX in the third quarter of

2016 to curtail development of its southern acreage in the East Eagle Ford and its Houston County acreage. Impairment charges were recorded for the differences between the carrying values and the estimated net realizable values.

Income related to Garcadia was \$12.6 million and \$14.2 million for the three months ended September 30, 2017 and 2016, respectively, and \$38.5 million and \$43.5 million for the nine months ended September 30, 2017 and 2016, respectively. Losses related to Linkem were \$9.5 million and \$5.8 million for the three months ended September 30, 2017 and 2016, respectively, and \$26.6 million and \$20.7 million during the nine months ended September 30, 2017 and 2016, respectively.

Pre-tax loss for the three months ended September 30, 2017 includes losses of \$97.9 million related to our investment in HRG and pre-tax losses from the oil and gas exploration and development businesses of \$14.3 million, partially offset by \$6.9 million of income from manufacturing and \$1.1 million of income related to associated companies. The pre-tax income for the three months ended September 30, 2016 includes \$91.8 million related to our investment in HRG, \$9.8 million from manufacturing and \$8.5 million of income related to associated companies, offset partially by pre-tax losses from the oil and gas exploration and development businesses of \$63.9 million.

Pre-tax income for the nine months ended September 30, 2017 includes \$199.5 million from manufacturing, including the gain on the sale of Conwed of \$178.2 million (including working capital adjustments), \$8.3 million of income related to associated companies and \$2.3 million related to our investment in HRG, offset partially by pre-tax losses from the oil and gas exploration and development businesses of \$26.9 million. Pre-tax income for the nine months ended September 30, 2016 includes \$99.7 million related to our investment in HRG, \$30.3 million from manufacturing and \$21.2 million of income related to associated companies, offset by pre-tax losses for the oil and gas exploration and development businesses of \$92.1 million.

Parent Company Interest

Parent company interest totaled \$14.7 million for both the three months ended September 30, 2017 and 2016 and \$44.2 million for both the nine months ended September 30, 2017 and 2016.

Income Taxes

For the three and nine months ended September 30, 2017, our provisions for income taxes were \$63.3 million and \$218.1 million, respectively, representing an effective tax rate of 32% and 30%, respectively. Our provision for income taxes for the nine months ended September 30, 2017 was reduced by a \$31.9 million benefit resulting from the repatriation of Jefferies earnings from certain of its foreign subsidiaries, along with their associated foreign tax credits. This benefit reduced our effective tax rate for the nine months ended September 30, 2017 by approximately 4%.

For the three and nine months ended September 30, 2016, our provisions for income taxes were \$73.7 million and \$59.2 million, respectively, representing an effective tax rate of 29% and 68%, respectively. The projected 2016 full year effective rate was impacted by changes in the geographical mix of earnings among jurisdictions with differing tax rates. Additionally, our provision for income taxes for the nine months ended September 30, 2016 was increased by a \$23.0 million charge related to previously issued stock awards. The majority of the awards expired during the first quarter of 2016. The tax deductions associated with the remainder of the awards was less than the compensation cost recognized for financial reporting purposes. This charge impacted our effective tax rate for the nine months ended September 30, 2016 by approximately 26%.

Selected Balance Sheet Data

In addition to preparing our Consolidated Statements of Financial Condition in accordance with GAAP, we also review the tangible capital associated with each of our businesses and investments, which is a non-GAAP presentation and may not be comparable to similar non-GAAP presentations used by other companies. We believe that this information is useful to investors as it allows them to view our businesses and investments through the eyes of management while facilitating a comparison across historical periods. We define tangible capital as Total Leucadia National Corporation shareholders' equity less Intangible assets, net and goodwill.

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The tables below reconcile tangible capital to our GAAP balance sheet (in thousands):

September 30, 2017

	Jefferies	National Beef	Other Financial Services Businesses and Investments	Other Merchant Banking Businesses and Investments	Corporate and other	Inter-company Eliminations	Total
Assets							
Cash and cash equivalents	\$4,806,724	\$14,013	\$33,732	\$30,058	\$132,405	\$ —	\$5,016,932
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	903,744	—	—	—	—	—	903,744
Financial instruments owned	14,036,679	—	467,479	788,611	732,793	—	16,025,562
Investments in managed funds	169,926	—	326,365	44,984	—	—	541,275
Loans to and investments in associated companies	897,604	—	922,650	484,373	46,353	—	2,350,980
Securities borrowed	7,758,532	—	—	—	—	—	7,758,532
Securities purchased under agreements to resell	3,371,435	—	—	—	—	—	3,371,435
Receivables	4,201,308	192,318	1,023,039	50,438	40,744	—	5,507,847
Property, equipment and leasehold improvements, net	290,871	383,867	3,406	29,780	19,761	—	727,685
Intangible assets, net and goodwill	1,897,641	565,854	9,797	—	—	—	2,473,292
Deferred tax asset, net	356,833	—	—	—	905,815	—	1,262,648
Other assets	714,865	300,124	94,955	559,069	82,069	(24,070)	1,727,012
Total Assets	39,406,162	1,456,176	2,881,423	1,987,313	1,959,940	(24,070)	47,666,944
Liabilities							
Long-term debt (1)	6,449,685	111,818	450,642	91,764	988,733	—	8,092,642
Other liabilities	27,251,912	259,243	727,492	43,889	160,687	(24,070)	28,419,153
Total liabilities	33,701,597	371,061	1,178,134	135,653	1,149,420	(24,070)	36,511,795
Redeemable noncontrolling interests	—	374,425	473	13,674	—	—	388,572
Mandatorily redeemable convertible preferred shares	—	—	—	—	125,000	—	125,000
Noncontrolling interests	701	—	156,920	32,046	—	—	189,667
Total Leucadia National Corporation Shareholders' Equity	\$5,703,864	\$710,690	\$1,545,896	\$1,805,940	\$685,520	\$ —	\$10,451,910
Reconciliation to Tangible Capital	\$5,703,864	\$710,690	\$1,545,896	\$1,805,940	\$685,520	\$ —	\$10,451,910

Total Leucadia National
Corporation shareholders'
equity

Less: Intangible assets, net and goodwill	(1,897,641)	(565,854)	(9,797)	—	—	—	(2,473,292)
Tangible Capital	\$3,806,223	\$144,836	\$1,536,099	\$1,805,940	\$685,520	\$	— \$7,978,618

(1) Long-term debt within Other financial services businesses and investments of \$450.6 million at September 30, 2017 includes \$313.7 million for 54 Madison Capital, LLC ("54 Madison"), \$114.3 million for Foursight Capital and \$22.6 million for Chrome Capital. Long-term debt within Other merchant banking businesses and investments of \$91.8 million at September 30, 2017 includes \$54.0 million for real estate associated with the Garcadia investment and \$37.8 million for Vitesse.

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	December 31, 2016						
	Jefferies	National Beef	Other Financial Services Businesses and Investments (1)	Other Merchant Banking Businesses and Investments	Corporate and other	Inter-company Eliminations	Total
Assets							
Cash and cash equivalents	\$3,529,457	\$37,702	\$41,165	\$45,151	\$154,083	\$ —	\$3,807,558
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	857,337	—	—	—	—	—	857,337
Financial instruments owned	13,809,512	1,906	188,976	761,249	524,643	—	15,286,286
Investments in managed funds	186,508	—	301,171	—	27,639	—	515,318
Loans to and investments in associated companies	653,872	—	985,780	451,117	34,329	—	2,125,098
Securities borrowed	7,743,562	—	—	—	—	—	7,743,562
Securities purchased under agreements to resell	3,862,488	—	—	—	—	—	3,862,488
Receivables	3,163,171	179,313	938,254	47,761	96,679	—	4,425,178
Property, equipment and leasehold improvements, net	265,553	385,599	4,551	31,351	22,188	—	709,242
Intangible assets, net and goodwill	1,903,335	599,794	10,549	—	—	—	2,513,678
Deferred tax asset, net	337,580	—	—	—	1,124,235	—	1,461,815
Assets held for sale	—	—	—	128,083	—	—	128,083
Other assets	679,721	294,003	117,274	563,905	63,442	(82,681)	1,635,664
Total Assets	36,992,096	1,498,317	2,587,720	2,028,617	2,047,238	(82,681)	45,071,307
Liabilities							
Long-term debt (2)	5,483,331	276,341	545,528	87,352	987,891	—	7,380,443
Other liabilities	26,090,308	270,184	351,505	64,315	231,775	(82,681)	26,925,406
Total liabilities	31,573,639	546,525	897,033	151,667	1,219,666	(82,681)	34,305,849
Redeemable noncontrolling interests	—	321,962	551	14,296	—	—	336,809
Mandatorily redeemable convertible preferred shares	—	—	—	—	125,000	—	125,000
Noncontrolling interests	651	—	141,847	33,051	—	—	175,549
Total Leucadia National Corporation Shareholders' Equity	\$5,417,806	\$629,830	\$1,548,289	\$1,829,603	\$702,572	\$ —	\$10,128,100
Reconciliation to Tangible Capital							

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Total Leucadia National Corporation shareholders' equity	\$5,417,806	\$629,830	\$1,548,289	\$1,829,603	\$702,572	\$	—	\$10,128,100
Less: Intangible assets, net and goodwill	(1,903,335)	(599,794)	(10,549)	—	—	—		(2,513,678)
Tangible Capital	\$3,514,471	\$30,036	\$1,537,740	\$1,829,603	\$702,572	\$	—	\$7,614,422

(1) Other financial services businesses and investments excludes \$89.1 million at December 31, 2016 of liquid marketable securities that are available for sale immediately. These liquid marketable securities are included in Corporate and other.

(2) Long-term debt within Other financial services businesses and investments of \$545.5 million at December 31, 2016 includes \$406.0 million for 54 Madison, \$97.1 million for Foursight Capital and \$42.4 million for Chrome Capital. Long-term debt within Other merchant banking businesses and investments of \$87.4 million at December 31, 2016 includes \$55.7 million for real estate associated with the Garcadia investment and \$31.7 million for Vitesse.

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

	Tangible Capital as of	
	September 30, 2017	December 31, 2016
Jefferies	\$3,806,223	\$3,514,471
National Beef	144,836	30,036
Other Financial Services Businesses and Investments:		
Leucadia Asset Management (1)	662,444	483,687
HomeFed	312,161	269,421
FXCM	241,429	500,758
Berkadia	199,948	184,443
Foursight Capital and Chrome Capital	97,082	100,516
Other	23,035	(1,085)
Total Other Financial Services Businesses and Investments	1,536,099	1,537,740
Other Merchant Banking Businesses and Investments:		
HRG	727,426	725,096
Vitesse	315,578	309,837
JETX	100,183	159,182
Garcadia	203,899	206,760
Linkem	193,418	154,000
Idaho Timber	76,525	76,551
Golden Queen	75,835	78,474
Conwed	—	100,649
Other	113,076	19,054
Total Other Merchant Banking Businesses and Investments	1,805,940	1,829,603
Corporate and other assets, net of all Corporate liabilities including long-term debt	685,520	702,572
Total Tangible Capital (2)	\$7,978,618	\$7,614,422

(1) Leucadia Asset Management does not include \$89.1 million at December 31, 2016 of liquid marketable securities that are available for sale immediately. These liquid marketable securities are included in Corporate and other assets, net of all Corporate liabilities including long-term debt.

(2) Tangible Capital, a non-GAAP measure, is defined as Leucadia National Corporation shareholders' equity less Intangible assets, net and goodwill. See reconciliation of Tangible Capital to Leucadia National Corporation shareholders' equity in the tables above.

Below is a brief description of the captions in the table above:

• Jefferies is our consolidated wholly-owned global full-service, integrated securities and investment banking firm.

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National Beef is our approximately 79% owned consolidated subsidiary that processes and markets fresh boxed beef, consumer-ready beef, beef by-products and wet blue leather for domestic and international markets.

Other Financial Services Businesses and Investments include:

Leucadia Asset Management supports and develops focused alternative asset management businesses led by distinct management teams.

Our investment in FXCM currently consists of a senior secured term loan due January 2018 (\$67.6 million outstanding at September 30, 2017) and a 49.9% equity method interest in FXCM and up to 65% of all distributions. FXCM is a leading online provider of foreign exchange trading services.

We own an approximate 70% equity method interest in HomeFed, which owns and develops residential and mixed-use real estate properties. HomeFed is a public company traded on the NASD OTC Bulletin Board.

Berkadia, our 50-50 equity method joint venture with Berkshire Hathaway Inc., is a U.S. commercial real estate finance company providing capital solutions, investment sales advisory, research and mortgage servicing for multifamily and commercial properties.

Foursight Capital purchases automobile installment contracts originated by franchised and independent dealerships in conjunction with the sale of new and used automobiles and services these loans throughout their life cycle. Chrome Capital owns and manages a portfolio of leases on used Harley-Davidson motorcycles and is in the process of winding down. We consolidate both of these subsidiaries.

Other Merchant Banking Businesses and Investments include:

We own approximately 23% of HRG, a public company traded on the NYSE, and we reflect this investment at fair value. Its consumer products segment contains an approximate 59% ownership stake in Spectrum Brands, a global consumer products company.

Vitesse is our 96% owned consolidated subsidiary that acquires and develops non-operated working and royalty oil and gas interests in the Bakken Shale oil field in North Dakota and Montana, as well as the Denver-Julesburg Basin in Wyoming.

JETX is our 98% owned consolidated subsidiary that engages in the exploration, development and production of oil and gas from onshore, unconventional resource areas. JETX currently has non-operated working interests and acreage in the Texas Gulf Coast region.

Garcadia is an equity method joint venture that owns and operates 28 automobile dealerships in California, Texas, Iowa and Michigan. We own approximately 75% of Garcadia.

We own approximately 42% of the common shares of Linkem, as well as convertible preferred shares which, if converted, would increase our ownership to approximately 53% of Linkem's common equity at September 30, 2017. Linkem provides residential broadband services using LTE technologies deployed over the 3.5 GHz spectrum band. Linkem operates in Italy, which has few cable television systems and poor broadband alternatives. Linkem is accounted for under the equity method.

Golden Queen Mining Company, LLC ("Golden Queen") owns the Soledad Mountain project, an open pit, heap leach gold and silver mining project in Kern County, California, which commenced gold and silver production in March 2016. We and the Clay family have formed and made contributions to a limited liability company, controlled by us, through which we invested in Golden Queen for the development and operation of the project. Our effective ownership of Golden Queen is approximately 35% and is accounted for under the equity method.

Idaho Timber is our consolidated subsidiary engaged in the manufacture and distribution of various wood products, including the following principal activities: remanufacturing dimension lumber; remanufacturing, bundling and bar coding of home center boards for large retailers; and production of pine dimension lumber and 5/4" radius-edge pine decking.

In January 2017, we sold 100% of Conwed Plastics ("Conwed") to Schweitzer-Mauduit International, Inc., (NYSE: SWM) for \$295 million in cash plus potential earn-out payments over five years of up to \$40 million in cash to the extent the results of Conwed's subsidiary, Filtrexx International, exceed certain performance thresholds.

Corporate and other assets, net of Corporate liabilities, primarily consist of financial instruments owned, the deferred tax asset (exclusive of Jefferies deferred tax asset) and cash and cash equivalents, net of long-term debt, trade payables and accruals, as well as our outstanding mandatorily redeemable convertible preferred shares.

Liquidity and Capital Resources

Parent Company Liquidity

We are a holding company whose assets principally consist of the stock or membership interests of direct subsidiaries, cash and cash equivalents and other noncontrolling investments in debt and equity securities. We continuously evaluate the retention and disposition of our existing operations and investments and investigate possible acquisitions of new businesses in order to maximize shareholder value. Accordingly, further acquisitions, divestitures, investments and changes in capital structure are possible. Our principal sources of funds are available cash resources, liquid investments, public and private capital market transactions, repayment of subsidiary advances, funds distributed from subsidiaries as tax sharing payments, management and other fees, and dividends from subsidiaries, as well as dispositions of existing businesses and investments.

In addition to cash and cash equivalents, we have certain other investments that are easily convertible into cash within a relatively short period of time and are classified as trading assets, available for sale securities, receivables and investments in managed funds. Together, these total \$1,192.6 million at September 30, 2017, primarily comprised of cash and short-term bonds and notes of the U.S. Government and its agencies, and other publicly traded debt and equity securities. Our available liquidity, and the investment income realized from cash, cash equivalents and marketable securities is used to meet our short-term recurring cash requirements, which are principally the payment of interest on our debt, dividends and corporate overhead expenses.

The parent company's primary long-term cash requirement is to make principal payments on its long-term debt (\$1.0 billion principal outstanding as of September 30, 2017), of which \$750.0 million is due in 2023 and \$250.0 million in 2043. Historically, we have used our available liquidity to make acquisitions of new businesses and other investments, but, except as disclosed in this report, the timing of any future investments and the costs thereof cannot be predicted.

In January 2017, we sold 100% of Conwed to Schweitzer-Mauduit International, Inc., (NYSE:SWM) for \$295 million in cash plus potential earn-out payments over five years of up to \$40 million in cash to the extent the results of Conwed's subsidiary, Filtrexx International, exceed certain performance thresholds.

We received \$111.3 million of principal and interest from FXCM during the nine months ended September 30, 2017. During the nine months ended September 30, 2017, we received \$138.9 million in distributions from National Beef.

During the nine months ended September 30, 2017, we invested \$124.6 million in a separate account managed by Folger Hill Asia.

During the first quarter of 2017, we participated in a preferred equity financing for Linkem. Existing shareholders, along with funds managed by BlackRock, invested €100 million in cash in exchange for shares of Linkem to fund future expansion plans, of which Leucadia's share was €30 million (\$32 million). The financing was based on a pre-money valuation of €700 million (post-money valuation of €800 million) and our fully-diluted ownership post-transaction is 53%.

During the nine months ended September 30, 2017, we bought 797,897 common shares of HomeFed for \$31.9 million in privately-negotiated transactions.

During the nine months ended September 30, 2017, we purchased a total of 3,882,738 of our common shares for \$96.9 million (including \$21.0 million which settled in October 2017), at an average price per share of \$24.95. The Board of Directors has authorized the purchase of up to 25,000,000 common shares, which may be made from time to time in the open market, through block trades or otherwise. As of September 30, 2017, 12,500,000 common shares remain

authorized for repurchase.

During the nine months ended September 30, 2017, we paid two quarterly dividends of \$0.0625 per share for each of the first two quarters and \$0.10 per share for the third quarter which aggregated \$81.4 million. The payment of dividends in the future is subject to the discretion of the Board of Directors and will depend upon general business conditions, legal and contractual restrictions on the payment of dividends and other factors that the Board of Directors may deem to be relevant.

In February 2009, the Board of Directors authorized, from time to time, the purchase of our outstanding debt securities through cash purchases in open market transactions, privately negotiated transactions or otherwise. Such repurchases, if any, depend upon prevailing market conditions, our liquidity requirements and other factors; such purchases may be commenced or suspended at any time without notice.

At September 30, 2017, we had outstanding 356,189,758 common shares and 16,822,000 share-based awards that do not require the holder to pay any exercise price (potentially an aggregate of 373,011,758 outstanding common shares if all awards become

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outstanding common shares). The 16,822,000 share-based awards include the target number of shares under the senior executive award plan, which is more fully discussed in Note 16.

Credit Ratings

From time to time in the past, we have accessed public and private credit markets and raised capital in underwritten bond financings. In addition, the ratings of Leucadia are a factor considered by rating agencies that rate the debt of our subsidiary companies, including Jefferies, whose access to external financing is important to its day to day operations.

Our long-term debt ratings are as follows:

	Rating	Outlook
Moody's Investors Service	Ba1	Stable
Standard and Poor's	BBB-	Stable
Fitch Ratings	BBB-	Stable

In connection with presentations made to credit rating agencies with respect to the Jefferies acquisition, we advised the agencies that we would target specific concentration, leverage and liquidity principles, expressed in the form of certain ratios and percentages, although there is no legal requirement to do so.

Concentration Target: As a diversification measure, we limit cash investments such that our single largest investment does not exceed 20% of equity excluding Jefferies, and that our next largest investment does not exceed 10% of equity excluding Jefferies, in each case measured at the time the investment was made. National Beef is our largest investment and HRG is our next largest investment. There were no investments made during the quarter that approached 10% of equity excluding Jefferies.

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

Liquidity reserve (in thousands):	September 30, 2017
Minimum reserve under liquidity target	\$ 531,400
Actual liquidity	\$ 1,192,627

Leverage Target: We target a maximum parent debt to stressed equity ratio of .50, with stressed equity defined as equity (excluding Jefferies) assuming the loss of our two largest investments.

Leverage target (dollars in thousands):	September 30, 2017
Total Leucadia National Corporation shareholders' equity	\$ 10,451,910
Less, investment in Jefferies	(5,703,864)
Equity excluding Jefferies	4,748,046
Less, our two largest investments:	
National Beef	(710,690)
HRG, at cost	(475,600)
Equity in a stressed scenario	3,561,756
Less, net deferred tax asset excluding Jefferies amount	(905,815)
Equity in a stressed scenario less net deferred tax asset	\$ 2,655,941
Parent company debt (see Note 14 to our consolidated financial statements)	\$ 988,733
Ratio of parent company debt to stressed equity:	

Maximum	0.50	x
Actual, equity in a stressed scenario	0.28	x
Actual, equity in a stressed scenario excluding net deferred tax asset	0.37	x

Consolidated Statements of Cash Flows

As discussed above, we have historically relied on our available liquidity to meet short-term and long-term needs, and to make acquisitions of new businesses and investments. Except as otherwise disclosed herein, our operating businesses do not generally require significant funds to support their operating activities, and we do not depend on positive cash flow from our operating

segments to meet our liquidity needs. The mix of our operating businesses and investments can change frequently as a result of acquisitions or divestitures, the timing of which is impossible to predict but which often have a significant impact on our Consolidated Statements of Cash Flows in any one period. Further, the timing and amounts of distributions from investments in associated companies may be outside our control. As a result, reported cash flows from operating, investing and financing activities do not generally follow any particular pattern or trend, and reported results in the most recent period should not be expected to recur in any subsequent period.

Net cash of \$1,011.7 million and \$330.9 million was provided by operating activities during the nine months ended September 30, 2017 and 2016, respectively.

Jefferies generated funds of \$870.7 million during the nine months ended September 30, 2017 and used funds of \$219.4 million during the nine months ended September 30, 2016. Included in these amounts are distributions received from associated companies of \$8.0 million during 2017 and \$11.2 million during 2016.

National Beef generated funds of \$354.3 million and \$243.5 million during the nine months ended September 30, 2017 and 2016.

Within our Other Financial Services Businesses and Investments, cash of \$124.6 million and \$30.0 million, respectively, was used during the nine months ended September 30, 2017 and 2016 to make additional investments in the Leucadia Asset Management platform. During the nine months ended September 30, 2016, cash of \$257.0 million was generated from our trading portfolio and \$170.0 million from our investments in managed funds related to our Leucadia Asset Management platform. We received distributions from Berkadia, an associated company, of \$51.8 million during 2017 and \$70.1 million during 2016. Cash used for operating activities also includes net cash used of \$99.2 million during 2017 and \$100.0 million during 2016 relating to automobile installment contracts, which is reflected in the net change in other receivables.

Within our Other Merchant Banking Businesses and Investments, manufacturing generated funds of \$15.5 million and \$30.1 million during the nine months ended September 30, 2017 and 2016, respectively. Additionally, during the nine months ended September 30, 2017 cash of \$47.6 million was used to make additional investments in our trading portfolio and \$50.0 million was used to make an additional investment in a managed funds. We received distributions from Garcadia, an associated company, of \$33.8 million during 2017 and \$37.4 million during 2016.

The change in operating cash flows also reflects greater interest payments during 2017 as compared to 2016.

Net cash of \$22.0 million and \$558.5 million was used for investing activities during the nine months ended September 30, 2017 and 2016, respectively.

Acquisitions of property, equipment and leasehold improvements, and other assets related to Jefferies include \$53.6 million during 2017 and \$78.5 million during 2016. Jefferies made loans to and investments in associated companies of \$2,916.2 million during 2017 and \$343.8 million during 2016. Jefferies received capital distributions and loan repayments from its associated companies of \$2,729.3 million during 2017 and \$485.6 million during 2016.

Acquisitions of property, equipment and leasehold improvements, and other assets within National Beef include \$39.2 million during 2017 and \$42.3 million during 2016.

Within our Other Financial Services Businesses and Investments, acquisitions of property, equipment and leasehold improvements, and other assets were \$1.3 million during 2017 and \$48.4 million during 2016. Advances on notes, loans and other receivables during 2017 and 2016 primarily relate to real estate projects in 54 Madison. Collections on notes, loans and other receivables during 2017 include \$139.1 million related to real estate projects in 54 Madison and \$111.3 million related to FXCM. Collections on notes, loans and other receivables during 2016 include \$23.1 million related to real estate projects in 54 Madison and \$25.5 million related to FXCM. Loans to and investments in associated companies include \$31.9 million in HomeFed during 2017, and \$48.7 million and \$123.7 million, respectively, in 54 Madison during 2017 and 2016, of which \$27.5 million and \$73.9 million, respectively, of that was contributed by noncontrolling interests. Capital distributions include \$25.6 million during 2017 related to 54 Madison.

Within our Other Merchant Banking Businesses and Investments, acquisitions of property, equipment and leasehold improvements, and other assets primarily reflect activity in our oil and gas exploration and production businesses. They totaled \$35.1 million during 2017 and \$86.0 million during 2016. Proceeds from sale of subsidiary relates to the

sale of Conwed. Loans to and investments in associated companies include \$32.0 million and \$33.3 million to Linkem during

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2017 and 2016, respectively. We received capital distributions from Garcadia of \$7.1 million during 2017 and \$7.7 million during 2016.

Net cash of \$218.0 million was provided by financing activities and \$114.5 million was used for financing activities during the nine months ended September 30, 2017 and 2016, respectively.

Issuance of debt includes \$1,130.0 million during 2017 and \$239.8 million during 2016 related to Jefferies.

Repayment of debt includes \$341.0 million during 2017 and \$373.2 million during 2016 related to Jefferies. Net change in bank overdrafts of \$5.8 million in 2017 and \$56.1 million in 2016 related to Jefferies. Net change in other secured financings includes payments of \$203.0 million during 2017 and \$156.6 million during 2016 related to Jefferies.

Issuance of debt for National Beef includes \$245.1 million during 2017 of borrowings under its bank credit facility. National Beef reflects repayment of debt of \$410.2 million in 2017 and \$130.5 million during 2016.

Within our Other Financial Services Businesses and Investments, borrowings include \$213.5 million during 2017 and \$365.4 million during 2016. Their repayment of debt includes \$310.2 million during 2017 and \$254.0 million during 2016. Net change in other secured financings includes proceeds of \$68.3 million during 2017 and \$154.4 million during 2016 related to Foursight Capital. Contributions from noncontrolling interests include \$25.2 million during 2017 and \$110.8 million during 2016 related to 54 Madison.

Purchases of common shares for treasury relate to shares purchased in the open market and shares received from participants in our stock compensation plans in 2017 and 2016.

Jefferies Liquidity

General

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

The actual levels of capital, total assets, and financial leverage are a function of a number of factors, including asset composition, business initiatives and opportunities, regulatory requirements and cost and availability of both long-term and short-term funding. Jefferies has historically maintained a balance sheet consisting of a large portion of total assets in cash and liquid marketable securities, arising principally from traditional securities brokerage and trading activity. The liquid nature of these assets provides flexibility in financing and managing Jefferies business. A business unit level balance sheet and cash capital analysis is prepared and reviewed with senior management on a weekly basis. As a part of this balance sheet review process, capital is allocated to all assets and gross balance sheet limits are adjusted, as necessary. This process ensures that the allocation of capital and costs of capital are incorporated into business decisions. The goals of this process are to protect the Jefferies platform, enable the businesses to remain competitive, maintain the ability to manage capital proactively and hold businesses accountable for both balance sheet and capital usage.

Jefferies actively monitors and evaluates its financial condition and the composition of its assets and liabilities. The overall securities inventory is continually monitored by Jefferies, including the inventory turnover rate, which confirms the liquidity of overall assets. In connection with the government and agency fixed income business and Jefferies role as a primary dealer in these markets, a sizable portion of its securities inventory is comprised of U.S. government and agency securities and other G-7 government securities. For further detail on Jefferies outstanding sovereign exposure, refer to Quantitative and Qualitative Disclosures about Market Risk below.

At September 30, 2017, our Consolidated Statement of Financial Condition includes Jefferies Level 3 trading assets that are approximately 2% of total trading assets.

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

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

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Securities purchased under agreements to resell:		
Period end	\$ 3,371	\$ 3,862
Month end average	6,299	5,265
Maximum month end	7,814	7,001
Securities sold under agreements to repurchase:		
Period end	\$ 8,473	\$ 6,792
Month end average	11,078	11,410
Maximum month end	13,626	16,620

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

Liquidity Management

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

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

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

- repayment of all unsecured debt maturing within one year and no incremental unsecured debt issuance;
- maturity rolloff of outstanding letters of credit with no further issuance and replacement with cash collateral;
- higher margin requirements than currently exist on assets on securities financing activity, including repurchase agreements;
- liquidity outflows related to possible credit downgrade;
- lower availability of secured funding;
- client cash withdrawals;
- the anticipated funding of outstanding investment and loan commitments; and
- certain accrued expenses and other liabilities and fixed costs.

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

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

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To ensure that Jefferies does not need to liquidate inventory in the event of a funding crisis, Jefferies seeks to maintain surplus cash capital, which is reflected in the leverage ratios Jefferies maintains.

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

Based on the sources and uses of liquidity calculated under the Maximum Liquidity Outflow scenarios Jefferies determines, based on its calculated surplus or deficit, additional long-term funding that may be needed versus funding through the repurchase financing market and considers any adjustments that may be necessary to Jefferies inventory balances and cash holdings. Jefferies has sufficient excess liquidity to meet all contingent cash outflows detailed in the Maximum Liquidity Outflow. Jefferies regularly refines its model to reflect changes in market or economic conditions and the firm's business mix.

Sources of Liquidity

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

	September 30, 2017	Average Balance Third Quarter 2017 (1)	December 31, 2016
Cash and cash equivalents:			
Cash in banks	\$ 1,574,051	\$ 1,263,726	\$ 905,391
Certificates of deposit	25,000	25,000	25,000
Money market investments	3,207,673	2,442,820	2,599,066
Total cash and cash equivalents	4,806,724	3,731,546	3,529,457
Other sources of liquidity:			
Debt securities owned and securities purchased under agreements to resell (2)	1,083,265	1,093,890	1,455,398
Other (3)	301,260	450,354	318,646
Total other sources	1,384,525	1,544,244	1,774,044
Total cash and cash equivalents and other liquidity sources	\$ 6,191,249	\$ 5,275,790	\$ 5,303,501

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

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

(3) Other includes unencumbered inventory representing an estimate of the amount of additional secured financing that could be reasonably expected to be obtained from financial instruments owned that are currently not pledged after

considering reasonable financing haircuts.

In addition to the cash balances and liquidity pool presented above, the majority of trading assets and liabilities are actively traded and readily marketable. Repurchase financing can be readily obtained for approximately 74% of Jefferies inventory at haircuts of 10% or less, which reflects the liquidity of the inventory. In addition, as a matter of Jefferies policy, all of these assets have internal capital assessed, which is in addition to the funding haircuts provided in the securities finance markets. Additionally,

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certain of Jefferies trading assets primarily consisting of bank loans, consumer loans and investments are predominantly funded by Jefferies long-term capital. Under Jefferies cash capital policy, capital allocation levels are modeled that are more stringent than the haircuts used in the market for secured funding; and surplus capital is maintained at these more stringent levels. Jefferies continually assesses the liquidity of its inventory based on the level at which Jefferies could obtain financing in the marketplace for a given asset. Assets are considered to be liquid if financing can be obtained in the repurchase market or the securities lending market at collateral haircut levels of 10% or less.

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

	September 30, 2017		December 31, 2016	
	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments
Corporate equity securities	\$2,054,519	\$ 225,010	\$1,815,819	\$ 280,733
Corporate debt securities	2,052,673	36,405	1,818,150	—
U.S. Government, agency and municipal securities	2,036,431	365,560	3,157,737	600,456
Other sovereign obligations	2,134,971	796,709	2,258,035	854,942
Agency mortgage-backed securities (1)	1,861,844	—	1,090,391	—
Loans and other receivables	264,177	—	274,842	—
	\$10,404,615	\$ 1,423,684	\$10,414,974	\$ 1,736,131

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

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

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

Sources of Funding

Secured Financing

Readily available secured funding is used to finance Jefferies financial instruments inventory. The ability of Jefferies to support increases in total assets is largely a function of the ability to obtain short and intermediate term secured funding, primarily through securities financing transactions. Repurchase or reverse repurchase agreements (collectively "repos"), respectively, are used to finance a portion of long inventory and cover a portion of short inventory through pledging and borrowing securities. Approximately 77.9% of Jefferies cash and non-cash repurchase financing activities use collateral that is considered eligible collateral by central clearing corporations. Central clearing corporations are situated between participating members who borrow cash and lend securities (or vice versa); accordingly, repo participants contract with the central clearing corporation and not one another individually. Therefore, counterparty credit risk is borne by the central clearing corporation which mitigates the risk through initial margin demands and variation margin calls from repo participants. The comparatively large proportion of Jefferies total repo activity that is eligible for central clearing reflects the high quality and liquid composition of its trading inventory. For those asset classes not eligible for central clearinghouse financing, bi-lateral financings are sought on

an extended term basis and the tenor of Jefferies repurchase and reverse repurchase agreements generally exceeds the expected holding period of the assets Jefferies is financing. The weighted average maturity of cash and non-cash repurchase agreements for non-clearing corporation eligible funded inventory is approximately three months. Jefferies ability to finance inventory via central clearinghouses and bi-lateral arrangements is augmented by Jefferies ability to draw bank loans on an uncommitted basis under various banking arrangements. As of September 30, 2017, short-term borrowings, which must be repaid within one year or less and include bank loans and overdrafts, borrowings under revolving credit facilities and structured notes totaled \$417.1 million. Interest under the bank lines is generally at a spread over the federal funds rate.

Letters of credit are used in the normal course of business mostly to satisfy various collateral requirements in favor of exchanges in lieu of depositing cash or securities. Average daily short-term borrowings outstanding for Jefferies were \$436.7 million and \$474.2 million for the three and nine months ended September 30, 2017, respectively.

Jefferies short-term borrowings include the following facilities:

Intraday Credit Facility. The Bank of New York Mellon agrees to make revolving intraday credit advances (“Intraday Credit Facility”) for an aggregate committed amount of \$250.0 million. The Intraday Credit Facility contains a financial covenant, which includes a minimum regulatory net capital requirement. Interest is based on the higher of the Federal funds effective rate plus 0.5% or the prime rate. At September 30, 2017, Jefferies was in compliance with all debt covenants under the Intraday Credit Facility.

Secured Revolving Loan Facilities. In October 2015, Jefferies entered into a secured revolving loan facility (“First Secured Revolving Loan Facility”) whereby the lender agreed to make available a revolving loan facility in a maximum principal amount of \$50.0 million. In December 2015, Jefferies entered into a second secured revolving loan facility (“Second Secured Revolving Loan Facility”) whereby the lender agreed to make available a revolving loan facility in a maximum principal amount of \$50.0 million. The First Secured Revolving Loan Facility was terminated effective December 6, 2016. The Second Secured Revolving Loan Facility was terminated effective January 24, 2017.

In addition to the above financing arrangements, Jefferies issues notes backed by eligible collateral under a master repurchase agreement. The outstanding amount of the notes issued under the program was \$541.6 million in aggregate, which is presented within Other secured financings in the Consolidated Statement of Financial Condition at September 30, 2017. Of the \$541.6 million aggregate notes, \$267.9 million matures in May 2018, but is currently redeemable at the option of the noteholders and bears interest at a spread over one month LIBOR; \$97.4 million matures in February 2018 and bears interest at a spread over one month LIBOR; \$101.3 million matures in July 2018, but is currently redeemable at Jefferies option or the option of the noteholders and bears interest at a spread over one month LIBOR; and \$75.0 million matures in July 2018 and bears interest at a spread over one month LIBOR.

Long-Term Debt

Jefferies long-term debt reflected in the Consolidated Statement of Financial Condition at September 30, 2017 is \$6.4 billion. Jefferies long-term debt has a weighted average maturity of approximately seven years.

Jefferies long-term debt ratings are as follows:

	Rating	Outlook
Moody’s Investors Service	Baa3	Stable
Standard and Poor’s	BBB-	Stable
Fitch Ratings	BBB-	Stable

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

In connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, Jefferies may be required to provide additional collateral to counterparties, exchanges and clearing organizations in

the event of a credit rating downgrade. The amount of additional collateral that could be called by counterparties, exchanges and clearing organizations under the terms of such agreements in the event of a downgrade of Jefferies long-term credit rating below investment grade was \$57.5 million. For certain foreign clearing organizations, credit rating is only one of several factors employed in determining collateral that could be called. The above represents management's best estimate for additional collateral to be called in the event of credit rating downgrade. The impact of additional collateral requirements is considered in Jefferies Contingency Funding Plan and calculation of Maximum Liquidity Outflow, as described above.

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

Contractual Obligations

In October 2017, Jefferies entered into a contract for technology operations services under which they have contractual obligations of approximately \$2.5 million for the remainder of fiscal 2017, approximately \$11.9 million for fiscal 2018 and annual obligations for each year thereafter of approximately \$15.7 million through 2028.

Net Capital

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

Jefferies LLC and Jefferies Execution's net capital and excess net capital as of September 30, 2017 were as follows (in thousands):

	Net Capital	Excess Net Capital
Jefferies LLC	\$ 1,491,122	\$ 1,411,625
Jefferies Execution	\$ 7,961	\$ 7,711

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

The regulatory capital requirements referred to above may restrict Jefferies ability to withdraw capital from its regulated subsidiaries. Some of our other consolidated subsidiaries also have credit agreements which may restrict the payment of cash dividends, or the ability to make loans or advances to the parent company.

Cautionary Statement for Forward-Looking Information

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 businesses 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 and risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2016 and filed with the Securities and Exchange Commission on February 27, 2017;
- the discussion and analysis of financial condition and result of operations contained in this report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein;
- the notes to the consolidated financial statements 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The following includes "forward-looking statements" that involve risk and uncertainties. See "Cautionary Statement for Forward-Looking Information" above. Actual results could differ materially from those projected in the forward-looking statements. The discussion of risk is presented separately for Jefferies and the balance of our company. Exclusive of Jefferies, our market risk arises principally from interest rate risk related to our financial instruments owned and equity price risk. Information related thereto required under this Item is contained in Item 7A in our 2016 10-K, and is incorporated by reference herein.

As more fully discussed elsewhere in this Report, we own approximately 46.6 million common shares of HRG, representing approximately 23% of HRG's outstanding common shares, which are accounted for under the fair value option and included within Trading assets at fair value of \$727.4 million at September 30, 2017. Assuming a decline of 10% in market prices, the value of our investment in HRG would decrease by approximately \$72.7 million. Excluding Jefferies and HRG, Financial instruments owned include corporate equity securities with an aggregate fair value of \$693.7 million at September 30, 2017. Assuming a decline of 10% in market prices, the value of these investments would decrease by approximately \$69.4 million.

Jefferies

The potential for changes in the value of financial instruments is referred to as market risk. Jefferies market risk generally represents the risk of loss that may result from a change in the value of a financial instrument as a result of fluctuations in interest rates, credit spreads, equity prices, commodity prices and foreign exchange rates, along with the level of volatility. Interest rate risks result primarily from exposure to changes in the yield curve, the volatility of interest rates, and credit spreads. Equity price risks result from exposure to changes in prices and volatilities of individual equities, equity baskets and equity indices. Commodity price risks result from exposure to the changes in prices and volatilities of individual commodities, commodity baskets and commodity indices. Market risk arises from market making, proprietary trading, underwriting, specialist and investing activities. Jefferies seeks to manage its exposure to market risk by diversifying exposures, controlling position sizes, and establishing economic hedges in related securities or derivatives. Due to imperfections in correlations, gains and losses can occur even for positions that are hedged. Position limits in trading and inventory accounts are established and monitored on an ongoing basis. Each day, consolidated position and exposure reports are prepared and distributed to various levels of management, which enable management to monitor inventory levels and results of the trading groups.

Value-at-Risk

Within Jefferies, Value-at-Risk ("VaR") is used as a measurement of market risk using a model that simulates revenue and loss distributions on its trading portfolios by applying historical market changes to the current portfolio. Using the results of this simulation, VaR measures the potential loss in value of our financial instruments due to adverse market movements over a specified time horizon at a given confidence level. Jefferies calculates a one-day VaR using a one year look-back period measured at a 95% confidence level.

As with all measures of VaR, the estimate has inherent limitations due to the assumption that historical changes in market conditions are representative of the future. Furthermore, the VaR model measures the risk of a current static position over a one-day horizon and might not capture the market risk of positions that cannot be liquidated or offset with hedges in a one-day period. Published VaR results reflect past trading positions while future risk depends on future positions.

While Jefferies believes the assumptions and inputs in its risk model are reasonable, Jefferies could incur losses greater than the reported VaR because the historical market prices and rates changes may not be an accurate measure of future market events and conditions. Consequently, this VaR estimate is only one of a number of tools Jefferies

uses in its daily risk management activities. When comparing the VaR numbers to those of other firms, it is important to remember that different methodologies and assumptions could produce significantly different results.

The following table illustrates each separate component of VaR for each component of market risk by interest rate, equity, currency and commodity products, as well as for Jefferies overall trading positions using the past 365 days of historical data. The aggregated VaR presented here is less than the sum of the individual components (i.e., interest rate risk, foreign exchange rate risk, equity risk and commodity price risk) due to the benefit of diversification among the four risk categories. Diversification benefit equals the difference between aggregated VaR and the sum of VaRs for the four risk categories and arises because the market risk categories are not perfectly correlated. Since we consolidate Jefferies on a one month lag, all amounts reported are for Jefferies quarterly and annual fiscal periods.

Daily VaR (1)

Value-at-Risk in Trading Portfolios

(In millions)

Risk Categories	VaR at Daily VaR for the September 30, 2017			VaR at June 30, 2017			Daily VaR for the Three Months Ended June 30, 2017		
	Three Months Ended September 30, 2017			Three Months Ended June 30, 2017			Three Months Ended June 30, 2017		
	Average	High	Low	Average	High	Low	Average	High	Low
Interest Rates	\$3.84	\$4.10	\$5.41	\$2.76	\$4.61	\$5.39	\$6.65	\$3.89	
Equity Prices	3.07	3.73	5.61	2.81	4.69	6.39	17.20	3.23	
Currency Rates	0.42	0.25	0.41	0.06	0.16	0.24	0.65	0.08	
Commodity Prices	0.46	0.59	1.10	0.38	0.65	1.01	1.70	0.56	
Diversification Effect (2)	(3.06)	(2.16)	N/A	N/A	(2.09)	(3.82)	N/A	N/A	
Firmwide	\$4.73	\$6.51	\$8.30	\$4.73	\$8.02	\$9.21	\$17.55	\$5.87	

(1) For the VaR numbers reported above, a one-day time horizon, with a one year look-back period, and a 95% confidence level were used.

(2) The diversification effect is not applicable for the maximum and minimum VaR values as the Jefferies VaR and VaR values for the four risk categories might have occurred on different days during the period.

Average daily VaR decreased to \$6.51 million for the three months ended September 30, 2017 from \$9.21 million for the three months ended June 30, 2017. The decrease was primarily due to lower equity risk driven by equities block trading and lower interest rate risk, of which the largest driver was lower interest rate and spread volatility, partially offset by a decrease in the diversification benefit.

The primary method used to test the efficacy of the VaR model is to compare actual daily net revenue for those positions included in the VaR calculation with the daily VaR estimate. This evaluation is performed at various levels of the trading portfolio, from the holding company level down to specific business lines. For the VaR model, trading related revenue is defined as principal transaction revenue, trading related commissions, revenue from securitization activities and net interest income. For a 95% confidence one day VaR model (i.e., no intra-day trading), assuming current changes in market value are consistent with the historical changes used in the calculation, net trading losses would not be expected to exceed the VaR estimates more than twelve times on an annual basis (i.e., once in every 20 days). During the three months ended September 30, 2017, results of the evaluation at the aggregate level demonstrated no days when the net trading loss exceeded the 95% one day VaR.

Certain positions within financial instruments are not included in the VaR model because VaR is not the most appropriate measure of risk. Accordingly, Jefferies Risk Management has additional procedures in place to assure that the level of potential loss that would arise from market movements are within acceptable levels. Such procedures include performing stress tests, monitoring concentration risk and tracking price target/stop loss levels. The table below presents the potential reduction in net income associated with a 10% stress of the fair value of the positions that are not included in the VaR model at September 30, 2017 (in thousands):

	10% Sensitivity
Private investments	\$ 15,410
Corporate debt securities in default	\$ 12,517
Trade claims	\$ 2,114

VaR also excludes the impact of changes in Jefferies own credit spreads on financial liabilities for which the fair value option was elected. The estimated credit spread risk sensitivity for each one basis point widening in Jefferies own credit spreads on financial liabilities for which the fair value option was elected was an increase in value of

approximately \$0.7 million at September 30, 2017.

There were three days with trading losses out of a total of 65 trading days in the three months ended September 30, 2017.

Scenario Analysis and Stress Tests

While VaR measures potential losses due to adverse changes in historical market prices and rates, Jefferies uses stress testing to analyze the potential impact of specific events or moderate or extreme market moves on its current portfolio both firm wide and within business segments. Stress scenarios comprise both historical market price and rate changes and hypothetical market environments, and generally involve simultaneous changes of many risk factors. Indicative market changes in Jefferies scenarios include, but are not limited to, a large widening

of credit spreads, a substantial decline in equities markets, significant moves in selected emerging markets, large moves in interest rates, changes in the shape of the yield curve and large moves in European markets. In addition, Jefferies also performs ad hoc stress tests and adds new scenarios as market conditions dictate. Because Jefferies stress scenarios are meant to reflect market moves that occur over a period of time, its estimates of potential loss assume some level of position reduction for liquid positions. Unlike Jefferies VaR, which measures potential losses within a given confidence interval, stress scenarios do not have an associated implied probability; rather, stress testing is used to estimate the potential loss from market moves that tend to be larger than those embedded in the VaR calculation.

Stress testing is performed and reported regularly as part of the risk management process. Stress testing is used to assess Jefferies aggregate risk position as well as for limit setting and risk/reward analysis.

Counterparty Credit Risk and Issuer Country Exposure

Counterparty Credit Risk

Credit risk is the risk of loss due to adverse changes in a counterparty's credit worthiness or its ability or willingness to meet its financial obligations in accordance with the terms and conditions of a financial contract. Jefferies is exposed to credit risk as trading counterparty to other broker-dealers and customers, as a direct lender and through extending loan commitments, as a holder of securities and as a member of exchanges and clearing organizations.

It is critical to Jefferies financial soundness and profitability that Jefferies properly and effectively identify, assess, monitor and manage the various credit and counterparty risks inherent in its businesses. Credit is extended to counterparties in a controlled manner in order to generate acceptable returns, whether such credit is granted directly or is incidental to a transaction. All extensions of credit are monitored and managed on a Jefferies enterprise level in order to limit exposure to loss related to credit risk.

Jefferies employs a Credit Risk Framework, which is responsible for identifying credit risks throughout its operating businesses, establishing counterparty limits and managing and monitoring those credit limits. Jefferies framework includes:

- defining credit limit guidelines and credit limit approval processes;
- providing a consistent and integrated credit risk framework across the enterprise;
- approving counterparties and counterparty limits with parameters set by its Risk Management Committee;
- negotiating, approving and monitoring credit terms in legal and master documentation;
- delivering credit limits to all relevant sales and trading desks;
- maintaining credit reviews for all active and new counterparties;
- operating a control function for exposure analytics and exception management and reporting;
- determining the analytical standards and risk parameters for on-going management and monitoring of global credit risk books;
- actively managing daily exposure, exceptions, and breaches;
- monitoring daily margin call activity and counterparty performance (in concert with the Margin Department); and
- setting the minimum global requirements for systems, reports, and technology.

Jefferies Credit Exposures

Credit exposure exists across a wide-range of products including cash and cash equivalents, loans, securities finance transactions and over-the-counter derivative contracts.

Loans and lending arise in connection with Jefferies capital markets activities and represents the current exposure, amount at risk on a default event with no recovery of loans. Current exposure represents loans that have been drawn

by the borrower and lending commitments that were outstanding. In addition, credit exposures on forward settling traded loans are included in Jefferies loans and lending exposures for consistency with the Consolidated Statement of Financial Condition categorization of these items.

Securities and margin finance includes credit exposure arising on securities financing transactions (reverse repurchase agreements, repurchase agreements and securities lending agreements) to the extent the fair value of the underlying collateral differs from the contractual agreement amount and from margin provided to customers.

Derivatives represent over-the-counter ("OTC") derivatives, which are reported net by counterparty when a legal right of setoff exists under an enforceable master netting agreement. Derivatives are accounted for at fair value net of cash collateral received or posted under credit support agreements. In addition, credit exposures on forward settling trades are included in Jefferies derivative credit exposures.

Cash and cash equivalents include both interest-bearing and non-interest bearing deposits at banks.

Current counterparty credit exposures are summarized in the table below and provided by credit quality, region and industry. Credit exposures presented take netting and collateral into consideration by counterparty and master agreement. Collateral taken into consideration includes

both collateral received as cash as well as collateral received in the form of securities or other arrangements. Current exposure is the loss that would be incurred on a particular set of positions in the event of default by the counterparty, assuming no recovery. Current exposure equals the fair value of the positions less collateral. Issuer risk is the credit risk arising from inventory positions (for example, corporate debt securities and secondary bank loans). Issuer risk is included in Jefferies country risk exposure tables below. Of Jefferies counterparty credit exposure at September 30, 2017, excluding cash and cash equivalents, 82% are investment grade counterparties, remaining relatively flat compared to December 31, 2016, with a majority concentrated in North America.

When comparing Jefferies credit exposure at September 30, 2017 with credit exposure at December 31, 2016, excluding cash and cash equivalents, current exposure increased to approximately \$1,251 million from \$1,247 million. Counterparty credit exposure increased over the period by 17% from securities and margin finance, primarily driven by investment grade European banks and broker-dealers, offset by a 41% decrease in counterparty credit exposure from OTC derivatives, attributed primarily to investment grade North American banks and broker-dealers, and a 10% decrease in exposure from Jefferies loan and lending portfolio.

The amounts in the tables below are for amounts included in our Consolidated Statements of Financial Condition at September 30, 2017 and December 31, 2016 (in millions).

Counterparty Credit Exposure by Credit Rating

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016
AAA Range	\$—	\$—	\$1.8	\$—	\$—	\$—	\$1.8	\$—	\$3,208.7	\$2,601.8	\$3,210.5	\$2,601.8
AA Range	47.8	44.0	84.3	87.3	0.8	2.1	132.9	133.4	94.5	37.0	227.4	170.4
A Range	0.9	4.2	585.8	539.2	81.4	214.7	668.1	758.1	1,168.3	814.1	1,836.4	1,572.2
BBB Range	0.8	4.9	206.0	117.3	12.9	9.4	219.7	131.6	151.8	51.2	371.5	182.8
BB or Lower	79.1	100.1	1.7	6.2	53.6	23.8	134.4	130.1	100.3	25.1	234.7	155.2
Unrated	94.2	93.5	—	—	—	—	94.2	93.5	83.1	0.3	177.3	93.8
Total	\$222.8	\$246.7	\$879.6	\$750.0	\$148.7	\$250.0	\$1,251.1	\$1,246.7	\$4,806.7	\$3,529.5	\$6,057.8	\$4,776.2

Counterparty Credit Exposure by Region

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016
Asia/Latin America/Other	\$27.0	\$4.9	\$61.1	\$16.3	\$—	\$32.7	\$88.1	\$53.9	\$303.3	\$165.8	\$391.4	\$219.7
Europe	0.5	—	338.4	234.4	39.5	20.9	378.4	255.3	583.3	248.0	961.7	503.3
North America	195.3	241.8	480.1	499.3	109.2	196.4	784.6	937.5	3,920.1	3,115.7	4,704.7	4,053.2
Total	\$222.8	\$246.7	\$879.6	\$750.0	\$148.7	\$250.0	\$1,251.1	\$1,246.7	\$4,806.7	\$3,529.5	\$6,057.8	\$4,776.2

Counterparty Credit Exposure by Industry

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	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total	Cash and Cash Equivalents		Total with Cash and Cash Equivalents		
	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016		At September 30, 2017	At December 31, 2016	At September 30, 2017	At December 31, 2016	
Asset Managers	\$—	\$—	\$13.6	\$39.7	\$—	\$10.9	\$13.6	\$50.6	\$3,207.6	\$2,599.5	\$3,221.2	\$2,650.1
Banks, Broker-dealers	0.9	0.2	600.2	435.9	97.8	170.4	698.9	606.5	1,599.1	930.0	2,298.0	1,536.5
Commodities	—	—	—	—	—	3.3	—	3.3	—	—	—	3.3
Corporates	174.1	204.4	—	—	34.5	18.4	208.6	222.8	—	—	208.6	222.8
Other	47.8	42.1	265.8	274.4	16.4	47.0	330.0	363.5	—	—	330.0	363.5
Total	\$222.8	\$246.7	\$879.6	\$750.0	\$148.7	\$250.0	\$1,251.1	\$1,246.7	\$4,806.7	\$3,529.5	\$6,057.8	\$4,776.2

For additional information regarding credit exposure to OTC derivative contracts, see Note 4 in our consolidated financial statements.

Jefferies Country Risk Exposure

Country risk is the risk that events or developments that occur in the general environment of a country or countries due to economic, political, social, regulatory, legal or other factors, will affect the ability of obligors of the country to honor their obligations. Jefferies defines the country of risk as the country of jurisdiction or domicile of the obligor.

The following tables reflect Jefferies top exposures to the sovereign governments, corporations and financial institutions in those non-U.S. countries in which there is net long issuer and counterparty exposure (in millions):
September 30, 2017

	Issuer Risk			Counterparty Risk			Issuer and Counterparty Risk		
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
United Kingdom	\$318.5	\$(115.9)	\$(22.6)	\$0.3	\$89.0	\$24.2	\$38.7	\$293.5	\$332.2
Switzerland	92.2	(18.5)	0.8	—	30.0	2.1	4.3	106.6	110.9
Germany	181.6	(237.2)	67.3	—	92.2	1.2	280.7	105.1	385.8
Netherlands	198.2	(160.1)	0.6	—	54.6	0.9	—	94.2	94.2
Spain	186.3	(103.7)	(0.5)	—	0.1	—	157.7	82.2	239.9
France	338.9	(104.5)	(233.4)	—	66.3	9.6	—	76.9	76.9
Brazil	114.0	(49.6)	(0.3)	—	—	—	0.5	64.1	64.6
Puerto Rico	57.6	(0.2)	—	—	—	—	—	57.4	57.4
Japan	62.3	(46.2)	14.3	—	25.2	—	143.2	55.6	198.8
Singapore	44.6	(7.9)	3.9	—	—	—	19.4	40.6	60.0
Total	\$1,594.2	\$(843.8)	\$(169.9)	\$0.3	\$357.4	\$38.0	\$644.5	\$976.2	\$1,620.7

December 31, 2016

	Issuer Risk			Counterparty Risk			Issuer and Counterparty Risk		
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Germany	\$318.9	\$(166.4)	\$815.3	—	\$86.9	\$0.3	\$111.9	\$1,055.0	\$1,166.9
Italy	1,069.8	(844.2)	69.8	—	—	0.2	—	295.6	295.6
France	356.2	(538.4)	419.5	—	24.8	3.4	—	265.5	265.5
United Kingdom	290.1	(136.4)	(12.7)	—	61.0	13.4	37.7	215.4	253.1
Spain	210.4	(151.7)	—	—	—	0.3	50.2	59.0	109.2
Hong Kong	34.0	(30.2)	1.3	—	0.5	—	79.1	5.6	84.7
Switzerland	80.7	(33.6)	12.1	—	11.4	2.2	4.1	72.8	76.9
Ireland	124.4	(61.2)	4.4	—	0.6	—	—	68.2	68.2
Singapore	36.2	(9.6)	3.9	—	—	—	16.1	30.5	46.6
Qatar	15.2	(0.7)	—	—	—	27.1	—	41.6	41.6
Total	\$2,535.9	\$(1,972.4)	\$1,313.6	—	\$185.2	\$46.9	\$299.1	\$2,109.2	\$2,408.3

Jefferies' net issuer and counterparty risk exposure to Puerto Rico was \$57.4 million, as reflected in our Consolidated Statement of Financial Condition at September 30, 2017, is in connection with its municipal securities market-making activities. The government of Puerto Rico is seeking to restructure much of its \$74.3 billion in debt on a voluntary basis. At September 30, 2017, Jefferies had no other material exposure to countries where either sovereign or non-sovereign sectors potentially pose potential default risk as the result of liquidity concerns.

Item 4. Controls and Procedures.

The Company's management evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of September 30, 2017. Based on their evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of September 30, 2017.

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The information set forth in response to this Item 1 is incorporated by reference from the "Contingencies" section in Note 20, Commitments, Contingencies and Guarantees, in the notes to consolidated financial statements in Item 1 of Part I of this Quarterly Report, which is incorporated herein by reference.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds.

(c) Issuer Purchases of Equity Securities

The following table presents information on our purchases of our common shares during the three months ended September 30, 2017:

	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2017 to July 31, 2017	12,997	\$ 27.06	—	15,000,000
August 1, 2017 to August 31, 2017	10,688	\$ 24.93	—	15,000,000
September 1, 2017 to September 30, 2017 (3)	2,500,000	\$ 24.88	2,500,000	12,500,000
Total	2,523,685		2,500,000	

(1)Includes an aggregate 23,685 shares repurchased other than as part of our publicly announced Board authorized repurchase program. We repurchased these securities in connection with our share compensation plans which allow participants to use shares to satisfy certain tax liabilities arising from the vesting of restricted shares and the distribution of restricted share units. The total number of shares purchased does not include unvested shares forfeited

back to us pursuant to the terms of our share compensation plans.

(2)In November 2012, our Board of Directors authorized the repurchase, from time to time, of up to an aggregate of 25,000,000 of our common shares, inclusive of prior authorizations.

(3)Includes 831,444 shares that settled in October 2017.

Item 6. Exhibits.

See Exhibit Index.

Exhibit Index

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Financial statements from the Quarterly Report on Form 10-Q of Leucadia National Corporation for the quarter ended September 30, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated
101 Statements of Financial Condition, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Changes in Equity and (vi) the Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEUCADIA NATIONAL
CORPORATION
(Registrant)

Date: November 1, 2017 By: /s/ John M. Dalton
Name: John M. Dalton
Title: Vice President and Controller
(Chief Accounting Officer)