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LEUCADIA NATIONAL CORP
Form 8-K/A
July 14, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A

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

Date of report (Date of earliest event reported): May 2, 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 Acquisition or Disposition of Assets.

As more fully described in Leucadia National Corporation's (the "Company") Form 8-K dated May 2, 2005, on that date the Company acquired all of the issued and outstanding capital stock of Idaho Timber Corporation and certain affiliated companies (collectively, "ITC") for aggregate cash consideration of \$138,900,000, including working capital adjustments and expenses of the acquisition. This Form 8-K/A amends the aforementioned Form 8-K by including the financial statements and exhibits set forth under Item 9.01.

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Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of business acquired:

Audited combined financial statements of ITC for the fiscal year ended March 25, 2005 described below

- o Report of Independent Auditors
- o Combined Balance Sheet as of March 25, 2005
- o Combined Statement of Income for the year ended March 25, 2005
- o Combined Statement of Stockholders' Equity for the year ended March 25, 2005
- o Combined Statement of Cash Flows for the year ended March 25, 2005
- o Notes to Combined Financial Statements

(b) Pro forma financial information:

The accompanying unaudited pro forma consolidated balance sheet information as of March 31, 2005 assumes the acquisition of ITC (the "Acquisition") had occurred on March 31, 2005. The accompanying unaudited pro forma consolidated statements of operations for the year ended December 31, 2004 and the three months ended March 31, 2005 are presented to reflect the Acquisition as if it had occurred on January 1, 2004. ITC historically had either a 52 or 53 week fiscal year, ending on the last Friday in March. In order to prepare the 2004 pro forma consolidated financial statements, the Company used ITC's audited combined balance sheet and audited combined statement of income as of and for the fiscal year ended March 25, 2005. In order to prepare the unaudited pro forma consolidated statements of operations for the three months ended March 31, 2005, the Company used ITC's unaudited combined statement of income for the twelve week period ended March 25, 2005. As a result, ITC's operating results for the twelve week period ended March 25, 2005 is included in both pro forma consolidated statements of operations presented.

Certain of the pro forma adjustments reflect a preliminary allocation of the purchase price and necessarily involve certain significant estimates. The Company has not finalized its allocation of the purchase price, and will not finalize its allocation until an independent third-party appraisal of the fair value of the assets acquired is completed. When finalized, any changes to the preliminary purchase price allocation could result in offsetting changes to property and equipment, identifiable intangible assets and/or goodwill. However, the Company does not expect that its final allocation of the purchase price will be materially different from the preliminary allocation presented herein.

The accompanying unaudited pro forma consolidated financial statements should be read in conjunction with the Company's historical consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K, as amended by Form 10-K/A, for the year ended December 31, 2004 and its Quarterly Report on Form 10-Q for the period ended March 31, 2005 and the historical combined financial statements and notes thereto of ITC, which are included in this Report under Item 9.01(a). The unaudited pro forma consolidated financial statements are presented for informational purposes only and are not necessarily indicative of actual results had the foregoing transactions occurred as described in the preceding paragraph, nor do they purport to represent results of future operations.

(c) Exhibits:

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23.1 Consent of PricewaterhouseCoopers LLP with respect to the incorporation by reference of the combined financial statements of Idaho Timber Corporation and Related Companies into the Company's Registration Statements on Form S-8 (File No. 2-84303), Form S-8 and S-3 (File No. 33-6054), Form S-8 and S-3 (File No. 33-26434), Form S-8 and S-3 (File No. 33-30277), Form S-8 (File No. 33-61682), Form S-8 (File No. 33-61718), Form S-8 (File No. 333-51494), Form S-3 (File No. 333-118102), Form S-3 (File No. 333-122047) and Form S-4 (File No. 333-125806).

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Report of Independent Auditors

To the Board of Directors
and Stockholders of Idaho Timber Corporation and Related Companies

In our opinion, the accompanying combined balance sheet and the related combined statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Idaho Timber Corporation and Related Companies (the "Company") at March 25, 2005, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Salt Lake City, Utah

July 7, 2005

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Idaho Timber Corporation
Combined Balance Sheet

ASSETS

Current assets:

Cash and cash equivalents
Certificate of deposit
Accounts receivable, net
Inventories
Timber and timberland
Deferred income taxes
Prepaid expenses and other current assets

Total current assets

Deferred income taxes
Property and equipment, net

Total assets

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable
Book overdraft
Due to related parties
Distributions payable to stockholders
Accrued expenses

Total current liabilities

Deferred income taxes
Line of credit

Total liabilities

Mar

\$

\$

\$

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Commitments and contingencies (Note 9 and 12)

Stockholders' equity:

Common stock, \$1 par value, 3,000,000 shares authorized,
1,224,945 shares issued and 1,040,607 shares outstanding
Additional paid-in capital
Retained earnings
Treasury stock, at cost, 184,338 shares

Total stockholders' equity

Total liabilities and stockholders' equity

\$

The accompanying notes are an integral part of these
combined financial statements.

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Idaho Timber Corporation
Combined Statement of Income

NET SALES

COST OF GOODS SOLD

Gross profit

OPERATING EXPENSES:

Salaries, wages and benefits
Management and employee bonuses
Selling, general and administrative
Depreciation

Total operating expenses

Operating income

OTHER INCOME (EXPENSE):

Interest income
Interest expense

Total other income (expense)

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Income before income taxes
 Provision for income taxes
 Net income

The accompanying notes are an integral part of these combined financial statements.

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Idaho Timber Corporation
 Combined Statement of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasur Stock
Balance at March 26, 2004	\$ 1,224,945	\$7,539,153	\$ 25,744,559	\$ (5,907,000)
Net income	-	-	43,445,038	
Distributions to stockholders	-	-	(36,335,000)	
Balance at March 25, 2005	\$ 1,224,945	\$7,539,153	\$ 32,854,597	\$ (5,907,000)

The accompanying notes are an integral part of these combined financial statements.

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Idaho Timber Corporation
Combined Statement of Cash Flows

Year E

Cash flows from operating activities:

Net income

Adjustments to reconcile net income to net cash
provided by operating activities:

Depreciation

Gain on sale of property and equipment

Deferred income taxes

Changes in operating assets and liabilities

Accounts receivable, net

Inventories

Timber and timberland

Prepaid expenses and other current assets

Other assets

Accounts payable

Accrued expenses

Net cash provided by operating activities

Cash flows from investing activities:

Certificate of deposit

Purchase of property and equipment

Proceeds from sale of equipment

Net cash used in investing activities

Cash flows from financing activities:

Book overdraft

Payments on line of credit

Advances on line of credit

Decrease in amounts due to related parties

Distributions paid to stockholders

Net cash used in financing activities

Net decrease in cash

Cash and cash equivalents at beginning of year

Cash and cash equivalents at end of year

Supplemental cash flow information:

Interest paid

Income taxes paid

Distributions payable to stockholders

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The accompanying notes are an integral part of these combined financial statements.

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Idaho Timber Corporation
Notes to Combined Financial Statements

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements include the accounts of Idaho Timber Corporation and the accounts of related companies engaged in the production, sale, manufacturing and distribution of lumber products which have common ownership and are under common control (collectively, the Company). The combined financial statements are not those of a separate legal entity. The related companies combined herein for the year ended March 25, 2005 include:

- Idaho Timber Corporation
- Idaho Timber Corporation of Boise, Inc.
- Idaho Timber Corporation of Texas, Inc.
- Idaho Timber Corporation of Idaho, Inc.
- Idaho Timber Corporation of Kansas, Inc.
- Idaho Timber Corporation of Carthage, Inc.
- Idaho Timber Corporation of Montana, Inc.
- Idaho Timber Corporation of Mountain Home, Inc.
- Idaho Timber Corporation of Albuquerque, Inc., dba Sagebrush Sales
- Idaho Timber Corporation of North Carolina, Inc.
- Alumni Forest Products, Inc., dba Idaho Timber of Florida
- Idaho Cedar Sales

All significant intercompany balances and profits have been eliminated.

Nature of Business

The Company's primary operating activities include dimensional lumber remanufacturing and lumber milling.

Fiscal Year End

The Company's fiscal year comprises 52 or 53 weeks, ending on the last Friday of March.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash held in lockbox and local bank accounts, and short-term investments maturing 90-days or less at the time of acquisition. The book overdraft balance represents outstanding checks in the zero balance accounts.

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Accounts Receivable

The Company extends non-interest bearing trade credit to its customers in the ordinary course of business. To minimize credit risk, ongoing credit evaluations of customers' financial condition are performed; however collateral is not required. The Company maintains an allowance for doubtful accounts which is based on its historical collections experience as well as its evaluation of current conditions and trends affecting its customers.

Inventories

Inventories include logs, lumber and building materials held for sale and lumber purchased for remanufacturing. Inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

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Timber and Timberland

Timber and timberland are shown at cost, less the cost of timber harvested. The cost of timber harvested is determined on the basis of timber removals at rates based on the estimated volume of recoverable timber. All timber and timberland is classified as a current asset based on the term of the individual timber deeds.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line and declining-balance methods based on the following estimated useful lives:

Buildings and improvements	7 - 40 years
Machinery and equipment	3 - 10 years

Expenditures for maintenance and repairs are charged to expense as incurred. When an asset is sold or otherwise disposed of, the cost and associated accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the combined statement of income.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the expected undiscounted cash flows are less than the carrying amount of the asset, an impairment loss is recognized based on the excess of the carrying amount of the asset over the fair value.

Revenue Recognition

Revenues are recognized when the following revenue recognition criteria are met (1) persuasive evidence of an arrangement exists; (2) there is a fixed or determinable price; (3) delivery has occurred; and (4) collectibility is reasonably assured. These criteria are satisfied (and revenue is recognized) upon delivery of product to the customer, as shipping terms are FOB destination.

Certain customers receive volume discounts between 2-3%, which are netted against sales and accounts receivable.

Cost of Goods Sold

Cost of goods sold includes product costs, warehousing costs, depreciation and inbound and outbound shipping and handling costs.

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Income Taxes

All of the companies combined herein, except Idaho Timber Corporation and Idaho Timber Corporation of Mountain Home, Inc., have elected to be taxed under Subchapter S of the Internal Revenue Code. Any taxable income or loss from the Subchapter S companies is included in the tax returns of the stockholders. Accordingly no tax provision has been recorded for the Subchapter S companies in the accompanying combined financial statements.

Idaho Timber Corporation (ITC) and Idaho Timber Corporation of Mountain Home, Inc. (Mountain Home) file separate federal and state tax returns. These companies use the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

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Recently Issued Accounting Standards

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs--an Amendment of ARB No. 43, Chapter 4". This standard provides clarification that abnormal amounts of idle facility expense, freight, handling costs and spoilage should be recognized as current period charges. Additionally, this standard requires that the allocation of fixed production overhead to the cost of production be based on the normal capacity of the production facilities. The provisions of this standard are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this standard is not expected to have a significant effect on the Company's financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-monetary Assets". This statement amends Accounting Principles Board Opinion No. 29, "Accounting for Non-monetary Transactions" and requires companies to record non-monetary exchanges of assets (except exchanges of non-monetary assets that do not have commercial substance) at fair value. SFAS No. 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of this standard is not expected to have a significant effect on the Company's financial position, results of operations or cash flows.

In June 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a replacement of APB No. 20 and FAS No. 3". This statement replaces Accounting Principles Board Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements", and generally requires retrospective application to prior periods' financial statements of voluntary changes in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is not expected to have a significant effect on the Company's financial position, results of operations or cash flows.

2. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

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	March 25, 2005

Accounts receivable	\$ 25,742,293
Less allowance for doubtful accounts	(210,202)

	\$ 25,532,091
	=====

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3. INVENTORIES

Inventories consist of the following:

	March 25, 2005

Raw materials	\$ 2,996,471
Work in process	339,812
Finished goods	23,513,308

	\$ 26,849,591
	=====

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	March 25, 2005

Land	\$ 895,558
Buildings and improvements	6,233,740
Machinery and equipment	11,059,522

	18,188,820
Less accumulated depreciation	(13,426,280)

	\$ 4,762,540
	=====

Depreciation of property and equipment totaled \$807,553 for the year ended March 25, 2005.

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5. DUE TO RELATED PARTIES

Due to related parties represent amounts owed to non-combined affiliates. The amounts arise from the use of a shared cash concentration account by both the Company and the non-combined affiliates. Under this arrangement, the Company paid interest of \$46,909 for the year ended March 25, 2005 to these non-combined affiliates at an effective interest rate of 1.85%.

6. DISTRIBUTIONS

During the year ended March 25, 2005, the Company paid distributions to stockholders of \$29,845,000. In addition, prior to March 25, 2005, the Company approved additional distributions of \$6,490,000. The distributions were paid subsequent to year-end.

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7. ACCRUED EXPENSES

Accrued expenses consist of the following:

Management and employee bonuses
Accrued payroll and vacation
Workers compensation insurance premiums and health claims payable
Income taxes payable

8. LINE OF CREDIT

During the year ended March 25, 2005, the Company had an unsecured, revolving \$55,000,000 line-of-credit agreement with Bank of America. During the commitment period, the line-of-credit is reduced annually by amounts ranging from \$5,000,000 to \$15,000,000. During the year ended March 25, 2005, the line of credit was reduced to \$50,000,000. The line-of-credit bears interest at a rate equal to the LIBOR plus an applicable interest margin ranging from 1.25-2.50%, based on the Company's funded debt to EBITDA ratio which is evaluated and adjusted on a quarterly basis. The effective interest rate at March 25, 2005 was 4.04%. The line-of-credit agreement expires on October 1, 2008.

The line-of-credit agreement contains financial covenants, the most restrictive of which requires the Company to maintain certain ratios

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including funded debt to EBITDA, debt service coverage and asset coverage. The covenants also limit capital expenditures and the payment of distributions. The Company was in compliance with the covenants as of March 25, 2005.

9. LEASE OBLIGATIONS

The Company leases certain land and buildings under non-cancelable operating leases with initial terms of 1 to 10 years. Future minimum lease payments are as follows:

For the years ending

March 31, 2006	\$ 175,608
March 30, 2007	147,939
March 28, 2008	112,158

	\$ 435,705
	=====

Total rent expense under non-cancelable operating leases for the year ended March 25, 2005, was \$196,210.

10. INCOME TAXES

The provision for income taxes consists of the following:

Current:
 Federal
 State
 Deferred

Year
 March

 \$

 \$
 =====

A reconciliation of the Company's effective tax rate to the statutory U.S. Federal tax rate (35%) is as follows:

Year
 March

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Provision for income taxes at statutory rate
 Tax effect of Subchapter S company income not subject to income taxes
 State income taxes (net of federal income tax benefit)
 Other permanent items

\$

 \$
 =====

The principal components of the Company's deferred tax balances are as follows:

	March 25, 2005

Deferred tax assets:	
ITC	
Accrued expenses	\$ 369,875
Mountain Home	
Inventories	277,204
Property and equipment	34,467

Total deferred tax assets	681,546

Deferred tax liabilities:	
ITC	
Property and equipment	(14,797)
Mountain Home	
Other taxes	(3,798)

Total deferred tax liabilities	(18,595)

Net deferred tax assets	\$ 662,951
	=====

The deferred tax assets and liabilities are classified as follows:

Mar
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Current deferred tax assets
 ITC
 Mountain Home

\$

Total current deferred tax assets

\$

Long-term deferred tax asset
 Mountain Home

Long-term deferred tax liability
 ITC

\$
 =====

11. PROFIT SHARING PLAN

The Company has a profit sharing retirement plan (the "Plan") for full-time employees who have completed one year of service and have attained age 21. Contributions to the Plan are made at the discretion of the Company's Board of Directors. Contribution expense related to the Plan for fiscal year ended March 25, 2005 was \$1,051,501.

The Plan also includes a 401(k) option for elective contributions by all full-time active employees. The Company matches the first \$500 of the employees' annual contributions to the Plan. Expense attributable to the employer match was \$137,385 for the year ended March 25, 2005.

12. COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal matters arising in the normal course of business. In the opinion of management, the Company's liability, if any, related to these matters is not expected to have a material adverse impact on the Company's financial position, results of operations or cash flows. The outcome of legal matters in which the Company is presently involved is not probable or reasonably estimable.

13. RELATED PARTY TRANSACTIONS

During the year ended March 25, 2005, a note due from related parties was paid in full. The Company received a total of \$161,994 in interest payments on the note during the year, which had an interest rate of 8.30%.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, certificate of deposit, accounts receivable, accounts payable and the line of credit at March 25, 2005 approximate fair value.

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15. CONCENTRATIONS OF CREDIT RISK

The Company's remanufacturing and milling operations are located throughout the United States.

The Company sells primarily remanufactured dimensional lumber products to customers in the construction and wood product industries in the United States. At March 25, 2005, no single customer exceeded 10% of the Company accounts receivable balance.

16. SUBSEQUENT EVENTS

On May 2, 2005, the Company was acquired by Leucadia National Corporation. Subsequent to the acquisition, the line of credit was paid off.

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Leucadia National Corporation and Subsidiaries
Unaudited Pro Forma Consolidated Balance Sheet
(In thousands)

	Leucadia Historical March 31, 2005	ITC Prior to Acquisition March 25, 2005	Pro Forma Adjustments	Pro F Adj
Assets				
Current assets:				
Cash and cash equivalents	\$ 693,603	\$ 1,048	\$ (139,966) (a)	\$ 5
Investments	953,475	1,250	(1,250) (a)	9
Trade, notes and other receivables, net	346,090	25,532	-	3
Prepays and other current assets	53,777	43,564	1,000 (b)	1
			2,400 (c)	
			(643) (d)	
Total current assets	2,046,945	71,394	(138,459)	1,9
Non-current investments	698,408	-	-	6
Notes and other receivables, net	13,886	-	-	
Other assets	221,348	34	51,000 (e)	2
			6,284 (f)	
			(34) (d)	
Property, equipment and leasehold improvements, net	1,321,645	4,763	25,600 (g)	1,3
Investments in associated companies	455,029	-	-	4
Total	\$ 4,757,261	\$ 76,191	\$ (55,609)	\$ 4,7
Liabilities				
Current liabilities:				
Trade payables and expense accruals	\$ 402,289	\$ 22,124	\$ (8,032) (h)	\$ 4

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Deferred revenue	51,548	-	-	
Other current liabilities	88,641	6,490	-	
Customer banking deposits due within one year	16,463	-	-	
Debt due within one year	71,284	-	-	
Income taxes payable	14,204	-	-	
	-----	-----	-----	-----
Total current liabilities	644,429	28,614	(8,032)	6
Long-term deferred revenue	162,633	-	-	1
Other non-current liabilities	205,603	15	(15)	(d) 2
Non-current customer banking deposits	5,471	-	-	
Long-term debt	1,480,509	11,851	(11,851)	(h) 1,4
	-----	-----	-----	-----
Total liabilities	2,498,645	40,480	(19,898)	2,5
	-----	-----	-----	-----
Commitments and contingencies				
Minority interest	17,801	-	-	
	-----	-----	-----	-----
Shareholders' Equity				
Common stock	107,614	1,041	(1,041)	(i) 1
Additional paid-in capital	598,712	1,815	(1,815)	(i) 5
Accumulated other comprehensive income	115,465	-	-	1
Retained earnings	1,419,024	32,855	(32,855)	(i) 1,4
	-----	-----	-----	-----
Total shareholders' equity	2,240,815	35,711	(35,711)	2,2
	-----	-----	-----	-----
Total	\$ 4,757,261	\$ 76,191	\$ (55,609)	\$ 4,7
	=====	=====	=====	=====

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Leucadia National Corporation and Subsidiaries
 Unaudited Pro Forma Consolidated Statement of Operations
 (In thousands, except per share amounts)

	Leucadia Historical Year Ended December 31, 2004	ITC Prior to Acquisition Fiscal Year Ended March 25, 2005	Pro Adjust
	-----	-----	-----
Revenues:			
Telecommunications	\$ 1,582,948	\$ -	\$ -
Healthcare	257,262	-	-
Manufacturing	64,055	401,958	-

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Finance	10,037	-	
Investment and other income	204,873	185	
Net securities gains	142,936	-	
	2,262,111	402,143	
Expenses:			
Cost of sales:			
Telecommunications	1,129,248	-	
Healthcare	216,333	-	
Manufacturing	45,055	341,067	
Interest	96,787	490	
Salaries	187,880	13,677	
Depreciation and amortization	226,080	166	
Selling, general and other expenses	305,443	2,409	
	2,206,826	357,809	
Income from continuing operations before income taxes and equity in income of associated companies	55,285	44,334	
Income tax provision (benefit)	(20,192)	889	
	75,477	43,445	
Income from continuing operations before equity in income of associated companies	75,477	43,445	
Equity in income of associated companies, net of taxes	76,479	-	
	\$ 151,956	\$ 43,445	\$
Income from continuing operations			
Basic earnings per common share:			
Income from continuing operations	\$1.42		
Number of shares used in calculation	106,692		
Diluted earnings per common share:			
Income from continuing operations	\$1.40		
Number of shares used in calculation	112,746		

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Leucadia National Corporation and Subsidiaries
Unaudited Pro Forma Consolidated Statement of Operations
(In thousands, except per share amounts)

Leucadia
Historical
Three Months
Ended

ITC Prior to
Acquisition
Twelve Weeks
Ended

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	March 31, 2005	March 25, 2005	Ad
	-----	-----	-----
Revenues:			
Telecommunications	\$ 421,495	\$ -	
Healthcare	67,438	-	
Manufacturing	20,874	87,164	
Finance	101	-	
Investment and other income	50,822	-	
Net securities gains	55	-	
	-----	-----	
	560,785	87,164	
	-----	-----	
Expenses:			
Cost of sales:			
Telecommunications	303,019	-	
Healthcare	56,464	-	
Manufacturing	14,709	73,440	
Interest	24,809	103	
Salaries	44,767	3,373	
Depreciation and amortization	46,516	41	
Selling, general and other expenses	78,412	1,556	
	-----	-----	
	568,696	78,513	
	-----	-----	
Income (loss) from continuing operations before income taxes and equity in income of associated companies	(7,911)	8,651	
Income tax provision	624	126	
	-----	-----	
Income (loss) from continuing operations before equity in income of associated companies	(8,535)	8,525	
Equity in income of associated companies, net of taxes	11,148	-	
	-----	-----	
Income from continuing operations	\$ 2,613	\$ 8,525	
	=====	=====	
Basic earnings per common share:			
Income from continuing operations	\$0.02		
Number of shares used in calculation	107,609		
Diluted earnings per common share:			
Income from continuing operations	\$0.02		
Number of shares used in calculation	107,880		

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Notes to Unaudited Pro Forma Consolidated Financial Statements

The unaudited pro forma consolidated balance sheet as of March 31, 2005 reflects the adjustments necessary to record the acquisition by the Company of Idaho Timber Corporation and certain affiliated companies (collectively, "ITC") (the "Acquisition") as though it had occurred on March 31, 2005.

The unaudited pro forma consolidated statement of operations for the year ended December 31, 2004 and the unaudited pro forma consolidated statement of operations for the three months ended March 31, 2005 have been prepared assuming the Acquisition had occurred on January 1, 2004 and reflect the effects of certain adjustments to the historical financial statements that result from the Acquisition. The Acquisition was funded from available cash resources.

ITC historically had either a 52 or 53 week fiscal year, ending on the last Friday in March. In order to prepare the pro forma consolidated financial statements, the Company used ITC's audited combined balance sheet and audited combined statement of income as of and for the year ended March 25, 2005. In order to prepare the unaudited pro forma consolidated statements of operations for the three months ended March 31, 2005, the Company used ITC's unaudited combined statement of income for the twelve week period ended March 25, 2005. As a result, ITC's operating results for the twelve week period ended March 25, 2005 is included in both pro forma consolidated statements of operations presented.

The following notes pertain to the unaudited pro forma consolidated financial statements:

- (a) Represents the purchase price of \$138,900,000 (including expenses of \$2,400,000 and working capital adjustments of \$4,500,000), and reflects that the cash, cash equivalents and investments of ITC (an aggregate of \$2,298,000) were not purchased by the Company.
- (b) Represents adjustments to reflect finished goods and work in process inventory at estimated selling prices, less the sum of costs of disposal and a reasonable profit allowance, and costs to complete for work in process inventory.
- (c) Represents an increase to adjust timber and timberland to estimated fair value.
- (d) Represents the adjustment necessary to eliminate the historical deferred income taxes of ITC. See also note (n) below.
- (e) Represents the preliminary estimate of the fair value of identifiable intangible assets which will be recognized apart from goodwill, substantially all of which are customer-related intangible assets. The fair value is primarily based upon Company's estimates of future results of operations and cash flows, and a preliminary independent third-party appraisal. The intangible assets are expected to be amortized over a ten year period.
- (f) Represents the preliminary amount allocated to goodwill, including amounts for the assembled workforce.
- (g) Represents the preliminary adjustment to recognize property and equipment at fair value. The estimated useful life is fifteen years for amounts allocated to buildings and improvements, and three to five years for equipment.
- (h) Represents the retirement of ITC's line of credit which was funded with a portion of the purchase price. Outstanding checks totaling \$8,032,000 (reflected as trade payables and expense accruals) are funded by the line of credit when presented for payment; as a result, a pro forma adjustment is applied to allocate a portion of the purchase price to the satisfaction of these obligations.
- (i) Represents the adjustment necessary to eliminate the historical stockholders' equity accounts of ITC.

- (j) For both periods, represents an increase to depreciation expense that is classified as cost of sales related to the preliminary adjustment to fair value of property and equipment (see note (g) above).
- (k) For the three months ended March 31, 2005, represents the estimated portion of the fair value adjustment to timber and timberland (referred to in note (c) above) which would have been amortized during the period. For the year ended December 31, 2004, includes the amortization of the full amount of the timber and timberland adjustment, and the adjustment to inventory referred to in note (b) above.
- (l) For both periods, represents an increase to depreciation expense that is classified as depreciation and amortization related to the preliminary adjustment to fair value of property and equipment (see note (g) above).
- (m) For both periods, represents an increase to amortization expense related to the preliminary adjustment to fair value of identifiable intangible assets referred to in note (e) above.
- (n) All but two of the ITC entities purchased by the Company had previously elected to be taxed under Subchapter S of the Internal Revenue Code; accordingly, any taxable income or loss from the Subchapter S entities were reported by the shareholders of those corporations and no tax expense was reflected in those ITC entities' historical financial statements. The adjustment represents the elimination of the historical federal income tax provision or benefit of ITC entities that were not taxed under Subchapter S. The Company has not reflected an adjustment for any federal income tax expense or benefit for ITC's historical results or for pre-tax pro forma adjustments because of the Company's consolidated federal income benefits that would have offset any federal income tax. Such federal income tax benefits have previously been fully reserved for in the Company's valuation allowance.

The Company has not yet determined whether it will elect to treat the Acquisition as an acquisition of assets for income tax purposes, and has assumed for the pro forma consolidated financial statements that the accounting and tax basis of ITC's assets and liabilities are the same. However, should the Company ultimately decide to retain the pre-acquisition tax basis of ITC's assets, it would not recognize a net deferred tax liability for the excess of the purchase accounting book values over the historical tax basis due to the existing full valuation allowance for the Company's deferred tax assets.

- (o) For both periods, represents the incremental state income tax provision that would have been recorded for the ITC pro forma adjusted pre-tax income which was generated by entities that historically elected to be taxed under Subchapter S.

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: July 14, 2005

LEUCADIA NATIONAL CORPORATION

/s/ Joseph A. Orlando

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