MARINE PRODUCTS CORP
Form 8-K
April 14, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
washington, d.c. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): April 14, 2009

MARINE PRODUCTS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation)	1-16263 (Commission File Number)	58-2572419 (IRS Employer Identification No.)

2801 Buford Highway, Suite 520, Atlanta, Georgia 30329
(Address of principal executive office) (zip code)

Registrant's telephone number, including area code: (404) 321-7910

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

I t e mOther Events.
8.01

On April 14, 2009, Marine Products Corporation issued a press release titled, "Marine Products Corporation Plans to Announce First Quarter 2009 Financial Results and Host a Conference Call on April 29, 2009." The press release announced the date that Marine Products Corporation will release its first quarter 2009 financial results. This release also provided the related conference call information.

I t e mFinancial Statements and Exhibits.
9.01

(d) Exhibits.

Exhibit 99 - Press Release dated April 14, 2009

SIGNATURES

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

Marine Products
Corporation.

Date: April 14, 2009

/s/ BEN M. PALMER
Ben M. Palmer
Vice President,
Chief Financial Officer and Treasurer

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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

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.

71

(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 March 31, 2017	Tangible Capital as of December 31, 2016
Jefferies	$3,621,891	$3,514,471
National Beef	57,997	30,036
Other Financial Services Businesses and Investments:		
Leucadia Asset Management (1)	714,562	483,687
FXCM	319,507	500,758
HomeFed	301,373	269,421
Berkadia	199,575	184,443
Foursight Capital and Chrome Capital	94,472	100,516
Other	27,556	(1,085)
Total Other Financial Services Businesses and Investments	1,657,045	1,537,740
Other Merchant Banking Businesses and Investments:		
HRG	900,312	725,096
Vitesse	314,383	309,837
JETX	117,393	159,182
Garcadia	207,331	206,760
Linkem	181,368	154,000
Golden Queen	77,559	78,474
Idaho Timber	77,724	76,551
Conwed	—	100,649
Other	45,717	19,054
Total Other Merchant Banking Businesses and Investments	1,921,787	1,829,603
Corporate and other assets, net of all Corporate liabilities including long-term debt	640,335	702,572
Total Tangible Capital (2)	$7,899,055	$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.
-

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 ($123.0 million outstanding at March 31, 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.

72

Berkadia, our 50-50 equity method joint venture with Berkshire Hathaway Inc., is a U.S. commercial real estate 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 58% 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 March 31, 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.

73

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. These are classified as trading assets, available for sale securities, receivables and investments in managed funds. Together these total $1,112.5 million at March 31, 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 March 31, 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 $42.7 million of principal and interest from FXCM during the three months ended March 31, 2017.

In the first quarter of 2017, we invested $124.6 million in a separate account managed by Folger Hill Asia.

In 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 three months ended March 31, 2017, we bought 783,889 common shares of HomeFed for $31.3 million in a privately-negotiated transaction.

During the three months ended March 31, 2017, we paid a quarterly dividend of $0.0625 per share which aggregated $22.7 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 March 31, 2017, we had outstanding 359,815,689 common shares and 16,719,000 share-based awards that do not require the holder to pay any exercise price (potentially an aggregate of 376,534,689 outstanding common shares if all awards become outstanding common shares). The 16,719,000 share-based awards include the target number of shares under the senior executive award plan, which is more fully discussed in Note 16.

Concentration, Liquidity and Leverage Targets

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.

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.

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.

These thresholds and calculations of the actual ratios and percentages are detailed below at March 31, 2017 (dollars in thousands):

Total Leucadia National Corporation shareholders' equity	$10,398,158	
Less, investment in Jefferies	(5,521,346	)
Equity excluding Jefferies	4,876,812	
Less, our two largest investments:		
National Beef	(647,348	)
HRG, at cost	(475,600	)
Equity in a stressed scenario	3,753,864	
Less, net deferred tax asset excluding Jefferies amount	(1,146,861	)
Equity in a stressed scenario less net deferred tax asset	$2,607,003	
Balance sheet amounts:		
Available liquidity	$1,122,485	
Parent company debt (see Note 14 to our consolidated financial statements)	$988,167	
Ratio of parent company debt to stressed equity:		
Maximum	0.50	x
Actual, equity in a stressed scenario	0.26	x
Actual, equity in a stressed scenario excluding net deferred tax asset	0.38	x
Liquidity reserve:		
Minimum	$426,000	
Actual	$1,122,485	

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 $193.0 million and $922.8 million was used for operating activities during three months ended March 31, 2017 and 2016, respectively.

- Jefferies generated funds of $11.1 million during the three months ended March 31, 2017 and used funds of $1,229.8 million during the three months ended March 31, 2016. Included in these amounts are distributions received from associated companies of $2.2 million during 2017.

75

- National Beef used funds of $10.9 million during the three months ended March 31, 2017 and generated funds $15.7 million during the three months ended March 31, 2016.
- Within our Other Financial Services Businesses and Investments, cash of $124.6 million and $44.6 million, respectively, was used during the three months ended March 31, 2017 and 2016 to make additional investments in the Leucadia Asset Management platform. Additionally, during the three months ended March 31, 2017 cash of $20.6 million was used to make additional investments in our trading portfolio. During the three months ended March 31, 2016, cash of $235.0 million was generated from our trading portfolio and $134.3 million from our investments in managed funds related to our Leucadia Asset Management platform. We received distributions from Berkadia, an associated company, of $1.9 million during 2017 and $5.4 million during 2016. Cash used for operating activities also includes net cash used of $24.2 million during 2017 and $40.6 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 $4.9 million and $1.4 million during the three months ended March 31, 2017 and 2016, respectively. We received distributions from Garcadia, an associated company, of $9.5 million during 2017 and $8.5 million during 2016.
- The change in operating cash flows also reflects greater interest payments during 2017 as compared to 2016.

Net cash of $124.8 million was provided by investing activities and $512.5 million was used for investing activities during three months ended March 31, 2017 and 2016, respectively.

- Acquisitions of property, equipment and leasehold improvements, and other assets related to Jefferies include $22.4 million during 2017 and $48.5 million during 2016. Jefferies made loans to and investments in associated companies of $1,134.7 million during 2017 and $141.7 million during 2016. Jefferies received capital distributions and loan repayments from its associated companies of $1,140.2 million during 2017 and $188.1 million during 2016.
- Acquisitions of property, equipment and leasehold improvements, and other assets within National Beef include $11.8 million during 2017 and $8.7 million during 2016.
- Within our Other Financial Services Businesses and Investments, acquisitions of property, equipment and leasehold improvements, and other assets were $0.7 million during 2017 and $17.1 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 $39.5 million related to real estate projects in 54 Madison and $42.6 million related to FXCM. Collections on notes, loans and other receivables during 2016 primarily relate to FXCM. Loans to and investments in associated companies include $31.3 million in HomeFed during 2017, and $25.8 million and $107.7 million, respectively, in 54 Madison during 2017 and 2016, of which $14.4 million and $60.1 million, respectively, of that was contributed from noncontrolling interests.
- 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 $12.1 million during 2017 and $16.4 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 2017 and 2016, respectively. We received capital distributions from Garcadia, of $3.1 million during 2017 and $5.8 million during 2016.

Net cash of $525.7 million and $411.0 million was provided by financing activities during three months ended March 31, 2017 and 2016, respectively.

- Issuance of debt includes $792.4 million during 2017 and $65.7 million during 2016 related to Jefferies. Net change in bank overdrafts of $4.2 million in 2017 related to Jefferies. Net change in other secured financings includes payments of $161.5 million during 2017 and proceeds of $134.4 million during 2016 related to Jefferies.
- Issuance of debt for National Beef includes $7.6 million during 2017 of borrowings under its bank credit facility. National Beef reflects repayment of debt of $8.8 million in 2017 and $18.1 million during 2016.

- Within our Other Financial Services Businesses and Investments, borrowings include $77.4 million during 2017 and $195.5 million during 2016. Their repayment of debt includes $46.0 million during 2017 and $16.3 million during 2016. Net change in other secured financings includes payments of $28.0 million during 2017 and $14.6 million during 2016

76

related to our Other Financial Services Businesses and Investments. Contributions from noncontrolling interests include $18.6 million during 2017 and $94.6 million during 2016 related to 54 Madison.

• Purchases of common shares for treasury relate to shares received from participants in our stock compensation plans.

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 and adjusted balance sheet limits are established. This process ensures that the allocation of capital and costs of capital are incorporated into business decisions. The goals of this process are to protect the 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.
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 March 31, 2017, our Consolidated Statement of Financial Condition includes Jefferies Level 3 trading assets that are approximately 3% 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.

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):

	Three Months Ended March 31, 2017	Year Ended December 31, 2016
Securities purchased under agreements to resell:		
Period end	$4,468	$ 3,862
Month end average	$6,533	$ 5,265
Maximum month end	$7,723	$ 7,001

Securities sold under agreements to repurchase:		
Period end	$7,315	$ 6,792
Month end average	$10,621	$ 11,410
Maximum month end	$12,822	$ 16,620

77

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 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.

To ensure that Jefferies does not need to liquidate inventory in the event of a funding crises, 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.

78

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):

	March 31, 2017	Average Balance First Quarter 2017 (1)	December 31, 2016
Cash and cash equivalents:			
Cash in banks	$984,033	$951,163	$ 905,391
Certificates of deposit	25,000	25,000	25,000
Money market investments	3,071,348	2,104,956	2,599,066
Total cash and cash equivalents	4,080,381	3,081,119	3,529,457
Other sources of liquidity:			
Debt securities owned and securities purchased under agreements to resell (2)	1,307,625	1,275,859	1,455,398
Other (3)	498,485	490,305	318,646
Total other sources	1,806,110	1,766,164	1,774,044
Total cash and cash equivalents and other liquidity sources	$5,886,491	$4,847,283	$ 5,303,501

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

(2) Consists of high quality sovereign government securities and reverse repurchase agreements collateralized by U.S. government securities and other high quality sovereign government securities; deposits with a central bank within the European Economic Area, Canada, Australia, Japan, Switzerland or the 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 70.5% 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, 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.

79

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):

	March 31, 2017		December 31, 2016	
	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)
Corporate equity securities	$1,667,744	$ 276,436	$1,815,819	$ 280,733
Corporate debt securities	1,308,081	91,621	1,818,150	—
U.S. Government, agency and municipal securities	1,827,457	600,725	3,157,737	600,456
Other sovereign obligations	2,452,496	773,657	2,258,035	854,942
Agency mortgage-backed securities (1)	1,921,495	—	1,090,391	—
Loans and other receivables	171,354	—	274,842	—
	$9,348,627	$ 1,742,439	$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 74.6% 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. Weighted average maturity of 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 March 31, 2017, short-term borrowings, which must be repaid within one year or less and include bank loans and overdrafts, borrowings under revolving credit facilities, structured notes and a demand loan margin financing facility, totaled

$422.9 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 $448.1 million for the three months ended March 31, 2017.

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 March 31, 2017, Jefferies was in compliance with all debt covenants under the Intraday Credit Facility.

- Secured Revolving Loan Facility. On October 29, 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. On December 14, 2015, Jefferies entered into a second secured revolving loan facility ("Second 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 with an effective date of December 6, 2016. The Second Secured Revolving Loan Facility was terminated with an effective date of 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 $560.0 million in aggregate, which is presented within Other secured financings in the Consolidated Statement of Financial Condition at March 31, 2017. Of the $560.0 million aggregate notes, $267.9 million matures in May 2018, but is currently redeemable at the option of the noteholders and all bears interest at a spread over one month LIBOR. The remaining $292.1 million matures in February 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 March 31, 2017 is $6.3 billion. Jefferies long-term debt has a weighted average maturity of approximately eight 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 $55.7 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.

81

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 March 31, 2017 were as follows (in thousands):

	Net Capital	Excess Net Capital
Jefferies LLC	$1,359,023	$1,277,401
Jefferies Execution	9,158	8,908

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 $900.3 million at March 31, 2017. Assuming a decline of 10% in market prices, the value of our investment in HRG could decrease by approximately $90.0 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 substantially all financial instruments by applying historical market changes to the current portfolio. Using the results of this simulation, VaR measures the potential loss in value of our financial instruments 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 effect equals the difference between aggregated VaR and the sum of VaRs for the four risk categories and arises because the market risk categories are not perfectly correlated. Since we consolidate Jefferies on a one month lag, all amounts reported are for Jefferies quarterly and annual fiscal periods.

(In millions) Risk Categories	VaR at February 28, 2017	Daily VaR (1) Value-at-Risk In Trading Portfolios Daily VaR for the Three Months Ended February 28, 2017			VaR at November 30, 2016	Daily VaR (1) Value-at-Risk In Trading Portfolios Daily VaR for the Three Months Ended November 30, 2016		
		Average	High	Low		Average	High	Low
Interest Rates	$ 5.63	$7.69	$9.59	$5.44	$ 5.82	$5.22	$6.99	$3.48
Equity Prices	6.22	7.27	9.42	5.32	6.71	5.75	8.90	3.89
Currency Rates	0.09	0.20	0.60	0.07	0.19	0.20	0.38	0.08
Commodity Prices	0.85	0.89	2.20	0.39	0.51	0.84	1.83	0.32
Diversification Effect (2)	(4.10)	(5.75)	N/A	N/A	(4.79)	(3.55)	N/A	N/A
Firmwide	$ 8.69	$10.30	$13.03	$8.27	$ 8.44	$8.46	$10.75	$6.56

(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 increased to $10.30 million for the three months ended February 28, 2017 from $8.46 million for the three months ended November 30, 2016. The increase was primarily driven by higher fixed income volatility, partially offset by an increase in the diversification effect. Excluding the investment in KCG, average VaR increased to $8.26 million for the three months ended February 28, 2017 from $5.93 million for the three months ended November 30, 2016.

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 February 28, 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 February 28, 2017 (in thousands):

	10% Sensitivity
Private investments	$ 14,301
Corporate debt securities in default	$ 8,890
Trade claims	$ 791

There were three days with trading losses out of a total of 60 trading days in the three months ended February 28, 2017. There were no additional days with trading losses associated with the daily marking to market of the investment in KCG.

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

84

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 within Jefferies loans and lending exposures for consistency with the Statement of Financial Condition categorization of these items.
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- 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 within 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

85

and secondary bank loans). Issuer risk is included in Jefferies country risk exposure tables below. The amounts in the tables below are for amounts included in our Consolidated Statements of Financial Condition at March 31, 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 March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016
AAA Range	$—	$—	$—	$—	$—	$—	$—	$—	$3,073.3	$2,601.8	$3,073.3	$2,601.8
AA Range	44.0	44.0	101.4	87.3	2.4	2.1	147.8	133.4	64.1	37.0	211.9	170.4
A Range	5.8	4.2	529.2	539.2	45.8	214.7	580.8	758.1	837.4	814.1	1,418.2	1,572.2
BBB Range	2.3	4.9	215.5	117.3	10.0	9.4	227.8	131.6	51.0	51.2	278.8	182.8
BB or Lower	102.8	100.1	6.4	6.2	25.9	23.8	135.1	130.1	50.1	25.1	185.2	155.2
Unrated	119.7	93.5	—	—	—	—	119.7	93.5	4.5	0.3	124.2	93.8
Total	$274.6	$246.7	$852.5	$750.0	$84.1	$250.0	$1,211.2	$1,246.7	$4,080.4	$3,529.5	$5,291.6	$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 March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016
Asia/Latin America/Other	$5.0	$4.9	$19.2	$16.3	$22.8	$32.7	$47.0	$53.9	$183.0	$165.8	$230.0	$219.7
Europe	0.7	—	305.6	234.4	16.5	20.9	322.8	255.3	321.8	248.0	644.6	503.3
North America	268.9	241.8	527.7	499.3	44.8	196.4	841.4	937.5	3,575.6	3,115.7	4,417.0	4,053.2
Total	$274.6	$246.7	$852.5	$750.0	$84.1	$250.0	$1,211.2	$1,246.7	$4,080.4	$3,529.5	$5,291.6	$4,776.2

Counterparty Credit Exposure by Industry

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016	At March 31, 2017	December 31, 2016
Asset Managers	$—	$—	$27.0	$39.7	$—	$10.9	$27.0	$50.6	$3,071.7	$2,599.5	$3,098.7	$2,650.1
Banks, Broker-dealers	1.1	0.2	530.1	435.9	40.8	170.4	572.0	606.5	1,008.7	930.0	1,580.7	1,536.5
Commodities	—	—	—	—	4.0	3.3	4.0	3.3	—	—	4.0	3.3
Corporates	196.4	204.4	—	—	16.5	18.4	212.9	222.8	—	—	212.9	222.8
Other	77.1	42.1	295.4	274.4	22.8	47.0	395.3	363.5	—	—	395.3	363.5
Total	$274.6	$246.7	$852.5	$750.0	$84.1	$250.0	$1,211.2	$1,246.7	$4,080.4	$3,529.5	$5,291.6	$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, as reflected in our Consolidated Statements of Financial Condition at March 31, 2017 and December 31, 2016 (in millions):

	March 31, 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
Germany	$310.3	$(187.9)	$ 111.1	$—	$ 97.8	$ 0.6	$ 152.7	$331.9	$ 484.6
Italy	1,247.0	(1,245.5)	422.5	—	—	0.1	—	424.1	424.1
United Kingdom	344.3	(161.2)	(42.8)	0.7	101.7	9.6	139.8	252.3	392.1
Spain	389.6	(318.5)	—	—	0.1	0.2	54.0	71.4	125.4
Finland	116.8	(7.3)	—	—	—	—	3.1	109.5	112.6
Netherlands	361.3	(333.1)	13.8	—	54.5	1.9	—	98.4	98.4
Hong Kong	29.8	(13.4)	—	—	0.4	—	79.6	16.8	96.4
Puerto Rico	64.0	—	—	—	—	—	—	64.0	64.0
India	19.7	(4.6)	(1.3)	—	—	—	42.7	13.8	56.5
Australia	30.4	(10.2)	(0.2)	5.0	17.5	0.3	4.5	42.8	47.3
Total	$2,913.2	$(2,281.7)	$ 503.1	$5.7	$ 272.0	$ 12.7	$ 476.4	$1,425.0	$ 1,901.4

	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

In addition, Jefferies' issuer and counterparty risk exposure to Puerto Rico was $64.0 million, as reflected in our Consolidated Statement of Financial Condition at March 31, 2017, which is in connection with its municipal securities market-making activities. The government of Puerto Rico is seeking to restructure much of its $74.8 billion in debt on a voluntary basis. At March 31, 2017, Jefferies had no 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 March 31, 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 March 31, 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 March 31, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

87

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 March 31, 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
January 1, 2017 to January 31, 2017	120,613	$ 23.25	—	16,161,588
February 1, 2017 to February 28, 2017	13,538	$ 23.69	—	16,161,588
March 1, 2017 to March 31, 2017	12,938	$ 25.51	—	16,161,588
Total	147,089		—	

(1) Includes an aggregate 147,089 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.

Item 6. Exhibits.

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the Quarterly Report on Form 10-Q of Leucadia National Corporation for the quarter ended March 31, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Changes in Equity 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: May 3, 2017	By:	/s/	John M. Dalton
		Name:	John M. Dalton
		Title:	Vice President and Controller (Chief Accounting Officer)

90

Exhibit Index

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91