LEUCADIA NATIONAL CORP
Form 8-K
December 29, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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): December 23, 2005

LEUCADIA NATIONAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

NEW YORK
(State or Other Jurisdiction of Incorporation)

1-5721	13-2615557
(Commission File Number)	(IRS Employer Identification No.)

315 PARK AVENUE SOUTH, NEW YORK, NEW YORK	10010
(Address of Principal Executive Offices)	(Zip Code)

212-460-1900
(Registrant's Telephone Number, Including Area Code)

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:

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

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

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

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

Item 2.01. Completion of Disposition of Assets.

On December 23, 2005 (the "Closing Date"), Leucadia National Corporation (the "Company") completed the sale of its telecommunications subsidiary, WilTel Communications Group, LLC ("WilTel"), to Level 3 Communications, Inc. ("Level 3") for aggregate consideration of $486 million (including $16 million for excess working capital, which is subject to adjustment, and $100 million in cash to reflect that amount of cash left in

WilTel), and 115 million newly issued shares of Level 3 common stock. In connection with the sale, the Company retained certain assets and liabilities of WilTel that were not purchased by Level 3. The retained assets include (i) WilTel's headquarters building located in Tulsa, Oklahoma, (ii) cash and cash equivalents in excess of $100 million, (iii) corporate aircraft and related capital lease obligations, and (iv) marketable securities. In addition, the Company retained all of WilTel's right to receive cash payments from SBC Communications Inc. totaling $236 million, pursuant to the previously announced Termination, Mutual Release and Settlement Agreement dated June 15, 2005 among the Company, WilTel and SBC. Prior to the closing, WilTel repaid its long-term debt obligations using its funds, together with funds advanced by the Company. The retained liabilities also include WilTel's defined benefit pension plan and supplemental retirement plan obligation and certain other employee related liabilities and other claims.

The agreement with Level 3 requires that all parties make the appropriate filings to treat the purchase of WilTel as a purchase of assets for federal, state and local income and franchise tax purposes. As a result, WilTel's operating loss carryforwards, including any tax loss carryforwards generated by the sale, will remain with the Company. The Company currently estimates that after the closing it has federal net operating loss carryforwards of approximately $4.9 billion, which are subject to qualifications, limitations and uncertainties as discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and in the Company's Quarterly Reports on Form 10-Q filed during 2005.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired

Not applicable.

(b) Pro Forma Financial Information

The following unaudited pro forma consolidated financial information should be read in conjunction with the historical consolidated financial statements and related notes of the Company and its subsidiaries for the years ended December 31, 2004, 2003 and 2002, and for the nine months ended September 30, 2005, which have been previously filed with the Securities and Exchange Commission.

The unaudited pro forma consolidated financial information is presented for informational purposes only, is based upon estimates by the Company's management and is not intended to be indicative of the Company's actual consolidated financial position after the transaction was consummated on the Closing Date, and they may not be indicative of consolidated results of operations in the future.

On December 23, 2005, the Company completed the sale to Level 3 of all of the membership interests in WilTel, excluding certain specified WilTel assets and liabilities. The following unaudited pro forma consolidated balance sheet as of September 30, 2005 has been prepared assuming that the transaction was consummated on that date. The following unaudited pro forma consolidated statements of operations have been prepared assuming that the transaction was consummated on January 1, 2002; however, the unaudited pro forma consolidated statements of operations do not contain any pro forma adjustments to reflect hypothetical earnings on the sale proceeds received.

The unaudited pro forma consolidated financial statements should be read in conjunction with the following notes:

1. Pro Forma Adjustments for the Sale: The unaudited pro forma balance sheet reflects the purchase price paid by Level 3 of $486 million (including $16 million for excess working capital, which is subject to adjustment, and $100 million in cash to reflect that amount of cash left in WilTel), and 115 million newly issued shares of Level 3 common stock with an aggregate market value of $339 million based on the $2.95 per share closing price of Level 3 common stock on December 22, 2005. In addition, the Company retained all of WilTel's right to receive cash payments from SBC Communications Inc. totaling $236 million, pursuant to the previously announced Termination, Mutual Release and Settlement Agreement dated June 15, 2005 among the Company, WilTel and SBC. The pro forma adjustments include the recognition of $204.3 million of this amount as a receivable, which represents the amount of the SBC payment that had not been accrued in the historical financial statements as of September 30, 2005. The pro forma balance sheet also reflects the elimination of the historical assets and liabilities of WilTel purchased by Level 3, estimated expenses and other charges related to the transaction, estimated deferred income tax expense and estimated after-tax gain on the sale of $146 million.

   As discussed above, WilTel's headquarters building located in Tulsa, Oklahoma was not sold to Level 3. The Company believes that the closing of this transaction is a change in circumstances that indicates the carrying amount of the headquarters building may not be recoverable, and the Company will be evaluating the recoverability of this asset in connection with the preparation of its annual report on Form 10-K for the year ended December 31, 2005. Although the Company has not yet determined how much the carrying amount of the headquarters building needs to be adjusted (if any), the pro forma adjustments include a pre-tax charge of approximately $40 million to reduce the gain on sale for a possible impairment.

   The unaudited pro forma consolidated statements of operations reflect the elimination of the historical operating results of WilTel, which will be classified as a discontinued operation. The pro forma adjustments reflected on the unaudited pro forma consolidated statements of operations are the same adjustments the Company expects to record when it reclassifies WilTel's historical operating results as a discontinued operation in its annual report on Form 10-K for the year ended December 31, 2005.

2. Pro Forma Adjustments for Debt Repayment: The purchase agreement with Level 3 required the payment in full of WilTel's obligations under its credit agreement prior to closing ($357.5 million outstanding at September 30, 2005) and required the Company to obtain a release for WilTel from any obligation under the outstanding mortgage note secured by its headquarters building ($59.7 million outstanding at September 30, 2005). These obligations were paid in full in November 2005; the pro forma adjustments reflect this repayment along with accrued interest, the write-off of unamortized debt

expenses and the reversal of accrued arrangement fees that will not be paid.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
September 30, 2005

	HISTORICAL	PRO FORMA ADJUSTMENTS FOR THE SALE
		(IN THOUSA
ASSETS		
Current assets:		
Cash and cash equivalents	$ 567,876	$ 386,000
Investments	992,027	339,250
Trade, notes and other receivables, net	472,173	(82,225)
Prepaids and other current assets	165,288	(23,788)
Total current assets	2,197,364	619,237
Non-current investments	801,611	-
Notes and other receivables, net	10,883	-
Intangible assets, net and goodwill	83,698	-
Deferred tax asset, net	1,097,351	(82,109)
Other assets	207,759	(22,632)
Property, equipment and leasehold improvements	1,238,674	(946,726)
Investments in associated companies, net	424,478	-
Total	$ 6,061,818	$ (432,230)
LIABILITIES		
Current liabilities:		
Trade payables and expense accruals	$ 413,110	$ (214,497)
Deferred income	58,248	(56,577)
Other current liabilities	76,312	(28,650)
Debt due within one year	185,410	-
Income taxes payable	16,039	-
Total current liabilities	749,119	(299,724)
Long-term deferred income	190,051	(190,051)
Other non-current liabilities	187,272	(88,313)
Long-term debt	1,380,219	(113)
Total liabilities	2,506,661	(578,201)

Commitments and contingencies		
Minority interest	12,448	-
SHAREHOLDERS' EQUITY		
Common shares	108,030	-
Additional paid-in capital	612,517	-
Accumulated other comprehensive income	27,913	-
Retained earnings	2,794,249	145,971
Total shareholders' equity	3,542,709	145,971
Total	$ 6,061,818	$ (432,230)

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2005

	HISTORICAL	P AD FOR
	(IN THOUSANDS, EX	
REVENUES AND OTHER INCOME:		
Telecommunications	$ 1,368,867	$ (
Healthcare	182,791	
Manufacturing	223,991	
Investment and other income	187,527	
Net securities gains	135,009	
	2,098,185	(
EXPENSES:		
Cost of sales:		
Telecommunications	963,094	
Healthcare	154,100	
Manufacturing	189,140	
Interest	75,166	
Salaries and incentive compensation	158,146	
Depreciation and amortization	138,987	
Selling, general and other expenses	240,499	
	1,919,132	(
Income from continuing operations before income taxes and equity in income of associated companies	179,053	
Income tax provision (benefit)	(1,131,719)	
Income from continuing operations before equity in income of associated companies	1,310,772	
Equity in income of associated companies, net of taxes	11,962	

Income from continuing operations	$ 1,322,734	$
Basic earnings per common share from continuing operations	$ 12.28	
Diluted earnings per common share from continuing operations	$ 11.54	
Number of shares used in calculation:		
Basic	107,717	
Diluted	115,590	

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004

	HISTORICAL	P AD FOR
	(IN THOUSANDS,	
REVENUES AND OTHER INCOME:		
Telecommunications	$ 1,582,948	$ (
Healthcare	257,262	
Manufacturing	64,055	
Finance	10,037	
Investment and other income	204,873	
Net securities gains	142,936	
	2,262,111	(
EXPENSES:		
Cost of sales:		
Telecommunications	1,129,248	(
Healthcare	216,333	
Manufacturing	45,055	
Interest	96,787	
Salaries and incentive compensation	187,880	
Depreciation and amortization	226,080	
Selling, general and other expenses	305,443	
	2,206,826	(
Income from continuing operations before income taxes and equity in income of associated companies	55,285	
Income tax provision (benefit)	(20,192)	
Income from continuing operations before equity in income of associated companies	75,477	
Equity in income of associated companies, net of taxes	76,479	

Income from continuing operations	$ 151,956	$
Basic earnings per common share from continuing operations	$ 1.42	
Diluted earnings per common share from continuing operations	$ 1.40	
Number of shares used in calculation:		
Basic	106,692	
Diluted	112,746	

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003

	HISTORICAL	P AD FOR
	(IN THOUSANDS, EX	
REVENUES AND OTHER INCOME:		
Telecommunications	$ 231,930	$
Healthcare	71,039	
Manufacturing	53,327	
Finance	55,091	
Investment and other income	127,631	
Net securities gains	9,953	
	548,971	
EXPENSES:		
Cost of sales:		
Telecommunications	167,653	
Healthcare	61,280	
Manufacturing	38,998	
Interest	43,002	
Salaries and incentive compensation	58,394	
Depreciation and amortization	57,297	
Selling, general and other expenses	154,100	
	580,724	
Income (loss) from continuing operations before income taxes, minority expense of trust preferred securities and equity in income of associated companies	(31,753)	
Income tax provision (benefit)	(43,442)	
Income from continuing operations before minority expense of trust preferred securities and equity in income of associated companies	11,689	
Minority expense of trust preferred securities, net of taxes	(2,761)	
Equity in income of associated companies, net of taxes	76,947	

Income from continuing operations	$ 85,875	$
	=========	=
Basic earnings per common share from continuing operations	$ 0.94	
	=========	
Diluted earnings per common share from continuing operations	$ 0.93	
	=========	
Number of shares used in calculation:		
Basic	91,896	
	=========	
Diluted	92,551	
	=========	

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002

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	HISTORICAL	FO
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	(IN THOUSANDS, E	
REVENUES AND OTHER INCOME:		
Telecommunications	$ -	
Healthcare	-	
Manufacturing	50,744	
Finance	87,812	
Investment and other income	133,667	
Net securities gains	(37,066)	

	235,157	

EXPENSES:		
Cost of sales:		
Telecommunications	-	
Healthcare	-	
Manufacturing	33,963	
Interest	32,975	
Salaries and incentive compensation	41,814	
Depreciation and amortization	16,253	
Selling, general and other expenses	149,296	

	274,301	

Income (loss) from continuing operations before income taxes, minority expense of trust preferred securities and equity in income of associated companies	(39,144)	
Income tax provision (benefit)	(144,075)	

Income from continuing operations before minority expense of trust preferred securities and equity in income of associated companies	104,931	
Minority expense of trust preferred securities, net of taxes	(5,521)	
Equity in income of associated companies, net of taxes	54,712	

Income from continuing operations	$ 154,122
Basic earnings per common share from continuing operations	$ 1.85
Diluted earnings per common share from continuing operations	$ 1.83
Number of shares used in calculation:	
Basic	83,501
Diluted	84,025

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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 hereunto duly authorized.

Date: December 29, 2005

LEUCADIA NATIONAL CORPORATION

/s/ Joseph A. Orlando

Name: Joseph A. Orlando
Title: Vice President and Chief Financial Officer

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