

Jefferies Group LLC  
Form 10-Q  
July 10, 2013  
Table of Contents

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

**FORM 10-Q**

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

For the quarterly period ended May 31, 2013

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-14947

**JEFFERIES GROUP LLC**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**95-4719745**  
(I.R.S. Employer  
Identification No.)

**520 Madison Avenue, New York, New York**  
(Address of principal executive offices)

**10022**  
(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically 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  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

**Table of Contents**

**JEFFERIES GROUP LLC**

**INDEX TO QUARTERLY REPORT ON FORM 10-Q**

**May 31, 2013**

**PART I. FINANCIAL INFORMATION**

Item 1.	<u>Financial Statements</u>	
	<u>Consolidated Statements of Financial Condition (Unaudited) - May 31, 2013 (Successor) and November 30, 2012 (Predecessor)</u>	2
	<u>Consolidated Statements of Earnings (Unaudited) - Three Months Ended May 31, 2013 (Successor), Three Months Ended February 28, 2013 (Predecessor), Three and Six Months Ended May 31, 2012 (Predecessor)</u>	5
	<u>Consolidated Statements of Comprehensive Income (Unaudited) - Three Months Ended May 31, 2013 (Successor), Three Months Ended February 28, 2013 (Predecessor), Three and Six Months Ended May 31, 2012 (Predecessor)</u>	7
	<u>Consolidated Statements of Changes in Equity (Unaudited) - Three Months Ended May 31, 2013 (Successor), Three Months Ended February 28, 2013 (Predecessor) and Twelve Months Ended November 30, 2012 (Predecessor)</u>	8
	<u>Consolidated Statements of Cash Flows (Unaudited) - Three Months Ended May 31, 2013 (Successor), Three Months Ended February 28, 2013 (Predecessor) and Six Months Ended May 31, 2012 (Predecessor)</u>	9
	<u>Notes to Consolidated Financial Statements (Unaudited)</u>	11
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	78
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	121
Item 4.	<u>Controls and Procedures.</u>	121

**PART II. OTHER INFORMATION**

Item 1.	<u>Legal Proceedings</u>	121
Item 1A.	<u>Risk Factors</u>	121
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	121
Item 6.	<u>Exhibits.</u>	122

**Table of Contents****PART I. FINANCIAL INFORMATION**

## Item 1. Financial Statements

**JEFFERIES GROUP LLC AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)**

(In thousands)

	Successor May 31, 2013	Predecessor November 30, 2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,403,479	\$ 2,692,595
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	3,056,141	4,082,595
Financial instruments owned, at fair value, including securities pledged of \$12,777,193 and \$12,334,745 at May 31, 2013 and November 30, 2012, respectively:		
Corporate equity securities	1,914,731	1,762,775
Corporate debt securities	3,078,196	3,038,146
Government, federal agency and other sovereign obligations	3,650,693	5,153,750
Mortgage- and asset-backed securities	4,562,681	5,468,284
Loans and other receivables	1,644,613	678,311
Derivatives	192,766	298,086
Investments, at fair value	77,433	127,023
Physical commodities	149,175	144,016
Total financial instruments owned, at fair value	15,270,288	16,670,391
Investments in managed funds	55,141	57,763
Loans to and investments in related parties	477,369	586,420
Securities borrowed	5,357,672	5,094,679
Securities purchased under agreements to resell	3,467,625	3,357,602
Securities received as collateral	36,202	
Receivables:		
Brokers, dealers and clearing organizations	3,281,400	1,424,027
Customers	1,188,265	916,284
Fees, interest and other	264,850	196,811
Premises and equipment	189,052	185,991
Goodwill	1,699,406	365,670
Other assets	1,181,376	662,713
Total assets	\$ 38,928,266	\$ 36,293,541

Continued on next page.

**Table of Contents****JEFFERIES GROUP LLC AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION CONTINUED (UNAUDITED)**

(In thousands, except share amounts)

	Successor May 31, 2013	Predecessor November 30, 2012
<b>LIABILITIES AND EQUITY</b>		
Short-term borrowing	\$	\$ 150,000
Financial instruments sold, not yet purchased, at fair value:		
Corporate equity securities	1,645,717	1,539,332
Corporate debt securities	1,315,930	1,389,312
Government, federal agency and other sovereign obligations	2,234,357	3,666,112
Mortgage- and asset-backed securities	182,227	241,211
Loans	1,018,939	207,227
Derivatives	199,717	229,127
Physical commodities	174,906	183,142
Total financial instruments sold, not yet purchased, at fair value	6,771,793	7,455,463
Collateralized financings:		
Securities loaned	2,679,193	1,934,355
Securities sold under agreements to repurchase	9,490,252	8,181,250
Other secured financings	227,294	62,300
Obligation to return securities received as collateral	36,202	
Payables:		
Brokers, dealers and clearing organizations	1,990,606	2,819,677
Customers	5,425,281	5,568,017
Accrued expenses and other liabilities	971,692	1,062,068
Long-term debt	6,150,755	4,804,607
Mandatorily redeemable convertible preferred stock		125,000
Mandatorily redeemable preferred interests of consolidated subsidiaries		348,051
Total liabilities	33,743,068	32,510,788
<b>EQUITY</b>		
Common stock, \$0.0001 par value. Authorized 500,000,000 shares; issued 204,147,007 shares at November 30, 2012		20
Members' paid-in capital/ Additional paid-in capital	5,160,175	2,219,959
Retained earnings		1,281,855
Treasury stock, at cost, 835,033 shares at November 30, 2012		(12,682)
Accumulated other comprehensive loss:		
Currency translation adjustments	(11,466)	(38,009)
Additional minimum pension liability		(15,128)
Total accumulated other comprehensive loss	(11,466)	(53,137)
Total members' / common stockholders' equity	5,148,709	3,436,015
Noncontrolling interests	36,489	346,738
Total equity	5,185,198	3,782,753

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Total liabilities and equity	\$ 38,928,266	\$ 36,293,541
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**Table of Contents****JEFFERIES GROUP LLC AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION CONTINUED (UNAUDITED)**

(In thousands)

The table below presents the carrying amount and classification of assets of consolidated variable interest entities ( VIEs ) that can be used only to settle obligations of the consolidated VIEs and the liabilities of consolidated VIEs for which creditors (or beneficial interest holders) do not have recourse to our general credit. The assets and liabilities of these consolidated VIEs are included in the Consolidated Statements of Financial Condition and are presented net of intercompany eliminations.

	Successor May 31, 2013	Predecessor November 30, 2012
<b>Assets</b>		
Cash and cash equivalents	\$ 45,192	\$ 388,279
Financial instruments owned, at fair value		
Corporate equity securities		105,271
Corporate debt securities		394,043
Mortgage- and asset-backed securities		15,589
Loans and other receivables	107,439	383,667
Investments, at fair value	464	5,836
Total financial instruments owned, at fair value	107,903	904,406
Receivables:		
Brokers, dealers and clearing organizations		236,594
Fees, interest and other		10,931
Other assets	39	348
Total assets	\$ 153,134	\$ 1,540,558
<b>Liabilities</b>		
Financial instruments sold, not yet purchased, at fair value:		
Corporate debt securities		325,979
Loans		199,610
Derivatives		505
Total financial instruments sold, not yet purchased, at fair value		526,094
Payables:		
Brokers, dealers and clearing organizations		201,237
Accrued expenses and other liabilities	268,726	72,956
Mandatorily redeemable preferred interests of consolidated subsidiaries		348,051
Total liabilities	\$ 268,726	\$ 1,148,338

See accompanying notes to consolidated financial statements.

**Table of Contents****JEFFERIES GROUP LLC AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)**

(In thousands, except per share amounts)

	Successor Three Months Ended May 31, 2013	Predecessor Three Months Ended May 31, 2012
<b>Revenues:</b>		
Commissions	\$ 146,848	\$ 121,796
Principal transactions	138,506	215,962
Investment banking	277,134	296,963
Asset management fees and investment income from managed funds	10,527	1,898
Interest	258,665	271,602
Other	26,245	37,851
Total revenues	857,925	946,072
Interest expense	211,463	235,041
Net revenues	646,462	711,031
Interest on mandatorily redeemable preferred interests of consolidated subsidiaries	3,368	4,456
Net revenues, less interest on mandatorily redeemable preferred interests of consolidated subsidiaries	643,094	706,575
<b>Non-interest expenses:</b>		
Compensation and benefits	373,880	423,541
Non-compensation expenses:		
Floor brokerage and clearing fees	32,991	32,921
Technology and communications	63,839	60,329
Occupancy and equipment rental	32,225	24,940
Business development	22,732	22,379
Professional services	29,519	17,296
Other	18,720	18,587
Total non-compensation expenses	200,026	176,452
Total non-interest expenses	573,906	599,993
Earnings before income taxes	69,188	106,582
Income tax expense	26,477	38,203
Net earnings	42,711	68,379
Net earnings attributable to noncontrolling interests	738	4,881
Net earnings attributable to Jefferies Group LLC	\$ 41,973	\$ 63,498

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Earnings per common share:			
Basic	N/A	\$	0.28
Diluted	N/A	\$	0.28
Dividends declared per common share	N/A	\$	0.075
Weighted average common shares:			
Basic	N/A		216,597
Diluted	N/A		220,711

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Table of Contents

## JEFFERIES GROUP LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EARNINGS CONTINUED (UNAUDITED)

(In thousands, except per share amounts)

	Successor Three Months Ended May 31, 2013	Predecessor Three Months Ended February 28, 2013	Predecessor Six Months Ended May 31, 2012
<b>Revenues:</b>			
Commissions	\$ 146,848	\$ 131,083	\$ 239,295
Principal transactions	138,506	300,278	496,797
Investment banking	277,134	288,278	582,758
Asset management fees and investment income from managed funds	10,527	10,883	7,532
Interest	258,665	249,277	546,310
Other	26,245	27,004	80,191
Total revenues	857,925	1,006,803	1,952,883
Interest expense	211,463	203,416	461,886
Net revenues	646,462	803,387	1,490,997
Interest on mandatorily redeemable preferred interests of consolidated subsidiaries	3,368	10,961	26,300
Net revenues, less interest on mandatorily redeemable preferred interests of consolidated subsidiaries	643,094	792,426	1,464,697
<b>Non-interest expenses:</b>			
Compensation and benefits	373,880	474,217	870,003
<b>Non-compensation expenses:</b>			
Floor brokerage and clearing fees	32,991	30,998	60,759
Technology and communications	63,839	59,878	121,779
Occupancy and equipment rental	32,225	24,309	47,505
Business development	22,732	24,927	44,626
Professional services	29,519	24,135	30,989
Other	18,720	14,475	33,585
Total non-compensation expenses	200,026	178,722	339,243
Total non-interest expenses	573,906	652,939	1,209,246
Earnings before income taxes	69,188	139,487	255,451
Income tax expense	26,477	48,645	90,355
Net earnings	42,711	90,842	165,096
Net earnings attributable to noncontrolling interests	738	10,704	24,462
Net earnings attributable to Jefferies Group LLC	\$ 41,973	\$ 80,138	\$ 140,634

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Earnings per common share:				
Basic	N/A	\$	0.35	\$ 0.61
Diluted	N/A	\$	0.35	\$ 0.61
Dividends declared per common share	N/A	\$	0.075	\$ 0.15
Weighted average common shares:				
Basic	N/A		213,732	217,384
Diluted	N/A		217,844	221,497

See accompanying notes to consolidated financial statements.

**Table of Contents****JEFFERIES GROUP LLC AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

(In thousands)

	<b>Successor Three Months Ended May 31, 2013</b>	<b>Predecessor Three Months Ended May 31, 2012</b>
Net earnings	\$ 42,711	\$ 68,379
Other comprehensive loss, net of tax:		
Currency translation adjustments	(11,466)	(12,217)
Total other comprehensive loss, net of tax (1)	(11,466)	(12,217)
Comprehensive income	31,245	56,162
Net earnings attributable to noncontrolling interests	738	4,881
Comprehensive income attributable to Jefferies Group LLC	\$ 30,507	\$ 51,281

	<b>Successor Three Months Ended May 31, 2013</b>	<b>Predecessor Three Months Ended February 28, 2013</b>	<b>Predecessor Six Months Ended May 31, 2012</b>
Net earnings	\$ 42,711	\$ 90,842	\$ 165,096
Other comprehensive income, net of tax:			
Currency translation adjustments	(11,466)	(10,018)	(6,726)
Total other comprehensive loss, net of tax (1)	(11,466)	(10,018)	(6,726)
Comprehensive income	31,245	80,824	158,370
Net earnings attributable to noncontrolling interests	738	10,704	24,462
Comprehensive income to attributable to Jefferies Group LLC	\$ 30,507	\$ 70,120	\$ 133,908