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LEUCADIA NATIONAL CORP
Form 10-K/A
March 09, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2005

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _____ to _____

Commission file number: 1-5721

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

New York

13-2615557

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

315 Park Avenue South
New York, New York 10010
(212) 460-1900

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, par value \$1 per share	New York Stock Exchange
7-3/4% Senior Notes due August 15, 2013	New York Stock Exchange
7-7/8% Senior Subordinated Notes due October 15, 2006	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None.

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the

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best of registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [x].

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

Large Accelerated Filer [x] Accelerated Filer [] Non-Accelerated Filer []

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

Aggregate market value of the voting stock of the registrant held by non-affiliates of the registrant at June 30, 2005 (computed by reference to the last reported closing sale price of the Common Shares on the New York Stock Exchange on such date): \$3,130,796,000.

On February 23, 2006, the registrant had outstanding 108,072,508 Common Shares.

DOCUMENTS INCORPORATED BY REFERENCE:

Certain portions of the registrant's definitive proxy statement pursuant to Regulation 14A of the Securities Exchange Act of 1934 in connection with the 2006 annual meeting of shareholders of the registrant are incorporated by reference into Part III of this Report.

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Explanatory Note

We inadvertently omitted (i) the signature of PricewaterhouseCoopers LLP and (ii) the March 8, 2006 date from PricewaterhouseCoopers LLP's "Report of Independent Registered Public Accounting Firm" included in Item 15 of our Form 10-K for the fiscal year ended December 31, 2005, which was filed with the Securities and Exchange Commission ("SEC") on March 8, 2006 (the "Form 10-K").

In order to comply with certain technical requirements of the SEC's rules in connection with the filing of this amendment on Form 10-K/A, we are (i) setting forth in this amendment the complete text of Item 15 (Exhibits and Financial Statement Schedule), as amended and (ii) adding, as exhibits, certain current dated certifications of our principal executive and principal financial officers.

Except for the matters described above, this amendment does not modify or update disclosures in, or exhibits to, the Form 10-K originally filed on March 8, 2006. Furthermore, except for the matters described above, this amendment does not change any previously reported financial results, nor does it reflect events occurring after the date of the original Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedule.

(a) (1) (2) Financial Statements and Schedule.

Report of Independent Registered Public Accounting Firm.....

Financial Statements:

Consolidated Balance Sheets at December 31, 2005 and 2004.....

Consolidated Statements of Operations for the years ended December 31, 2005,
2004 and 2003.....

Consolidated Statements of Cash Flows for the years ended December 31, 2005,
2004 and 2003.....

Consolidated Statements of Changes in Shareholders' Equity for the years ended
December 31, 2005, 2004 and 2003.....

Notes to Consolidated Financial Statements.....

Financial Statement Schedule:

Schedule II - Valuation and Qualifying Accounts.....

(3) Executive Compensation Plans and Arrangements. See Item 15(b)
below for a complete list of Exhibits to this Report.

1999 Stock Option Plan (filed as Annex A to the Company's Proxy
Statement dated April 9, 1999 (the "1999 Proxy Statement")).

Form of Grant Letter for the 1999 Stock Option Plan (filed as
Exhibit 10.4 to the Company's Annual Report on Form 10-K for the
fiscal year ended December 31, 2004 (the "2004 10-K").

Amended and Restated Shareholders Agreement dated as of June 30,
2003 among the Company, Ian M. Cumming and Joseph S. Steinberg
(filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K
for the fiscal year ended December 31, 2003 (the "2003 10-K")).

Leucadia National Corporation 2003 Senior Executive Annual
Incentive Bonus Plan, as amended May 17, 2005 (filed as Annex A to
the Company's Proxy Statement dated April 22, 2005 (the "2005
Proxy Statement")).

Employment Agreement made as of June 30, 2005 by and between the
Company and Ian M. Cumming (filed as Exhibit 99.1 to the Company's
Current Report on Form 8-K dated July 13, 2005 (the "July 13, 2005

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8-K"))).

Employment Agreement made as of June 30, 2005 by and between the Company and Joseph S. Steinberg (filed as Exhibit 99.2 to the July 13, 2005 8-K).

(b) Exhibits.

We will furnish any exhibit upon request made to our Corporate Secretary, 315 Park Avenue South, New York, NY 10010. We charge \$.50 per page to cover expenses of copying and mailing.

- 3.1 Restated Certificate of Incorporation (filed as Exhibit 5.1 to the Company's Current Report on Form 8-K dated July 14, 1993).*
- 3.2 Certificate of Amendment of the Certificate of Incorporation dated as of May 14, 2002 (filed as Exhibit 3.2 to the 2003 10-K).*
- 3.3 Certificate of Amendment of the Certificate of Incorporation dated as of December 23, 2002 (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 (the "2002 10-K")).*
- 3.4 Amended and Restated By-laws as amended through March 9, 2004 (filed as Exhibit 3.4 to the 2003 10-K).*
- 3.5 Certificate of Amendment of the Certificate of Incorporation dated as of May 13, 2004 (filed as Exhibit 3.5 to the Company's 2004 10-K).*
- 3.6 Certificate of Amendment of the Certificate of Incorporation dated as of May 17, 2005 (filed as Exhibit 3.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (the "2005 10-K")).*
- 4.1 The Company undertakes to furnish the Securities and Exchange Commission, upon written request, a copy of all instruments with respect to long-term debt not filed herewith.
- 10.1 1999 Stock Option Plan (filed as Annex A to the 1999 Proxy Statement).*
- 10.2 Form of Grant Letter for the 1999 Stock Option Plan (filed as Exhibit 10.4 to the Company's 2004 10-K).*
- 10.3 Amended and Restated Shareholders Agreement dated as of June 30, 2003 among the Company, Ian M. Cumming and Joseph S. Steinberg (filed as Exhibit 10.5 to the 2003 10-K).*
- 10.4 Form of Amended and Restated Revolving Credit Agreement (the "Revolving Credit Agreement") dated as of March 11, 2003 between the Company, Fleet National Bank as Administrative Agent, The Chase Manhattan Bank, as Syndication Agent, and the Banks signatory thereto, with Fleet Boston Robertson Stephens, Inc., as Arranger (filed

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as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003).*

- 10.5 Amendment, dated as of March 31, 2004, to the Revolving Credit Agreement (filed as Exhibit 10.7 to the Company's 2004 10-K).*
- 10.6 Amendment, dated as of June 29, 2004, to the Revolving Credit Agreement (filed as Exhibit 10.8 to the Company's 2004 10-K).*
- 10.7 Leucadia National Corporation 2003 Senior Executive Annual Incentive Bonus Plan, as amended May 17, 2005 (filed as Annex A to the 2005 Proxy Statement).*
- 10.8 Employment Agreement made as of June 30, 2005 by and between the Company and Ian M. Cumming (filed as Exhibit 99.1 to the Company's July 13, 2005 8-K).*
- 10.9 Employment Agreement made as of June 30, 2005 by and between the Company and Joseph S. Steinberg (filed as Exhibit 99.2 to the July 13, 2005 8-K).*
- 10.10 Management Services Agreement dated as of February 26, 2001 among The FINOVA Group Inc., the Company and Leucadia International Corporation (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000).*
- 10.11 Voting Agreement, dated August 21, 2001, by and among Berkadia LLC, Berkshire Hathaway Inc., the Company and The FINOVA Group Inc. (filed as Exhibit 10.J to the Company's Current Report on Form 8-K dated August 27, 2001).*
- 10.12 Second Amended and Restated Berkadia LLC Operating Agreement, dated December 2, 2002, by and among BH Finance LLC and WMAC Investment Corporation (filed as Exhibit 10.40 to the 2002 10-K).*
- 10.13 First Amended Joint Chapter 11 Plan of Reorganization of Williams Communications Group, Inc. ("WCG") and CG Austria, Inc. filed with the Bankruptcy Court as Exhibit 1 to the Settlement Agreement (filed as Exhibit 99.3 to the Current Report on Form 8-K of WCG dated July 31, 2002 (the "WCG July 31, 2002 8-K")).*
- 10.14 Tax Cooperation Agreement between WCG and The Williams Companies Inc. dated July 26, 2002, filed with the Bankruptcy Court as Exhibit 7 to the Settlement Agreement (filed as Exhibit 99.9 to the WCG July 31, 2002 8-K).*
- 10.15 Third Amended and Restated Credit And Guaranty Agreement, dated as of September 8, 1999, as amended and restated as of April 25, 2001, as further amended and restated as of October 15, 2002, and as further amended and restated as of September 24, 2004, among WilTel, WilTel Communications, LLC, certain of its domestic subsidiaries, as loan parties, the several banks and other financial institutions or entities from time to time parties thereto as lenders, Credit Suisse First Boston, acting through its Cayman

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Islands branch, as administrative agent, as first lien administrative agent and as second lien administrative agent, and Wells Fargo Foothill, LLC, as syndication agent (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated September 24, 2002 (the "Company's September 24, 2002 8-K")).*

- 10.16 First Amendment to Third Amended and Restated Credit And Guaranty Agreement, dated September 2, 2005, by and among WilTel Communications, LLC, WilTel Communications Group LLC, the Subsidiary Guarantors (as defined), and the First Lien Administrative Agent, the Second Lien Administrative Agent and the Administrative Agent for the Lenders (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated September 2, 2005).*
- 10.17 Second Amended and Restated Security Agreement, dated as of April 23, 2001, as amended and restated as of October 15, 2002, and as further amended and restated as of September 24, 2004, among WilTel, WilTel Communications, LLC, and the additional grantors party thereto in favor of Credit Suisse First Boston, acting through its Cayman Islands branch, as administrative agent, as first lien administrative agent and as second lien administrative agent (filed as Exhibit 99.2 to the Company's September 24, 2002 8-K).*
- 10.18 Exhibit 1 to the Agreement and Plan of Reorganization between the Company and TLC Associates, dated February 23, 1989 (filed as Exhibit 3 to Amendment No. 12 to the Schedule 13D dated December 29, 2004 of Ian M. Cumming and Joseph S. Steinberg with respect to the Company).*
- 10.19 Letter Agreement, dated February 3, 2005, between the Company and Jefferies & Company, Inc. (filed as Exhibit 10.55 to the Company's 2004 10-K).*
- 10.20 Information Concerning Executive Compensation (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 9, 2006).*
- 10.21 Compensation of Non-Employee Directors (filed as Exhibit 10.21 to the Company's 2005 10-K).*
- 10.22 Hotel Purchase Agreement, dated as of April 6, 2005, by and between HWB 2507 Kalakaua, LLC and Gaylord Entertainment Co. (filed as Exhibit 10.2. to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005 (the "1st Quarter 2005 10-Q")).*
- 10.23 Stock Purchase Agreement, dated as of May 2, 2005, by and among the Company and the individuals named therein (filed as Exhibit 10.4 to the Company's 1st Quarter 2005 10-Q).*
- 10.24 Purchase Agreement, dated as of October 30, 2005, among the Company, Baldwin Enterprises, Inc., Level 3 Communications, LLC and Level 3 Communications, Inc. ("Level 3") (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 30, 2005).*

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- 10.25 Registration Rights and Transfer Restriction Agreement, dated as of December 23, 2005, by and among Level 3, the Company and Baldwin Enterprises, Inc. (filed as Exhibit 10.2 to Level 3's Current Report on Form 8-K dated December 23, 2005).*
- 10.26 Purchase and Sale Agreement ("Square 711 Purchase and Sale Agreement"), dated as of November 14, 2005, between Square 711 Developer, LLC and Walton Acquisition Holdings V, L.L.C., a Delaware limited liability company (filed as Exhibit 10.26 to the Company's 2005 10-K).*
- 10.27 First Amendment to Square 711 Purchase and Sale Agreement, dated as of December 14, 2005 (filed as Exhibit 10.27 to the Company's 2005 10-K).*
- 10.28 Share Purchase Agreement, dated May 2, 2005, between Inmet Mining Corporation, the Company and MK Resources Company (filed as Exhibit 2 to Amendment No. 10 to the Schedule 13D dated May 2, 2005 of the Company with respect to MK Resources Company (the "MK 13D")).*
- 10.29 Agreement and Plan of Merger, dated as of May 2, 2005, among the Company, Marigold Acquisition Corp. and MK Resources Company (filed as Exhibit 3 to the MK 13D).*
- 10.30 Voting Agreement, dated as of May 2, 2005, between the Company and Inmet Mining Corporation (filed as Exhibit 4 to the MK 13D).*
- 10.31 Letter Agreement, dated March 30, 2005 between SBC Services, Inc. ("SBC Services") and WilTel Communications, LLC ("WCLLC") (filed as Exhibit 10.1 to the Company's 1st Quarter 2005 10-Q).*
- 10.32 Letter Agreement, dated April 27, 2005 between SBC Services and WCLLC (filed as Exhibit 10.3 to the Company's 1st Quarter 2005 10-Q).*
- 10.33 Letter Agreement, dated May 25, 2005 between SBC Services and WCLLC (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2005).*
- 10.34 Master Services Agreement dated June 15, 2005 among WilTel Communications Group ("WCGLLC"), WilTel Local Network, LLC, SBC Services. and SBC Communications Inc. ("SBC") (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K/A dated June 15, 2005 (the "June 15, 2005 8-K/A")).*
- 10.35 Termination, Mutual Release and Settlement Agreement dated June 15, 2005 among the Company, WCGLLC, WCLLC, SBC, SBC Operations, Inc. and SBC Long Distance, LLC (filed as Exhibit 99.2 to the Company's June 15, 2005 8-K/A).*
- 10.36 Debtors' Modified Second Amended Joint Plan of Reorganization under chapter 11 of the Bankruptcy Code, dated as of April 13, 2005, of ATX Communications, Inc. (filed as Exhibit 99.1 to ATX Communication's Current Report on Form 8-K dated April 20, 2005).*
- 10.37 Services Agreement, dated as of January 1, 2004, between

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the Company and Ian M. Cumming (filed as Exhibit 10.37 to the Company's 2005 10-K).*

- 10.38 Services Agreement, dated as of January 1, 2004, between the Company and Joseph S. Steinberg (filed as Exhibit 10.38 to the Company's 2005 10-K).*
- 21 Subsidiaries of the registrant (filed as Exhibit 21 to the Company's 2005 10-K).*
- 23.1 Consent of PricewaterhouseCoopers LLP with respect to the incorporation by reference into the Company's Registration Statement on Form S-8 (No. 2-84303), Form S-8 and S-3 (No. 33-6054), Form S-8 and S-3 (No. 33-26434), Form S-8 and S-3 (No. 33-30277), Form S-8 (No. 33-61682), Form S-8 (No. 33-61718), Form S-8 (No. 333-51494) and Form S-3 (No. 333-118102) (filed as Exhibit 23.1 to the Company's 2005 10-K).*

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- 23.2 Consent of independent auditors from Ernst & Young LLP with respect to the inclusion in this Annual Report on Form 10-K of the financial statements of Berkadia LLC and with respect to the incorporation by reference in the Company's Registration Statements on Form S-8 (No. 2-84303), Form S-8 and S-3 (No. 33-6054), Form S-8 and S-3 (No. 33-26434), Form S-8 and S-3 (No. 33-30277), Form S-8 (No. 33-61682), Form S-8 (No. 33-61718), Form S-8 (No. 333-51494) and Form S-3 (No. 333-118102).**
- 23.3 Consent of PricewaterhouseCoopers, with respect to the inclusion in this Annual Report on Form 10-K the financial statements of Olympus Re Holdings, Ltd. and with respect to the incorporation by reference in the Company's Registration Statements on Form S-8 (No. 2-84303), Form S-8 and S-3 (No. 33-6054), Form S-8 and S-3 (No. 33-26434), Form S-8 and S-3 (No. 33-30277), Form S-8 (No. 33-61682), Form S-8 (No. 33-61718), Form S-8 (No. 333-51494) and Form S-3 (No. 333-118102). **
- 23.4 Consent of independent auditors from BDO Seidman, LLP with respect to the inclusion in this Annual Report on Form 10-K of the financial statements of EagleRock Capital Partners (QP), LP and EagleRock Master Fund, LP and with respect to the incorporation by reference in the Company's Registration Statements on Form S-8 (No. 2-84303), Form S-8 and S-3 (No. 33-6054), Form S-8 and S-3 (No. 33-26434), Form S-8 and S-3 (No. 33-30277), Form S-8 (No. 33-61682), Form S-8 (No. 33-61718), Form S-8 (No. 333-51494) and Form S-3 (No. 333-118102). **
- 23.5 Consent of independent auditors from Ernst & Young LLP with respect to the inclusion in this Annual Report on Form 10-K of the financial statements of WilTel Communications Group, Inc. and with respect to the incorporation by reference in the Company's Registration Statements on Form S-8 (No. 2-84303), Form S-8 and S-3 (No. 33-6054), Form S-8 and S-3 (No. 33-26434), Form S-8 and S-3 (No. 33-30277), Form S-8 (No. 33-61682), Form S-8 (No. 33-61718), Form S-8 (No. 333-51494) and Form S-3 (No. 333-118102) (filed as Exhibit 23.5 to the Company's 2005 10-K).*

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- 23.6 Independent Auditors' Consent from KPMG LLP, with respect to the inclusion in this Annual Report on Form 10-K of the financial statements of Jefferies Partners Opportunity Fund II, LLC and with respect to the incorporation by reference into the Company's Registration Statements on Form S-8 (No. 2-84303), Form S-8 and S-3 (No. 33-6054), Form S-8 and S-3 (No. 33-26434), Form S-8 and S-3 (No. 33-30277), Form S-8 (No. 33-61682), Form S-8 (No. 33-61718), Form S-8 (No. 333-51494) and Form S-3 (No. 333-118102). **
- 23.7 Consent of PricewaterhouseCoopers LLP with respect to the incorporation by reference into the Company's Registration Statement on Form S-8 (No. 2-84303), Form S-8 and S-3 (No. 33-6054), Form S-8 and S-3 (No. 33-26434), Form S-8 and S-3 (No. 33-30277), Form S-8 (No. 33-61682), Form S-8 (No. 33-61718), Form S-8 (No. 333-51494) and Form S-3 (No. 333-118102).
- 31.1 Certification of Chairman of the Board and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed as Exhibit 31.1 to the Company's 2005 10-K).*
- 31.2 Certification of President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed as Exhibit 31.2 to the Company's 2005 10-K).*
- 31.3 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed as Exhibit 31.3 to the Company's 2005 10-K).*
- 31.4 Certification of Chairman of the Board and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.5 Certification of President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.6 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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- 32.1 Certification of Chairman of the Board and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously furnished as Exhibit 32.1 to the Company's 2005 10-K). *
- 32.2 Certification of President pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously furnished as Exhibit 32.2 to the Company's 2005 10-K).*
- 32.3 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously furnished as Exhibit 32.3 to the Company's 2005 10-K).*
- 32.4 Certification of Chairman of the Board and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.***

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32.5 Certification of President pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.***

32.6 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.***

(c) Financial statement schedules.

- (1) Berkadia LLC financial statements for the years ended December 31, 2004 and 2003. **
- (2) Olympus Re Holdings, Ltd. consolidated financial statements as of December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003. **
- (3) EagleRock Capital Partners (QP), LP financial statements as of December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003 and EagleRock Master Fund, LP financial statements as of December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003. **
- (4) WilTel Communications Group, Inc. consolidated financial statements for the period from January 1, 2003 through November 5, 2003 (previously filed as financial statement schedule to the Company's 2005 10-K).*
- (5) Jefferies Partners Opportunity Fund II, LLC financial statements as of December 31, 2005 and for the year ended December 31, 2005. **

* Incorporated by reference.

** To be filed by amendment pursuant to Item 3-09(b) of Regulation S-X.

*** Furnished herewith pursuant to item 601(b) (32) of Regulation S-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

March 9, 2006

By: /s/ Barbara L. Lowenthal

Barbara L. Lowenthal
Vice President and Comptroller

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of Leucadia National Corporation:

We have completed integrated audits of Leucadia National Corporation's December 31, 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits and the report of other auditors, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements listed in the index appearing under Item 15(a) (1) (2) present fairly, in all material respects, the financial position of Leucadia National Corporation and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a) (1) (2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We did not audit the financial statements of WilTel for the period from January 1, 2003 through November 5, 2003. For this period, WilTel was accounted for on the equity method and from January 1, 2003 through November 5, 2003 had a net loss of approximately \$109,000,000, of which the Company's 47.4% share was approximately \$52,000,000. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for WilTel, is based on the report of other auditors. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 of financial statements 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 audits and the report of other auditors provide a reasonable basis for our opinion.

Internal control over financial reporting

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Also, in our opinion, management's assessment, included in "Management's Report on Internal Control Over Financial Reporting" appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in "Management's Report on Internal Control Over Financial Reporting", management has excluded Idaho Timber, ATX and NSW from its assessment of internal control over financial reporting as of December 31, 2005, because those entities were acquired by the Company during 2005. We have also excluded Idaho Timber, ATX and NSW from our audit of internal control over financial reporting. Idaho Timber, ATX and NSW are consolidated subsidiaries whose total assets and total revenues represent 5.2% and 35.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2005.

/s/ PricewaterhouseCoopers LLP

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PricewaterhouseCoopers LLP
New York, New York
March 8, 2006

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2005 and 2004
(Dollars in thousands, except par value)

	2005

ASSETS	

Current assets:	
Cash and cash equivalents	\$ 386,95
Investments	1,323,56
Trade, notes and other receivables, net	377,21
Prepays and other current assets	140,88
Current assets of discontinued operations	--

Total current assets	2,228,61
Non-current investments	977,32
Notes and other receivables, net	22,74
Intangible assets, net and goodwill	85,08
Deferred tax asset, net	1,094,01
Other assets	240,60
Property, equipment and leasehold improvements, net	237,02
Investments in associated companies	375,47
Non-current assets of discontinued operations	--

Total	\$ 5,260,88
	=====
LIABILITIES	

Current liabilities:	
Trade payables and expense accruals	\$ 259,77
Other current liabilities	23,78
Customer banking deposits due within one year	--
Debt due within one year	175,66
Income taxes payable	15,17
Current liabilities of discontinued operations	--

Total current liabilities	474,39
Other non-current liabilities	121,89
Long-term debt	986,71
Non-current customer banking deposits	--
Non-current liabilities of discontinued operations	--

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Total liabilities	1,583,00
Commitments and contingencies	
Minority interest	15,96
SHAREHOLDERS' EQUITY	

Common shares, par value \$1 per share, authorized 300,000,000 and 150,000,000 shares; 108,029,008 and 107,600,403 shares issued and outstanding, after deducting 42,377,843 and 42,399,597 shares held in treasury	108,02
Additional paid-in capital	609,94
Accumulated other comprehensive income (loss)	(81,50
Retained earnings	3,025,44
Total shareholders' equity	3,661,91
Total	\$ 5,260,88
	=====

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

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2005, 2004 and 2003
(In thousands, except per share amounts)

	2005	

REVENUES AND OTHER INCOME:		

Manufacturing	\$ 332,253	\$
Healthcare	239,046	
Telecommunications	111,192	
Investment and other income	149,840	
Net securities gains	208,816	
	-----	-----
	1,041,147	
	-----	-----
EXPENSES:		

Cost of sales:		
Manufacturing	281,451	
Healthcare	203,149	

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Telecommunications	67,266	
Interest	68,376	
Salaries	102,236	
Depreciation and amortization	26,767	
Selling, general and other expenses	153,739	

	902,984	

Income (loss) from continuing operations before income taxes, minority expense of trust preferred securities and equity in income (losses) of associated companies	138,163	

Income tax (benefit) provision:		
Current	4,018	
Deferred	(1,135,100)	

	(1,131,082)	

Income from continuing operations before minority expense of trust preferred securities and equity in income (losses) of associated companies	1,269,245	
Minority expense of trust preferred securities, net of taxes	--	
Equity in income (losses) of associated companies, net of taxes	(45,133)	

Income from continuing operations	1,224,112	
Income (loss) from discontinued operations, net of taxes	111,557	
Gain on disposal of discontinued operations, net of taxes	300,372	

Net income	\$ 1,636,041	\$
	=====	=====
Basic earnings (loss) per common share:		
Income from continuing operations	\$11.36	
Income (loss) from discontinued operations	1.03	
Gain on disposal of discontinued operations	2.79	

Net income	\$15.18	
	=====	
Diluted earnings (loss) per common share:		
Income from continuing operations	\$10.71	
Income (loss) from discontinued operations	.96	
Gain on disposal of discontinued operations	2.60	

Net income	\$14.27	
	=====	

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

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2005, 2004 and 2003
(In thousands)

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2005

Net cash flows from operating activities:

Net income	\$ 1,636,0
Adjustments to reconcile net income to net cash provided by (used for) operations:	
Deferred income tax provision (benefit)	(1,135,1
Depreciation and amortization of property, equipment and leasehold improvements	186,4
Other amortization	3,0
Provision for doubtful accounts	6,1
Net securities gains	(212,2
Equity in (income) losses of associated companies	44,4
Distributions from associated companies	90,2
Net gains related to real estate, property and equipment, loan receivables and other assets	(29,3
Gain on disposal of discontinued operations	(300,3
Investments classified as trading, net	18,0
Net change in:	
Trade, notes and other receivables	20,8
Prepays and other assets	(29,9
Trade payables and expense accruals	54,3
Other liabilities	(36,4
Deferred revenue	10,5
Income taxes payable	(2,5
Other	(2,9
Net cash provided by (used for) operating activities	321,1

Net cash flows from investing activities:

Acquisition of property, equipment and leasehold improvements	(136,2
Acquisition of and capital expenditures for real estate investments	(26,0
Proceeds from disposals of real estate, property and equipment, and other assets	33,7
Acquisitions, net of cash acquired	(170,5
Proceeds from disposal of discontinued operations, net of expenses and cash of operations sold	459,0
Advances on loan receivables	--
Principal collections on loan receivables	1,5
Proceeds from sale of loan receivables	--
Advances on notes receivables	(1
Collections on notes receivables	1,7
Investments in associated companies	(34,4
Capital distributions from associated companies	2,6
Purchases of investments (other than short-term)	(3,350,6
Proceeds from maturities of investments	1,262,5
Proceeds from sales of investments	1,979,2
Net cash provided by (used for) investing activities	22,5

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

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, continued
For the years ended December 31, 2005, 2004 and 2003
(In thousands)

	2005 -----
Net cash flows from financing activities: -----	
Net change in customer banking deposits	\$ (24,56)
Issuance of long-term debt, net of issuance costs	82,75
Reduction of long-term debt	(477,36)
Issuance of common shares	3,68
Purchase of common shares for treasury	(16)
Dividends paid	(27,00)

Net cash provided by (used for) financing activities	(442,65)

Effect of foreign exchange rate changes on cash	(1,03)

Net increase (decrease) in cash and cash equivalents	(99,99)
Cash and cash equivalents at January 1,	486,94

Cash and cash equivalents at December 31,	\$ 386,95
	=====
Supplemental disclosures of cash flow information: -----	
Cash paid during the year for:	
Interest	\$ 96,95
Income tax payments (refunds), net	\$ 3,48
Non-cash investing activities: -----	
Common stock issued for acquisition of MK Resources Company in 2005 and WilTel Communications Group, Inc. in 2003	\$ 8,34

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

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2005, 2004 and 2003
(In thousands, except par value and per share amounts)

	Series A Non-Voting Convertible Preferred Stock -----	Common Shares \$1 Par Value -----	Additional Paid-In Capital -----	Accumul Other Compreh Income -----
Balance, January 1, 2003	\$ 47,507	\$ 87,403	\$ 125,126	\$ 56,0
Comprehensive Income:				
Net change in unrealized gain (loss) on investments, net of taxes of \$55,738				103,7
Net change in unrealized foreign exchange gain (loss), net of taxes of \$701				7,7
Net change in unrealized gain (loss) on derivative instruments, net of taxes of \$888				(1,6
Net change in minimum pension liability, net of taxes of \$7,345				(13,6
Net income				
Comprehensive income				
Issuance of common shares on acquisition of WilTel Communications Group, Inc.		16,735	406,095	
Conversion of convertible preferred shares into common shares	(47,507)	2,022	45,485	
Exercise of options to purchase common shares		79	1,214	
Purchase of common shares for treasury		(4)	(57)	
Dividends (\$.17 per common share)				
Balance, December 31, 2003	--	106,235	577,863	152,2
Comprehensive income:				
Net change in unrealized gain (loss) on investments, net of taxes of \$0				(8,5
Net change in unrealized foreign exchange				

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gain (loss), net of taxes of \$0				6,8
Net change in unrealized gain (loss) on derivative instruments, net of taxes of \$0				(3
Net change in minimum pension liability, net of taxes of \$0				(13,9
Net income				
Comprehensive income				
Exercise of warrants to purchase common shares		1,200	17,960	
Exercise of options to purchase common shares		165	2,681	
Dividends (\$.25 per common share)				
	-----	-----	-----	-----
Balance, December 31, 2004	--	107,600	598,504	136,1
Comprehensive income:				
Net change in unrealized gain (loss) on investments, net of taxes of \$0				(175,5
Net change in unrealized foreign exchange gain (loss), net of taxes of \$0				(17,1
Net change in unrealized gain (loss) on derivative instruments, net of taxes of \$0				2,7
Net change in minimum pension liability, net of taxes of \$0				(27,6
Net income				
Comprehensive income				
Issuance of common shares on acquisition of minority interest in MK Resources Company		216	8,130	
Exercise of options to purchase common shares		216	3,473	
Purchase of common shares for treasury		(3)	(164)	
Dividends (\$.25 per common share)				
	-----	-----	-----	-----
Balance, December 31, 2005	\$ --	\$ 108,029	\$ 609,943	\$ (81,5
	=====	=====	=====	=====

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

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LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Nature of Operations:

The Company is a diversified holding company engaged in a variety of businesses, including manufacturing, healthcare services, telecommunications, real estate activities, winery operations and residual banking and lending activities that are in run-off, principally in markets in the United States. The Company also owns equity interests in investment partnerships and in operating businesses which are accounted for under the equity method of accounting. These equity investments include development of a copper mine in Spain, real estate activities and property and casualty reinsurance operations. The Company continuously evaluates the retention and disposition of its existing operations

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and investments and frequently investigates the acquisition of new businesses. Changes in the mix of the Company's owned businesses and investments should be expected.

The manufacturing operations are conducted through Idaho Timber Corporation ("Idaho Timber") and the Company's plastics manufacturing segment. Idaho Timber primarily remanufactures dimension lumber, remanufactures and packages home center boards to customer specifications, produces 5/4 inch radius-edge, pine decking and manufactures or distributes a number of specialized wood products. Idaho Timber operates ten facilities located throughout the United States, and its remanufacturing business is principally derived from the purchase of bundles of low-grade lumber on the spot market, and the conversion of that lumber into higher-grade lumber through sorting and minor rework.

The plastics manufacturing operations manufacture and market lightweight plastic netting used for a variety of purposes including, among other things, building and construction, erosion control, agriculture, packaging, carpet padding, filtration and consumer products. The plastics manufacturing segment has three domestic manufacturing facilities, and it owns and operates a manufacturing and sales facility in Belgium.

The healthcare services operations primarily provide contract therapy, long-term care consulting and temporary staffing to skilled nursing facilities, hospitals, sub-acute care centers, assisted living facilities, schools, and other healthcare providers. Healthcare services are provided by subsidiaries of Symphony Health Services, LLC ("Symphony").

The telecommunications operations are principally conducted through ATX Communications, Inc. ("ATX"). ATX is an integrated communications provider that offers local and long distance telephone services, data and Internet services, and web development, collocation and managed services, principally to small to medium sized businesses in the Mid-Atlantic region of the United States.

The domestic real estate operations include a mixture of commercial properties, residential land development projects and other unimproved land, all in various stages of development and all available for sale.

The winery operations consist of two wineries, Pine Ridge Winery in Napa Valley, California and Archery Summit in the Willamette Valley of Oregon, which primarily produce and sell wines in the luxury segment of the premium table wine market.

During 2005, the banking and lending operations sold its remaining customer deposits and surrendered its national bank charter. The remaining operating activities are concentrated on collecting and servicing its remaining loan portfolio.

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1. Nature of Operations, continued:

On December 23, 2005, the Company completed the sale of its largest telecommunications subsidiary, WilTel Communications Group, LLC ("WilTel"), and has reclassified WilTel as a discontinued operation in the Company's consolidated financial statements, including the reclassification of prior years' balance sheets. The Company has reclassified its prior years' balance sheets because WilTel's balance sheets for the prior periods comprised a significant portion of the Company's consolidated balance sheets. For more information concerning the sale and the Company's other discontinued operations,

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see Note 5.

Certain amounts for prior periods have been reclassified to be consistent with the 2005 presentation.

The 2003 consolidated statement of cash flows was revised to combine the cash flows from discontinued operations with cash flows from continuing operations. The Company had previously reported the cash flows from discontinued operations as a single line item.

2. Significant Accounting Policies:

(a) Critical Accounting Estimates: The preparation of financial statements in

conformity with accounting principles generally accepted in the United States ("GAAP") requires the Company to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingent assets and liabilities. On an on-going basis, the Company evaluates all of these estimates and assumptions. The following areas have been identified as critical accounting estimates because they have the potential to have a material impact on the Company's financial statements, and because they are based on assumptions which are used in the accounting records to reflect, at a specific point in time, events whose ultimate outcome won't be known until a later date. Actual results could differ from these estimates.

Income Taxes - The Company records a valuation allowance to reduce its deferred tax asset to the amount that is more likely than not to be realized. If the Company were to determine that it would be able to realize its deferred tax asset in the future in excess of its net recorded amount, an adjustment would increase income in such period. Similarly, if the Company were to determine that it would not be able to realize all or part of its deferred tax asset in the future, an adjustment would be charged to income in such period. The determination of the amount of the valuation allowance required is based, in significant part, upon the Company's projection of future taxable income at any point in time. The Company also records reserves for contingent tax liabilities based on the Company's assessment of the probability of successfully sustaining its tax filing positions.

During 2005, as a result of the consummation of certain transactions and ongoing operating profits, the Company prepared updated projections of future taxable income. The Company's revised projections of future taxable income enabled it to conclude that it is more likely than not that it will have future taxable income sufficient to realize a portion of the Company's net deferred tax asset; accordingly, \$1,135,100,000 of the deferred tax valuation allowance was reversed as a credit to income tax expense.

Impairment of Long-Lived Assets - In accordance with Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), the Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. When testing for impairment, the Company groups its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (or asset group). The determination of whether an asset group is recoverable is based on management's estimate of undiscounted future cash flows directly attributable to the asset group as compared to its carrying value. If the carrying amount of the asset group is greater than the undiscounted cash flows, an impairment loss would be recognized for the amount by which the carrying amount of the asset group exceeds its estimated fair value.

2. Significant Accounting Policies, continued:

As more fully discussed in Note 5, during 2005 an impairment loss of \$42,400,000 was recorded to reduce the carrying amount of WilTel's former headquarters facility to its estimated fair value.

Impairment of Securities - Investments with an impairment in value considered to be other than temporary are written down to estimated fair value. The writedowns are included in net securities gains in the consolidated statements of operations. The Company evaluates its investments for impairment on a quarterly basis.

The Company's determination of whether a security is other than temporarily impaired incorporates both quantitative and qualitative information; GAAP requires the exercise of judgment in making this assessment, rather than the application of fixed mathematical criteria. The Company considers a number of factors including, but not limited to, the length of time and the extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, the reason for the decline in fair value, changes in fair value subsequent to the balance sheet date, and other factors specific to the individual investment. The Company's assessment involves a high degree of judgment and accordingly, actual results may differ materially from the Company's estimates and judgments.

Business Combinations - At acquisition, the Company allocates the cost of a business acquisition to the specific tangible and intangible assets acquired and liabilities assumed based upon their relative fair values. Significant judgments and estimates are often made to determine these allocated values, and may include the use of independent appraisals, consider market quotes for similar transactions, employ discounted cash flow techniques or consider other information the Company believes relevant. The finalization of the purchase price allocation will typically take a number of months to complete, and if final values are materially different from initially recorded amounts adjustments are recorded. Any excess of the cost of a business acquisition over the fair values of the net assets and liabilities acquired is recorded as goodwill which is not amortized to expense. Recorded goodwill of a reporting unit is required to be tested for impairment on an annual basis, and between annual testing dates if events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its net book value.

Purchase price allocations for all of the Company's recent acquisitions have been finalized. Adjustments to the initial purchase price allocations were not material.

Accruals for Access Costs - ATX's access costs primarily include variable charges paid to vendors to originate and/or terminate switched voice traffic, which are based on actual usage at negotiated or regulated contract rates. At the end of each reporting period, ATX's estimated accrual for incurred but not yet billed costs is based on internal usage reports. The accrual is subsequently reconciled to actual invoices as they are received, which is a process that can take several months to complete. This process includes an invoice validation procedure that normally identifies errors and inaccuracies in rate and/or volume components of the invoices resulting in numerous invoice disputes. It is ATX's policy to adjust the accrual for the probable amount it believes will ultimately be paid on disputed invoices, a determination which requires significant estimation and judgment. Due to the number of different negotiated and regulated rates, constantly changing traffic patterns, uncertainty in the ultimate

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resolution of disputes, the period of time required to complete the reconciliation and delays in invoicing by access vendors, these estimates may change.

Contingencies - The Company accrues for contingent losses when the contingent loss is probable and the amount of loss can be reasonably estimated. Estimates of the likelihood that a loss will be incurred and of contingent loss amounts normally require significant judgment by management, can be highly subjective and are subject to material change with the passage of time as more information becomes available. As of December 31, 2005, the Company's accrual for contingent losses was not material.

(b) Consolidation Policy: The consolidated financial statements include the

accounts of the Company, all variable interest entities of which the Company or a subsidiary is the primary beneficiary, and all majority-controlled entities that are not variable interest entities. All intercompany transactions and balances are eliminated in consolidation.

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2. Significant Accounting Policies, continued:

Associated companies are investments in equity interests that are accounted for on the equity method of accounting. These include investments in corporations that the Company does not control but has the ability to exercise significant influence and investments in limited partnerships in which the Company's interest is more than minor.

(c) Cash Equivalents: The Company considers short-term investments, which have

maturities of less than three months at the time of acquisition, to be cash equivalents. Cash and cash equivalents include short-term investments of \$295,600,000 and \$93,300,000 at December 31, 2005 and 2004, respectively.

(d) Investments: At acquisition, marketable debt and equity securities are

designated as either i) held to maturity, which are carried at amortized cost, ii) trading, which are carried at estimated fair value with unrealized gains and losses reflected in results of operations, or iii) available for sale, which are carried at estimated fair value with unrealized gains and losses reflected as a separate component of shareholders' equity, net of taxes. Equity securities that do not have readily determinable fair values are carried at cost. The cost of securities sold is based on average cost.

Held to maturity investments are made with the intention of holding such securities to maturity, which the Company has the ability to do. Estimated fair values are principally based on quoted market prices.

(e) Property, Equipment and Leasehold Improvements: Property, equipment and

leasehold improvements are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are provided principally on the straight-line method over the estimated useful lives of the assets or, if less, the term of the underlying lease.

(f) Revenue Recognition: Revenues are recognized when the following conditions

are met: (1) collectibility is reasonably assured; (2) title to the product has passed or the service has been rendered and earned; (3) persuasive evidence of

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an arrangement exists; and (4) there is a fixed or determinable price. Manufacturing revenues are recognized when title passes, which for Idaho Timber is generally upon the customer's receipt of the goods and for the plastics segment upon shipment of goods. Revenue from the sale of real estate is generally recognized when title passes; however, if the Company is obligated to make improvements to the real estate subsequent to closing, revenues are deferred and recognized under the percentage of completion method of accounting.

(g) Cost of Sale: Manufacturing cost of sales principally includes product and -----

manufacturing costs, inbound and outbound shipping costs and handling costs. Telecommunications cost of sales includes access costs paid to other telecommunications providers, repairs and maintenance, rent, utilities and property taxes of the telephone, Internet and data network, and salaries and related expenses of network personnel. Telecommunications cost of sales are recognized during the period in which revenue is recognized. Healthcare cost of sales principally consists of employment costs and independent contractor costs of the therapists providing the service. Any product installation costs of the Company's operating subsidiaries are expensed when incurred.

(h) Income Taxes: The Company provides for income taxes using the liability -----

method. The future benefit of certain tax loss carryforwards and future deductions is recorded as an asset. A valuation allowance is provided if deferred tax assets are not considered to be more likely than not to be realized.

(i) Derivative Financial Instruments: The Company reflects its derivative -----

financial instruments in its balance sheet at fair value. The Company has utilized derivative financial instruments to manage the impact of changes in interest rates on its customer banking deposits and certain debt obligations, hedge net investments in foreign subsidiaries and manage foreign currency risk on certain available for sale securities. Although the Company believes that these derivative financial instruments are practical economic hedges of the Company's risks, except for the hedge of the net investment in foreign subsidiaries, they do not meet the effectiveness criteria under GAAP, and therefore are not accounted for as hedges.

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2. Significant Accounting Policies, continued: -----

Amounts recorded as income to investment and other income as a result of accounting for its derivative financial instruments were \$1,700,000 and \$3,500,000 for the years ended December 31, 2005 and 2003, respectively, and not material for 2004. Net unrealized losses on derivative instruments were \$1,000,000 and \$3,800,000 at December 31, 2005 and 2004, respectively.

(j) Translation of Foreign Currency: Foreign currency denominated investments -----

and financial statements are translated into U.S. dollars at current exchange rates, except that revenues and expenses are translated at average exchange rates during each reporting period; resulting translation adjustments are reported as a component of shareholders' equity. Net foreign exchange transaction losses were \$2,700,000 for 2005 and not material for 2004 and 2003. Net unrealized foreign exchange translation gains (losses) were \$(2,900,000), \$14,300,000 and \$7,500,000 at December 31, 2005, 2004 and 2003, respectively.

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(k) Stock-Based Compensation: Statement of Financial Accounting Standards No.

123, "Accounting for Stock-Based Compensation" ("SFAS 123"), establishes a fair value method for accounting for stock-based compensation plans, either through recognition in the statements of operations or disclosure. As permitted, the Company applies APB Opinion No. 25 and related Interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized in the statements of operations for its stock-based compensation plans.

Had compensation cost for the Company's stock option plans been recorded in the statements of operations consistent with the provisions of SFAS 123, the Company would have recognized compensation cost of \$1,600,000, \$1,000,000 and \$800,000 in 2005, 2004 and 2003, respectively.

(l) Recently Issued Accounting Standards: In April 2005, the Securities and

Exchange Commission amended the effective date of Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS 123R"), from the first interim or annual period after June 15, 2005 to the beginning of the next fiscal year that begins after June 15, 2005. SFAS 123R requires that the cost of all share-based payments to employees, including grants of employee stock options, be recognized in the financial statements based on their fair values. That cost will be recognized as an expense over the vesting period of the award. Pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. In addition, the Company will be required to determine fair value in accordance with SFAS 123R; the Company intends to use the modified prospective method. The Company does not expect that SFAS 123R will have a material impact on its consolidated financial statements with respect to currently outstanding options.

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"), which is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. SFAS 154 applies to all voluntary changes in accounting principles, and changes the accounting and reporting requirements for a change in accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless doing so is impracticable. APB 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period in which the change occurred the cumulative effect of changing to the new accounting principle. SFAS 154 also requires that a change in depreciation, amortization, or depletion method for long-lived, nonfinancial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. SFAS 154 carries forward without change the guidance in APB 20 for reporting the correction of an error in previously issued financial statements, a change in accounting estimate and a change in reporting entity, as well as the provisions of SFAS 3 that govern reporting accounting changes in interim financial statements. The Company does not expect that SFAS 154 will have a material impact on its consolidated financial statements.

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3. Acquisitions:

NSW, LLC U.S. ("NSW")

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In February 2005, the plastics manufacturing segment acquired the assets of NSW for a purchase price of approximately \$26,600,000; based upon its allocation of the purchase price the Company recorded an aggregate of \$10,200,000 of intangible assets and \$8,200,000 of goodwill. NSW has a manufacturing and distribution facility in Roanoke, Virginia, which manufactures a variety of products including produce and packaging nets, header label bags, case liners and heavy weight nets for drainage and erosion control purposes. The NSW customer relationship intangible assets will be amortized on an accelerated basis, and other intangible assets on a straight-line basis, over the following average useful lives: customer relationships - 12 years, trademarks and tradename - 15 years, patents - 15 years and other intangible assets - 5 years.

ATX

In December 2003, the Company purchased all of ATX's debt obligations under its senior secured credit facility for \$25,000,000, and ATX commenced a voluntary Chapter 11 case to reorganize its financial affairs shortly thereafter. The bankruptcy plan (the "Plan") of ATX was confirmed by the Bankruptcy Court for the Southern District of New York and became effective on April 22, 2005, and the Company has consolidated ATX since that date. As contemplated by the Plan, in exchange for its investment in the credit facility the Company received approximately 90% of the new common stock of the reorganized ATX and a new \$25,000,000 senior secured note which bears interest at 10%. In addition, the Company provided ATX with \$5,000,000 of debtor-in-possession financing and \$25,000,000 of exit financing to fund bankruptcy related payments and working capital requirements. On behalf of ATX, the Company also obtained cash collateralized letters of credit totaling \$14,700,000 issued for the benefit of one of ATX's vendors. The requirement to provide the letters of credit will decline over a period of years, commencing in 2006. The aggregate purchase price for ATX was \$56,300,000, which includes all the financing provided to ATX by the Company and acquisition expenses.

Based upon its allocation of the purchase price, the Company has recorded ATX intangible assets of \$19,400,000 and goodwill of \$5,800,000. The customer relationship intangible assets will be amortized on an accelerated basis, and other intangible assets on a straight-line basis, over the following average useful lives: trademarks - 10 years, customer relationships - 7 years, software - 5 years, and other intangibles - 2 years.

Idaho Timber

In May 2005, the Company acquired Idaho Timber for total cash consideration of \$133,600,000, including working capital adjustments and expenses, and has consolidated Idaho Timber from the date of acquisition. Based upon its allocation of the purchase price, the Company recorded Idaho Timber intangible assets of \$45,100,000. The intangible assets will be amortized on a straight-line basis over the following average useful lives: customer relationships - 10 years, and other intangibles - 1 year.

Symphony

In September 2003, the Company acquired Symphony for approximately \$36,700,000, including expenses, of which approximately \$29,200,000 was provided by financing that is non-recourse to the Company but is fully collateralized by Symphony's assets. In addition, at acquisition, the lender provided an additional \$5,000,000 of working capital financing to Symphony. The Company has consolidated Symphony's financial condition and results of operations since acquisition.

Unaudited pro forma operating results for the Company, assuming the acquisitions of ATX and Idaho Timber had occurred as of the beginning of each year presented below are as follows (in thousands, except per share amounts):

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3. Acquisitions, continued:

	2005 ----	2004 ----
Revenues	\$ 1,213,800	\$ 1,210,000
Income before extraordinary items and cumulative effect of a change in accounting principles	\$ 1,643,200	\$ 175,700
Net income	\$ 1,643,200	\$ 175,700
Per Share:		
Basic	\$15.25	\$1.65
Diluted	\$14.33	\$1.61

Pro forma adjustments principally reflect the preliminary allocation of the purchase price to the difference between the fair value and book value of property and equipment, resulting in increases or decreases to historical depreciation expense, and the allocation to identifiable intangible assets discussed above, resulting in increased amortization expense. For ATX, the pro forma adjustments also include the elimination of net reorganization items, which principally resulted from a gain recognized upon the discharge of ATX indebtedness in bankruptcy, fresh start accounting adjustments and bankruptcy related professional fees, and the reversal of historical interest expense related to indebtedness that was discharged in bankruptcy. The increase or (decrease) to historical income from the pro forma adjustments is as follows (in thousands):

	2005 ----	2004 ----
Depreciation and amortization expenses	\$ (6,000)	\$ (13,400)
Reorganization items	\$ (300)	\$ 24,300

The unaudited pro forma data is not indicative of future results of operations or what would have resulted if the acquisitions of ATX and Idaho Timber had actually occurred as of the beginning of the periods presented. Unaudited pro forma income statement data for NSW and Symphony is not included as the amounts were not material. Unaudited acquisition balance sheets are not included as amounts were not material.

In July 2004, the Company invested \$50,000,000 in INTL Consilium Emerging Market Absolute Return Fund, LLC ("INTL"), a limited liability company that is invested in a master fund which primarily invests in emerging markets debt and equity securities. INTL and the master fund are managed and controlled by an investment manager who has full discretion over investment and operating decisions. In accordance with FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities", INTL is a variable interest entity and the Company is currently the

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primary beneficiary; as a result, the Company accounts for its investment in INTL as a consolidated subsidiary. In October 2004, the Company invested an additional \$25,000,000 in INTL. INTL plans to sell additional membership interests in the future, which if accomplished could result in the Company no longer accounting for INTL as a consolidated subsidiary. At December 31, 2005, INTL had total assets of \$105,100,000 which are reflected as investments in the Company's consolidated balance sheet, and its liabilities were not material. The creditors of INTL have recourse only to the assets of INTL and do not have recourse to any other assets of the Company. The Company can generally withdraw its capital account interest upon 90 days notice, subject to the manager's ability to liquidate security positions in an orderly manner. The Company recorded \$9,900,000 and \$2,200,000 of pre-tax income relating to INTL for the years ended December 31, 2005 and 2004, respectively.

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4. Investments in Associated Companies:

The Company has investments in several Associated Companies. The amounts reflected as equity in income (losses) of associated companies in the consolidated statements of operations are net of income tax provisions of \$700,000, \$15,000,000 and \$70,100,000 for the years ended December 31, 2005, 2004 and 2003, respectively. Included in consolidated retained earnings at December 31, 2005 is approximately \$42,800,000 of undistributed earnings of the associated companies.

Cobre Las Cruces, S.A. ("CLC")

In August 2005, the Company consummated the merger with its then 72.1% owned subsidiary, MK Resources Company ("MK"), whereby the Company acquired the remaining outstanding MK common shares. The acquisition cost consisted of approximately 216,000 of the Company's common shares (valued at \$8,300,000), and estimated cash amounts (\$4,500,000 has been accrued) that will be paid to former MK stockholders who perfected appraisal rights. As a result of the merger, MK is now a wholly-owned subsidiary of the Company, and MK's securities are no longer publicly traded.

Immediately following the merger, the Company sold to Inmet Mining Corporation ("Inmet"), a Canadian-based global mining company traded on the Toronto stock exchange (Symbol: IMN), a 70% interest in CLC, a Spanish company that holds the exploration and mineral rights to the Las Cruces copper deposit in the Pyrite Belt of Spain. Inmet acquired the interest in CLC in exchange for 5,600,000 newly issued Inmet common shares, representing approximately 11.7% of the outstanding Inmet common shares immediately following completion of the transaction. The Inmet shares were recorded at their fair value of approximately \$78,000,000, and the Company recorded a pre-tax gain on the sale of \$10,500,000, which is reflected in the caption investment and other income. For more information on the Inmet shares, see Note 6.

CLC has entered into an agreement with third party lenders for project financing consisting of a ten year senior secured credit facility of up to \$240,000,000 and a senior secured bridge credit facility of up to (euro)69,000,000 to finance subsidies and value-added tax. The Company and Inmet have guaranteed 30% and 70%, respectively, of the obligations outstanding under both facilities until completion of the project as defined in the project financing agreement. At December 31, 2005, no amounts were outstanding under the facilities. The Company and Inmet have also committed to provide financing to CLC which is estimated to be \$159,000,000, of which the Company's share will be 30% (\$14,300,000 of which has been loaned as of December 31, 2005). For the year ended December 31, 2005, the Company recorded a pre-tax loss of \$1,600,000 from this investment under the

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equity method of accounting.

Union Square

Union Square, two entities in which the Company had non-controlling equity interests, sold their respective interests in an office complex located on Capitol Hill in Washington, D.C. during 2005. Including repayment of its mortgage loans at closing, the Company's share of the net proceeds was \$73,200,000, and the Company recognized a pre-tax gain of \$72,300,000.

JPOF II

During 2000, the Company invested \$100,000,000 in the equity of a limited liability company, Jefferies Partners Opportunity Fund II, LLC ("JPOF II"), that is a registered broker-dealer. JPOF II is managed by Jefferies & Company, Inc., a full service investment bank to middle market companies. JPOF II invests in high yield securities, special situation investments and distressed securities and provides trading services to its customers and clients. For the years ended December 31, 2005, 2004 and 2003, the Company recorded \$23,600,000, \$16,200,000 and \$14,800,000, respectively, of pre-tax income from this investment under the equity method of accounting. These earnings were distributed by JPOF II as dividends shortly after the end of each year.

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4. Investments in Associated Companies, continued:

Olympus

In December 2001, the Company invested \$127,500,000 for a 25% common stock interest in Olympus Re Holdings, Ltd. ("Olympus"), a newly formed Bermuda reinsurance company primarily engaged in the property excess, marine and aviation reinsurance business. In June 2003, the Company sold 567,574 common shares of Olympus back to Olympus for total proceeds of \$79,500,000. The Company recognized a \$1,500,000 gain on the sale which is reflected in other income for the year ended December 31, 2003. The shares were sold to Olympus as part of an issuer tender offer available to all of its shareholders. After completion of the tender, the Company's interest in Olympus declined from 25% to 16.1%. Although the Company's equity interest declined below 20%, the Company continued to account for its investment under the equity method of accounting because of its ability to exercise significant influence. As a result of redemptions of other investors' equity interests during 2004 and 2005, the Company's percentage interest in Olympus increased to 20.1% as of December 31, 2005.

During 2005, Olympus recorded significant losses as a result of estimated insurance claims from hurricanes Katrina, Rita and Wilma. In early 2006, Olympus raised a significant amount of new equity to replace some, but not all of the capital that was lost as a result of the 2005 hurricanes. Since the Company did not invest additional capital in Olympus, its equity interest will be diluted (to less than 4%) such that it will no longer apply the equity method of accounting for this investment subsequent to December 31, 2005. For the years ended December 31, 2005, 2004 and 2003, the Company recorded \$(120,100,000), \$9,700,000 and \$40,400,000, respectively, of pre-tax income (loss) from this investment under the equity method of accounting. In addition, the Company recorded an impairment loss of \$3,700,000 to reduce the book value of its investment to zero.

EagleRock

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In December 2001, the Company invested \$50,000,000 in EagleRock Capital Partners (QP), LP ("EagleRock"), a limited partnership that invests and trades in securities and other investment vehicles. At December 31, 2005, the book value of the Company's equity investment in EagleRock was \$75,500,000, which excludes \$16,600,000 that was received in January 2006 and is classified as a receivable as of December 31, 2005. In August 2005, the Company notified EagleRock that it determined to withdraw its entire interest on January 1, 2006. Discussions are ongoing as to the timing and manner in which the Company's capital will be remitted by EagleRock to the Company. Pre-tax income (losses) of \$(28,900,000), \$29,400,000 and \$49,900,000 for the years ended December 31, 2005, 2004 and 2003, respectively, were recorded from this investment under the equity method of accounting. The results reported by the partnership since its inception include both realized and changes in unrealized gains and losses in its portfolio. In 2004, \$3,700,000 was distributed by EagleRock to the Company.

HomeFed

In October 2002, the Company sold one of its real estate subsidiaries, CDS Holding Corporation ("CDS"), to HomeFed Corporation ("HomeFed") for a purchase price of \$25,000,000, consisting of \$1,000,000 in cash and 2,474,226 shares of HomeFed's common stock, which represented approximately 30% of HomeFed's outstanding common stock. At December 31, 2005 and 2004, the deferred gain on this sale was \$4,200,000 and \$6,800,000, respectively, which is being recognized into income as CDS's principal asset, the real estate project known as San Elijo Hills, is developed and sold. For the years ended December 31, 2005, 2004 and 2003, the Company recorded \$5,800,000, \$10,000,000 and \$16,200,000, respectively, of pre-tax income from this investment under the equity method of accounting. HomeFed is engaged, directly and through subsidiaries, in the investment in and development of residential real estate projects in the State of California. HomeFed is a public company traded on the NASD OTC Bulletin Board (Symbol: HOFD).

As a result of a 1998 distribution to all of the Company's shareholders, approximately 7.7% and 9.5% of HomeFed is owned by the Company's Chairman and President, respectively. Both are also directors of HomeFed and the Company's President serves as HomeFed's Chairman.

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4. Investments in Associated Companies, continued:

Pershing

In January 2004, the Company invested \$50,000,000 in Pershing Square, L.P. ("Pershing"), a limited partnership that is authorized to engage in a variety of investing activities. The Company redeemed its interest as of December 31, 2004, and the total amount due from Pershing of \$71,300,000 (which was paid during the first quarter of 2005) is included in trade, notes and other receivables, net at December 31, 2004 in the Company's consolidated balance sheet.

The following table provides summarized data with respect to the Associated Companies accounted for on the equity method of accounting included in results of operations for the three years ended December 31, 2005, except for Berkadia LLC ("Berkadia") which is separately summarized below, and except for WillTel which was sold as discussed in Note 5. (Amounts are in thousands.)

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	2005	

Assets	\$ 2,750,800	\$
Liabilities	1,873,300	

Net assets	\$ 877,500	\$
	=====	
The Company's portion of the reported net assets	\$ 379,100	\$
	=====	

	2005	

Total revenues	\$ 984,400	\$
Income (loss) from continuing operations before extraordinary items	\$ (484,200)	\$
Net income (loss)	\$ (484,200)	\$
The Company's equity in net income (loss)	\$ (44,400)	\$

Except for its investment in CLC, the Company has not provided any guarantees, nor is it contingently liable for any of the liabilities reflected in the above table. All such liabilities are non-recourse to the Company. The Company's exposure to adverse events at the investee companies is limited to the book value of its investment.

Berkadia

In August 2001, Berkadia, an entity jointly owned by the Company and Berkshire Hathaway Inc., loaned \$5,600,000,000 on a senior secured basis to FINOVA Capital Corporation (the "Berkadia Loan"), the principal operating subsidiary of The FINOVA Group Inc. ("FINOVA"), to facilitate a chapter 11 restructuring of the outstanding debt of FINOVA and its principal subsidiaries. Berkadia also received 61,020,581 newly issued shares of common stock of FINOVA (the "FNV Shares"), representing 50% of the stock of FINOVA outstanding on a fully diluted basis. Berkadia financed the Berkadia Loan with bank financing that was guaranteed, 90% by Berkshire Hathaway and 10% by the Company (with the Company's guarantee being secondarily guaranteed by Berkshire Hathaway). In February 2004, FINOVA fully repaid the Berkadia Loan, and Berkadia fully repaid its bank financing, thereby eliminating the Company's guaranty.

During 2001, Berkadia was paid a \$60,000,000 commitment fee by FINOVA Capital upon execution of the commitment and a \$60,000,000 funding fee upon funding of the Berkadia Loan. The Company's share of these fees, \$60,000,000 in the aggregate, was distributed to the Company shortly after the fees were received. In addition, FINOVA entered into a ten-year management agreement with the Company, for which the Company receives an annual fee of \$8,000,000, which is shared equally with Berkshire. The management agreement remains in effect even though the Berkadia Loan has been repaid.

Under the agreement governing Berkadia, the Company and Berkshire Hathaway agreed to equally share the commitment fee, funding fee and all management fees. All income related to the Berkadia Loan, after payment of financing costs, was shared 90% to Berkshire Hathaway and 10% to the Company.

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4. Investments in Associated Companies, continued:

In August 2001, Berkadia transferred \$5,540,000,000 in cash to FINOVA Capital, representing the \$5,600,000,000 loan reduced by the funding fee of \$60,000,000, in exchange for a \$5,600,000,000 note from FINOVA Capital and the FNV Shares. Under GAAP, Berkadia was required to allocate the \$5,540,000,000 cash transferred, reduced by the previously received \$60,000,000 commitment fee, between its investment in the Berkadia Loan and the FNV Shares, based upon the relative fair values of the securities received. Further, the fair value of the FNV Shares was presumed to be equal to the trading price of the stock on the day Berkadia received the FNV Shares, with only relatively minor adjustments allowed for transfer restrictions and the inability of the traded market price to account for a large block transfer. The requirement to use the trading price as the basis for the fair value estimate resulted in an initial book value for the FNV Shares of \$188,800,000, which was far in excess of the \$17,600,000 aggregate book net worth of FINOVA on the effective date of the Plan, and was inconsistent with the Company's view that the FINOVA common stock has a very limited value. Based on this determination of fair value, Berkadia recorded an initial investment in the FNV Shares of \$188,800,000 and in the Berkadia Loan of \$5,291,200,000. The allocation of \$188,800,000 to the investment in the common stock of FINOVA, plus the \$120,000,000 of cash fees received, were reflected as a discount from the face amount of the Berkadia Loan. The discount was amortized to income over the life of the Berkadia Loan under the effective interest method.

During 2002, Berkadia gave its consent to FINOVA to use up to \$300,000,000 of cash to repurchase certain subordinated notes rather than make mandatory prepayments of the Berkadia Loan. In consideration for its consent, FINOVA and Berkadia agreed that they would share equally in the net interest savings resulting from any repurchase. The Company's share of the net interest savings is reflected in the table below.

Subsequent to acquisition, Berkadia accounted for its investment in the FINOVA common stock under the equity method of accounting. During 2001, Berkadia recorded its share of FINOVA's losses in an amount that reduced Berkadia's investment in FINOVA's common stock to zero. Berkadia's recognition of any future FINOVA losses was suspended at that time. Although the Company had no cash investment in Berkadia, since it guaranteed 10% of the third party financing provided to Berkadia, the Company recorded its share of any losses recorded by Berkadia, up to the amount of the Company's guarantee. Berkadia distributed all of its cash to its members during 2004 and has had no financial statement activity since that distribution. For the years ended December 31, 2004 and 2003, the Company's equity in the income of Berkadia consists of the following (in thousands):

	2004

Net interest spread on the Berkadia Loan - 10% of total	\$ --
Net interest savings	300
Amortization of Berkadia Loan discount related to cash fees - 50% of total	200
Amortization of Berkadia Loan discount related to FINOVA	

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stock - 50% of total	300

Equity in income of associated companies - Berkadia	\$ 800
	=====

The following table provides certain summarized data with respect to Berkadia for the years ended December 31, 2004 and 2003. (Amounts are in thousands.)

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4. Investments in Associated Companies, continued:

	2004

Total revenues	\$ 2,400
Income from continuing operations before extraordinary items and cumulative effect of a change in accounting principle	\$ 2,200
Net income	\$ 2,200

5. Discontinued Operations:

WilTel

In December 2005, the Company sold WilTel to Level 3 Communications, Inc. ("Level 3") for aggregate cash consideration of \$460,300,000 (net of estimated working capital adjustments of approximately \$25,500,000), and 115,000,000 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 (including the adjacent parking garage) located in Tulsa, Oklahoma, (ii) cash and cash equivalents in excess of \$100,000,000, (iii) corporate aircraft and related capital lease obligations, and (iv) marketable securities. In addition, the Company retained all of WilTel's right to receive certain cash payments from SBC Communications Inc. ("SBC") totaling \$236,000,000, of which \$37,500,000 was received prior to closing and the balance is due to be received during 2006. Prior to the closing, WilTel repaid its long-term debt obligations using its funds, together with \$220,000,000 of 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. 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 net operating tax loss carryforwards ("NOLs"), as well as any tax losses generated by the sale, remained with the Company. For more information on the Company's NOLs, see Note 16.

The Company recorded a pre-tax gain on disposal of WilTel of \$243,800,000. The calculation of the gain on sale included: (1) the cash proceeds received from Level 3, net of estimated working capital adjustments; (2) the fair value of the Level 3 common shares of \$339,300,000, based on the \$2.95 per share closing

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price of Level 3 common stock immediately prior to closing; (3) the amount of the SBC cash payments that had not been previously accrued prior to closing (\$175,900,000); (4) an impairment charge for WilTel's headquarters building described below; and (5) the net book value of the net assets sold and estimated expenses and other costs related to the transaction.

The Company concluded that the change in the use of WilTel's former headquarters facility to a property held for investment was a change in circumstances which indicated that the carrying amount of the facility might not be recoverable. On the closing date of the sale to Level 3, the carrying amount of the facility was \$96,500,000; based on the assumptions discussed below the Company concluded that the carrying amount was not recoverable, and an impairment loss of \$42,400,000 was recorded reducing the gain on disposal of discontinued operations. At December 31, 2005, the new cost basis and carrying amount of the facility reflected in other assets is \$54,100,000.

The facility is a fifteen story, 740,000 square foot office building located in downtown Tulsa, Oklahoma for which construction was substantially completed in 2001, with a total of approximately 640,000 rentable square feet. Approximately 260,000 square feet of the rentable space is leased to Level 3 under short-term leases that expire at the end of 2007, subject to Level 3 renewal options. Level 3 also has the right to vacate approximately 44,000 square feet every six months commencing July 1, 2006. Approximately 23,500 square feet are leased to another tenant also under a short-term lease that is subject to renewal options. The building is considered to be Class A office space, and the Company believes that the best value for the building would be obtained by selling the building to an owner/occupant. The facility is being marketed for sale at a gross selling price of \$80,000,000, including furniture, fixtures and equipment.

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5. Discontinued Operations, continued:

The Company utilized a discounted cash flow technique to determine the fair value of the facility. In order to estimate the amount which could ultimately be realized upon the sale of the facility, the Company had a market analysis prepared of sales and leasing activity for the downtown Tulsa market. The analysis identified the range of historical selling prices for properties of comparable quality, including the age, size and occupancy rates of the properties sold, properties currently available for sale or lease, current market occupancy rates and recent leasing rates. Since the facility is being marketed to an owner/occupant, the cash flow estimates reflect that it may take from two to five years before a buyer is identified and the facility can be sold. The cash flow estimates assume that Level 3 will only fulfill its minimum rental commitment; the Company did not assume that space which is currently vacant will be leased, which results in negative operating cash flow prior to sale. The Company's cash flow estimates reflect a range of possible outcomes since the timing of the sale and the ultimate price that the Company will realize for the facility is uncertain.

During 2002, the Company acquired 47.4% of the outstanding common stock of WilTel for aggregate cash consideration of \$353,900,000, including expenses. In November 2003, the Company consummated an exchange offer and merger agreement pursuant to which WilTel became a wholly-owned subsidiary of the Company and former WilTel public stockholders received an aggregate of 16,734,690 common shares of the Company. The 2003 acquisition was wholly unrelated to the initial acquisition in 2002; the Company's decision to acquire the remaining WilTel shares was based upon developments subsequent to the initial 2002 purchase. Prior to the merger, during 2003 the Company recorded its share of WilTel's losses under the equity method of accounting in the amount of \$52,100,000; such

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amount is reflected in the 2003 statement of operations in the caption equity in income (losses) of associated companies.

The aggregate purchase price for the 2003 acquisition was approximately \$425,300,000, consisting of \$422,800,000 of Leucadia common shares and cash expenses of \$2,500,000. The execution of the merger agreement on August 21, 2003 created a measurement date for accounting purposes that was used to determine the per share value of the Leucadia common shares issued. The Company averaged the closing prices of its common shares for the five business day period commencing two business days before and ending two business days after the merger agreement was executed. That average, \$25.27 per share, was used to calculate the aggregate value of the Leucadia common shares issued.

Waikiki Beach Hotel

In May 2005, the Company sold its 716-room Waikiki Beach hotel and related assets for an aggregate purchase price of \$107,000,000, before closing costs and other required payments. After satisfaction of mortgage indebtedness on the hotel of \$22,100,000 at closing, the Company received net cash proceeds of approximately \$73,000,000, and recorded a pre-tax gain of \$56,600,000 (reflected in discontinued operations). Historical operating results for the hotel are not material.

WebLink Wireless, Inc. ("WebLink")

In December 2002, the Company entered into an agreement to purchase certain debt and equity securities of WebLink, for an aggregate purchase price of \$19,000,000. WebLink operated in the wireless messaging industry, providing wireless data services and traditional paging services. In the fourth quarter of 2003, WebLink sold substantially all of its operating assets to Metrocall, Inc. for 500,000 shares of common stock of Metrocall, Inc.'s parent, Metrocall Holdings, Inc. ("Metrocall"), an immediately exercisable warrant to purchase 25,000 shares of common stock of Metrocall at \$40 per share, and a warrant to purchase up to 100,000 additional shares of Metrocall common stock at \$40 per share, subject to certain vesting criteria.

Based upon the market price of the Metrocall stock received and the fair value of the warrants received as of the date of sale, the Company reported a pre-tax gain on disposal of discontinued operations of \$11,500,000. The vesting criteria for the remaining warrants were satisfied during 2004, and the Company recorded \$2,200,000 as gain on disposal of discontinued operations (net of minority interest), which represented the estimated fair value of the warrants.

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5. Discontinued Operations, continued:

During the fourth quarter of 2004, WebLink exercised all of its warrants and subsequently tendered all of its Metrocall shares as part of a merger agreement between Metrocall and Arch Wireless, Inc. WebLink received cash of \$19,900,000 and 675,607 common shares of the new parent company (USA Mobility, Inc., which had a fair market value of \$25,000,000 when received), resulting in a pre-tax gain of \$15,800,000 that is included in net securities gains of continuing operations. The Company's investment in the shares of USA Mobility at December 31, 2004 is classified as a non-current investment.

Other

In December 2005, the Company sold its interest in an Argentine shoe

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manufacturer that had been acquired earlier in the year. Although there was no material gain or loss on disposal, results of discontinued operations during 2005 include a pre-tax loss of \$4,400,000.

In October 2004, the Company sold a commercial real estate property and classified it as a discontinued operation. During the second quarter of 2004, the Company recorded a non-cash charge of approximately \$7,100,000 to reduce the carrying amount of this property to its estimated fair value. The Company recorded an additional pre-tax loss of \$600,000 when the sale closed, resulting principally from mortgage prepayment penalties incurred upon satisfaction of the property's mortgage. Operating results for this property were not material in prior years.

In the fourth quarter of 2004, the Company sold its geothermal power business and classified it as a discontinued operation. The Company received proceeds of \$14,800,000, net of closing costs, and recognized a pre-tax gain of \$200,000.

During 2003, the Company settled certain tax payment responsibilities with the purchaser of Colonial Penn Insurance Company. Income from discontinued operations for the year ended December 31, 2003 includes a payment of \$1,800,000 from the purchaser to reimburse the Company for tax payments previously made.

A summary of the results of discontinued operations is as follows for the three year period ended December 31, 2005 (in thousands):

	2005

Revenues and other income:	
Telecommunications revenues	\$ 1,743,938
Wireless messaging revenues	--
Investment and other income	114,980
Net securities gains	3,483

	1,862,401

Expenses:	
Telecommunications cost of sales	1,223,143
Wireless messaging network operating expenses	--
Interest	27,536
Salaries	150,000
Depreciation and amortization	162,694
Selling, general and other expenses	187,460

	1,750,833

Income (loss) before income taxes	111,568
Income tax provision (benefit)	11

Income (loss) from discontinued operations, net of taxes	\$ 111,557
	=====

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6. Investments:

A summary of investments classified as current assets at December 31, 2005 and 2004 is as follows (in thousands):

	2005	
	Amortized Cost	Carrying Value and Estimated Fair Value
	-----	-----
Investments available for sale	\$ 1,206,973	\$ 1,206,195
Trading securities	103,978	105,541
Other investments, including accrued interest income	11,826	11,826
	-----	-----
Total current investments	\$ 1,322,777	\$ 1,323,562
	=====	=====

The amortized cost, gross unrealized gains and losses and estimated fair value of available for sale investments classified as current assets at December 31, 2005 and 2004 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains
	-----	-----
2005		

Bonds and notes:		
United States Government and agencies	\$ 818,967	\$ 107
U.S. Government-Sponsored Enterprises	199,030	17
Foreign governments	1,503	17
All other corporates	187,473	476
	-----	-----
Total	\$ 1,206,973	\$ 617
	=====	=====
2004		

Bonds and notes:		
United States Government and agencies	\$ 736,529	\$ 10
U.S. Government-Sponsored Enterprises	113,384	--
All other corporates	67,927	1,666
	-----	-----
Total	\$ 917,840	\$ 1,676
	=====	=====

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Certain information with respect to trading securities at December 31, 2005 and 2004 is as follows (in thousands):

	2005	
	Amortized Cost	Carrying Value and Estimated Fair Value
Fixed maturities - corporate bonds and notes	\$ --	\$ --
Equity securities	--	--
Other investments	103,978	105,541
	-----	-----
Total trading securities	\$ 103,978	\$105,541
	=====	=====

Other investments classified as trading securities principally include INTL's investment in a master fund.

A summary of non-current investments at December 31, 2005 and 2004 is as follows (in thousands):

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6. Investments, continued:

	2005	
	Amortized Cost	Carrying Value and Estimated Fair Value
Investments available for sale	\$ 762,178	\$ 825,716
Other investments	151,611	151,611
	-----	-----
Total non-current investments	\$ 913,789	\$ 977,327
	=====	=====

Other non-current investments include 5,600,000 common shares of Inmet, which have a cost and carrying value of \$78,000,000 at December 31, 2005. The Inmet shares have the benefit of a registration rights agreement; however, the shares may not be sold until the earlier of August 2009 or the date on which the Company is no longer obligated under the guarantee of CLC's credit facilities. At acquisition, the fair value of the Inmet common stock was determined to be approximately 90% of the then current trading price as a result of these transferability restrictions. The Inmet shares will be carried at the initially recorded value (unless there is an other than temporary impairment) until one year prior to the termination of the transfer restrictions. At December 31, 2005, the market value of the Inmet shares is approximately \$142,100,000.

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The amortized cost, gross unrealized gains and losses and estimated fair value of non-current investments classified as available for sale at December 31, 2005 and 2004 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains
	-----	-----
2005		

Bonds and notes:		
United States Government and agencies	\$ 39,037	\$ 25
U.S. Government-Sponsored Enterprises	141,265	106
All other corporates	160,190	37,677
	-----	-----
Total fixed maturities	340,492	37,808
	-----	-----
Equity securities:		
Preferred stocks	5,569	--
Common stocks:		
Banks, trusts and insurance companies	12,340	10,010
Industrial, miscellaneous and all other	403,777	28,817
	-----	-----
Total equity securities	421,686	38,827
	-----	-----
	\$ 762,178	\$ 76,635
	=====	=====
2004		

Bonds and notes:		
United States Government and agencies	\$ 26,995	\$ 19
U.S. Government-Sponsored Enterprises	115,178	28
States, municipalities and political subdivisions	7,610	--
Foreign governments	1,507	79
All other corporates	125,020	41,568
	-----	-----
Total fixed maturities	276,310	41,694
	-----	-----
Equity securities:		
Preferred stocks	993	--
Common stocks:		
Banks, trusts and insurance companies	91,154	194,620
Industrial, miscellaneous and all other	55,230	10,868
	-----	-----
Total equity securities	147,377	205,488
	-----	-----
	\$ 423,687	\$ 247,182
	=====	=====

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6. Investments, continued:

The amortized cost and estimated fair value of non-current investments

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classified as available for sale at December 31, 2005, by contractual maturity, are shown below. Expected maturities are likely to differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortize Cost ----	(In -----)
Due after one year through five years	\$ 140,86	
Due after five years through ten years	18,58	
Due after ten years	74	

	160,19	
Mortgage-backed securities	180,30	

	\$ 340,49	
	=====	

Non-current available for sale equity securities include 115,000,000 shares of Level 3 common stock received in connection with the sale of WilTel (see Note 5), with a cost of \$339,300,000 and an estimated fair value of \$330,100,000 at December 31, 2005. Pursuant to a registration rights agreement entered into with Level 3, Level 3 has filed a registration statement covering the shares and is required to keep the registration statement effective for the shorter of two years (or a longer period as set forth in the agreement), or until the distribution of the shares is completed. The Level 3 common stock is subject to a transfer restriction that limits the number of shares the Company can sell (with certain exceptions) on any given day until May 22, 2006; thereafter there is no restriction.

During 2005, the Company sold all 375,000 common shares of White Mountains Insurance Group, Ltd. ("WMIG") that it owned, and recorded a security gain of \$146,000,000. The Company purchased the shares in 2001 for \$75,000,000; at December 31, 2004 the investment in WMIG, which was classified as a non-current available for sale security, had a market value of \$242,300,000.

Net unrealized gains (losses) on investments were \$(22,400,000), \$153,200,000 and \$161,800,000 at December 31, 2005, 2004 and 2003, respectively. Reclassification adjustments included in comprehensive income for the three year period ended December 31, 2005 are as follows (in thousands):

	2005 ----
Unrealized holding gains (losses) arising during the period, net of tax provision of \$0, \$0 and \$56,896	\$ 12,707
Less: reclassification adjustment for (gains) losses included in net income, net of tax provision of \$0, \$0 and \$1,158	(188,284)

Net change in unrealized gain on investments, net of tax provision of \$0, \$0 and \$55,738	\$ (175,577)
	=====

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The following table shows the Company's investments' gross unrealized losses and fair value, aggregated by investment category, all of which have been in a continuous unrealized loss position for less than 12 months, at December 31, 2005 (in thousands):

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6. Investments, continued:

Description of Securities	Fair Value
United States Government and agencies	\$ 518,32
U.S. Government-Sponsored Enterprises	135,02
Mortgage-backed securities	113,84
Corporate bonds	170,09
Marketable equity securities	334,49

Total temporarily impaired securities	\$ 1,271,77

The unrealized losses on the securities issued by the United States Government and agencies, the U.S. Government-Sponsored Enterprises and the mortgage-backed securities were caused by interest rate increases and were considered to be minor (approximately .1%, .3% and 1.4%, respectively). The unrealized losses on the securities issued by the United States Government and agencies relate to 14 securities which were purchased in 2005 and all of which mature in 2006. The unrealized losses on the U.S. Government-Sponsored Enterprises relate to 20 securities which were primarily purchased in 2005 and all of which mature in 2006. The unrealized losses on the mortgage-backed securities (all of which are issued by U.S. Government agencies and U.S. Government-Sponsored Enterprises) relate to 27 securities substantially all of which were purchased in 2005. The unrealized losses related to the corporate bonds are not considered to be an other than temporary impairment. This determination is based on a number of factors including, but not limited to, the length of time and extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, the reason for the decline in the fair value, changes in fair value subsequent to the balance sheet date, and other factors specific to the individual investment. The unrealized losses on marketable equity securities primarily relates to the Company's investment in Level 3 common stock which was acquired in December 2005.

At December 31, 2005, the Company's investments which have been in a continuous unrealized loss position for 12 months or longer are comprised of 16 securities which had aggregate gross unrealized losses of approximately \$600,000 and an aggregate fair value of approximately \$60,200,000. These securities are primarily mortgage-backed securities (all of which are issued by U.S. Government agencies and U.S. Government-Sponsored Enterprises).

At December 31, 2005, the aggregate carrying amount of the Company's investment in equity securities that are accounted for under the cost method totaled \$151,600,000. Of this amount, \$78,000,000 relates to the Company's investment in

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the Inmet common shares, which had a market value in excess of the carrying amount. The fair value of the remaining cost method securities was not estimated as there were no identified events or changes in circumstances that may have a significant adverse effect on the fair value and it was not practicable to estimate the fair value of these investments.

At December 31, 2004, securities with book values aggregating \$7,100,000 were on deposit with various regulatory authorities. Securities with book values of \$12,300,000 and \$12,100,000 at December 31, 2005 and 2004, respectively, collateralized certain swap agreements, and securities with a book value of \$11,100,000 and \$11,000,000 at December 31, 2005 and 2004, respectively, collateralized certain debt obligations and a related letter of credit.

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7. Trade, Notes and Other Receivables, Net:

A summary of current trade, notes and other receivables, net at December 31, 2005 and 2004 is as follows (in thousands):

	2005

Current trade, notes and other receivables, net:	
Trade receivables (a)	\$ 115,538
Receivable from SBC (b)	198,500
Federal income tax receivable	--
Receivable from Pershing	--
Receivable from EagleRock	16,636
Instalment loan receivables	1,257
Receivables related to securities	39,387
Receivables relating to real estate activities	5,602
Other	15,393

	392,313
Allowance for doubtful accounts	(15,097)

Total current trade, notes and other receivables, net	\$ 377,216
	=====

(a) Includes \$10,700,000 and \$10,500,000 as of December 31, 2005 and 2004, respectively, from Symphony's largest customer.

(b) Represents amounts due from SBC of which \$11,000,000 was paid on January 4, 2006 and the balance is payable in ten equal monthly installments in January 2006 through October 2006. See Note 5 for more information.

8. Intangible Assets, Net and Goodwill:

A summary of these assets at December 31, 2005 and 2004 is as follows (in thousands):

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2005

Intangibles:

Customer relationships, net of accumulated amortization of \$6,686 and \$491	\$ 58,911
Trademarks and tradename, net of accumulated amortization of \$268	4,140
Software, net of accumulated amortization of \$701	4,399
Patents, net of accumulated amortization of \$142	2,188
Other, net of accumulated amortization of \$1,488	1,446
Goodwill	13,999

	\$ 85,083
	=====

During 2005, in connection with the acquisitions of NSW, Idaho Timber and ATX, the Company recorded customer relationship intangible assets and other intangible assets which are being amortized over their estimated useful lives, and goodwill which is not being amortized. See Note 3 for more information. In addition, during October 2005 the plastics manufacturing segment acquired the manufacturing assets of a competitor for approximately \$4,300,000, and allocated \$2,900,000 of the purchase price to customer relationships and \$300,000 to trademarks. Such amounts are being amortized on a straight-line basis over 10 years. During 2004, the Company recorded \$1,900,000 of customer relationship intangible assets in connection with an acquisition made by the plastics manufacturing segment, which are being amortized on a straight-line basis over an average useful life of approximately three years.

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8. Intangible Assets, Net and Goodwill, continued:

Amortization expense on intangible assets was \$8,800,000 for the year ended December 31, 2005. The estimated aggregate future amortization expense for the intangible assets for each of the next five years is as follows: 2006 - \$11,100,000; 2007 - \$9,500,000; 2008 - \$8,600,000; 2009 - \$8,200,000; and 2010 - \$7,000,000.

9. Other Assets:

A summary of non-current other assets at December 31, 2005 and 2004 is as follows (in thousands):

2005

Real Estate	\$ 166,188
Unamortized debt expense	17,993
Restricted cash, (principally to secure outstanding letters of credits of \$23,000,000 and \$2,000,000)	27,018

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Deposits	488
Other	28,914

	\$ 240,601
	=====

In the fourth quarter of 2005, 711 Developer, LLC ("Square 711"), a 90% owned subsidiary of the Company, entered into an agreement to sell its interest in 8 acres of unimproved land in Washington, D.C. for aggregate cash consideration of \$121,900,000; the sale closed in February 2006. The land was acquired by the Company in September 2003 for cash consideration of \$53,800,000. After satisfaction of mortgage indebtedness on the property of \$32,000,000 and other closing payments, the Company received net cash proceeds of approximately \$75,700,000, and expects to record a pre-tax gain of approximately \$48,900,000.

10. Property, Equipment and Leasehold Improvements, Net:

A summary of property, equipment and leasehold improvements, net at December 31, 2005 and 2004 is as follows (in thousands):

	Depreciable Lives (in years) -----
Buildings and leasehold improvements	4-45
Machinery and equipment	2-25
Network equipment	5-7
Corporate aircraft	8-10
Mining properties and mineral rights	N/A
Computer equipment and software	2-7
General office furniture and fixtures	2-13
Construction in progress	N/A
Other	3-10

Accumulated depreciation and amortization

In January 2004, the Company exercised an option to sell two of its corporate aircraft for total proceeds of approximately \$38,800,000. The option was received in connection with the purchase of two new corporate aircraft. The Company completed the sales in July 2004, and reported a pre-tax gain of \$11,300,000.

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11. Trade Payables, Expense Accruals and Other Non-Current Liabilities:

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A summary of trade payables and expense accruals and other non-current liabilities at December 31, 2005 and 2004 is as follows (in thousands):

	2005

Trade payables and expense accruals:	
Trade payables	\$ 26,080
Payables related to securities	24,268
Accrued compensation, severance and other employee benefits	109,657
Taxes other than income	7,228
Accrued interest payable	21,997
Due to Level 3	25,490
Other	45,058

	\$ 259,778
	=====
Other non-current liabilities:	
Postretirement and postemployment benefits	\$ 8,165
Pension liability	73,729
Liabilities related to real estate activities	4,334
Other	35,665

	\$ 121,893
	=====

12. Indebtedness:

The principal amount, stated interest rate and maturity date of outstanding debt at December 31, 2005 and 2004 are as follows (dollars in thousands):

	2005

Parent Company Debt:	
Senior Notes:	
Bank credit facility	\$
7 3/4% Senior Notes due 2013, less debt discount of \$395 and \$431	9
7% Senior Notes due 2013, net of debt premium of \$1,009 and \$1,105	37
Subordinated Notes:	
8 1/4% Senior Subordinated Notes due 2005	2
7 7/8% Senior Subordinated Notes due 2006, less debt discount of \$9 and \$20	35
3 3/4% Convertible Senior Subordinated Notes due 2014	9
8.65% Junior Subordinated Deferrable Interest Debentures due 2027	9
Subsidiary Debt:	
Repurchase agreements	9
Aircraft financing	4
Industrial Revenue Bonds (with variable interest)	1
Capital leases due 2006 through 2015 with a weighted average interest rate of 12.1%	2
Symphony credit agreement	2

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Other due 2006 through 2011 with a weighted average interest rate of 6.5%

	Total debt	3
Less:	current maturities	1,16
		(17)
	Long-term debt	\$ 98
		=====

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12. Indebtedness, continued:

Parent Company Debt:

At December 31, 2005, the Company had an unsecured bank credit facility of \$110,000,000, which bears interest based on the Eurocurrency Rate or the prime rate and matures in 2007. At December 31, 2005, no amounts were outstanding under this bank credit facility.

In April 2004, the Company sold \$350,000,000 principal amount of its 3 3/4% Convertible Senior Subordinated Notes due 2014 in a private placement transaction. The notes are convertible into the Company's common shares at \$45.93 per share at any time before their maturity, subject to certain restrictions contained in the notes, at a conversion rate of 21.7707 shares per each \$1,000 principal amount of notes subject to adjustment (an aggregate of 7,619,745 shares). The Company has a currently effective shelf registration statement in respect of the notes and the common shares issuable upon conversion of the notes.

In January 1997, the Company issued 8.65% trust issued preferred securities ("Trups") of its wholly-owned subsidiary, Leucadia Capital Trust I (the "Trust"). As a result of the implementation of SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", the Company began classifying the Trups as liabilities on July 1, 2003, and classifies dividends accrued for these securities as interest expense. SFAS 150 did not permit restatement of prior period amounts to reflect the new classification. In 2004, the Company liquidated the Trust and distributed to the Trups holders the 8.65% Junior Subordinated Deferrable Interest Debentures held by the Trust in exchange for their Trups securities. The distribution had no effect on the total debt of the Company.

Subsidiary Debt:

Debt due within one year includes \$92,100,000 and \$21,000,000 as of December 31, 2005 and 2004, respectively, relating to repurchase agreements. These fixed rate repurchase agreements have a weighted average interest rate of approximately 3.95%, mature at various dates through April 2006 and are secured by investments with a carrying value of \$95,100,000.

During 2001, a subsidiary of the Company borrowed \$53,100,000 secured by certain of its corporate aircraft. This debt bears interest based on a floating rate, requires monthly payments of principal and interest and matures in ten years. The interest rate at December 31, 2005 was 8.4%. The subsidiary has entered into an interest rate swap agreement for this financing, which fixed the interest rate at approximately 5.7%. The subsidiary would have paid \$700,000 and \$2,300,000 at December 31, 2005 and 2004, respectively, if the swap were terminated. Changes in interest rates in the future will change the amounts to be received under the agreement, as well as interest to be paid under the

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related variable debt obligation. The Parent company has guaranteed this financing.

Capital leases primarily consist of a sale-leaseback transaction related to certain corporate aircraft originally entered into in May 2003, which was amended in 2005 to among other matters extend the lease term through 2015.

Symphony has a \$50,000,000 revolving credit facility, of which \$27,100,000 and \$37,700,000 was outstanding at December 31, 2005 and 2004, respectively. This financing, which is secured by all of Symphony's assets but otherwise is non-recourse to the Company, matures in 2006 and bears interest based on LIBOR plus 3.00%. At December 31, 2005, the interest rate on this facility was 7.39%.

Other subsidiary debt includes a mortgage financing related to Square 711 that was repaid in connection with the sale of that property in February 2006. The mortgage balance was \$32,000,000 and \$20,000,000 as of December 31, 2005 and 2004, respectively.

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12. Indebtedness, continued:

The Company's debt instruments require maintenance of minimum Tangible Net Worth, limit distributions to shareholders and limit Indebtedness and Funded Debt, all as defined in the agreements. In addition, the debt instruments contain limitations on investments, liens, contingent obligations and certain other matters. As of December 31, 2005, cash dividends of approximately \$556,600,000 would be eligible to be paid under the most restrictive covenants.

All of Symphony's assets (with an aggregate book value of \$55,500,000) are pledged as collateral under Symphony's revolving credit facility. Property, equipment and leasehold improvements of the plastics manufacturing division (with a net book value of \$4,600,000) are pledged as collateral for Industrial Revenue Bonds; and \$229,600,000 of other assets (primarily property and investments) are pledged for other indebtedness aggregating \$178,100,000. In addition, the Industrial Revenue Bond obligation is collateralized by a letter of credit which is fully collateralized by securities with a book value of \$11,100,000.

Interest rate swap agreements were used to manage the potential impact of changes in interest rates on customer banking deposits. Under interest rate swap agreements, the Company had agreed with other parties to pay fixed rate interest amounts and receive variable rate interest amounts calculated by reference to a notional amount. The variable interest rate portion of the swaps was a specified LIBOR interest rate. These interest rate swaps expired in 2003.

Counterparties to interest rate and currency swap agreements are major financial institutions, that management believes are able to fulfill their obligations. Management believes any losses due to default by the counterparties are likely to be immaterial.

The aggregate annual mandatory redemptions of debt during the five year period ending December 31, 2010 are as follows (in thousands): 2006 - \$175,700; 2007 - \$12,900; 2008 - \$4,700; 2009 - \$3,000; and 2010 - \$3,100.

The weighted average interest rate on short-term borrowings (consisting of customer banking deposits (at December 31, 2004), repurchase agreements and subsidiary revolving credit agreements) was 4.7% and 4.6% at December 31, 2005 and 2004, respectively.

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13. Common Shares, Stock Options and Preferred Shares:

Pursuant to shareholder approval, during the second quarter of 2005 the Company's authorized common shares were increased to 300,000,000.

The Board of Directors from time to time has authorized acquisitions of the Company's common shares. In December 1999, the Company's Board of Directors increased to 6,000,000 the maximum number of shares that the Company is authorized to purchase. During the three year period ended December 31, 2005, the Company acquired 6,071 common shares at an average price of \$37.55 per common share, all in connection with employees exercising stock options. At December 31, 2005, the Company is authorized to repurchase 3,729,477 common shares.

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13. Common Shares, Stock Options and Preferred Shares, continued:

In December 2002, the Company completed a private placement of approximately \$150,000,000 of equity securities, based on a common share price of \$23.50, to mutual fund clients of Franklin Mutual Advisers, LLC, including the funds comprising the Franklin Mutual Series Funds. The Company issued 4,361,399 of the Company's common shares and newly authorized Series A Non-Voting Convertible Preferred Stock, that were converted into 2,021,580 common shares in March 2003.

The Company has a fixed stock option plan which provides for grants of options or rights to non-employee directors and certain employees up to a maximum grant of 450,000 shares to any individual in a given taxable year. The maximum number of common shares which may be acquired through the exercise of options or rights under this plan cannot exceed 1,800,000. The plan provides for the issuance of stock options and stock appreciation rights at not less than the fair market value of the underlying stock at the date of grant. Options generally become exercisable in five equal annual instalments starting one year from date of grant. No stock appreciation rights have been granted.

During the second quarter of 2000, pursuant to shareholder approval, warrants to purchase 600,000 common shares were issued to each of the Company's Chairman and President. The warrants were exercisable through May 15, 2005 at an exercise price of \$15.97 per common share (105% of the closing price of a common share on the date of grant). In June 2004, Joseph S. Steinberg, President of the Company, sold all of his warrants to Jefferies & Company, Inc. ("Jefferies") based on the value of \$33.33 per Leucadia share. In September 2004, Ian M. Cumming, Chairman of the Board of the Company, and others (principally family members) sold warrants to purchase 361,500 of the Company's common shares to Jefferies based on a value of \$36.67 per Leucadia share. Jefferies exercised all of the warrants during 2004. Additionally, in September 2004, Mr. Cumming and others (principally family members) exercised warrants to purchase 238,500 shares at an exercise price of \$15.97 per share. During 2004, the Company filed two registration statements covering the shares owned by Jefferies and each were effective for a thirty day period.

A summary of activity with respect to the Company's stock options for the three years ended December 31, 2005 is as follows:

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	Common Shares Subject to Option -----	Weighted Average Exercise Prices -----
Balance at December 31, 2002	829,605	\$18.14
Granted	6,000	\$25.69
Exercised	(78,525)	\$16.46
Cancelled	(27,900)	\$19.10

Balance at December 31, 2003	729,180	\$18.35
Granted	727,500	\$43.35
Exercised	(165,150)	\$17.25
Cancelled	(14,100)	\$19.92

Balance at December 31, 2004	1,277,430	\$32.72
Granted	6,000	\$36.05
Exercised	(215,800)	\$17.09
Cancelled	(90,000)	\$43.51

Balance at December 31, 2005	977,630	\$35.19
	=====	

The weighted-average fair value of the options granted was \$8.58 per share for 2005, \$8.29 per share for 2004 and \$6.29 per share for 2003 as estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (1) expected volatility of 23.6% for 2005, 19.1% for 2004 and 29.9% for 2003; (2) risk-free interest rates of 3.8% for 2005, 3.3% for 2004 and 2.3% for 2003; (3) expected lives of 4.3 years for 2005, 3.7 years for 2004 and 4.0 years for 2003; and (4) dividend yields of .7% for 2005, .4% for 2004 and .6% for 2003.

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13. Common Shares, Stock Options and Preferred Shares, continued:

The following table summarizes information about fixed stock options outstanding at December 31, 2005:

Range of Exercise Prices -----	Options Outstanding		
	Common Shares Subject to Option -----	Weighted Average Remaining Contractual Life -----	Weighted Average Exercise Price -----

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\$15.08	59,630	0.4 years	\$15.08
\$20.49	262,500	2.5 years	\$20.49
\$22.09	3,375	0.4 years	\$22.09
\$23.49	4,125	1.4 years	\$23.49
\$25.69	4,875	2.4 years	\$25.69
\$31.12	8,625	3.4 years	\$31.12
\$36.05	6,000	4.4 years	\$36.05
\$43.51	628,500	5.0 years	\$43.51

At December 31, 2005 and 2004, 1,237,205 and 1,453,005, respectively, of the Company's common shares were reserved for stock options and 7,619,745 of the Company's common shares were reserved for the 3 3/4% Convertible Senior Subordinated Notes. At December 31, 2003, 1,200,000 of the Company's common shares were reserved for warrants.

At December 31, 2005 and 2004, 6,000,000 of preferred shares (redeemable and non-redeemable), par value \$1 per share, were authorized and not issued.

14. Net Securities Gains:

The following summarizes net securities gains for each of the three years in the period ended December 31, 2005 (in thousands):

	2005

Net realized gains on securities	\$ 222,258
Write-down of investments (a)	(12,230)
Net unrealized gains (losses) on trading securities	(1,212)

	\$ 208,816
	=====

(a) Includes a provision to write down investments in certain available for sale securities in 2005, 2004 and 2003 and an investment in a non-public security in 2003.

Proceeds from sales of investments classified as available for sale were \$1,979,300,000, \$1,435,900,000 and \$681,900,000 during 2005, 2004 and 2003, respectively. Gross gains of \$204,600,000, \$135,900,000 and \$17,700,000 and gross losses of \$2,400,000, \$1,600,000 and \$2,100,000 were realized on these sales during 2005, 2004 and 2003, respectively.

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15. Other Results of Operations Information:

Investment and other income for each of the three years in the period ended December 31, 2005 consists of the following (in thousands):

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	2005

Interest on short-term investments	\$ 7,537
Dividend income	6,817
Interest on fixed maturities	46,440
Interest on notes receivable	1,880
Other investment income	1,164
Gains on sale or foreclosure of real estate or other assets, net of costs	26,136
Banking and lending, including gains on sale of loan portfolios of \$16,304 in 2004	293
Rental income	11,870
MK product and service income	112
Refund of foreign taxes, not based on income, including accrued interest	--
Winery revenues	18,868
Other	28,723

	\$ 149,840
	=====

Taxes, other than income or payroll, amounted to \$3,600,000, \$2,900,000 and \$3,300,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

Advertising costs amounted to \$2,600,000, \$2,100,000 and \$1,100,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

16. Income Taxes:

The principal components of deferred taxes at December 31, 2005 and 2004 are as follows (in thousands):

	2005

Deferred Tax Asset:	
Securities valuation reserves	\$ 46,473
Property and equipment	31,547
Other assets	35,224
NOL carryover	1,870,100
Other liabilities	60,622
Discontinued operations	--

	2,043,966
Valuation allowance	(804,829)

	1,239,137

Deferred Tax Liability:	
Unrealized gains on investments	(21,947)
Depreciation	(30,241)
Other	(51,849)

Net deferred tax asset

 (104,037)

 \$ 1,135,100
 =====

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16. Income Taxes, continued:

As of December 31, 2005, the Company had consolidated federal NOLs of \$600,000,000, none of which expire prior to 2023, that may be used to offset the taxable income of any member of the Company's consolidated tax group. In addition, the Company has \$4,500,000,000 of federal NOLs, none of which expire prior to 2015, that are only available to offset the taxable income of certain subsidiaries. Capital loss carryforwards of \$45,000,000, which expire in 2006 and 2007, and foreign NOLs of \$6,000,000 are not reflected in the table since the Company does not expect it will be able to use the carryforwards before they expire. The Company also has various state NOLs that expire at different times. Uncertainties that may affect the utilization of the Company's tax attributes include future operating results, tax law changes, rulings by taxing authorities regarding whether certain transactions are taxable or deductible and expiration of carryforward periods.

As of December 31, 2004, the Company carried a valuation allowance that fully reserved for its net deferred tax asset, because the Company could not demonstrate it would have the future taxable income necessary to realize that asset. During 2005, as a result of the consummation of certain transactions and ongoing operating profits, the Company prepared updated projections of future taxable income. The Company's revised projections of future taxable income enabled it to conclude that it is more likely than not that it will have future taxable income sufficient to realize a portion of the Company's net deferred tax asset; accordingly, \$1,135,100,000 of the deferred tax valuation allowance was reversed as a credit to income tax expense. In future years the Company will record income tax provisions equal to its effective income tax rate, unless there is a further adjustment to the valuation allowance.

The Company's conclusion that a portion of the deferred tax asset was more likely than not to be realizable was strongly influenced by its historical ability to generate significant amounts of taxable income. The Company's estimate of future taxable income considered all available evidence, both positive and negative, about its current operations and investments, included an aggregation of individual projections for each material operation and investment and included all future years that the Company estimated it would have available NOLs. Over the projection period, the Company assumed that its readily available cash, cash equivalents and marketable securities would provide returns equivalent to the returns expected to be provided by the Company's existing operations and investments, except for certain amounts assumed to be invested on a short-term basis to meet the Company's liquidity needs. The Company believes that its estimate of future taxable income is reasonable but inherently uncertain, and if its current or future operations and investments generate taxable income greater than the projected amounts, further adjustments to reduce the valuation allowance are possible. Conversely, if the Company realizes unforeseen material losses in the future, or its ability to generate future taxable income necessary to realize a portion of the deferred tax asset is materially reduced, additions to the valuation allowance could be recorded.

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The Company's total comprehensive income in 2004 and 2003 enabled it to realize certain acquired deferred tax assets which had been fully reserved for at acquisition. The resulting reduction in the valuation allowance for deferred tax assets (\$22,300,000 in 2004 and \$22,500,000 in 2003) was applied to reduce the recorded amount of identifiable intangible assets to zero.

Under certain circumstances, the ability to use the NOLs and future deductions could be substantially reduced if certain changes in ownership were to occur. In order to reduce this possibility, the Company's certificate of incorporation includes a charter restriction that prohibits transfers of the Company's common stock under certain circumstances.

The provision (benefit) for income taxes for each of the three years in the period ended December 31, 2005 was as follows, excluding amounts allocated to equity in associated companies, trust preferred securities and discontinued operations (in thousands):

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16. Income Taxes, continued:

	2005

State income taxes	\$ 3,804
Federal income taxes:	
Current	--
Deferred	--
Reversal of valuation allowance	(1,135,100)
Currently payable foreign income taxes	214

	\$ (1,131,082)
	=====

The table below reconciles the expected statutory federal income tax to the actual income tax benefit (in thousands):

	2005

Expected federal income tax	\$ 48,357
State income taxes, net of federal income tax benefit	2,473
Reversal of valuation allowance	(1,135,100)
Resolution of tax contingencies	--
Recognition of additional tax benefits	--
Permanent differences	--
Federal income tax carryback refund	--
Recognition of acquired WilTel federal tax benefits	(46,951)
Discontinued operations tax loss benefit	--
Other	139

Actual income tax benefit	\$ (1,131,082)
	=====

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Reflected above as recognition of additional tax benefits and resolution of tax contingencies are reductions to the Company's income tax provision for the favorable resolution of certain federal and state income tax contingencies. The Internal Revenue Service has completed its audit of the Company's consolidated federal income tax returns for the years 1996 through 1999, without any material payment required from the Company.

The statute of limitations with respect to the Company's federal income returns have expired for all years through 2001. Prior to May 2001, WilTel was included in the consolidated federal income tax return of its former parent, The Williams Companies Inc. ("Williams"). Pursuant to a tax settlement agreement between WilTel and Williams, the Company has no liability for any audit adjustments made to Williams' consolidated tax returns; however, adjustments to Williams' prior years tax returns could affect certain of the Company's tax attributes that impact the calculation of alternative minimum taxable income.

17. Pension Plans and Postretirement Benefits:

The information presented below for defined benefit pension plans is presented separately for the Company's plans and the plans formerly administered by WilTel. Pursuant to the WilTel sale agreement the responsibility for WilTel's defined benefit pension plans was retained by the Company. The Company presents the information separately since the WilTel plan's investment strategies, assumptions and results are significantly different than those of the Company.

The Company:

Prior to 1999, the Company maintained defined benefit pension plans covering employees of certain units who also met age and service requirements. Effective December 31, 1998, the Company froze its defined benefit pension plans. A summary of activity with respect to the Company's defined benefit pension plan for 2005 and 2004 is as follows (in thousands):

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17. Pension Plans and Postretirement Benefits, continued:

	2005

Projected Benefit Obligation:	
Projected benefit obligation at January 1,	\$ 58,286
Interest cost (a)	2,951
Actuarial loss	2,314
Benefits paid	(5,428)

Projected benefit obligation at December 31,	\$ 58,123
	=====
Change in Plan Assets:	
Fair value of plan assets at January 1,	\$ 47,643
Actual return on plan assets	1,375
Employer contributions	--
Benefits paid	(5,428)

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Administrative expenses	(114)

Fair value of plan assets at December 31,	\$ 43,476
	=====
Funded Status	\$ (14,647)
Unrecognized prior service cost	48
Unrecognized net loss from experience differences and assumption changes	21,828

Net amount recognized	\$ 7,229
	=====

(a) Includes charges to expense of \$900,000 and \$800,000 for 2005 and 2004, respectively, relating to discontinued operations obligations.

As of December 31, 2005 and 2004, \$21,800,000 and \$20,700,000, respectively, of the net amount recognized in the consolidated balance sheet was reflected as a charge to accumulated other comprehensive income and \$14,600,000 and \$10,600,000, respectively, was reflected as accrued pension cost. Since the Company froze its defined benefit pension plan, the accumulated benefit obligation is the same as the projected benefit obligation. No employer contributions are expected to be made in 2006 related to the Company's defined benefit pension plan.

Pension expense related to the defined benefit pension plan charged to operations included the following components (in thousands):

	2005

Interest cost	\$ 2,045
Expected return on plan assets	(905)
Actuarial loss	848
Amortization of prior service cost	3

Net pension expense	\$ 1,991
	=====

At December 31, 2005, the plan's assets consist of U.S. government and agencies bonds (43%), investment grade bonds (24%), cash equivalents (32%) and other (1%). At December 31, 2004, the plan's assets consisted of U.S. government and agencies bonds (37%), U.S. Government-Sponsored Enterprises (6%), investment grade bonds (28%) and cash equivalents (29%).

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17. Pension Plans and Postretirement Benefits, continued:

The defined benefit pension plan assets are invested in short-term investment grade fixed income investments in order to maximize the value of its invested

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assets by minimizing exposure to changes in market interest rates. This investment strategy provides the Company with more flexibility in managing the plan should interest rates rise and result in a decrease in the discounted value of benefit obligations. The current investment strategy substantially requires investments in investment grade securities, and a final average maturity target for the portfolio of one and one-half years and a one year maximum duration.

To develop the assumption for the expected long-term rate of return on plan assets, the Company considered the following underlying assumptions: 2% current expected inflation, 1% real rate of return for risk-free investments (primarily U.S. government and agency bonds) for the target duration and .25% default risk premium for the portion of the portfolio invested in non-U.S. government and agency bonds. The combination of these underlying assumptions resulted in the selection of the 3.25% expected long-term rate of return assumption for 2005. Because pension expense includes the cost of expected plan administrative expenses, the 3.25% assumption is not reduced for such expenses.

Several subsidiaries provide certain health care and other benefits to certain retired employees under plans which are currently unfunded. The Company pays the cost of postretirement benefits as they are incurred. Amounts charged to expense were not material in each of the three years ended December 31, 2005.

A summary of activity with respect to the Company's postretirement plans for 2005 and 2004 is as follows (in thousands):

	2005

Accumulated postretirement benefit obligation at January 1,	\$ 4,715
Interest cost	247
Contributions by plan participants	167
Actuarial loss	224
Benefits paid	(580)

Accumulated postretirement benefit obligation at December 31,	4,773
Unrecognized prior service cost	387
Unrecognized net actuarial gain	640

Accrued postretirement benefit obligation	\$ 5,800
	=====

The Company expects to spend \$400,000 on postretirement benefits during 2006. At December 31, 2005, the assumed health care cost trend rate for 2006 used in measuring the accumulated postretirement benefit obligation is 9% and, at December 31, 2004, such rate for 2005 was 10%. At December 31, 2005 and 2004, the assumed health care cost trend rates were assumed to decline to an ultimate rate of 5% by 2013. If the health care cost trend rates were increased or decreased by 1%, the accumulated postretirement obligation as of December 31, 2005 would have increased or decreased by \$200,000. The effect of these changes on interest cost for 2005 would be immaterial.

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17. Pension Plans and Postretirement Benefits, continued:

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 The Company uses a December 31 measurement date for its plans. The assumptions used relating to the defined benefit plan and postretirement plans are as follows:

	Pension Benefits		Othe
	2005	2004	2005
	----	----	----
Discount rate used to determine benefit obligation at December 31,	4.87%	5.25%	5.25%
Weighted-average assumptions used to determine net cost for years ended December 31:			
Discount rate	5.25%	5.75%	5.25%
Expected long-term return on plan assets	3.25%	3.25%	N/A

The discount rate was selected to result in an estimated projected benefit obligation on a plan termination basis, using current rates for annuity settlements and lump sum payments weighted for the assumed elections of participants.

The following benefit payments are expected to be paid (in thousands):

	Pension Benefits	Othe
	-----	-----
2006	\$ 4,593	\$
2007	4,377	
2008	4,567	
2009	4,704	
2010	4,054	
2011 - 2015	21,547	

WilTel:

Effective on the date of sale, the Company froze WilTel's defined benefit pension plans. A summary of activity with respect to the plans for 2005 and 2004 is as follows (in thousands):

	2005

Projected Benefit Obligation:	
Projected benefit obligation at beginning of period	\$ 147,888
Interest cost	9,410
Service cost	4,612

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Actuarial loss	29,758
Curtailement gain	(2,334)
Benefits paid	(3,280)

Projected benefit obligation at December 31,	\$ 186,054
	=====
Change in Plan Assets:	
Fair value of plan assets at beginning of period	\$ 74,601
Actual return on plan assets	4,815
Employer contributions	21,769
Benefits paid	(3,280)

Fair value of plan assets at December 31,	\$ 97,905
	=====
Funded Status	\$ (88,149)
Unrecognized net actuarial loss	40,739

Net amount recognized	\$ (47,410)
	=====

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17. Pension Plans and Postretirement Benefits, continued:

Since the Company froze the WilTel plans, the accumulated benefit obligation is the same as the projected benefit obligation as of December 31, 2005. As of December 31, 2004, the accumulated benefit obligation for the plan was \$147,600,000. As of December 31, 2005 and 2004, \$40,700,000 and \$14,300,000, respectively, of the net amount recognized in the consolidated balance sheet was reflected as a charge to accumulated other comprehensive income and \$88,100,000 and \$73,300,000, respectively, was reflected as accrued pension cost.

Employer contributions expected to be paid to the plan in 2006 are \$29,100,000.

Pension expense for the WilTel plans charged to results of discontinued operations included the following components (in thousands):

	2005	2004
	----	----
Interest cost	\$ 9,410	\$ 7,829
Service cost	4,612	3,980
Expected return on plan assets	(6,509)	(5,391)
Actuarial loss	2,953	46
	-----	-----
Net pension expense	\$ 10,466	\$ 6,464
	=====	=====

The plans' assets consist of equity securities (70%), debt securities (28%) and

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cash equivalents (2%) at December 31, 2005. At December 31, 2004, the plans' assets consisted of equity securities (71%), debt securities (19%) and cash equivalents (10%).

The investment objectives of the plans emphasize long-term capital appreciation as a primary source of return and current income as a supplementary source.

In connection with freezing the plan, the Company is reviewing the target allocation, which currently is as follows:

	Target
Equity securities:	
Large cap stocks	40%
Small cap stocks	10%
International stocks	20%

Total equity securities	70%
Fixed income/bonds	30%

Total	100%
	=====

Investment performance objectives are based upon a benchmark index or mix of indices over a market cycle. The investment strategy designates certain investment restrictions for domestic equities, international equities and fixed income securities. These restrictions include the following:

- o For domestic equities, there will generally be no more than 5% of any manager's portfolio at market in any one company and no more than 150% of any one sector of the appropriate index for any manager's portfolio. Restrictions are also designated on outstanding market value of any one company at 5% for large to medium equities and 8% for small to medium equities.

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17. Pension Plans and Postretirement Benefits, continued:

- o For international equities, there will be no more than 8% in any one company in a manager's portfolio, no fewer than three countries in a manager's portfolio, no more than 10% of the portfolio in countries not represented in the EAFE index, no more than 150% of any one sector of the appropriate index and no currency hedging is permitted.
- o Fixed income securities will all be rated BBB- or better at the time of purchase, there will be no more than 8% at market in any one security (U.S. government and agency positions excluded), no more than a 30-year maturity in any one security and investments in standard collateralized mortgage obligations are limited to securities that are currently paying interest, receiving principal, do not contain leverage and are limited to 10% of the market value of the portfolio.

The assumption for the expected long-term rate of return on plan assets considered historical returns and future expectations, including a more conservative expectation of future returns and asset allocation targets as the participant population grows closer to retirement age. Based on this information, a 7.0% expected long-term rate of return on plan assets was selected for 2005 and 2004.

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The measurement date for WilTel's plans is December 31. The assumptions used for 2005 and 2004 are as follows:

	Pension Benefits	
	2005	2004
	----	----
Weighted-average assumptions used to determine benefit obligation at December 31:		
Discount rate	5.40%	5.75%
Rate of compensation increase	3.50%	3.50%
Weighted-average assumptions used to determine net cost for the period ended December 31:		
Discount rate	5.75%	6.00%
Expected long-term return on plan assets	7.00%	7.00%
Rate of compensation increase	3.50%	3.50%

The timing of expected future benefit payments was used in conjunction with the Citigroup Pension Discount Curve to develop a discount rate that is representative of the high quality corporate bond market, adjusted for current rates which might be available for annuity settlements.

The following pension benefit payments are expected to be paid (in thousands):

2006	\$ 3,309
2007	2,926
2008	3,381
2009	2,911
2010	3,396
2011 - 2015	22,976

The Company and its consolidated subsidiaries have defined contribution pension plans covering certain employees. Contributions and costs are a percent of each covered employee's salary. Amounts charged to expense related to such plans were \$1,700,000, \$1,400,000 and \$1,300,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

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18. Commitments:

The Company and its subsidiaries rent office space and office equipment under noncancellable operating leases with terms varying principally from one to twenty years. Rental expense (net of sublease rental income and unfavorable contract amortization) was \$8,100,000 in 2005, \$7,600,000 in 2004 and \$5,900,000 in 2003. Future minimum annual rentals (exclusive of month-to-month leases, real

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estate taxes, maintenance and certain other charges) under these leases at December 31, 2005 are as follows (in thousands):

2006	\$ 10,415
2007	9,340
2008	7,127
2009	5,642
2010	3,615
Thereafter	7,862

	44,001
Less: sublease income	(5,785)

	\$ 38,216
	=====

In connection with the sale of certain subsidiaries and certain non-recourse financings, the Company has made or guaranteed the accuracy of certain representations. No material loss is expected in connection with such matters.

Pursuant to an agreement that was entered into before the Company sold CDS to HomeFed in 2002, the Company agreed to provide project improvement bonds for the San Elijo Hills project. These bonds, which are for the benefit of the City of San Marcos, California and other government agencies are required prior to the commencement of any development at the project. CDS is responsible for paying all third party fees related to obtaining the bonds. Should the City or others draw on the bonds for any reason, CDS and one of its subsidiaries would be obligated to reimburse the Company for the amount drawn. At December 31, 2005, \$29,500,000 was outstanding under these bonds, \$800,000 of which expires in 2006 and the remainder thereafter.

Symphony is limited by debt agreements in the amount of dividends and other transfers of funds that are available to the Company. Principally as a result of such restrictions, the net assets of subsidiaries which are subject to limitations on transfer of funds to the Company were approximately \$8,800,000 at December 31, 2005.

19. Litigation:

The Company and its subsidiaries are parties to legal proceedings that are considered to be either ordinary, routine litigation incidental to their business or not material to the Company's consolidated financial position. The Company does not believe that any of the foregoing actions will have a material adverse effect on its consolidated financial position or liquidity.

20. Earnings (Loss) Per Common Share:

For the year ended December 31, 2005, the numerators for basic and diluted per share computations for income from continuing operations were \$1,224,100,000 and \$1,238,300,000, respectively. For the year ended December 31, 2004, the numerators for basic and diluted per share computations for income from continuing operations were \$208,500,000 and \$214,800,000, respectively. The calculations for diluted earnings (loss) per share assumes the 3 3/4% Convertible Notes had been converted into common shares for the periods they were outstanding and earnings increased for the interest on such notes.

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20. Earnings (Loss) Per Common Share, continued:

For the year ended December 31, 2003, there were no differences in the numerators for the basic and diluted per share computations for income from continuing operations; the numerator was \$101,100,000. The denominators for basic per share computations were 107,765,000, 106,692,000 and 91,896,000 for 2005, 2004 and 2003, respectively. The denominators for diluted per share computations reflect the dilutive effect of 252,000, 779,000 and 656,000 options and warrants for 2005, 2004 and 2003, respectively (the treasury stock method was used for these calculations), and 7,620,000 and 5,275,000 shares related to the 3 3/4% Convertible Notes for 2005 and 2004, respectively.

21. Fair Value of Financial Instruments:

The following table presents fair value information about certain financial instruments, whether or not recognized on the balance sheet. Fair values are determined as described below. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The fair value amounts presented do not purport to represent and should not be considered representative of the underlying "market" or franchise value of the Company. The methods and assumptions used to estimate the fair values of each class of the financial instruments described below are as follows:

- (a) Investments: The fair values of marketable equity securities, fixed maturity securities and investments held for trading purposes (which include securities sold not owned) are substantially based on quoted market prices, as disclosed in Note 6. The fair value of the Company's investment in the Inmet common shares, all of which are restricted as discussed in Note 6, is based on quoted market prices. The fair values of the Company's other equity securities that are accounted for under the cost method (aggregating \$73,600,000) were not practicable to estimate; the fair values were assumed to be the carrying amount.
- (b) Cash and cash equivalents: For cash equivalents, the carrying amount approximates fair value.
- (c) Notes receivables: The fair values of variable rate notes receivable are estimated to be the carrying amount.
- (d) Loan receivables of banking and lending subsidiaries: The carrying amount approximates fair value.
- (e) Customer banking deposits: At December 31, 2004, the fair value of customer banking deposits is estimated using rates currently offered for deposits of similar remaining maturities.
- (f) Long-term and other indebtedness: The fair values of non-variable rate debt are estimated using quoted market prices and estimated rates which would be available to the Company for debt with similar terms. The fair value of variable rate debt is estimated to be the carrying amount.
- (g) Derivative instruments: The fair values of the interest rate swap and currency rate swap agreements are based on rates currently available for similar agreements.

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21. Fair Value of Financial Instruments, continued:

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2005 and 2004 are as follows (in thousands):

	2005 -----	Fair Value -----	
	Carrying Amount -----		
Financial Assets:			
Investments:			
Current	\$ 1,323,562	\$ 1,323,562	\$ 1
Non-current	977,327	1,041,446	
Cash and cash equivalents	386,957	386,957	
Notes receivable:			
Current	6,413	6,413	
Non-current	3,787	3,787	
Loan receivables of banking and lending subsidiary, net of allowance:			
Current	1,056	1,056	
Non-current	1,376	1,376	
Financial Liabilities:			
Customer banking deposits:			
Current	--	--	
Non-current	--	--	
Debt:			
Current	175,664	176,052	
Non-current	986,718	1,038,252	1
Securities sold not owned	24,268	24,268	
Derivative Instruments:			
Interest rate swaps	(677)	(677)	
Foreign currency swaps	(2,546)	(2,546)	

22. Segment Information:

The Company's reportable segments consist of its operating units, which offer different products and services and are managed separately. The Company's manufacturing operations are conducted through Idaho Timber and its plastics manufacturing segment. Idaho Timber primarily remanufactures, manufactures and/or distributes wood products. The Company's plastics manufacturing operations manufacture and market lightweight plastic netting used for a variety of purposes. The Company's healthcare services operations provide physical, occupational and speech therapy services, healthcare staffing services and Medicare consulting services. The Company's telecommunications operations are principally conducted through ATX, an integrated communications provider that offers a wide range of telecommunication services in the Mid-Atlantic region of the United States. The Company's domestic real estate operations consist of a variety of commercial properties, residential land development projects and

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other unimproved land, all in various stages of development and all available for sale. Other operations primarily consist of the Company's wineries and residual banking and lending activities that are in run-off.

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22. Segment Information, continued:

Associated companies include equity interests in entities that the Company accounts for on the equity method of accounting. Investments in associated companies include CLC, Olympus, Berkadia, HomeFed, JPOF II and EagleRock. Both JPOF II and EagleRock are entities engaged in investing and/or securities transactions activities.

Corporate assets primarily consist of investments and cash and cash equivalents and corporate revenues primarily consist of investment income and securities gains and losses. Corporate assets, revenues, overhead expenses and interest expense are not allocated to the operating units. The Company has a manufacturing facility located in Belgium, which is the only foreign operation with non-U.S. revenue or assets that the Company consolidates, and it is not material. In addition to its investment in Bermuda-based Olympus, the Company owns 36% of the principal electric utility in Barbados, and an interest, through its 30% ownership of CLC, in a copper deposit in Spain. From time to time the Company invests in the securities of non-U.S. entities or in investment partnerships that invest in non-U.S. securities.

Certain information concerning the Company's segments for 2005, 2004 and 2003 is presented in the following table. Consolidated subsidiaries are reflected as of the date of acquisition, which was September 2003 for Symphony, April 2005 for ATX and May 2005 for Idaho Timber. Associated Companies are only reflected in the table below under identifiable assets employed.

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22. Segment Information, continued:

	2005

Revenues and other income (a):	
Manufacturing:	
Idaho Timber	\$ 239.0
Plastics	93.6
Healthcare Services	239.9
Telecommunications	111.4
Domestic Real Estate	29.8
Other Operations	59.1
Corporate (b)	268.3

Total consolidated revenues and other income	\$ 1,041.1

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	=====
Income (loss) from continuing operations before income taxes, minority expense of trust preferred securities and equity in income (losses) of associated companies:	
Manufacturing:	
Idaho Timber	\$ 8.2
Plastics	14.2
Healthcare Services	3.3
Telecommunications	(1.9)
Domestic Real Estate	4.1
Other Operations	6.1
Corporate (b)	101.9
Elimination (c)	2.3

Total consolidated income (loss) from continuing operations before income taxes, minority expense of trust preferred securities and equity in income (losses) of associated companies	\$ 138.2
	=====
Identifiable assets employed:	
Manufacturing:	
Idaho Timber	\$ 162.7
Plastics	81.9
Healthcare Services	55.5
Telecommunications	88.6
Domestic Real Estate	182.7
Other Operations	252.0
Investments in Associated Companies	375.5
Corporate	4,062.0
Assets of discontinued operations	--

Total consolidated assets	\$ 5,260.9
	=====

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22. Segment Information, continued:

- (a) Revenues and other income for each segment include amounts for services rendered and products sold, as well as segment reported amounts classified as investment and other income and net securities gains (losses) on the Company's consolidated statements of operations.
- (b) Net securities gains for Corporate aggregated \$199,500,000 and \$123,100,000 during 2005 and 2004, respectively, which primarily resulted from the sale of publicly traded debt and equity securities that had been classified as available for sale securities. Security gains in 2005 include a gain from the sale of WMIG of \$146,000,000. For 2005 and 2004, security gains include provisions of \$12,200,000 and \$4,600,000, respectively, to write down investments in certain available for sale securities. For 2003, security gains include a provision of \$6,500,000 to write down investments in certain available for sale securities and an investment in a non-public security. The write downs of the available for sale securities resulted from declines in market value determined to be other than temporary.

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- (c) Eliminates services purchased by ATX from WilTel and recorded as a cost of sales by ATX.
- (d) For the years ended December 31, 2005, 2004 and 2003, income (loss) from continuing operations has been reduced by depreciation and amortization expenses of \$41,300,000, \$29,400,000 and \$29,100,000, respectively; such amounts are primarily comprised of Corporate (\$10,700,000, \$11,400,000 and \$11,700,000, respectively), manufacturing (\$14,200,000, \$5,200,000 and \$4,700,000, respectively), other operations (\$5,500,000, \$6,900,000 and \$7,800,000, respectively) and telecommunications (\$7,500,000 in 2005). Depreciation and amortization expenses for other segments are not material.
- (e) For the years ended December 31, 2005, 2004 and 2003, income (loss) from continuing operations has been reduced by interest expense of \$68,400,000, \$62,700,000 and \$37,900,000, respectively; such amounts are primarily comprised of Corporate (\$63,200,000, \$55,300,000 and \$26,000,000, respectively), healthcare services (\$2,800,000, \$2,200,000 and \$600,000, respectively) and banking and lending, which is included in other operations (\$1,100,000, \$2,700,000 and \$8,800,000, respectively). Interest expense for other segments is not material.

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23. Selected Quarterly Financial Data (Unaudited):

	First Quarter -----	Sec Quar -----
	(In thousand)	
2005:		
Revenues and other income	\$ 121,295	\$ 25
	=====	=====
Income (loss) from continuing operations	\$ (6,695)	\$ 1,20
	=====	=====
Income from discontinued operations, net of taxes	\$ 9,308	\$ 1
	=====	=====
Gain on disposal of discontinued operations, net of taxes	\$ --	\$ 5
	=====	=====
Net income	\$ 2,613	\$ 1,27
	=====	=====
Basic earnings (loss) per common share:		
Income (loss) from continuing operations	\$ (.06)	\$
Income from discontinued operations	.08	
Gain on disposal of discontinued operations	--	

Net income	\$.02	\$
	=====	=
Number of shares used in calculation	107,609	10

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	=====	=====
Diluted earnings (loss) per common share:		
Income (loss) from continuing operations	\$ (.06)	\$
Income from discontinued operations	.08	
Gain on disposal of discontinued operations	--	

Net income	\$.02	\$
	=====	=====
Number of shares used in calculation	107,609	11
	=====	=====

2004:		
Revenues and other income	\$ 124,083	\$ 17
	=====	=====
Income from continuing operations	\$ 23,438	\$ 6
	=====	=====
Income (loss) from discontinued operations, net of taxes	\$ (35,390)	\$ (2)
	=====	=====
Gain (loss) on disposal of discontinued operations, net of taxes	\$ --	\$
	=====	=====
Net income (loss)	\$ (11,952)	\$ 3
	=====	=====

Basic earnings (loss) per common share:		
Income from continuing operations	\$.22	
Income (loss) from discontinued operations	(.33)	
Gain (loss) on disposal of discontinued operations	--	

Net income (loss)	\$ (.11)	
	=====	
Number of shares used in calculation	106,272	10
	=====	=====

Diluted earnings (loss) per common share:		
Income from continuing operations	\$.22	
Income (loss) from discontinued operations	(.33)	
Gain (loss) on disposal of discontinued operations	--	

Net income (loss)	\$.11	
	=====	
Number of shares used in calculation	106,272	11
	=====	=====

Income from continuing operations includes credits to income tax expense of \$1,100,000,000 and \$25,100,000 for the second and third quarters of 2005, respectively, resulting from reversals of the deferred income tax valuation allowance.

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23. Selected Quarterly Financial Data (Unaudited), continued:

The Internal Revenue Service has completed the audit of the Company's consolidated federal income tax returns for the years 1996 through 1999, without any material tax payment required from the Company. Income taxes reflect a benefit for the favorable resolution of certain income tax contingencies for which the Company had previously established reserves of \$27,300,000 in the

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third quarter of 2004. In addition, the fourth quarter of 2004 reflects a benefit to record a federal income tax carryback refund of \$3,900,000.

In 2005 and 2004, the totals of quarterly per share amounts do not equal annual per share amounts because of changes in outstanding shares during the year.

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Schedule II - Valuation and Qualifying Accounts
 LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
 For the years ended December 31, 2005, 2004 and 2003
 (In thousands)

Description	Balance at Beginning of Period	Additions			Deduction	
		Charged to Costs and Expenses	Recoveries	Other	Write Offs	Sale of Receivables
2005						
Loan receivables of banking and lending subsidiaries	\$ 946	\$ (323)	\$ 90	\$ --	\$ 177	\$ --
Trade, notes and other receivables	7,488	7,995	144	5,215	5,701	245
Total allowance for doubtful accounts	\$ 8,434	\$ 7,672	\$ 234	\$ 5,215	\$ 5,878	\$ 245
Deferred tax asset valuation allowance	\$2,185,275	\$ --	\$ --	\$ --	\$ --	\$ --
2004						
Loan receivables of banking and lending subsidiaries	\$ 24,236	\$ (8,301)	\$11,215	\$ --	\$11,331	\$14,873
Trade, notes and other receivables	2,268	4,967	4,860	--	4,607	--
Total allowance for doubtful accounts	\$ 26,504	\$ (3,334)	\$16,075	\$ --	\$15,938	\$14,873
Deferred tax asset						

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valuation allowance	\$2,237,753	\$ --	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====	=====
2003						
Loan receivables of banking and lending subsidiaries	\$ 31,848	\$ 16,411	\$12,175	\$ --	\$36,198	\$ --
Trade, notes and other receivables	883	3,319	123	--	2,057	--
	-----	-----	-----	-----	-----	-----
Total allowance for doubtful accounts	\$ 32,731	\$ 19,730	\$12,298	\$ --	\$38,255	\$ --
	=====	=====	=====	=====	=====	=====
Deferred tax asset valuation allowance	\$ 49,551	\$ --	\$ --	\$2,229,709 (c)	\$ --	\$ --
	=====	=====	=====	=====	=====	=====

(a) During 2005, as a result of the consummation of certain transactions and ongoing operating profits, the Company prepared updated projections of future taxable income. The Company's revised projections of future taxable income enabled it to conclude that it is more likely than not that it will have future taxable income sufficient to realize a portion of the Company's net deferred tax asset; accordingly, \$1,135,100,000 of the deferred tax valuation allowance was reversed as a credit to income tax expense.

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- (b) Principally results from the recognition of acquired tax benefits, of which \$22,300,000 was applied to reduce the carrying amount of acquired non-current intangible assets to zero, \$3,900,000 resulted from a carryback refund claim and \$6,500,000 resulted from the use of acquired tax attributes to offset the federal income tax provision that would have otherwise been recorded during 2004.
- (c) Additions represent acquired tax benefits, for which the Company established a full valuation allowance at acquisition since the Company was not able to demonstrate that it was more likely than not that it will be able to realize such tax benefits.
- (d) Principally results from the recognition of acquired tax benefits of \$22,500,000, which was applied to reduce the carrying amount of acquired non-current intangible assets and a reclassification to other liabilities.

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