

Letter from the Chairman and President

To Our Shareholders,

Earnings for 1995 were \$107,503,000 or \$1.81 per share after taxes, a 12.2% return on last year's ending equity. Net worth was \$1,111,491,000 or \$18.47 per share. This compares with a negative net worth of (\$7,657,000) or (\$.11) per share at December 31, 1978, when we began managing the Company. The stock price for the same period (adjusted for stock splits) went from \$.08 to \$25.00 per share, a compound rate of 40.2% per annum for those 17 years.

In annual reports in years past we have taken great delight in occasionally reporting after tax rates of return on prior year's ending equity in the 30% plus range (see below). At the same time, we have warned that these high rates of return were not sustainable over time.

Leucadia's After Tax Rates of Return

<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
18.4%	35.3%	35.7%	39.7%	7.8%	12.2%

There are several factors which affect the up and down nature of these returns. With the increasing size of our net worth, given what we do and how we do it (more later), it becomes ever harder for us to maintain very high rates of return. The chart below demonstrates that all asset classes have trouble managing high returns over time. As the amount of our capital increases, the returns will inevitably tend to regress to the averages. This is a law of nature. The second reason is that we have significant assets invested in future opportunities. These assets have little or no returns during their incubation. When they hatch, if we have done a good job, the progeny will sell at a good price or have high rates of return. Lastly, some of our operating companies are worth significantly more than book value, which has not been realized.

Market Rates of Return

	<u>70 Years 1926-95</u>	<u>Recent Decade 1986-95</u>	<u>1980s</u>	<u>1990s 1990-95</u>
Leucadia Stock Price.....	(a)	21.8%	31.0%	29.3%
S&P 500	10.5%	14.8%	17.5%	13.0%
Small Company	12.5%	11.9%	15.8%	15.3%
Long-Term Corporates	5.7%	11.3%	13.0%	11.3%
Long-Term Government	5.2%	11.9%	12.6%	11.9%
Short-Term Government	5.3%	9.1%	11.9%	9.0%
Treasury Bills	3.7%	5.6%	8.9%	4.9%
Inflation	3.1%	3.5%	5.1%	3.4%

(a) Leucadia's stock price since our tenure began (1978) has grown at a compound annual rate of 40.2%.

Further complicating the business of investing, is the fact that since 1980 there has been significant inflation in the price of financial assets. Mutual fund assets have grown from \$135 billion to \$2,162 billion, U.S. Government securities from \$1 trillion to \$5 trillion and the S&P 500 Market Cap from \$926 billion to \$4,588 billion. There was \$27 billion of funds raised last year which was invested in leveraged buyouts (LBO) and private equity transactions¹. In 1980 no one had heard of an LBO fund. There is too much money chasing too few opportunities which has driven down returns. However, this is not all bad, even truffle hunters need a rest.

Our corporate strategy explains what we do.

"We tend to be buyers of companies that are troubled or out of favor and as a result are selling substantially below the values which we believe are there. From time to time, we sell parts of these operations when prices available in the market reach what we believe to be advantageous levels. While we are not perfect in executing this strategy, we are proud of our long-term track record. We are not income statement driven and do not run your company with an undue emphasis on either quarterly or annual earnings. We believe we are conservative in our accounting practices and policies and that our balance sheet is conservatively stated."²

Because we buy "companies that are troubled or out of favor..." when these companies are acquired they may provide no or very low rates of return until they become profitable or are sold. Because "we are not income statement driven and do not run your company with an undue emphasis on either quarterly or annual returns," the annual returns are often erratic. Since we have not realized substantial gains from sales of operating companies in the last few years, nor have we had significant increases in operating income from incubator assets, human nature is such that we are slightly embarrassed by 8% and 12% annual returns.

One of us will soon be 56 years of age, the other just turned 52. We are too young to quit, and too old to change our ways. Therefore, we will proceed doing what we know best—buying assets cheap and selling them when someone else wants them more than we do. If asset valuations remain unrealistically high in the United States and other suitable investments, such as foreign investments, do not become available, we will keep our money in the bank or conclude that we have too much capital and should return some of it to the shareholders. A mechanism more tax efficient than doubling the dividend, as we did last year, would be appropriate. Both of us think, however, that this era of overly generous asset prices will pass. When there is the inevitable correction, people will think truffles are but a fungus and we will be in the truffle business again.

We think of Leucadia as two companies: a group of Operating Companies and a collection of opportunistic investments in the future, i.e., Work in Progress assets, as shown below.

¹ *Return on Investment* magazine, January/February 1996.

² Originally reported in the 1988 annual report.

Leucadia's Return on Investment

	Investment 12/31/95	Pre-tax Results 1995	1995 Return on 1994 Investment (b)
(Dollars in thousands)			
Operating Companies:			
Colonial Penn P&C	\$ 342,005	\$ 68,851	26.28%
Empire P&C	231,205	10,091	5.04%
Life Insurance	159,590	53,647	35.12%
Subtotal, Insurance	732,800	132,589	21.56%
Banking and Lending (a)	62,481	16,736	26.59%
Manufacturing	58,497	(18,044)	(27.75%)
Subtotal, Operating Companies	853,778	131,281	17.67%
Corporate Assets:			
The WMAC Companies	48,648	41,030	257.45%
Work in Progress assets	411,712	16,263	5.74%
Other Corporate (including deferred taxes and cash)	298,300	(17,400)	(7.07%)
Corporate Debt	(500,947)	(38,992)	(9.59%)
Subtotal, Corporate	257,713	901	0.65%
Consolidated	<u>\$1,111,491</u>	<u>\$132,182</u>	14.99%

(a) Banking and Lending investment at December 31, 1995 excludes \$55,301,000 invested by non-bank subsidiaries in auto loans, but pre-tax results include the profits from such loans.

(b) We ask you to pay attention here; these return percentages are based on the year end 1994 investment balance.

The assets under Subtotal, Operating Companies are mature Operating Companies. In spite of the fact that one of them, Manufacturing, is still broken (more later), and Empire had a hiccup in 1995 (more later), these companies in total did well. When these two problems are resolved, they should do even better. The Operating Companies are completely decentralized and in the hands of managers of our choosing, who on most occasions do an outstanding job.

The second "company" is represented by the \$411,712,000 invested in Work in Progress assets. These assets are in two categories: working assets and incubator assets. Some of the working assets are for sale, but not until we get a price which we believe represents their intrinsic value, others are being held because we believe their value will improve. The WMAC Companies are a good example of working assets. On the chart above they are reported separately for illustrative purposes. These two insurance companies were under the control of the Wisconsin Insurance Commissioner since we bought them with the Baldwin-United acquisition in 1986. We worked for nine years to get them liberated. In 1995 the Wisconsin Insurance Commissioner returned them to us and we reported a \$41 million gain, which is not taxable.

The balance of the Work in Progress assets are incubator assets. These are assets which we think will grow over time; we give them attention and tender loving care. The real estate, Argentina, Russian and Jordan Company investments fit in this category as do occasional stock and bond investments, such as our holdings in the Rockefeller Center REIT, which is mentioned later.

In summary, our Operating Companies have high rates of return. Occasionally someone offers us a price significantly in excess of book value, which results in a very high return in the year this occurs, and is hopefully sheltered from tax by our net operating loss carryforwards and other tax attributes. We have Work in Progress assets which have low rates of return. Sometimes they are sold at a profit or metamorphose into high yielding Operating Companies; sometimes we sell them at a loss. These phenomena have resulted in annual rates of return which vary year to year but have over time produced satisfactory results. Hopefully this process will go on unabated.

Below is a chart of our earnings by business unit and following the chart, a discussion of each unit. There are no allocated costs for interest, accounting, portfolio management or for the 48 people in the corporate and executive headquarters which include the undersigned. These costs and the net costs associated with Work in Progress assets are accounted for in the Corporate section.

	1995	1994
	(Dollars in thousands)	
Property and Casualty Insurance:		
Colonial Penn:		
Operations	\$ 65,724	\$ 62,897
Net securities gains (losses)	3,127	(1,021)
Empire Insurance Company:		
Operations	10,543	36,943
Net securities gains (losses)	<u>(452)</u>	<u>(2,427)</u>
Total Property and Casualty Insurance:		
Operations	76,267	99,840
Net securities gains (losses)	2,675	(3,448)
Life Insurance:		
Operations	51,848	53,052
Net securities gains (losses)	1,799	(3,941)
Banking and Lending:		
Operations	16,736	16,302
Net securities gains (losses)	0	(2)
Manufacturing	(18,044)	(11,758)
Corporate and Other:		
Operations	(14,652)	(45,114)
Net securities gains (losses)	<u>15,553</u>	<u>(4,613)</u>
Subtotal, Income before tax:		
Operations	112,155	112,322
Net securities gains (losses)	<u>20,027</u>	<u>(12,004)</u>
Total pre-tax	132,182	100,318
Tax provision (a)	<u>(24,679)</u>	<u>(29,482)</u>
Total after tax	<u>\$107,503</u>	<u>\$ 70,836</u>

(a) Does not reflect the benefit of net operating loss carryforwards. See Note 14 of Notes to Consolidated Financial Statements for the excruciating explanation of our net operating loss carryforwards.

Property and Casualty Insurance Group

The Property and Casualty Insurance Group has two operating groups: Colonial Penn and Empire. Colonial Penn, headquartered in Valley Forge, Pennsylvania, is licensed in all 50 states and provides private passenger automobile and homeowners insurance to the mature adult population. Colonial Penn, as a direct marketer, deals directly with the public and endeavors to be the lowest cost provider to this market segment.

Empire, headquartered in New York City, operates in the New York metropolitan area. Through a network of independent agents and brokers, Empire provides both personal and commercial insurance products and continues to be successful in identifying and developing niche programs. Empire's expertise in its market has allowed it to secure a considerable amount of service work from other insurers which complements its voluntary insurance operations.

Property and Casualty Insurance Group Combined Ratio

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Colonial Penn Group:			
Statutory accounting principles.....	97.3%	97.1%	89.7%
Generally accepted accounting principles	97.0%	96.1%	92.2%
Empire Group:			
Statutory accounting principles.....	107.4%	101.3%	101.4%
Generally accepted accounting principles	113.0%	103.5%	104.9%
Property and Casualty Insurance Group:			
Statutory accounting principles.....	101.2%	98.8%	93.7%
Generally accepted accounting principles	103.5%	99.1%	96.9%
Industry:			
Statutory accounting principles.....	N/A	108.5%	106.9%

Our goal, which we have stated before, is to have a combined ratio of no more than 100%. A combined ratio of 100% means that premiums equal the sum of claims, administrative expenses and underwriting expenses. Thus, if the combined ratio is 100% or less, the shareholders keep the after tax earnings on the invested reserves and the equity, which can be quite substantial on \$1.9 billion of investments. Colonial Penn accomplished this goal for all three years while Empire struggles toward achieving the same goal. Normally, the industry as a whole does not do as well as either Colonial Penn or Empire.

Colonial Penn Property and Casualty

Colonial Penn Property and Casualty had a good year. A.M. Best upgraded the company to an A-. California did not fall into the Pacific Ocean and our part of Florida did not blow away, thus the year was relatively free of any major catastrophes which cost

\$4.5 million for 1995, \$17.4 million for 1994 and \$7.2 million for 1993. The reinsurers had fewer losses in 1995 and we have reduced our exposures somewhat. As a result, we were able to buy more catastrophic coverage in 1996 for less money! We settled the California Proposition 103 litigation for an amount that was within our reserves.

Total written premiums have grown by 9%. Most importantly, voluntary auto reached crossover. At the end of the year we had 1% more voluntary auto policies than at the beginning of the year, with premium volume up 5.7%. Volume was up more than policyholder count because we are insuring slightly younger drivers with newer or more cars. This is a good thing. 1996 is an important year for Colonial Penn. The restructuring is complete. Harry Wulsin and his team have demonstrated their ability to grow the portfolio inexpensively. During 1996, their challenge is to increase the rate of growth without disrupting the excellent expense structure.

Empire

Empire had a dyspeptic year; here is what happened. For the last four years, Empire's premium volume has increased at a 10% average annual rate from \$243.1 million in 1992 to \$326.1 million in 1995. This caused an undue strain on our people and some of the systems proved to be antiquated. This is an old story in the P&C business and, with 20/20 hindsight, we might have known better and caught it sooner. Early in the year the New York State Insurance Department finalized a market conduct review which brought to light problems in our claims department. Further investigation verified these findings and corrective action was taken. In addition to paying a fine, Empire was required to reopen closed claim files. Significant additional claim amounts were paid and charged to expense. All this resulted in operating earnings of \$10.5 million in 1995, as opposed to \$36.9 million in 1994.

Given what had happened, we asked our actuaries what these difficulties implied about our level of reserves for existing claims and what it implied about the likely occurrence of future claims. Both of these questions are of vital interest to us and to them. It is central to the accuracy of our accounting.

Actuaries predict the future, not with a crystal ball, but rather by looking out the rear window of a fast moving car. If the car gets to its destination safely everything is fine. If it crashes, it's not their fault. Someone else was the driver. Three actuaries participated: our new actuary (the old one became a lawyer) and two actuarial consultants. It was reminiscent of the first act of *A Midsummer Night's Dream*. Actuaries are mathematical types, they are peculiarly inarticulate (think of the combination of Forrest Gump and the Rain Man) and their language is impenetrable to a lay person. After many meetings they agreed with one another that the reserve strengthening which ran through the income statement in 1995, along with the extra claims expense, has left Empire adequately reserved. We will watch very closely and hope to return to being so conservatively reserved that the other merry band of back seat drivers, the accountants, will complain! Rich Pettitt has been named Chairman and Chief Executive of Empire. He has done a splendid job leading the Life Insurance Companies to profitability and growth. We are confident that Rich will do a similar job at Empire.

Life Insurance Group

We conduct our life insurance business through Colonial Penn Life headquartered in Philadelphia, Pennsylvania; Charter National Life in St. Louis, Missouri; and Intramerica Life Insurance in Pearl River, New York. Our principal life insurance product is a guaranteed issue policy sold directly to persons age 50 to 80 in face amounts of \$350 to \$10,000. We have over 900,000 policies in force. This is a predictable and profitable block of business.

In 1992, we sold \$10.9 million of new annualized premium, \$17 million in 1993, \$20.5 million in 1994 and \$21.8 million in 1995. At approximately \$15 million per annum, the business grows. Critical to success is the cost of acquiring new business. Since our purchase of Colonial Penn in 1991, we have been able to add new premiums at half the previous acquisition cost. Business in 1995 produced 90,000 new policies.

Ed McMahon and Alex Trebeck are our spokesmen on television and through direct mail. Television is our primary source of leads.

The Life Insurance Group sells a no-load variable annuity product. Premiums are invested at the direction of the policyholder in a series of unaffiliated mutual funds (managed by Scudder, Stevens and Clark), where the policyholder bears the entire investment risk. Total assets were \$323.2 million at the end of 1994 and \$374.7 million at the end of this year.

Banking and Lending

The Company's banking and lending activities are conducted through its national bank subsidiary, American Investment Bank, N.A. (AIB); a Utah State chartered industrial loan corporation, American Investment Financial (AIF); and Transportation Capital Corp. (TCC), a New York based SSBIC.

AIB and AIF make auto, executive and professional loans primarily by mail. TCC makes loans secured by taxicab medallions in New York, Boston, Cambridge and Chicago. AIB and AIF deposits are insured by the FDIC.

AIB primarily offers auto loans to people with bad credit reports. We have done quite well with the program over the years and offer this service in 14 states throughout the country. In the last couple of years, significant competition began to enter the market. Several large, well financed financial institutions entered the market or bought competitors (at very large premiums) and several initial public offerings were funded. The competition has become increasingly intense, rates have fallen in the market and loan losses are up. From the borrowers point-of-view the choice is simple, go with the lower rate. We have decided not to lower rates but to let the business shrink. As a result, our volumes have fallen significantly. We have seen the arrival of inexperienced money before. This is a difficult business. Higher rates are required to make money. Over the next few years we hope that the competition will dwindle and our volumes will slowly return. If not, we will go on to something else. We have no desire to be a slender lender, a lender at inadequate rates.

This segment earned \$16.7 million in 1995. We do not expect to do as well in 1996. Warren Mino and his team have their work cut out for them, for these may be the beginning of seven lean cow years.

Manufacturing

We have done very poorly with the manufacturing operations for the last several years and to our chagrin they have lost a lot of money. Operations were better in 1995 than the numbers suggest, as we explain below. Stephen C. Perry is the President of the Manufacturing Division with one year's tenure. So far, in spite of the dreadful results which he inherited from us, he is doing a superior job of returning these companies to profitability or selling them. This effort is continuing.

We have learned an expensive lesson in the last few years. We purchased these manufacturing companies inexpensively. We worked on them until they were in the aggregate making high returns on net invested assets. They performed admirably for a number of years. We were off doing other things. The scent of truffles is intoxicating. Then we made a series of disastrous personnel choices and a poorly executed facilities expansion, which we believe are now behind us. If you take our explanation with a grain of salt, we won't mind.

General Marble is the largest operating unit and the cause of much of the problems in recent years. Its primary product lines are cabinets and cultured marble sinktops for the bathroom sold primarily by home centers. For the first time since 1991, General Marble achieved profitability at the end of 1995, but incurred a loss for the year. Steve expects General Marble to be profitable in 1996. Our fingers are crossed.

The other large manufacturing unit is Conwed Plastics which makes plastic netting in configurations which allow it to be used for bagging, wrapping, bird and trellis netting, filtration, carpet backing, fencing, padding and various other products. Conwed Plastics enjoys a strong position in a number of its markets. It has been profitable for a number of years and is expected to remain so. It provides a satisfactory return on investment.

While the Manufacturing Division as a whole incurred a substantial loss once again in 1995, more than half of the loss was associated with Conwed Fibers, including \$6 million related to the fire and closure of a plant in Riverside, New Jersey. Late in 1995, we decided to close the facility, pay the shutdown costs and sell the building and equipment. It made little sense to us to take what little insurance proceeds were left after the building was repaired and invest it in an operation with a suspect future. Several other units showed improvements in 1995; nevertheless, some declined in performance and will require Steve's increased attention in 1996. One of the small units, Designscape, was sold at a loss of \$1.1 million.

Incentive Services

Leucadia's incentive services are offered by The Sperry and Hutchinson Company, Inc. (S&H). Since 1969, when annual sales peaked, the stamp business has been declining. It continues to do so profitably. As long as people continue to buy stamps and we can sell them profitably, we will continue to do so. Redemption of stamps is by mail or

through redemption centers. Incentive services is now reported as part of Work in Progress assets. There it will live out its remaining years with other relics from previous acquisitions.

Real Estate

Last year we reported the acquisition of significant real estate investments. Since then prices have risen and we are no longer finding attractive purchases. We are concentrating on renovating, developing and marketing these properties for sale into what we hope will be a rising market. The condominiums on Harbor Drive in San Diego are selling reasonably well and the renovation of 685 Third Avenue in New York City is complete and marketing of the building will begin shortly.

Our last foray into real estate was Rockefeller Center Properties, Inc. We thought it was a good value up to \$5.00 per share. We purchased 2.7 million shares at an average price of approximately \$4.70 per share before the market went over \$5.00 per share at which time we quit buying. An offer was made by a group headed by Goldman Sachs and David Rockefeller for \$8.00 per share. We voted yes.

Most of the real estate projects are proceeding acceptably and hopefully will provide pleasant surprises in the future. Because real estate values can be so fickle, we are recognizing income conservatively. Real estate assets totaling \$144 million live with the Work in Progress assets.

Russia

We have modified our strategy in Russia. When we began investing we bought positions in 31 companies for \$25.0 million. Our book value of investments at year end is \$39.7 million, accounted for on the cost recovery basis. Our intention was to investigate these companies, decide which were the most interesting, perhaps invest more, and give them help in obtaining access to western capital and expertise. The strategy was that of a merchant banker.

We are now investing in a larger opportunity with a more active operational responsibility (discussed below). We intend to reduce the number of portfolio investments to a smaller number of positions in larger companies that we expect to do well as the Russian economy grows. We are cheered by the prospects of investing in emerging markets and cautioned by the obvious risks.

We signed a letter of intent to become a 75% partner with PepsiCo, Inc. to become the Pepsi bottler for a large portion of central and eastern Russia plus Kazakhstan and Kyrgyzstan in Central Asia. This territory contains 92.0 million, hopefully thirsty people. This will be a significant investment for us (\$79 million) and an exciting opportunity. Larry Hershfield will head this enterprise from his base in Moscow. We will keep you informed of our progress.

We own a significant position in Bratsky LPK, a large pulp and forestry operation in Siberia. At full output this facility can produce 2% of the world pulp demand with adequate forestry reserves to supply it. We would like to team up with an industry

partner who would take a similar stake in the company and help them raise debt financing to upgrade the facilities. The facilities in question have a replacement cost of approximately \$1.5 billion not including the forest reserves. We paid a modest amount for our stock.

Our 50% interest in Symkaya Exploration, Inc., a joint venture with Equity Oil Company (EQTY)³, continues to drill its first exploratory well on a 1,100,000 acre license in the Karasnoyarsk region of Siberia. The well, to be drilled to 14,000 feet, is nearing total depth. We are drilling on a huge closed anticline. Logs and cores show the presence of hydrocarbon. We have not yet obtained evidence that we have discovered a commercial well. For a wildcat well in a wildcat basin, so far so good.

Our general attitude about Russia, which we expressed in last year's Report to Shareholders, has not changed. Russia is a place that is "out of favor" with companies "that are troubled" and are "selling substantially below the values which we believe are there." We may be a minority in believing that the current politics will not significantly change the ultimate transformation of Russia to a market economy. Time will tell if we are correct. Our Russian investments are in Work in Progress assets.

Latin America

We own a 30% investment in La Caja de Ahorro y Seguro, the largest insurance company in Argentina, and an over 23% position in Barbados Light and Power (not technically in Latin America, but close). Barbados provides about \$500,000 in dividends on a \$2 million investment.

La Caja has been completely restructured and during 1996 should contribute a decent return on our \$45 million investment. Growth prospects for La Caja are attractive. We have maintained our 50% market share in the life business and have increased our auto business by \$13 million per annum (approximately 7% growth) which puts us in the top three in market share. La Caja is starting a workers' compensation company in a joint venture with an experienced Chilean partner. Total revenues for 1995 were approximately \$550 million. We did not report any earnings during the restructuring period. Argentina is just beginning to recover from a severe recession and the outlook is positive. These investments are in the Work in Progress assets category.

Other

Our investment portfolio of the insurance subsidiaries remain very defensively positioned with 94.2% in governments and investment grade credits with a duration of 3.2 years. The recent runup in interest rates reminds us that interest rates do not fall forever as they have been tending to do consistently since 1982. On balance, we prefer caution. In our investment portfolio, as in the truffle hunting business, there is too much money chasing too little yield.

We purchased 46.4% of MK Gold for \$22.5 million or \$2.50 per share. MK Gold has ownership interests in two gold mines in California. We are delighted that Frank Joklik,

³ Our fellow Director, Paul Dougan, is President/Chief Executive of Equity Oil Co.

recently retired Chief Executive of Kennecott Copper Corporation, has become Chief Executive of MK Gold. Frank is an energetic and gifted executive. We hope that under his leadership we can expand MK Gold's horizons geographically and metallurgically; although one of us is a gold bug and would be content to stay with gold.

In June of 1995 we sold \$100,000,000 of 8.25% ten year senior subordinated notes.

Our relationship with the Jordan Company entities continues profitably.

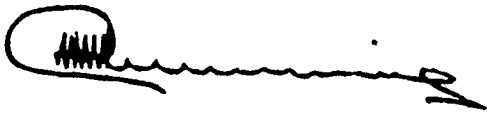
In September of 1995 the Company netted \$43.7 million, after expenses, from the exercise of warrants held by the undersigned and the sale of 478,200 shares by the Company. This transaction also resulted in a \$20.1 million tax benefit to the Company.

On November 15, 1995 the Company split its common stock two-for-one and the \$.25 per share dividend remained the same, thereby doubling it. Though our cash dividends only slightly affects overall return, many shareholders (including the two of us) love them.

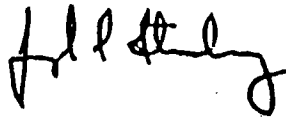
Ollie Patrell, our P&C mentor and friend, retired at the end of the year. Ollie engineered a turnaround at Empire in 1982, before we purchased Baldwin-United. He was a key player in the acquisition and restructuring of Colonial Penn and La Caja. Ollie will remain a director of the P&C companies. We wish him and his wife Kay well in retirement.

To those of you who have read these missives for the last several years, we must appear to be genetically gloomy about the future. We are unreconstructed. We fear for the diminishment of our capital. Our government in Washington is disheveled. We observe with wonder and amazement the longest bull market in this century. Our investment advisor guru calculated the S&P 500's fifty year averages for price/dividends, price/book, price/earnings and price/cash flow ratios. At year end 1995, the S&P would have to fall anywhere from 21% to 52% to return to these historic averages. How high can up be? When will the business cycle bicycle in the other direction? We are greatly assisted in these deliberations by Leucadia's hard working employees and our patient advisors.

More next year.



IAN M. CUMMING
Chairman



JOSEPH S. STEINBERG
President