WABASH NATIONAL CORP /DE
Form 10-K
February 27, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)**

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2013
OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)**

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number: 1-10883

WABASH NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**52-1375208**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**
1000 Sagamore Parkway South **Lafayette, Indiana**	**47905**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (765) 771-5300

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

Title of each class	Name of each exchange on which registered

Common Stock, $.01 Par Value	New York Stock Exchange
Series D Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x 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 x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a smaller reporting company)

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2013 was $697,018,940 based upon the closing price of the Company's common stock as quoted on the New York Stock Exchange composite tape on such date.

The number of shares outstanding of the registrant's common stock as of February 20, 2014 was 68,553,506.

Part III of this Form 10-K incorporates by reference certain portions of the registrant's Proxy Statement for its Annual Meeting of Stockholders to be filed within 120 days after December 31, 2013.

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FORWARD LOOKING STATEMENTS

This Annual Report of Wabash National Corporation (the "Company", "Wabash" or "we") contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements may include the words "may," "will," "estimate," "intend," "conti "believe," "expect," "plan" or "anticipate" and other similar words. Our "forward-looking statements" include, but are r limited to, statements regarding:

- our business plan;
- the benefits of, and our plans relating to, our recently completed acquisitions of Walker Group Holdings ("Walker") and certain assets of Beall Corporation ("Beall"), the amount of transaction costs associated with the acquisitions, our ability to manage the cost of the financing of the acquisition of Walker and related indebtedness and our ability to effectively integrate Walker and the Beall assets and realize the expected synergies and benefits;
- our expected revenues, income or loss and capital expenditures;
- our strategic plan and plans for future operations;
- financing needs, plans and liquidity, including for working capital and capital expenditures;
- our ability to achieve sustained profitability;
- reliance on certain customers and corporate relationships;
- our ability to diversify the product offerings of non-trailer businesses and opportunities to leverage the acquired Walker businesses and Beall assets to grow sales in our existing products;
- availability and pricing of raw materials;
- availability of capital and financing;
- dependence on industry trends;
- the outcome of any pending litigation;
- export sales and new markets;
- engineering and manufacturing capabilities and capacity;
- acceptance of new technology and products;
- government regulation; and
- assumptions relating to the foregoing.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in this Annual Report. Each forward-looking statement

contained in this Annual Report reflects our management’s view only as of the date on which that forward-looking statement was made. We are not obligated to update forward-looking statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events, except as required by law.

Currently known risks and uncertainties that could cause actual results to differ materially from our expectations are described throughout this Annual Report, including in "Item 1A. *Risk Factors.*" We urge you to carefully review that section for a more complete discussion of the risks of an investment in our securities.

PART I

ITEM 1 BUSINESS

Overview

Wabash National Corporation ("Wabash," "Company," "us," "we," or "our") was founded in 1985 as a start-up company Lafayette, Indiana. We are now one of North America's leaders in designing, manufacturing and marketing standard and customized truck and tank trailers and related transportation equipment. We believe our position as a leader in our industry has been the result of longstanding relationships with our core customers, our demonstrated ability to attract new customers, our broad and innovative product lines, our technological leadership and our extensive distribution and service network. Our management team is focused on continuing to optimize our manufacturing and retail operations to match the current demand environment, implementing cost savings initiatives and lean manufacturing techniques, strengthening our capital structure, developing innovative products that enable our customers to succeed, improving earnings and continuing diversification of the business into higher margin opportunities that leverage our intellectual and process capabilities.

Wabash was incorporated in Delaware in 1991 and is the successor by merger to a Maryland corporation organized in 1985. Our internet website is www.wabashnational.com. We make our electronic filings with the Securities Exchange Commission (the "SEC"), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports available on our website free of charge as soon as practicable after we file or furnish them with the SEC. Information on the website is not part of this Form 10-K.

Operating Segments

We manage our business in three segments: Commercial Trailer Products, Diversified Products and Retail. In the second quarter of 2012, we completed the acquisition of Walker Group Holdings ("Walker"), a manufacturer of liquid-transportation systems and engineered products significantly enhancing our Diversified Products segment. In the fourth quarter of 2012, six tank trailer parts and service retail locations, which had been reported as part of the Diversified Products segment from the date of the Walker acquisition through the third quarter of 2012, began being reported as part of our Retail segment to match how these locations are managed internally and to be consistent with our focus to leverage operational and market synergies. In the first quarter of 2013, we completed the acquisition of certain assets of the tank and trailer business of Beall Corporation ("Beall"), a manufacturer of aluminum tank trailers and related equipment based in Portland, Oregon, further adding to our Diversified Products segment. We allocate certain corporate related administrative costs, interest and income taxes to our corporate and eliminations segment. Financial results by operating segment, including information about revenues from customers, measures of profit and loss and financial information regarding geographic areas and export sales are discussed in Note 13, Segments and Related Information, of the accompanying consolidated financial statements. By operating segment, net sales were as follows (dollars in millions):

	Year Ended December 31,		
	2013	2012	2011
Sales by Segment			
Commercial Trailer Products	$ 1,081.2	$ 1,063.3	$ 1,071.3
Diversified Products	502.0	356.0	106.5
Retail	181.5	157.6	125.1

Corporate and Eliminations		(129.0)		(115.0)		(115.7)
Total	$	1,635.7	$	1,461.9	$	1,187.2

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Commercial Trailer Products

Commercial Trailer Products segment sales as a percentage of our consolidated net sales and gross margin measured prior to intersegment eliminations were:

	Years Ended December 31,					
	2013		2012		2011	
Percentage of net sales	61.3	%	67.4	%	82.2	%
Percentage of gross margin	36.4	%	42.4	%	57.8	%

The Commercial Trailer Products segment manufactures standard and customized truck trailers. We seek to identify and produce proprietary custom products that offer exceptional value to customers with the potential to generate higher profit margin than standardized products. We believe that we have the engineering and manufacturing capability to produce these products efficiently. We introduced our proprietary composite product, DuraPlateâ, in 1996 and have experienced widespread truck trailer industry acceptance. Since 2002, sales of our DuraPlateâ trailers have represented approximately 93% of our total new dry van trailer sales. We are also a competitive producer of standardized sheet and post and refrigerated trailer products and we strive to become the low-cost producer of these products within our industry. Through our Transcraft subsidiary we also manufacture steel and aluminum flatbed and dropdeck trailers.

We market our transportation equipment under the Wabashâ, DuraPlateâ, DuraPlateHDâ, DuraPlateâ XD-35®, FreightProâ, ArcticLite®, RoadRailer®, Transcraft®, Eagle®, Eagle II®, D-Eagle® and Benson® trademarks directly to customers, through independent dealers and through our Company-owned retail branch network. Historically, we have focused on our longstanding core customers representing many of the largest companies in the trucking industry, but have expanded this focus over the past several years to include numerous additional key accounts. Our relationships with our core customers have been central to our growth since inception. We have also actively pursued the diversification of our customer base through our network of independent dealers. For our van business we utilize a total of 23 independent dealers with approximately 59 locations throughout North America to market and distribute our trailers. We distribute our flatbed and dropdeck trailers through a network of 76 independent dealers with approximately 118 locations throughout North America. In addition, we maintain a used fleet sales center to focus on selling both large and small fleet trade packages to the wholesale market.

Diversified Products

Diversified Products segment sales as a percentage of our consolidated net sales and gross margin measured prior to intersegment eliminations were:

	Years Ended December 31,					
	2013		2012		2011	
Percentage of net sales	28.4	%	22.6	%	8.2	%
Percentage of gross margin	54.1	%	47.4	%	27.3	%

The Diversified Products segment focuses on our commitment to expand our customer base, diversify our product offerings, end markets and revenues and extend our market leadership by leveraging our intellectual property and technology, including our proprietary DuraPlate® panel technology, drawing on our core manufacturing expertise and making available products that are complementary to the truck and tank trailers and transportation equipment we offer. This segment includes a wide array of products and customer-specific solutions. Leveraging our intellectual property and technology and core manufacturing expertise into new applications and market sectors enables us to deliver greater value to our customers and shareholders.

Our DuraPlate® composite panel technology contains unique properties of strength and durability that can be utilized in numerous applications in addition to truck trailers. The Diversified Products segment has leveraged our DuraPlate® panel technology to develop numerous proprietary products, including a foldable portable storage container and the AeroSkirt®, an aerodynamic solution for over-the-road trailers that provides approximately 6% improvement in fuel efficiency. In addition, we utilize our DuraPlate® technology in the production of truck bodies, overhead doors and other industrial applications. These DuraPlate® composite products are sold to original equipment manufacturers and aftermarket customers. Through our Diversified Products segment, we also operate a wood flooring production facility that manufactures laminated hard wood oak products for the van trailer industry.

On May 8, 2012, we added to our Diversified Products segment by completing the Walker acquisition. Walker is a leading manufacturer of liquid-transportation systems and engineered products based in New Lisbon, Wisconsin. The acquisition of Walker provided Wabash with diversification in products, end-markets, customers and geographies, while maintaining a focus on core manufacturing capabilities that the two companies share. Walker's transportation products include brands such as Walker Transport, Garsite, Walker Defense Group, Progress Tank, Brenner® Tank, TST® and Bulk International. These brands represent leading positions in liquid transportation systems, including stainless steel liquid transportation systems and stainless steel liquid-tank trailers for the North American chemical, dairy, food and beverage, petroleum, aviation, energy services and waste hauling markets. Walker's engineered products include brands such as Walker® Engineered Products, Walker® Barrier Systems and Extract Technology®. These brands represent what we estimate to be leading positions in isolators, stationary silos and downflow booths around the world for the chemical, dairy, food and beverage, pharmaceutical and nuclear markets. In addition, on February 4, 2013, we further added to our Diversified Products segment by completing, out of bankruptcy liquidation, the acquisition of certain assets of the tank and trailer business of Beall Corporation, a manufacturer of aluminum tank trailers and related equipment based in Portland, Oregon.

Through these brands and product offerings, our Diversified Products segment now serves a variety of end markets a number of which we believe are less cyclical than other markets historically served by Wabash. We believe Walker's diversified products base, end-markets and customers also present opportunities to grow sales of existing Wabash products. We expect to continue to focus on diversifying our Diversified Products segment to enhance our business model, strengthen our revenues and become a stronger company that can deliver greater value to our shareholders.

Retail

Retail segment sales as a percentage of our consolidated net sales and gross margin measured prior to intersegment eliminations were:

	Years Ended December 31,					
	2013		2012		2011	
Percentage of net sales	10.3	%	10.0	%	9.6	%
Percentage of gross margin	9.5	%	10.2	%	14.9	%

The Retail segment includes our 18 Company-owned retail branch locations, which are strategically located near large metropolitan areas to provide additional opportunities to distribute our products, diversify our factory direct sales and also offer nationwide services and support capabilities for our customers. Six tank trailer parts and service retail locations were added to our previously owned 12 locations as a result of the Walker acquisition. Our retail branch network's sale of new and used trailers, aftermarket parts and service generally provides enhanced margin opportunities to our retail customers.

Strategy

We are committed to a corporate strategy that seeks to maximize shareholder value by executing on the core elements of our strategic plan:

- ***Value Creation.*** We intend to continue our focus on improved earnings and cash flow.
- ***Operational Excellence.*** We are focused on maintaining a reduced cost structure by adhering to continuous improvement and lean manufacturing initiatives.
- ***People.*** We recognize that to achieve our strategic goals we must continue to develop the organization's skills to advance our associates' capabilities and to attract talented people.

- ***Customer Focus.*** We have been successful in developing longstanding relationships with core customers, and while we intend to maintain these relationships we seek to create new revenue opportunities by developing new customer relationships through the offering of tailored transportation solutions.

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- ***Innovation.*** We intend to continue to be the technology leader by providing new and differentiated products and services that generate enhanced profit margins.

- ***Corporate Growth.*** We intend to expand our product offering and competitive advantage by increasing our focus on the diversification of products and leveraging our intellectual and physical assets for organic growth.

Industry and Competition

Trucking in the U.S., according to the American Trucking Association (ATA), was estimated to be a $642 billion industry in 2012, representing approximately 81% of the total transportation industry revenue. Furthermore, ATA estimates that approximately 69% of all freight tonnage in 2012 was carried by trucks at some point during its shipment. Trailer demand is a direct function of the amount of freight to be transported. As the economy improves, ATA estimates that the percentage of freight tonnage carried by trucks will grow to 71% by 2024. To meet this expected increased in freight demand, truck carriers will need to expand and replace their fleets, which typically results in increased trailer orders.

Transportation in the U.S., including trucking, is a cyclical industry that has experienced three cycles over the last 20 years. In each of the last three cycles the decline in freight tonnage preceded the general U.S. economic downturn by approximately two and one-half years and the recovery has generally preceded that of the economy as a whole. The trailer industry generally follows the transportation industry, experiencing cycles in the early and late 90's lasting approximately 58 and 67 months, respectively. Truck freight tonnage, according to ATA statistics, started declining year-over-year in 2006 and remained at depressed levels through 2009. The most recent cycle concluded in 2009, lasting a total of 89 months. After three consecutive years with total trailer demand well below normal replacement demand levels estimated to be between 175,000 trailers and 200,000 trailers, the three year period ending December 2013 represent years of significant improvement in which the total trailer market increased year-over-year approximately 67%, 13% and 1%, for 2011, 2012 and 2013, respectively, with total shipments of approximately 210,000; 237,000 and 239,000, respectively. In our view, we expect to see continued strong demand for new trailer equipment as the economic and industry specific indicators we track, including but not limited to ATA's truck tonnage index, total industrial production, employment growth, housing and auto sectors, as well as the overall gross domestic product, appear to be trending in a positive direction. In addition, new and pending legislation or regulatory reform efforts at the state and federal level could have a favorable impact on the demand for trailers in the near term, specifically comprehensive safety programs for carriers and drivers, as well as rule changes regarding hours of service restrictions.

Wabash, and its two largest competitors, Great Dane and Utility, are generally viewed as the top three trailer manufacturers in the U.S. and have accounted for greater than 50% of U.S. new trailer market share in recent years, including approximately 55% in 2013. Our market share of U.S. total trailer shipments in 2013 was approximately 20%. Trailer manufacturers compete primarily through the quality of their products, customer relationships, service availability and cost. Over the past several years, we have seen a number of our competitors follow our leadership in the development and use of composite sidewalls that compete directly with our DuraPlateâ products. Our product development is focused on maintaining our leading position with respect to these products and on development of new products and markets, leveraging our proprietary DuraPlate® product, as well as our expertise in the engineering and design of customized products.

The table below sets forth new trailer production for Wabash and, as provided by Trailer Body Builders Magazine, our largest competitors and the trailer industry as a whole within North America. The data represents all segments of the market, except containers and chassis. For the years included below, we have participated primarily in the van and platform trailer segments and added the tank trailer segment beginning in 2012 with the acquisitions of Walker in May 2012 and certain assets of Beall Corporation in February 2013. Van trailer demand, the largest segment within the trailer industry, has continued to show sequential improvements over each of the last three years from a low of

approximately 52,000 trailers in 2009 recovering to an estimated 170,000 trailers in 2013. Our market share for van trailers in 2013 was approximately 23%, a decrease of approximately 2% from 2012 reflective of our efforts to recover material cost increases and recapture lost margins through improved pricing of van trailers.

	2013	2012	2011	2010	2009
Wabash	46,000	45,000 (2)	49,000	27,000	12,000
Great Dane	44,000	44,000	39,000	21,000	15,000
Utility	39,000	38,000	33,000	23,000	17,000
Hyundai Translead	27,000	23,000	18,000	8,000	5,000
Stoughton	12,000	11,000	9,000	5,000	3,000
Other principal producers	31,000	33,000	25,000	19,000	12,000
Total Industry	233,000	227,000	201,000 (1)	122,000 (1)	79,000 (1)

(1) Data revised by publisher in a subsequent year.

(2) The 2012 production includes Walker volumes on a full-year pro forma basis.

Our diversified product initiatives are, in most cases, in markets that are more fragmented than our traditional trailer product offerings. The end markets that our diversified products serve are broader and more diverse than the trailer industry, including environmental, oil and gas, moving and storage and specialty vehicle. In addition, our diversification efforts pertain to new and emerging markets and many of the products are driven by regulatory requirements or, in most cases, customer-specific needs. However, many of our diversification efforts still remain in the early growth stages and future success is largely dependent on continued customer adoption of our product solutions and general expansion of our customer base and distribution channels.

Competitive Strengths

We believe our core competitive strengths include:

- ***Long-Term Core Customer Relationships*** We are the leading provider of trailers to a significant number of top tier trucking companies, generating a revenue base that has helped to sustain us as one of the market leaders. According to Transport Topics, our van products are preferred by many of the industry's leading carriers with our customers representing approximately one-half of the top 50 and more than one-third of the top 100 for-hire fleets. As a result of the Walker acquisition, we are now also a leading provider of liquid-transportation systems and engineered products. With an estimated one-third market share of the tank trailer industry, Walker has a strong customer base, consisting of mostly private fleets, and has earned leading market positions and a strong customer base across many of the markets it serves.

- ***Innovative Product Offerings*** Our DuraPlateâ proprietary technology offers what we believe to be a superior trailer, which customers value. A DuraPlateâ trailer is a composite plate trailer using material that contains a high-density polyethylene core bonded between high-strength steel skins. We believe that the competitive advantages of our DuraPlateâ trailers compared to standard trailers include the following:

  - Extended Service Life operate three to five years longer;
  - Lower Total Cost of Ownership less costly to maintain;
  - Less Downtime higher utilization for fleets;
  - Extended Warranty warranty period for DuraPlateâ panels is ten years; and
  - Improved Resale higher trade-in and resale values.

We have been manufacturing DuraPlateâ trailers for over 18 years and through December 2013 have sold over 500,000 trailers. This proven experience, combined with ownership and knowledge of the DuraPlateâ panel technology, helps ensure continued industry leadership in the future. We continue to introduce new innovations in our DuraPlate® family, including DuraPlateHD® and DuraPlate XD-35®, along with new innovations in other product lines, including our ArcticLite® refrigerated trailers and the FreightPro® sheet and post trailer.

- ***Significant Market Share and Brand Recognition*** We have been one of the three largest manufacturers of trailers in North America since 1994, with one of the most widely recognized brands in the industry. We are currently the largest producer of van trailers in North America and, according to data published by Trailer Body Builders Magazine, our Transcraft subsidiary is one of the top three leading producers of platform trailers**.** In addition, with our acquisitions of Walker and certain assets of Beall, we are now considered one of the largest manufacturers of stainless steel and aluminum tank trailers in North America. We participate broadly in the transportation industry through each of our three business segments. As a percentage of our consolidated net sales, new trailer sales for our dry and refrigerated vans, platforms and tanks represented approximately 76% in 2013.

- ***Committed Focus on Operational Excellence*** Safety, quality, on-time delivery, productivity and cost reduction are the core elements of our program of continuous improvement. We currently maintain an ISO 14001 registration of our Environmental Management System and an ISO 9001 registration of our Quality Management System.

- ***Technology*** We continue to be recognized by the trucking industry as a leader in developing technology to provide value-added solutions for our customers that reduce trailer operating costs, improve revenue opportunities, and solve unique transportation problems. Throughout our history, we have been and will continue to be a leading innovator in the design and production of trailers. In addition to the introduction of new trailer product innovations made through our DuraPlate® family over the past 18 years, we have also provided a customer-focused approach in developing product enhancements for the trailer and transportation industries. Some of the more recent innovations include DuraPlate® XD-35®, a revolutionary 35,000 pound concentrated floor load rated dry van for heavy haul applications; Trustlock®, a proprietary single-lock rear door mechanism; a combination ID/Stop light, a dual-function rear ID light that also actuates as a brake indicator; MaxClearence™ Overhead Door System, a vertical door that provides an opening that would be comparable to that of swing door models; and the DuraPlate® Aeroskirt®, a durable aerodynamic solution that, based on certified laboratory and track testing, provides improved fuel efficiencies of approximately 6%.

- ***Corporate Culture*** We benefit from an experienced, value-driven management team and dedicated workforce focused on operational excellence.

- ***Extensive Distribution Network*** Our 18 Company-owned retail branches and a used trailer location extend our sales network throughout North America, diversify our factory direct sales, provide an outlet for used trailer sales and support our national service contracts. Additionally, we utilize a network of 23 independent dealers with approximately 59 locations throughout North America to distribute our van trailers, and our Transcraft distribution network consists of 76 independent dealers with approximately 118 locations throughout North America. Our tank trailers are distributed through a network of 68 independent dealers and locations throughout North America.

Regulation

Truck trailer length, height, width, maximum weight capacity and other specifications are regulated by individual states. The federal government also regulates certain safety features incorporated in the design and use of truck and tank trailers. These regulations include, but are not limited to, requirements on anti-lock braking systems (ABS) and rear-impact guard standards, as well as operator restrictions as to hours of service and minimum driver safety standards (see “Industry Trends”). In addition, most tank trailers we manufacture have specific federal regulations and restrictions that dictate tank design, material type and thickness. Manufacturing operations are subject to environmental laws enforced by federal, state and local agencies (see "Environmental Matters").

Products

Since our inception, we have expanded our product offerings from a single truck trailer dry van product to a broad range of transportation equipment.

Our Commercial Trailer Products segment specializes in the development of innovative proprietary products for our key markets. Commercial Trailer Products segment sales represented approximately 61%, 67% and 82% of our consolidated net sales as measured before elimination of intersegment sales in 2013, 2012 and 2011, respectively. While this segment continues to account for approximately two-thirds of our consolidated net sales for 2013, the decrease in the percentage of net sales attributable to this segment highlights our strategic focus to expand our customer base and diversify our product offerings and revenues. Our current Commercial Trailer Products primarily include the following:

- *Dry Vans.* The dry van market represents our largest product line and includes trailers sold under DuraPlateâ, DuraPlateHDâ, DuraPlate® XD-35® and FreightPro® trademarks. Our DuraPlate® trailers utilize a proprietary technology that consists of a composite plate wall for increased durability and greater strength. Our FreightPro® trailers provide us a competitive product within the smooth aluminum, or "sheet and post," trailer segment.

- *Platform Trailers.* Platform trailers are sold under Transcraft®, Eagle® and Benson® trademarks. Platform trailers consist of a trailer chassis with a flat or "drop" loading deck without permanent sides or a roof. These trailers are primarily utilized to haul steel coils, construction materials and large equipment. In addition to our all steel and combination steel and aluminum platform trailers, we also offer a premium all-aluminum platform trailer.

- *Refrigerated Trailers.* Refrigerated trailers have insulating foam in the walls, roof and floor, which improves both the insulation capabilities and durability of the trailers. Our refrigerated trailers are sold under the ArcticLite® trademark and use our proprietary SolarGuard® technology, coupled with our novel foaming process, which we believe enables customers to achieve lower costs through reduced operating hours of refrigeration equipment and therefore reduced fuel consumption.

- *Specialty Trailers, Parts and Other.* This includes a wide array of specialty equipment and services generally focused on products that require a higher degree of customer specifications and requirements. These specialty products include converter dollies, Big Tire Hauler and RoadRailer® trailers, rail products and aftermarket component products.

- *Used Trailers.* This includes the sale of used trailers through our used fleet sales center to facilitate new trailer sales with a focus on selling both large and small fleet trade packages to the wholesale market.

Our Diversified Products segment focuses on our commitment to expand our customer base, diversify our product offerings and revenues and extend our market leadership by leveraging our proprietary DuraPlate® panel technology, drawing on our core manufacturing expertise and making available products that are complementary to the truck trailers and transportation equipment we offer. During 2012, we expanded our Diversified Products segment by completing the acquisition of Walker. We further expanded this segment during 2013 by completing the acquisition of certain assets of Beall. Diversified Products segment sales represented approximately 28%, 23% and 8% of our consolidated net sales as measured before elimination of intersegment sales in 2013, 2012 and 2011, respectively. Our current Diversified Products primarily include the following:

- *Walker Group.* In 2012, we completed the acquisition of all the equity interests of Walker. Walker currently has several principal brands divided among transportation and engineered products. Walker Transport, Walker Defense Group, Brenner® Tank, Bulk Tank International, Progress Tank, Garsite and TST® are brands that sell transportation products and include: stainless steel and aluminum liquid transport tank trailers and other liquid transport solutions for the dairy, food and beverage, chemical and environmental and petroleum industries; aircraft refuelers and hydrant dispensers for in-to-plane fueling companies, airlines, freight distribution companies and fuel marketers around the globe; military grade refueling and water tankers for applications and environments required by the military; truck mounted tanks for fuel delivery; and vacuum tankers. Walker Engineered Products, Walker Barrier Systems and Extract Technology® are brands that sell engineered products and include: a broad range of products for storage, mixing and blending, including process vessels, as well as round horizontal and vertical storage silo tanks; containment and isolation systems for the pharmaceutical, chemical, and nuclear industries, including custom designed turnkey systems and spare components for full service and maintenance contracts; containment systems for the pharmaceutical, chemical and biotech markets; and mobile water storage tanks used in the oil and gas industry to pump high-pressure water into underground wells. A

listing of these widely recognized brands offered through the Walker Group are included below:

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- Walker Transport Founded as the original Walker business in 1943, the Walker Transport brand includes stainless-steel tank trailers for the dairy, food and beverage end markets.

- Brenner® Tank Founded in 1900, Brenner® Tank manufactures stainless-steel and aluminum tank trailers as well as carbon steel frac tanks and vacuum tank trailers for the oil and gas, chemical, dairy, food and beverage, energy and environmental services end markets.

- Bulk Tank International Manufactures stainless-steel tank trailers for the oil and gas and chemical end markets.

- Beall® Trailers With tank trailer production dating to 1928, the Beall® brand includes aluminum tank trailers and related tank trailer equipment for the dry bulk and petroleum end markets (we acquired the Beall assets in the first quarter of 2013).

- Progress Tank Since 1920, the Progress Tank brand has included aluminum and stainless-steel truck-mounted tanks for the oil and gas and environmental end markets.

- Garsite Founded in 1952, Garsite is a value-added assembler of aircraft refuelers, hydrant dispensers, and above-ground fuel storage tanks for the aviation end market.

- TST® The TST® brand includes truck-mounted tanks for the oil and gas and environmental end markets.

- Walker Engineered Products Since the 1960s, Walker has marketed stainless-steel storage tanks and silos, mixers, and processors for the dairy, food and beverage, pharmaceutical, chemical and biotech end markets under the Walker Engineered Products brand.

- Walker Barrier Systems Since 1996, Walker Barrier Systems brand has included stainless-steel isolators and downflow booths, as well as custom-fabricated equipment, including workstations and drum booths for the pharmaceutical, fine chemical, biotech and nuclear end markets.

- Extract Technology® Since 1981, the Extract Technology® brand has included stainless-steel isolators and downflow booths, as well as custom-fabricated equipment, including workstations and drum booths for the pharmaceutical, fine chemical, biotech and nuclear end markets.

· *Wabash® Composites*. Our composite products expand the use of DuraPlate® composite panels, already a proven product in the semi-trailer market for over 18 years, into new product and market applications. In 2009, we introduced our EPA Smartway® approved DuraPlate® AeroSkirt®. Other composite products include foldable portable storage containers, truck bodies, overhead doors and other industrial applications. We continue to actively explore new opportunities to leverage our proprietary technology into new industries and applications.

· *Wabash Wood Products.* We manufacture laminated hardwood oak products used primarily in our dry van trailer segment at our manufacturing operations located in Harrison, Arkansas.

Our Retail segment offers products in three general categories, including new trailers, used trailers and parts and service. Retail segment sales represented approximately 10% of our consolidated net sales as measured before elimination of intersegment sales in each of 2013, 2012 and 2011. The following is a description of each product category:

- We sell new trailers produced by the Commercial Trailer Products segment. Additionally, we sell specialty trailers produced by third parties that are purchased in smaller quantities for local or regional transportation needs. As a percentage of consolidated net sales, new trailer sales through our Retail segment represented approximately 5%, 5% and 6% of consolidated net sales in 2013, 2012 and 2011, respectively.

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[1] EPA Smartway® is a registered trademark of U.S. Environmental Protection Agency (EPA)

- We provide replacement parts and accessories, maintenance service and trailer repairs and conversions for trailers and other related equipment. As a percentage of consolidated net sales, parts and service sales within our Retail segment represented approximately 5% in 2013 and 2012 and 4% in 2011.

- We sell used trailers through our retail branch network to enable us to remarket and promote new trailer sales in the local regions in which we operate. Used trailer sales represented less than 5% of consolidated net sales in each of 2013, 2012 and 2011.

Customers

Our customer base has historically included many of the nation's largest truckload (TL) common carriers, leasing companies, private fleet carriers, less-than-truckload (LTL) common carriers and package carriers. According to Transport Topics, our customer base includes approximately one-half of the top fifty and more than one-third of the top one hundred for-hire fleet operators in North America. We continue to make improvements in expanding our customer base and diversifying into the broader trailer market through leveraging our independent dealer and company-owned retail networks as well as through the acquisitions of Walker and Transcraft and the asset purchases of Beall and Benson. Furthermore, we continue to diversify our products organically by expanding the use of DuraPlate® composite panel technology through products such as portable storage containers, DuraPlate® AeroSkirts®, truck bodies and overhead doors as well as strategically through acquisitions like Walker and certain assets of Beall. The acquisition of certain assets of Beall has also expanded our tank trailer market geographically by providing for a tank trailer manufacturing operations in the Western half of the U.S. All of these efforts have been accomplished while maintaining our relationships with our core customers. Our five largest customers together accounted for approximately 17%, 23% and 32% of our aggregate net sales in 2013, 2012 and 2011, respectively, with one customer representing approximately 13% of our net sales in 2011. This decrease in our concentration of net sales is primarily the result of our diversification efforts as well as our Walker acquisition. International sales, primarily to Canadian customers, accounted for less than 10% of net sales for each of the last three years.

We have established relationships as a supplier to many large customers in the transportation industry, including the following:

- *Truckload Carriers:* Averitt Express, Inc.; Celadon Group, Inc.; Cowan Systems, LLC; Crete Carrier Corporation; Gordon Trucking, Inc.; Heartland Express, Inc.; J.B Hunt Transport, Inc.; Knight Transportation, Inc.; Schneider National, Inc.; Swift Transportation Corporation; and Werner Enterprises, Inc.

- *Less-Than-Truckload Carriers:* FedEx Corporation; Old Dominion Freight Lines, Inc.; Vitran Express, Inc.; and YRC Worldwide, Inc.

- *Refrigerated Carriers:* CR England, Inc. and Prime, Inc.

- *Leasing Companies:* GE Trailer Fleet Services; Wells Fargo Equipment Finance, Inc.; and Xtra Lease, Inc.

- *Private Fleets:* C&S Wholesale Grocers, Inc.; Dillard's, Inc.; Dollar General Corporation; Safeway, Inc.; and Wal-Mart Transportation, Inc.

- *Liquid Carriers:* Dana Liquid Transport Corporation; Evergreen Tank Solutions LLC; Martin Transport, Inc.; Oakley Transport, Inc.; Quality Carriers, Inc.; Sentinel Transportation LLC; Superior Tank, Inc.; and Trimac Transportation.

Through our Diversified Products segment we also sell our products to several other customers including, but not limited to: California Dairies, Inc.; Gilbane Inc.; GlaxoSmithKline Services Unlimited; Morgan Corporation; Poly-Coat Systems, Inc.; Semo Tank/Baker Equipment Company; Southwest Airlines Company; Superior Tank Inc.; Supreme Corporation; Tetra Pak; Utilimaster Corporation; and Wabash Manufacturing, Inc. (an unaffiliated company).

Marketing and Distribution

We market and distribute our products through the following channels:

- factory direct accounts;
- Company-owned distribution network; and
- independent dealerships.

Factory direct accounts are generally large fleets, with over 7,500 trailers, that are high volume purchasers. Historically, we have focused on the factory direct market in which customers are highly knowledgeable of the life-cycle costs of trailer equipment and, therefore, are best equipped to appreciate the design and value-added features of our products. We have also actively pursued, through our Company-owned and independent dealer network, the diversification of our customer base focusing on carriers that operate fleets of between 250 to 7,500 trailers, which we estimate account for approximately two million trailers in total.

Our Company-owned distribution network generates retail sales of trailers to smaller fleets and independent operators located in geographic regions where our branches are located. This branch network enables us to provide maintenance and other services to customers. The branch network and our used trailer centers provide an outlet to facilitate the resale of used trailers taken in trade upon the sale of new trailers, which is a common practice with fleet customers.

We also sell our van trailers through a network of 23 independent dealers with approximately 59 locations throughout North America. Our platform trailers are sold through 76 independent dealers with approximately 118 locations throughout North America. Our tank trailers are distributed through a network of 68 independent dealers and locations throughout North America. The dealers primarily serve mid-market and smaller sized carriers and private fleets in the geographic region where the dealer is located and occasionally may sell to large fleets. The dealers may also perform service work for our customers.

Raw Materials

We utilize a variety of raw materials and components including, specialty steel coil, stainless steel, plastic, aluminum, lumber, tires, landing gear, axles and suspensions, which we purchase from a limited number of suppliers. Costs of raw materials and component parts represented approximately 66%, 69% and 77% of our consolidated net sales in 2013, 2012 and 2011, respectively. Decreases in costs as a percentage of our consolidated net sales realized throughout 2013 are attributed to our concerted efforts to raise prices and recover lost margins, as well as an increased percentage of sales through our higher margin Diversified Products segment. Significant price fluctuations or shortages in raw materials or finished components has had, and could have further, adverse effects on our results of operations. In 2014 and for the foreseeable future, we expect that the raw materials used in the greatest quantity will be steel, aluminum, plastic and wood. For 2014, we expect there to be continued price volatility for some of our primary raw materials and component parts, including, among others, aluminum, steel, plastic, wood and tires. Our Harrison, Arkansas laminated hardwood floor facility provides the majority of our requirements for the flooring of our dry van trailers and has adequate capacity to meet our needs throughout 2014.

Backlog

Orders that have been confirmed by customers in writing, have defined delivery timeframes and can be produced during the next 18 months are included in our backlog. Orders that comprise our backlog may be subject to changes in quantities, delivery, specifications, terms or cancellation. Our backlog of orders at December 31, 2013 and 2012 was approximately $711 million and $666 million, respectively. We expect to complete the majority of our existing

backlog orders within the next 12 months.

Patents and Intellectual Property

We hold or have applied for 79 patents in the U.S. on various components and techniques utilized in our manufacture of transportation equipment and engineered products. In addition, we hold or have applied for 107 patents in foreign countries. Our patents include intellectual property related to the manufacture of trailers using our proprietary DuraPlate® product, which we believe offers us a significant competitive advantage, and our containment and isolation systems, as well as other engineered products. Our DuraPlate® patent portfolio includes several patents and pending patent applications, which cover not only utilization of our DuraPlate® product in the manufacture of trailers, but also cover a number of aerodynamic-related products aimed at increasing the fuel efficiency of trailers. Patents in our DuraPlate® patent portfolio have expiration dates ranging from 2016 to 2030. We also believe that our proprietary DuraPlate® production process, which has been developed and refined since 1995, offers us a significant competitive advantage in the industry. While unpatented, the proprietary knowledge of this process and the significant intellectual and capital hurdles in creating a similar production process provide us with an advantage over others in the industry who utilize composite panel technology.

In addition, our intellectual property portfolio includes patents and patent applications covering many of our engineered products and certain trailer industry components that are recognized for their innovation in the markets we serve. These include patents and patent applications relating to our industry leading isolation systems, sold under the Walker Barrier Systems and Extract Technologies®, as well as trailer-industry componentry like our proprietary Trust Lock Plus® door locking mechanism and our proprietary Max Clearance Overhead Door System providing additional overhead clearance when the rear door is in the opened position. We believe these proprietary products offer us a competitive market advantage in the industries in which we compete. These patents have expiration dates ranging from 2015 to 2030. In addition, we have applied for, or been granted, patents in the U.S. and foreign countries relating to these and many other innovative product designs or design improvements, which were first developed by Wabash or its subsidiaries and have become highly desirable in our industry. In our view there are no meaningful patents having an expiration date prior to 2016.

We also hold or have applied for 42 trademarks in the U.S. as well as 49 trademarks in foreign countries. These trademarks include the Wabash®, Wabash National®, Transcraft®, Benson®, TST®, Extract Technologies®, Beall® and Brenner® brand names as well as trademarks associated with our proprietary products such as DuraPlate®, RoadRailer®, Transcraft Eagle®, ArcticLite®, and Benson® trailers. Additionally, we utilize several tradenames that are each well-recognized in their industries, including Walker Transport, Walker Stainless Equipment, Walker Engineered Products, Walker Barrier Systems, Garsite, Bulk Tank International and Progress Tank. Our trademarks associated with additional proprietary products include Max Clearance Overhead Door System, Trust Lock Plus®, EZ-7®, DuraPlate Aeroskirt®, DuraPlate XD-35®, DuraPlate HD®, SolarGuard® and EZ-Adjust . We believe these trademarks are important for the identification of our products and the associated customer goodwill; however, our business is not materially dependent on such trademarks.

Research and Development

Research and development expenses are charged to earnings as incurred and were $2.2 million, $1.7 million and $1.0 million in 2013, 2012 and 2011, respectively.

Environmental Matters

Our facilities are subject to various environmental laws and regulations, including those relating to air emissions, wastewater discharges, the handling and disposal of solid and hazardous wastes and occupational safety and health. Our operations and facilities have been, and in the future may become, the subject of enforcement actions or proceedings for non-compliance with such laws or for remediation of company-related releases of substances into the environment. Resolution of such matters with regulators can result in commitments to compliance abatement or remediation programs and in some cases the payment of penalties (see Item 3 “Legal Proceedings”).

We believe that our facilities are in substantial compliance with applicable environmental laws and regulations. Our facilities have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with these laws and regulations. However, we currently do not anticipate that the future costs of environmental compliance will have a material adverse effect on our business, financial condition or results of operations.

Employees

As of December 31, 2013 and 2012, we had approximately 4,400 full-time associates. Throughout 2013, essentially all of our active associates were non-union. Our temporary associates represented approximately 24% of our overall production workforce as of December 31, 2013 and 2012. We place a strong emphasis on maintaining good employee relations by promoting educational programs and quality improvement teams.

Executive Officers of Wabash National Corporation

The following are the executive officers of the Company:

Name	Age	Position	
Richard J. Giromini	60	President and Chief Executive Officer, Director	
Rodney P. Ehrlich	67	Senior Vice President	Chief Technology Officer
Bruce N. Ewald	62	Senior Vice President	Sales and Marketing
William D. Pitchford	59	Senior Vice President	Human Resources and Assistant Secretary
Erin J. Roth	38	Senior Vice President	General Counsel and Secretary
Jeffery L. Taylor	48	Senior Vice President	Chief Financial Officer
Mark J. Weber	42	Senior Vice President	Group President, Diversified Products Group
Brent L. Yeagy	43	Senior Vice President	Group President, Commercial Trailer Products

Richard J. Giromini. Mr. Giromini was promoted to President and Chief Executive Officer in January 2007. He had been Executive Vice President and Chief Operating Officer from February 2005 until December 2005 when he was appointed President and a Director of the Company. Prior to that, he had been Senior Vice President - Chief Operating Officer since joining the Company in July 2002. Mr. Giromini was with Accuride Corporation from April 1998 to July 2002, where he served in capacities as Senior Vice President - Technology and Continuous Improvement; Senior Vice President and General Manager - Light Vehicle Operations; and President and CEO of AKW LP. Previously, Mr. Giromini was employed by ITT Automotive, Inc. from 1996 to 1998 serving as the Director of Manufacturing. Mr. Giromini holds a Bachelor of Science degree in mechanical and industrial engineering and a Master of Science degree in industrial management, both from Clarkson University. He is a graduate of the Advanced Management Program at the Duke University Fuqua School of Management.

Rodney P. Ehrlich. Mr. Ehrlich has been Senior Vice President Chief Technology Officer of the Company since January 2004. From 2001 to 2003, Mr. Ehrlich was Senior Vice President of Product Development. Mr. Ehrlich has been in charge of the Company's engineering operations since the Company's founding. Prior to Wabash National, Mr. Ehrlich started with Monon Trailer Corporation in 1963 working various positions until becoming Chief Engineer in 1973, Director of Engineering in 1978, and serving until joining the founders of Wabash National in 1985. Mr. Ehrlich has obtained over 60 patents in trailer related design during his 50 year career in the trailer manufacturing business. Mr. Ehrlich holds a Bachelor of Science degree in Mechanical Engineering from Purdue University.

Bruce N. Ewald. Mr. Ewald’s original appointment was Vice President and General Manager of Wabash National Trailer Centers, Inc. when he joined the Company in March 2005. In October 2005, he was promoted to Senior Vice President Sales and Marketing. Mr. Ewald has more than 30 years of experience in the transportation industry. Most recently, Mr. Ewald was with PACCAR from 1991 to February 2005 where he served in a number of executive-level positions. Prior to PACCAR, Mr. Ewald spent 10 years with Genuine Parts Co. where he served in several positions, including President and General Manager, Napa Auto Parts/Genuine Parts Co. Mr. Ewald holds a Bachelor of Science degree in Business from the University of Minnesota.

William D. Pitchford. Mr. Pitchford was promoted to Senior Vice President Human Resources and Assistant Secretary in June 2013. He joined the Company in December 2011 as Vice President Human Resources with an extensive Human Resource background including executive leadership and management, training and development, employee relations, compensation planning and organizational design. Prior to joining the Company, Mr. Pitchford served as Vice President - Human Resources for Rio Tinto Alcan Corporation in Chicago, Illinois, from January 2009 to December 2010 and was with Ford Motor Company for more than 30 years where he held a variety of key leadership positions including Human Resources Director, Labor Relations Director and Senior Human Resources Manager. Mr. Pitchford holds a Master of Arts degree in Personnel Management from Central Michigan and a Bachelors of Science degree from Indiana State University.

Erin J. Roth. Effective January 2011, Ms. Roth was promoted to the position of Senior Vice President General Counsel and Secretary, following her appointment in March 2010 to the position of Vice President General Counsel and Secretary. Ms. Roth joined the Company in March 2007 as Corporate Counsel and was promoted in July 2009 to Senior Corporate Counsel. For the five years prior to joining the Company, Ms. Roth was engaged in the private practice of law with Barnes & Thornburg, LLP, representing a number of private and public companies throughout the U.S. Ms. Roth earned her Bachelor of Science degree in Accounting from Butler University and her Juris Doctorate from the Georgetown University Law Center.

Jeffery L. Taylor. Mr. Taylor was appointed Senior Vice President and Chief Financial Officer in January 2014. Mr. Taylor joined the company in July 2012 as Vice President of Finance and Investor Relations and was promoted to Vice President Acting Chief Financial Officer and Treasurer in June 2013. Prior to joining the Company, Mr. Taylor was with King Pharmaceuticals, Inc. from May 2006 to July 2011 as Vice President, Finance Technical Operations, and with Eastman Chemical Company from June 1997 to May 2006 where he served in several positions of increasing responsibility within finance, investor relations and business management, including its Global Business Controller Coatings, Adhesives, Specialty Polymers & Inks. Mr. Taylor earned his Bachelor of Science in Chemical Engineering from Arizona State University and his Masters of Business Administration from the University of Texas at Austin.

Mark J. Weber. Mr. Weber was appointed to Senior Vice President - Group President of Diversified Products Group in June 2013. Mr. Weber joined the Company in August 2005 as Director of Internal Audit, was promoted in February 2007 to Director of Finance, and in November 2007 to Vice President and Corporate Controller. In August 2009 Mr. Weber was then appointed to the position of Senior Vice President Chief Financial Officer. Prior to joining the Company, Mr. Weber was with Great Lakes Chemical Corporation from October 1995 through August 2005 where he served in several positions of increasing responsibility within accounting and finance, including Vice President of Finance. Mr. Weber earned his Masters of Business Administration and Bachelor of Science in Accounting from Purdue University's Krannert School of Management.

Brent L. Yeagy. Mr. Yeagy was promoted to Senior Vice President for Wabash National and President of the Commercial Trailer Products Group in January 2013. He had been Vice President and General Manager for the Commercial Trailer Products Group since January 2010. Prior to that, he had been Vice President of Van Manufacturing since 2007. Mr. Yeagy has held numerous operations related roles since joining Wabash National in February 2003. Prior to joining the Company, Mr. Yeagy held various roles within Human Resources, Environmental Engineering and Safety Management for Delco Remy International from July 1999 through February 2003. Mr. Yeagy served in various Plant Engineering roles at Rexnord Corporation from December 1995 through July 1997. Mr. Yeagy is a veteran of the United States Navy, serving from 1991-1994. He received his Master degree in Business (MBA) from Anderson University and his Master and Bachelor degrees in Science from Purdue University. He is a graduate of the University of Michigan, Ross School of Business Program in Executive Management.

ITEM 1A RISK FACTORS

You should carefully consider the risks described below in addition to other information contained or incorporated by reference in this Annual Report before investing in our securities. Realization of any of the following risks could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Risks Related to Our Business, Strategy and Operations

Our business is highly cyclical, which has had, and could have further, adverse effects on our sales and results of operations.

The truck trailer manufacturing industry historically has been and is expected to continue to be cyclical, as well as affected by overall economic conditions. Customers historically have replaced trailers in cycles that run from five to 12 years, depending on service and trailer type. Poor economic conditions can adversely affect demand for new trailers and have historically, and has currently, led to an overall aging of trailer fleets beyond a typical replacement cycle. Customers' buying patterns can also reflect regulatory changes, such as federal hours-of-service rules as well as overall truck safety and federal emissions standards.

The steps we have taken to diversify our product offerings through the implementation of our strategic plan do not insulate us from this cyclicality. During downturns, we operate with a lower level of backlog and have had to temporarily slow down or halt production at some or all of our facilities, including extending normal shut down

periods and reducing salaried headcount levels. An economic downturn may reduce, and in the past has reduced, demand for trailers, resulting in lower sales volumes, lower prices and decreased profits or losses.

Demand for new trailers has been and will continue to be sensitive to economic conditions over which we have no control and that may adversely affect our revenues and profitability.

Demand for trailers is sensitive to changes in economic conditions such as the level of employment, consumer confidence, consumer income, new housing starts, government regulations and the availability of financing and interest rates. The status of these economic conditions periodically have an adverse effect on truck freight and the demand for and the pricing of our trailers, and have resulted in, and could continue to result in, the inability of customers to meet their contractual terms or payment obligations, which could cause our operating revenues and profits to decline.

We may not be able to execute on our long-term strategic plan and growth initiatives, or meet our long-term financial goals.

Our long-term strategic plan is to deliver greater value to our shareholders by transforming Wabash National into a diversified industrial manufacturer while delivering profitable growth through all our business segments. The long-term financial goals that we expect to achieve as a result of our long-term strategic plan and organic growth initiatives are based on certain assumptions, which may prove to be incorrect. We cannot provide any assurance we will be able to fully execute on our strategic plan or growth initiatives, which are subject to a variety of risks, including, but not limited to, our ability to: diversify the product offerings of our non-trailer businesses; leverage the acquired businesses and assets of Walker and Beall to grow sales with our existing products; design and develop new products to meet the needs of our customers; increase the pricing of our products and services to offset cost increases and expand gross margins; and execute potential future acquisitions, mergers, and other business development opportunities. If we are unable to successfully execute on our strategic plan, we may experience increase competition, adverse financial consequences and a decrease in the value of our stock. Additionally, our management's attention to the implementation of the strategic plan may distract them from implementing our core business which may also have adverse financial consequences.

We have a limited number of suppliers of raw materials and components; increases in the price of raw materials or the inability to obtain raw materials could adversely affect our results of operations.

We currently rely on a limited number of suppliers for certain key components and raw materials in the manufacturing of our products, such as tires, landing gear, axles, suspensions and specialty steel coil used in DuraPlate® panels. From time to time, there have been and may in the future be shortages of supplies of raw materials or components, or our suppliers may place us on allocation, which would have an adverse impact on our ability to meet demand for our products. Shortages and allocations may result in inefficient operations and a build-up of inventory, which can negatively affect our working capital position. In addition, price volatility in commodities we purchase which impact the pricing of raw materials could have negative impacts on our operating margins. The loss of any of our suppliers or their inability to meet our price, quality, quantity and delivery requirements could have a significant impact on our results of operations.

Global economic weakness could negatively impact our operations and financial performance.

The global economic downturn beginning in 2007 and continuing through 2010 caused demand for new trailers during this period to decline and led to, in some cases, the cyclical timeframe for trailer replacement to be delayed due to economic pressures. While the trailer industry has recently experienced a period of economic recovery, we cannot make any assurances that we will be profitable in future periods or that we will be able to sustain or increase profitability in the future. Increasing our profitability will depend on several factors, including, but not limited to, our ability to increase our overall trailer volumes, improve our gross margins, gain continued momentum on our product diversification efforts and manage our expenses. If we are unable to generate profitability in the future, we may not be able to meet our payment and other obligations under our outstanding debt agreements.

We continue to be reliant on the credit markets, as well as housing and construction-related markets in the U.S. The same general economic concerns faced by us are also faced by our customers. We believe that some of our customers are highly leveraged, have limited access to capital, and may be reliant on liquidity from global credit markets and other sources of external financing. Lack of liquidity by our customers could impact our ability to collect amounts owed to us. While we have taken steps to address these concerns through the implementation of our strategic plan, we are not immune to the pressures being faced by our industry or the global economy, and our results of operations may decline.

A change in our customer relationships or in the financial condition of our customers has had, and could have further, adverse effects on our business.

We have longstanding relationships with a number of large customers to whom we supply our products. We do not have long-term agreements with these customers. Our success is dependent, to a significant extent, upon the continued strength of these relationships and the growth of our core customers. We often are unable to predict the level of demand for our products from these customers, or the timing of their orders. In addition, the same economic conditions that adversely affect us also often adversely affect our customers. In recent years, the demand environment has caused us to experience reduced demand. As some of our customers are highly leveraged and have limited access to capital, their continued existence may be uncertain. Furthermore, we are subject to a concentration of risk as the five largest customers together accounted for approximately 17% of our aggregate net sales and in recent years there have been customers who accounted individually for greater than 10% of our aggregate net sales. The loss of a significant customer or unexpected delays in product purchases could further adversely affect our business and results of operations.

Our backlog is not necessarily indicative of the level of our future revenues.

Our backlog represents future production for which we have written orders from our customers that can be produced or sold in the next 18 months. Orders that comprise our backlog may be subject to changes in quantities, delivery, specifications and terms, or cancellation, and our reported backlog may not be converted to revenue in any particular period and actual revenue from such orders may not equal our backlog revenues. Therefore, our backlog is not necessarily indicative of the level of our future revenues.

International operations are subject to increased risks, which could harm our business, operating results and financial condition.

The acquisition of Walker in May 2012 increased our exposure to international sales and operations. Our ability to manage our business and conduct operations internationally will require considerable management attention and resources and is subject to a number of risks, including the following:

- challenges caused by distance, language and cultural differences and by doing business with foreign agencies and governments;
- longer payment cycles in some countries;
- uncertainty regarding liability for services and content;
- credit risk and higher levels of payment fraud;
- currency exchange rate fluctuations and our ability to manage these fluctuations;
- foreign exchange controls that might prevent us from repatriating cash earned outside the U.S.;
- import and export requirements that may prevent us from shipping products or providing services to a particular market and may increase our operating costs;
- potentially adverse tax consequences;
- higher costs associated with doing business internationally;

- different expectations regarding working hours, work culture and work-related benefits; and
- different employee/employer relationships and the existence of workers' councils and labor unions.

Compliance with complex foreign and U.S. laws and regulations that apply to international operations may increase our cost of doing business and could expose us or our employees to fines, penalties and other liabilities. These numerous and sometimes conflicting laws and regulations include import and export requirements, content requirements, trade restrictions, tax laws, environmental laws and regulations, sanctions, internal and disclosure control rules, data privacy requirements, labor relations laws, U.S. laws such as the Foreign Corrupt Practices Act and substantially equivalent local laws prohibiting corrupt payments to governmental officials and/or other foreign persons. Although we have policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our officers, employees, contractors or agents will not violate our policies. Any violation of the laws and regulations that apply to our operations and properties could result in, among other consequences, fines, environmental and other liabilities, criminal sanctions against us, our officers or our employees, prohibitions on our ability to offer our products and services to one or more countries and could also materially damage our reputation, our brand, our efforts to diversify our business, our ability to attract and retain employees, our business and our operating results.

Our technology and products may not achieve market acceptance or competing products could gain market share, which could adversely affect our competitive position.

We continue to optimize and expand our product offerings to meet our customer needs through our established brands, such as DuraPlate®, DuraPlateHD®, DuraPlate® XD-35®, DuraPlate Aeroskirt®, FreightPro®, ArcticLite®, Transcraft®, Eagle®, Benson®, Walker Stainless Equipment, Brenner® Tank, Garsite, Progress Tank, TST®, Bulk Tank International, and Extract Technology®. While we target product development to meet customer needs, there is no assurance that our product development efforts will be embraced and that we will meet our sales projections. Companies in the truck transportation industry, a very fluid industry in which our customers primarily operate, make frequent changes to maximize their operations and profits.

Over the past several years, we have seen a number of our competitors follow our leadership in the development and use of composite sidewalls that bring them into direct competition with our DuraPlate? products. Our product development is focused on maintaining our leadership on these products but competitive pressures may erode our market share or margins. We continue to take steps to protect our proprietary rights in our products. However, the steps we have taken may not be sufficient or may not be enforced by a court of law. If we are unable to protect our intellectual properties, other parties may attempt to copy or otherwise obtain or use our products or technology. If competitors are able to use our technology, our ability to effectively compete could be harmed. In addition, litigation related to intellectual property could result in substantial costs and efforts which may not result in a successful outcome.

Disruption of our manufacturing operations would have an adverse effect on our financial condition and results of operations.

We manufacture our products at two van trailer facilities in Lafayette, Indiana, a flatbed and dump-body trailer facility in Cadiz, Kentucky, a hardwood floor facility in Harrison, Arkansas, six liquid-transportation systems facilities in New Lisbon, Wisconsin; Fond du Lac, Wisconsin; Kansas City, Missouri; Kansas City, Kansas; Portland, Oregon; and Queretaro, Mexico and three engineered products facilities in New Lisbon, Wisconsin; Elroy, Wisconsin; and Huddersfield, United Kingdom. An unexpected disruption in our production at any of these facilities for any length of time would have an adverse effect on our business, financial condition and results of operations.

The inability to attract and retain key personnel could adversely affect our results of operations.

Our ability to operate our business and implement our strategies depends, in part, on the efforts of our executive officers and other key employees. Our future success depends, in large part, on our ability to attract and retain qualified personnel, including manufacturing personnel, sales professionals and engineers. The unexpected loss of services of any of our key personnel or the failure to attract or retain other qualified personnel could have a material adverse effect on the operation of our business.

We rely significantly on information technology to support our operations and if we are unable to protect against service interruptions or security breaches, our business could be adversely impacted.

We depend on a number of information technologies to integrate departments and functions, to enhance the ability to service customers, to improve our control environment and to manage our cost reduction initiatives. We have put in place a number of systems, processes, and practices designed to protect against the failure of our systems, as well as the misappropriation, exposure or corruption of the information stored thereon. Unintentional service disruptions or intentional actions such as intellectual property theft, cyber-attacks, unauthorized access or malicious software, may lead to such misappropriation, exposure or corruption if our protective measures prove to be inadequate. Any issues involving these critical business applications and infrastructure may adversely impact our ability to manage operations and the customers we serve. We could also encounter violations of applicable law or reputational damage from the

disclosure of confidential information. In addition, the disclosure of non-public information could lead to the loss of our intellectual property and diminished competitive advantages. Should any of the foregoing events occur, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

Significant competition in the industry in which we operate may result in our competitors offering new or better products and services or lower prices, which could result in a loss of customers and a decrease in our revenues.

The truck and tank trailer manufacturing industry is highly competitive. We compete with other manufacturers of varying sizes, some of which have substantial financial resources. Trailer manufacturers compete primarily on the quality of their products, customer relationships, service availability and cost. Barriers to entry in the standard truck trailer manufacturing industry are low. As a result, it is possible that additional competitors could enter the market at any time. In the recent past, manufacturing over-capacity and high leverage of some of our competitors, along with bankruptcies and financial stresses that affected the industry, contributed to significant pricing pressures.

If we are unable to successfully compete with other trailer manufacturers, we could lose customers and our revenues may decline. In addition, competitive pressures in the industry may affect the market prices of our new and used equipment, which, in turn, may adversely affect our sales margins and results of operations.

We are subject to extensive governmental laws and regulations, and our costs related to compliance with, or our failure to comply with, existing or future laws and regulations could adversely affect our business and results of operations.

The length, height, width, maximum weight capacity and other specifications of truck and tank trailers are regulated by individual states. The federal government also regulates certain trailer safety features, such as lamps, reflective devices, tires, air-brake systems and rear-impact guards. In addition, most tank trailers we manufacture have specific federal regulations and restrictions that dictate tank design, material type and thickness. Changes or anticipation of changes in these regulations can have a material impact on our financial results, as our customers may defer purchasing decisions and we may have to re-engineer products. We are subject to various environmental laws and regulations dealing with the transportation, storage, presence, use, disposal and handling of hazardous materials, discharge of storm water and underground fuel storage tanks and may be subject to liability associated with operations of prior owners of acquired property. In addition, we are subject to laws and regulations relating to the employment of our associates and labor-related practices.

If we are found to be in violation of applicable laws or regulations in the future, it could have an adverse effect on our business, financial condition and results of operations. Our costs of complying with these or any other current or future regulations may be material. In addition, if we fail to comply with existing or future laws and regulations, we may be subject to governmental or judicial fines or sanctions.

New regulations related to conflict-free minerals may force us to incur additional expenses and otherwise adversely affect our business and results of operations.

In August 2012, as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission adopted rules regarding disclosure of the use of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo or adjoining countries. These new requirements will require ongoing due diligence efforts, with initial disclosure requirements beginning in May 2014. We may incur significant costs to determine the source of any such minerals used in our products. We may also incur costs with respect to potential changes to products, processes or sources of supply as a consequence of our diligence activities. Further, the implementation of these rules and their effect on customer and/or supplier behavior could adversely affect the sourcing, supply and pricing of materials used in our products, as the number of suppliers offering conflict-free minerals could be limited. We may incur additional costs or face regulatory scrutiny if we determine that some of our products contain materials not determined to be conflict-free or if we are unable to sufficiently verify the origins of all conflict minerals used in our products. Accordingly, the implementation of these rules could have a material adverse effect on our business, results of operations and/or financial condition.

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Product liability and other legal claims could have an adverse effect on our financial condition and results of operations.

As a manufacturer of products widely used in commerce, we are subject to product liability claims and litigation, as well as warranty claims. From time to time claims may involve material amounts and novel legal theories, and any insurance we carry may not provide adequate coverage to insulate us from material liabilities for these claims.

In addition to product liability claims, we are subject to legal proceedings and claims that arise in the ordinary course of business, such as workers' compensation claims, OSHA investigations, employment disputes and customer and supplier disputes arising out of the conduct of our business. Litigation may result in substantial costs and may divert management's attention and resources from the operation of our business, which could have a material adverse effect on our business, results of operations or financial condition. As described in more detail in "Item 3-Legal Proceedings" below, we are currently appealing a judgment rendered by the Fourth Civil Court of Curitiba, Brazil, in a lawsuit that has been pending since 2001. While we are appealing this judgment, which renders it unenforceable at this time, and the Brazilian Court of Appeals has the authority to render a new judgment in the case without any regard to the lower court's findings, the ultimate outcome of the case is uncertain and the resolution of this litigation may result in us incurring substantial costs that are not covered by insurance.

An impairment in the carrying value of goodwill and other long-lived intangible assets could negatively affect our operating results.

We have a substantial amount of goodwill and purchased intangible assets on our balance sheet as a result of our recent acquisitions. At December 31, 2013, approximately 90% of these long-lived intangible assets were concentrated in our Diversified Products segment and specifically related to the acquisitions of Walker and certain assets of Beall. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of other long-lived intangible assets represents the fair value of trademarks and trade names, customer relationships and technology as of the acquisition date. Under generally accepted accounting principles, long-lived assets are required to be reviewed for impairment at least annually, or more frequently if potential interim indicators exist that could result in impairment. If any business conditions or other factors cause profitability or cash flows to significantly decline, we may be required to record a non-cash impairment charge, which could adversely affect our operating results. Events and conditions that could result in impairment include a prolonged period of global economic weakness, a further decline in economic conditions or a slow, weak economic recovery, sustained declines in the price of our common stock, adverse changes in the regulatory environment, adverse changes in the market share of our products, adverse changes in interest rates, or other factors leading to reductions in the long-term sales or profitability that we expect. For example, during the fiscal year ended December 31, 2008, we recorded a $66 million non-cash goodwill impairment charge related to the 2006 acquisition of our platform trailer business and the 1998 acquisition of our wood product manufacturing operations.

The full utilization of our remaining U.S. federal income tax net operating loss carryforwards will significantly increase our cash tax payments and may adversely impact our ability to fund operations.

As of December 31, 2013, we had approximately $28 million of remaining U.S. Federal income tax net operating loss carryforwards, which will begin to expire in 2029 if unused, and which may be subject to other limitations under IRS rules. We also have various multi-state income tax net operating loss carryforwards, which have been recorded as a deferred income tax asset, of approximately $8 million, before valuation allowances. We also have various U.S. Federal income tax credit carryforwards which will expire beginning in 2023, if unused. For 2014 we expect to fully utilize all of our remaining U.S. Federal income tax net operating loss carryforwards and credit carryforwards and, therefore, we do anticipate an increase in our cash tax payments in 2014 as compared to previous years which could limit the amount of liquidity available to fund working capital requirements and capital expenditure needs throughout

2014.

Our ability to fund operations is limited by our cash on hand and available borrowing capacity under our revolving credit facility.

We believe our liquidity, defined as cash on hand and available borrowing capacity, on December 31, 2013 of $254.3 million and our expected continued improvements in profitability will be more than adequate to fund working capital requirements and capital expenditures throughout 2014, which we expect to be a period of continued strong demand within the trailer manufacturing industry. Furthermore, we continue to have the option, subject to certain conditions, to request an additional incremental increase to the total commitment of our revolving credit facility of $50 million. Our liquidity position as of December 31, 2013 represented an increase of $30.0 million and $128.6 million from December 31, 2012 and 2011, respectively, which is reflective of the challenges we have had in recent years maintaining a strong liquidity position. Our ability to fund our working capital needs and capital expenditures is limited by the net cash provided by operations, cash on hand and available borrowings under our revolving credit facility. Declines in net cash provided by operations, increases in working capital requirements necessitated by an increased demand for our products and services, further decreases in the availability under the revolving credit facility or changes in the credit our suppliers provide to us, could rapidly exhaust our liquidity.

Risks Related to Our Indebtedness

Our levels of indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under our debt agreements.

Our debt and debt service obligations increased significantly in 2012 as a result of the offering of our 3.375% Convertible Senior Notes Due 2018 (“Notes”) in April 2012, entering into the Term Loan Credit Agreement in May 2012, which was subsequently amended in May 2013, and the amendment and restatement of our revolving credit agreement. As of December 31, 2013, and as a result of these events, we had approximately $396 million of indebtedness, including: $235 million secured, $150 million unsecured, approximately $8 million in capital lease obligations and approximately $2 million in an industrial revenue bond. This level of debt could have significant consequences on our future operations, including, among others:

- making it more difficult for us to meet our payment and other obligations under our outstanding debt agreements;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable;
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the factors listed above could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under our debt agreements.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our debt obligations.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness depends on our future performance, which is subject to regulatory, economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Despite our current debt levels, we may still incur substantially more debt or take other actions that would intensify the risks discussed above.

Despite our current consolidated debt levels, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. We are not restricted under the terms of the indenture governing the Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indenture governing the Notes. Our Amended and Restated Revolving Credit Agreement restricts our ability to incur additional indebtedness, including secured indebtedness, but if the facilities mature or are repaid, we may not be subject to such restrictions under the terms of any subsequent indebtedness.

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Notes is triggered, holders of Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than cash in lieu of any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our working capital.

Future sales of our common stock in the public market could lower the market price for our common stock.

In the future, we may sell additional shares of our common stock to raise capital. In addition, a substantial number of shares of our common stock are reserved for issuance upon the exercise of stock options and upon conversion of the Notes. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

Provisions of the Notes could discourage a potential future acquisition of us by a third party.

Certain provisions of the Notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the Notes will have the right, at their option, to require us to repurchase all of their Notes or any portion of the principal amount of such Notes in integral multiples of $1,000. We also may be required to issue additional shares upon conversion in the event of certain corporate transactions. In addition, the indenture for the Notes prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Notes. These and other provisions of the Notes could prevent or deter a third party from acquiring us even where the acquisition could be beneficial to you.

Our Term Loan Credit Agreement, as amended, and revolving credit facility contain restrictive covenants that, if breached, could limit our financial and operating flexibility and subject us to other risks.

Our Term Loan Credit Agreement, as amended, and revolving credit facility include certain financial covenants. Breaching those financial covenants would trigger an event of default and our lenders may, subject to various customary cure rights, require the immediate payment of all amounts outstanding and foreclose on the collateral.

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These debt facilities contain customary covenants limiting our ability to, among other things, pay cash dividends, incur debt or liens, redeem or repurchase stock, enter into transactions with affiliates, merge, dissolve, repay subordinated indebtedness, make investments and dispose of assets. As required under our Term Loan Credit Agreement, as amended, we must maintain a maximum senior secured leverage ratio tested as of the last day of each fiscal quarter for the four consecutive fiscal quarters then ending of not more than (A) 4.5 to 1.0 through September 30, 2013, (B) 4.0 to 1.0 thereafter through September 30, 2015, and (C) 3.5 to 1.0 thereafter. In addition, under our revolving credit facility, we are required to maintain a minimum fixed charge coverage ratio of not less than 1.1 to 1.0 as of the end of any period of 12 fiscal months when excess availability under the Amended and Restated Revolving Credit Agreement is less than 12.5% of the total revolving commitment. As of December 31, 2013, our senior secured leverage ratio was 0.9:1.0, and in compliance with all covenants under the Term Loan Credit Agreement, as amended.

If availability under the Amended and Restated Revolving Credit Agreement is less than 15% of the total revolving commitment or if there exists an event of default, amounts in any of the Borrowers' and the Revolver Guarantors' deposit accounts (other than certain excluded accounts) will be transferred daily into a blocked account held by the Revolver Agent and applied to reduce the outstanding amounts under the facility.

As of December 31, 2013, we were in compliance with all covenants under both our Term Loan Credit Agreement, as amended, and our revolving credit facility. Our ability to comply with the various financial covenants in the future may be affected by events beyond our control, including prevailing economic, financial and industry conditions.

Risks Related to an Investment in Our Common Stock

Our common stock has experienced, and may continue to experience, price volatility and a low trading volume.

The trading price and volume of our common stock has been and may continue to be subject to large fluctuations. The market price and volume of our common stock may increase or decrease in response to a number of events and factors, including:

- trends in our industry and the markets in which we operate;
- changes in the market price of the products we sell;
- the introduction of new technologies or products by us or by our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- operating results that vary from the expectations of securities analysts and investors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, financings or capital commitments;
- changes in laws and regulations;
- general economic and competitive conditions; and
- changes in key management personnel.

This volatility may adversely affect the prices of our common stock regardless of our operating performance. To the extent that the price of our common stock declines, our ability to raise funds through the issuance of equity or

otherwise use our common stock as consideration will be reduced. These factors may limit our ability to implement our operating and growth plans.

ITEM 1B UNRESOLVED STAFF COMMENTS

None.

ITEM 2 PROPERTIES

Our main Lafayette, Indiana facility is a 1.2 million square foot facility that houses truck trailer and composite material production, tool and die operations, research laboratories and offices. Our second Lafayette, Indiana facility is 0.8 million square feet and used primarily for the production of refrigerated van and liquid tank trailers. In total, our main facilities have the capacity to produce approximately 80,000 van trailers annually on a three shift, five-day workweek schedule, depending on the mix of products.

We have 18 Retail facilities located throughout North America. Each sales and service branch consists of an office, parts warehouse and service space, and ranges in size from 4,000 to 70,000 square feet per facility. The 18 facilities are located in 13 states with eight of the facilities being leased.

Properties owned by Wabash are subject to security interests held by our lenders. The following table provides information regarding our major facilities located in the United States, Mexico and United Kingdom:

Location	Owned or Leased	Description of Activities at Location	Segment
Ashland, Kentucky	Leased	Parts distribution	Retail
Baton Rouge, Louisiana	Leased	Service and parts distribution	Retail
Cadiz, Kentucky	Leased	Manufacturing, new trailers and parts distribution	Commercial Trailer Products and Retail
Chicago, Illinois	Leased	Service and parts distribution	Retail
Columbus, Ohio	Owned	New trailers, used trailers, service and parts distribution	Retail
Dallas, Texas	Owned	New trailers, used trailers, service and parts distribution	Retail
Denver, Colorado	Owned	New trailers, used trailers, service and parts distribution	Retail
Elroy, Wisconsin	Owned	Manufacturing	Diversified Products
Findlay, Ohio	Leased	Service and parts distribution	Diversified Products
Fond du Lac, Wisconsin	Owned	Manufacturing	Diversified Products
Fontana, California	Owned	New trailers, used trailers, service and parts distribution	Retail
Harrison, Arkansas	Owned	Manufacturing	Diversified Products
Houston, Texas	Leased	Service and parts distribution	Retail
Huddersfield, United Kingdom	Leased property/Owned building	Manufacturing	Diversified Products
Kansas City, Kansas	Leased	Manufacturing	Diversified Products
Kansas City, Missouri	Leased	Manufacturing	Diversified Products
Lafayette, Indiana	Owned	Corporate Headquarters, Manufacturing and used trailers	Commercial Trailer Products, Diversified Products and Retail
Mauston, Wisconsin	Leased	Service and parts distribution	Retail
Miami, Florida	Owned	New trailers, used trailers, service and parts distribution	Retail
New Lisbon, Wisconsin	Owned/Leased	Manufacturing	Diversified Products
Phoenix, Arizona	Owned	New trailers, used trailers, service and parts distribution	Retail
Smithton, Pennsylvania	Owned	New trailers, used trailers, service and parts distribution	Retail
Portland, Oregon	Owned/Leased	Manufacturing, new trailers, used trailers, service and parts distribution	Diversified Products and Retail
Queretaro, Mexico	Owned	Manufacturing	Diversified Products
	Leased		Retail

Sacramento, California		New trailers, used trailers, service and parts distribution	
San Antonio, Texas	Owned	New trailers, used trailers, service and parts distribution	Retail
Dunmore, Pennsylvania	Owned	New trailers, used trailers, service and parts distribution	Retail
Tavares, Florida	Leased	Manufacturing	Diversified Products
Waxahachie, Texas	Leased	Used trailers	Commercial Trailer Products
West Memphis, Arkansas	Leased	Service and parts distribution	Retail

ITEM 3 LEGAL PROCEEDINGS

We are involved in a number of legal proceedings concerning matters arising in connection with the conduct of our business activities, and are periodically subject to governmental examinations (including by regulatory and tax authorities), and information gathering requests (collectively, "governmental examinations"). As of December 31, 2013, we were named as a defendant or were otherwise involved in numerous legal proceedings and governmental examinations in various jurisdictions, both in the United States and internationally.

We have recorded liabilities for certain of our outstanding legal proceedings and governmental examinations. A liability is accrued when it is both (a) probable that a loss with respect to the legal proceeding has occurred and (b) the amount of loss can be reasonably estimated. We evaluate, on a quarterly basis, developments in legal proceedings and governmental examinations that could cause an increase or decrease in the amount of the liability that has been previously accrued. These legal proceedings, as well as governmental examinations, involve various lines of business and a variety of claims (including, but not limited to, common law tort, contract, antitrust and consumer protection claims), some of which present novel factual allegations and/or unique legal theories. While some matters pending against us specify the damages claimed by the plaintiff, many seek a not-yet-quantified amount of damages or are at very early stages of the legal process. Even when the amount of damages claimed against Wabash is stated, the claimed amount may be exaggerated and/or unsupported. As a result, it is not currently possible to estimate a range of possible loss beyond previously accrued liabilities relating to some matters including those described below. Such previously accrued liabilities may not represent our maximum loss exposure. The legal proceedings and governmental examinations underlying the estimated range will change from time to time and actual results may vary significantly from the currently accrued liabilities.

Based on our current knowledge, and taking into consideration litigation-related liabilities, we believe we are not a party to, nor is any of our properties the subject of, any pending legal proceeding or governmental examination other than the matters below, which are addressed individually, that could have a material adverse effect on our consolidated financial condition or liquidity if determined in a manner adverse to the Company. However, in light of the uncertainties involved in such matters, the ultimate outcome of a particular matter could be material to our operating results for a particular period depending on, among other factors, the size of the loss or liability imposed and the level of our income for that period. Costs associated with the litigation and settlements of legal matters are reported within *General and Administrative Expenses* in the Consolidated Statements of Operations.

Brazil Joint Venture

In March 2001, Bernard Krone Indústria e Comércio de Máquinas Agrícolas Ltda. (“BK”) filed suit against the Company in the Fourth Civil Court of Curitiba in the State of Paraná, Brazil. Because of the bankruptcy of BK, this proceeding is now pending before the Second Civil Court of Bankruptcies and Creditors Reorganization of Curitiba, State of Paraná (No. 232/99).

The case grows out of a joint venture agreement between BK and the Company related to marketing of RoadRailer trailers in Brazil and other areas of South America. When BK was placed into the Brazilian equivalent of bankruptcy late in 2000, the joint venture was dissolved. BK subsequently filed its lawsuit against the Company alleging that it was forced to terminate business with other companies because of the exclusivity and non-compete clauses purportedly found in the joint venture agreement. BK asserted damages, exclusive of any potentially court-imposed interest or inflation adjustments, of approximately R$20.8 million (Brazilian Reais). BK did not change the amount of damages it asserted following its filing in the case in 2001.

A bench (non-jury) trial was held on March 30, 2010 in Curitiba, Paraná, Brazil. On November 22, 2011, the Fourth Civil Court of Curitiba partially granted BK's claims, and ordered Wabash to pay BK lost profits, compensatory, economic and moral damages in excess of the amount of compensatory damages asserted by BK. The total ordered damages amount is approximately R$26.7 million (Brazilian Reais), which is approximately $11.4 million U.S. dollars using current exchange rates and exclusive of any potentially court-imposed interest, fees or inflation adjustments (which are currently estimated at a maximum of approximately $60 million, at current exchange rates, but may change with the passage of time and/or the discretion of the court at the time of final judgment in this matter). Due, in part, to the amount and type of damages awarded by the Fourth Civil Court of Curitiba, Wabash immediately filed for clarification of the judgment. The Fourth Civil Court has issued its clarification of judgment, leaving the underlying decision unchanged and referring the parties to the State of Paraná Court of Appeals for any further appeal of the decision. As such, Wabash filed its notice of appeal with the Court of Appeals, as well as its initial appeal papers, on April 22, 2013. The Court of Appeals has the authority to re-hear all facts presented to the lower court, as well as to reconsider the legal questions presented in the case, and to render a new judgment in the case without regard to the lower court's findings. As of this time, the appeal is pending, the full panel of appeal judges has not yet been assigned, and the parties have not made additional arguments before the Court of Appeals. Pending outcome of this appeal process, the judgment is not enforceable by the plaintiff. Any ruling from the Court of Appeals is not expected before the second quarter of 2014, and, accordingly, the judgment rendered by the lower court cannot be enforced prior to that time, and may be overturned or reduced as a result of this process. The Company believes that the claims asserted by BK are without merit and it intends to continue to vigorously defend its position. The Company has not recorded a charge with respect to this loss contingency as of December 31, 2013. Furthermore, at this time, the Company does not have sufficient information to predict the ultimate outcome of the case and is unable to estimate the amount of any reasonable possible loss or range of loss that it may be required to pay at the conclusion of the case. The Company will reassess the need for the recognition of a loss contingency upon official assignment of the case to a judging panel in the Court of Appeals, upon a decision to settle this case with the plaintiffs or an internal decision as to an amount that the Company would be willing to settle or upon the outcome of the appeals process.

Intellectual Property

In October 2006, we filed a patent infringement suit against Vanguard National Corporation ("Vanguard") regarding our U.S. Patent Nos. 6,986,546 and 6,220,651 in the U.S. District Court for the Northern District of Indiana (Civil Action No. 4:06-cv-135). We amended the Complaint in April 2007. In May 2007, Vanguard filed its Answer to the Amended Complaint, along with Counterclaims seeking findings of non-infringement, invalidity, and unenforceability of the subject patents. We filed a reply to Vanguard's counterclaims in May 2007, denying any wrongdoing or merit to the allegations as set forth in the counterclaims. The case has currently been stayed by agreement of the parties while the U.S. Patent and Trademark Office ("Patent Office") undertakes a reexamination of U.S. Patent Nos. 6,986,546. In June 2010, the Patent Office notified the Company that the reexamination is complete and the Patent Office has reissued U.S. Patent No. 6,986,546 without cancelling any claims of the patent. The parties have not yet petitioned the Court to lift the stay, and it is unknown at this time when the parties' petition to lift the stay may be filed or granted.

We believe that our claims against Vanguard have merit and that the claims asserted by Vanguard are without merit. We intend to vigorously defend our position and intellectual property. We believe that the resolution of this lawsuit will not have a material adverse effect on our financial position, liquidity or future results of operations. However, at this stage of the proceeding, no assurance can be given as to the ultimate outcome of the case.

Walker Acquisition

On May 8, 2012, we completed the Walker acquisition pursuant to the Purchase and Sale Agreement for $377.0 million in cash. In connection with the Acquisition there is an outstanding claim of approximately $2.9 million for unpaid benefits owed by the Seller that is currently in dispute and that is not expected to have a material adverse effect

on our financial condition or results of operations.

Environmental Disputes

Bulk Tank International, S. de R.L. de C.V. ("Bulk"), one of the Walker companies we acquired on May 8, 2012, entered into agreements in 2011 with the Mexican federal environmental agency, PROFEPA, and the applicable state environmental agency, PROPAEG, pursuant to PROFEPA's and PROPAEG's respective environmental audit programs to resolve noncompliance with federal and state environmental laws at Bulk's Guanajuato facility ("Compliance Agreements"). Bulk completed all required corrective actions and received a Certification of Clean Industry from PROPAEG, and is seeking the same certification from PROFEPA, which the Company expects it will receive following an audit and review to be conducted by PROFEPA in February 2014. As a result, we do not expect that this matter will have a material adverse effect on our financial condition or results of operations.

In January 2012, we were noticed as a potentially responsible party ("PRP") by the U.S. Environmental Protection Agency ("EPA") and the Louisiana Department of Environmental Quality ("LDEQ") pertaining to the Marine Shale Processors Site located in Amelia, Louisiana ("MSP Site") pursuant to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and corresponding Louisiana statutes. PRPs include current and former owners and operators of facilities at which hazardous substances were allegedly disposed. The EPA's allegation that we are a PRP arises out of one alleged shipment of waste to the MSP Site in 1992 from our branch facility in Dallas, Texas. As such, the MSP Site PRP Group notified us in January 2012 that, as a result of a March 18, 2009 Cooperative Agreement for Site Investigation and Remediation entered into between the MSP Site PRP Group and the LDEQ, we were being offered a "De Minimis Cash-Out Settlement" to contribute to the remediation costs, which would remain open until February 29, 2012. We chose not to enter into the settlement and have denied any liability. In addition, we have requested that the MSP Site PRP Group remove us from the list of PRPs for the MSP Site, based upon the following facts. We acquired this branch facility in 1997 five years after the alleged shipment - as part of the assets we acquired out of the Fruehauf Trailer Corporation ("Fruehauf") bankruptcy (Case No. 96-1563, United States Bankruptcy Court, District of Delaware ("Bankruptcy Court")). As part of the Asset Purchase Agreement regarding our purchase of assets from Fruehauf, we did not assume liability for "Off-Site Environmental Liabilities," which are defined to include any environmental claims arising out of the treatment, storage, disposal or other disposition of any Hazardous Substance at any location other than any of the acquired locations/assets. The Bankruptcy Court, in an Order dated May 26, 1999, also provided that, except for those certain specified liabilities assumed by us under the terms of the Asset Purchase Agreement, we shall not be subject to claims asserting successor liability. The "no successor liability" language of the Asset Purchase Agreement and the Bankruptcy Court Order form the basis for our request that we be removed from the list of PRPs for the MSP Site. The MSP Site PSP Group is currently considering our request, but has provided no timeline for a response. However, the MSP Site PSP Group has agreed to indefinitely extend the time period by which we must respond to the De Minimis Cash-Out Settlement offer. We do not expect that this proceeding will have a material adverse effect on its financial condition or results of operations.

In September 2003, we were noticed as a PRP by the EPA pertaining to the Motorola 52nd Street, Phoenix, Arizona Superfund Site (the "Superfund Site") pursuant to CERCLA. The EPA's allegation that we were a PRP arises out of our acquisition of a former branch facility located approximately five miles from the original Superfund Site. We acquired this facility in 1997, operated the facility until 2000, and sold the facility to a third party in 2002. In June 2010, we were contacted by the Roosevelt Irrigation District ("RID") informing us that the Arizona Department of Environmental Quality ("ADEQ") had approved a remediation plan in excess of $100 million for the RID portion of the Superfund Site, and demanded that we contribute to the cost of the plan or be named as a defendant in a CERCLA action to be filed in July 2010. We initiated settlement discussions with the RID and the ADEQ in July 2010 to provide a full release from the RID, and a covenant not-to-sue and contribution protection regarding the former branch property from the ADEQ, in exchange for payment from us. If the settlement is approved by all parties, it will prevent any third party from successfully bringing claims against us for environmental contamination relating to this former branch property. We have been awaiting approval from the ADEQ since the settlement was first proposed in July 2010. Based on communications with the RID and ADEQ in December 2013, we do not expect to receive a response regarding the approval of the settlement from the ADEQ for, at least, several additional months. Based upon our limited period of ownership of the former branch property, and the fact that we no longer own the former branch property, we do not anticipate that the ADEQ will reject the proposed settlement, but no assurance can be given at this time as to the ADEQ's response to the settlement proposal. The proposed settlement terms were accrued in 2010 and did not have a material adverse effect on our financial condition or results of operations, and we believe that any ongoing proceedings will not have a material adverse effect on our financial condition or results of operations.

In January 2006, we received a letter from the North Carolina Department of Environment and Natural Resources indicating that a site that we formerly owned near Charlotte, North Carolina has been included on the state's October 2005 Inactive Hazardous Waste Sites Priority List. The letter states that we were being notified in fulfillment of the state's "statutory duty" to notify those who own and those who at present are known to be responsible for each Site on

the Priority List. No action is being requested from us at this time, and we have received no further notices or communications regarding this matter from the state of North Carolina. We do not expect that this designation will have a material adverse effect on our financial condition or results of operations.

ITEM 4 MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Information Regarding our Common Stock

Our common stock is traded on the New York Stock Exchange (ticker symbol: WNC). The number of record holders of our common stock at February 20, 2014 was 858.

We declared quarterly dividends of $0.045 per share on our common stock from the first quarter of 2005 through the third quarter of 2008. In December 2008, we suspended the payment of our quarterly dividend due to the continued weak economic environment and the uncertainty as to the timing of a recovery as well as our effort to enhance liquidity. No dividends on our common stock were declared or paid in 2013. The reinstatement of quarterly cash dividends on our common stock will depend on our future earnings, capital availability, financial condition and the discretion of our Board of Directors.

Our Certificate of Incorporation, as amended and approved by our stockholders, authorizes shares of common stock, par value $0.01 per share, of 200 million shares and all classes of capital stock of 225 million shares, including 25 million shares of preferred stock, par value $0.01 per share.

High and low stock prices as reported on the New York Stock Exchange for the last two years were:

	High		Low	
2012				
First Quarter	$	11.55	$	7.82
Second Quarter	$	10.38	$	5.85
Third Quarter	$	8.00	$	5.65
Fourth Quarter	$	9.41	$	6.19
2013				
First Quarter	$	11.00	$	9.02
Second Quarter	$	10.81	$	8.19
Third Quarter	$	11.95	$	9.42
Fourth Quarter	$	12.91	$	11.06

Performance Graph

The following graph shows a comparison of cumulative total returns for an investment in our common stock, the S&P 500 Composite Index and the Dow Jones Transportation Index. It covers the period commencing December 31, 2008 and ending December 31, 2013. The graph assumes that the value for the investment in our common stock and in each index was $100 on December 31, 2008.

Comparative of Cumulative Total Return
December 31, 2008 through December 31, 2013
among Wabash National Corporation, the S&P 500 Index
and the Dow Jones Transportation Index

ITEM 6 SELECTED FINANCIAL DATA

The following selected consolidated financial data with respect to Wabash National for each of the five years in the period ending December 31, 2013, have been derived from our consolidated financial statements. The following information should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations* and the consolidated financial statements and notes thereto included elsewhere in this Annual Report.

	Years Ended December 31,									
	2013	2012			2011	2010			2009	
	(Dollars in thousands, except per share data)									
Statement of Comprehensive Income Data:										
Net sales	$ 1,635,686	$	1,461,854		$ 1,187,244	$	640,372		$ 337,840	
Cost of sales	1,420,563		1,298,031		1,120,524		612,289		360,750	
Gross profit	$ 215,123	$	163,823		$ 66,720	$	28,083		$ (22,910)	
Selling, general and administrative expenses	89,263	1,570,684			$ 912,421		$	3,446,708		$6,174,3
Net income									293,626	
Other comprehensive loss, net of taxes						(370,700)				
Contributions from noncontrolling interests										
Distributions to noncontrolling interests										
Change in interest in consolidated subsidiary				(1,388)						
Change in fair value of redeemable noncontrolling interests				(10,990)						
Share-based compensation expense				7,339						
Balance, June 30, 2012	$ 244,583		$	1,565,645		$541,721			$ 3,740,334	

See notes to interim consolidated financial statements.

LEUCADIA NATIONAL CORPORATION AND SUBSIDIARIES
Notes to Interim Consolidated Financial Statements

1. Significant Accounting Policies

The unaudited interim consolidated financial statements, which reflect all adjustments (consisting of normal recurring items or items discussed herein) that management believes necessary to fairly state results of interim operations, should be read in conjunction with the Notes to Consolidated Financial Statements (including the Summary of Significant Accounting Policies) included in the Company's audited consolidated financial statements for the year ended December 31, 2011, which are included in the Company's Annual Report filed on Form 10-K for such year (the "2011 10-K"). Results of operations for interim periods are not necessarily indicative of annual results of operations. The consolidated balance sheet at December 31, 2011 was extracted from the audited annual financial statements and does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for annual financial statements.

Effective January 1, 2012, the Company adopted new Financial Accounting Standards Board ("FASB") guidance with respect to the improvement of the comparability of fair value measurements presented and disclosed in financial statements issued in accordance with GAAP and International Financial Reporting Standards. The amendment includes requirements for measuring fair value and for disclosing information about fair value measurements, but does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. The guidance did not have a significant impact on the Company's consolidated financial statements.

Effective January 1, 2012, the Company adopted new FASB guidance on the presentation of comprehensive income. This amendment eliminated the previous option to report other comprehensive income and its components in the statement of changes in equity; instead, it requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This amendment was applied retrospectively. Adoption of this amendment changed the presentation of the Company's consolidated financial statements but did not have any impact on its consolidated financial position, results of operations or cash flows.

Effective January 1, 2012, the Company adopted new FASB guidance with respect to the simplification of how entities test for goodwill impairment. This amendment permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The guidance did not have a significant impact on the Company's consolidated financial statements.

Certain amounts for prior periods have been reclassified to be consistent with the 2012 presentation.

2. Acquisitions

As more fully discussed in the 2011 10-K, the Company acquired a controlling interest in National Beef Packing Company, LLC ("National Beef") in December 2011. Unaudited pro forma operating results for the Company for the three and six month periods ended June 30, 2011, assuming the acquisition had occurred as of January 1, 2010 are as follows (in thousands, except per share amounts):

	For the Three	For the Six

	Month Period Ended June 30, 2011	Month Period Ended June 30, 2011
Revenues and other income	$2,526,860	$4,463,740
Net income attributable to Leucadia National Corporation common shareholders	$212,219	$248,421
Basic earnings per common share attributable to Leucadia National Corporation common shareholders	$.87	$1.02
Diluted earnings per common share attributable to Leucadia National Corporation common shareholders	$.85	$1.00

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Pro forma adjustments principally reflect an increase to depreciation and amortization expenses related to the fair value of property and equipment and amortizable intangible assets. The unaudited pro forma data is not indicative of future results of operations or what would have resulted if the acquisition had actually occurred as of January 1, 2010.

3. Segment Information

The primary measure of segment operating results and profitability used by the Company is income (loss) from continuing operations before income taxes. Associated companies are not considered to be a reportable segment, but are reflected in the table below under income (loss) from continuing operations before income taxes. Certain information concerning the Company's segments for the three and six month periods ended June 30, 2012 and 2011 is presented in the following table (in thousands).

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Revenues and other income:				
Beef Processing Services	$1,913,666	$–	$3,705,645	$–
Manufacturing:				
Idaho Timber	40,579	41,773	81,708	82,013
Conwed Plastics	22,991	22,870	43,589	46,439
Oil and Gas Drilling Services	31,852	32,119	70,879	64,203
Gaming Entertainment	29,642	30,520	61,715	61,302
Domestic Real Estate	3,409	3,368	6,830	88,751
Medical Product Development	125	82	199	173
Other Operations	17,686	14,639	36,651	30,746
Corporate	81,695	608,070	558,717	663,848
Total consolidated revenues and other income	$2,141,645	$753,441	$4,565,933	$1,037,475
Income (loss) from continuing operations before income taxes:				
Beef Processing Services	$46,937	$–	$29,340	$–
Manufacturing:				
Idaho Timber	1,962	(2,011)	4,330	(1,995)
Conwed Plastics	2,953	1,740	5,400	5,030
Oil and Gas Drilling Services	(4,460)	532	(2,407)	4,103
Gaming Entertainment	1,721	2,697	5,984	8,493
Domestic Real Estate	(2,073)	(44)	(3,182)	81,273
Medical Product Development	(11,252)	(9,449)	(21,305)	(13,443)
Other Operations	(7,219)	(7,422)	(9,320)	(13,993)
Income (losses) related to associated companies	(350,216)	(225,940)	51,692	(270,112)
Corporate	43,023	533,149	421,197	529,254
Total consolidated income (loss) from continuing operations before income taxes	$(278,624)	$293,252	$481,729	$ 328,610
Depreciation and amortization expenses:				
Beef Processing Services	$20,757	$–	$41,065	$–
Manufacturing:				
Idaho Timber	1,334	1,323	2,662	2,644
Conwed Plastics	1,351	1,687	2,686	3,483
Oil and Gas Drilling Services	4,938	5,290	10,141	10,583
Gaming Entertainment	4,269	4,140	8,514	8,384
Domestic Real Estate	868	845	1,743	1,748
Medical Product Development	213	212	423	421
Other Operations	2,732	2,105	5,524	4,033
Corporate	7,154	5,633	13,136	10,484
Total consolidated depreciation and amortization expenses	$43,616	$ 21,235	$85,894	$ 41,780

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) in the Company's consolidated statements of operations. Corporate securities gains include gains of $417,887,000 for the six month 2012 period and $527,351,000 for three and six month 2011 periods resulting from the sale of a portion of the Company's investment in the common shares of Fortescue Metals Group Ltd ("Fortescue"). In the six month 2011 period, other income for the domestic real estate segment includes a gain on forgiveness of debt of $81,848,000.

Other operations includes pre-tax losses of $9,442,000 and $8,044,000 for the three month periods ended June 30, 2012 and 2011, respectively, and $15,313,000 and $15,826,000 for the six month periods ended June 30, 2012 and 2011, respectively, for the investigation and evaluation of various energy related projects. There were no significant operating revenues associated with these activities; however, other income for the three and six month 2011 periods includes $889,000 and $2,879,000, respectively, with respect to government grants to reimburse the Company for certain of its prior expenditures, which were fully expensed as incurred.

Depreciation and amortization expenses for the manufacturing and other operations segments include amounts classified as cost of sales.

For the three and six month 2012 periods, interest expense was primarily comprised of beef processing services ($3,284,000 and $6,300,000, respectively) and corporate ($18,059,000 and $43,888,000, respectively). For 2011, interest expense was primarily comprised of corporate; interest expense for other segments was not significant.

4. Investments in Associated Companies

A summary of investments in associated companies at June 30, 2012 and December 31, 2011 is as follows:

	June 30, 2012	December 31, 2011
	(In thousands)	
Investments in associated companies accounted for under the equity method of accounting:		
Jefferies High Yield Holdings, LLC (“JHYH”)	$332,222	$323,262
Berkadia Commercial Mortgage LLC (“Berkadia”)	174,737	193,496
Garcadia companies	74,562	72,303
Linkem S.p.A. (“Linkem”)	72,115	86,332
HomeFed Corporation (“HomeFed”)	46,931	47,493
Brooklyn Renaissance Plaza	32,304	31,931
Other	33,889	38,949
Total accounted for under the equity method of accounting	766,760	793,766
Investments in associated companies carried at fair value:		
Jefferies Group, Inc. (“Jefferies”)	753,498	797,583
Mueller Industries, Inc. (“Mueller”)	443,909	400,446
Total accounted for at fair value	1,197,407	1,198,029
Total investments in associated companies	$1,964,167	$1,991,795

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Income (losses) related to associated companies includes the following for the three and six month periods ended June 30, 2012 and 2011:

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Jefferies	$(334,985)	$(239,813)	$(35,384)	$(319,515)
Mueller	(28,767)	–	45,548	–
JHYH	4,579	(1,003)	14,273	13,925
Berkadia	2,410	7,037	14,230	21,696
Garcadia companies	8,888	4,703	16,982	8,998
Linkem	(4,078)	–	(8,268)	–
HomeFed	(447)	(404)	(562)	(422)
Brooklyn Renaissance Plaza	1,540	2,071	1,981	2,714
Other	644	1,469	2,892	2,492
Income (losses) related to associated companies before income taxes	(350,216)	(225,940)	51,692	(270,112)
Income tax provision (benefit)	(123,896)	(80,144)	15,473	(96,268)
Income (losses) related to associated companies, net of taxes	$(226,320)	$(145,796)	$36,219	$(173,844)

Investments accounted for under the equity method of accounting are initially recorded at their original cost and subsequently increased for the Company's share of the investees' earnings, decreased for the Company's share of the investees' losses, reduced for dividends received and impairment charges recorded, if any, and increased for any additional investment of capital.

In accordance with GAAP, the Company is allowed to choose, at specified election dates, to measure many financial instruments and certain other items at fair value (the "fair value option") that would not otherwise be required to be measured at fair value. If the fair value option is elected for a particular financial instrument or other item, the Company is required to report unrealized gains and losses on those items in earnings. The Company's investments Jefferies and Mueller are the only eligible items for which the fair value option was elected, commencing on the date the investments became subject to the equity method of accounting. The Company believes accounting for these investments at fair value better reflects the economics of these investments, and quoted market prices for these investments provide an objectively determined fair value at each balance sheet date. In addition, electing the fair value option eliminates the uncertainty involved with impairment considerations. The Company's investment in HomeFed is the only other investment in an associated company that is also a publicly traded company but for which the Company did not elect the fair value option. HomeFed's common stock is not listed on any stock exchange, and price information for the common stock is not regularly quoted on any automated quotation system. It is traded in the over-the-counter market with high and low bid prices published by the National Association of Securities Dealers OTC Bulletin Board Service; however, trading volume is minimal. For these reasons the Company did not elect the fair value option for HomeFed.

As of June 30, 2012, the Company owns 58,006,024 common shares of Jefferies representing approximately 28.5% of the outstanding common shares of Jefferies. Jefferies, a company listed on the New York Stock Exchange ("NYSE") (Symbol: JEF), is a full-service global investment bank and institutional securities firm serving companies and their investors.

As of June 30, 2012, the Company owns 10,422,859 common shares of Mueller, representing approximately 27.3% of the outstanding common shares of Mueller, a company listed on the NYSE (Symbol: MLI). Mueller is a leading manufacturer of copper, brass, plastic, and aluminum products.

As more fully discussed in the 2011 10-K, the Company has agreed to reimburse Berkshire Hathaway Inc. for up to one-half of any losses incurred under a $2,500,000,000 surety policy securing outstanding commercial paper issued by an affiliate of Berkadia. As of June 30, 2012, the aggregate amount of commercial paper outstanding was $2,470,000,000.

The following tables provide summarized data with respect to significant investments in associated companies. The information is provided for those investments whose current relative significance to the Company could result in the Company including separate audited financial statements for such investments in its Annual Report on Form 10-K for the year ended December 31, 2012. The information for Jefferies is for the six month periods ended May 31, 2012 and 2011.

	2012	2011
	(In thousands)	
Jefferies:		
Total revenues	$1,952,900	$1,936,800
Income from continuing operations before extraordinary items	140,600	168,000
Net income	140,600	168,000
JHYH:		
Total revenues	$96,700	$90,100
Income from continuing operations before extraordinary items	53,800	44,000
Net income	53,800	44,000
Berkadia:		
Total revenues	$193,500	$167,700
Income from continuing operations before extraordinary items	43,400	28,500
Net income	43,400	28,500

Under GAAP, JHYH is considered a variable interest entity that is consolidated by Jefferies, since Jefferies is the primary beneficiary. The Company owns less than half of JHYH's capital, including its indirect interest through its investment in Jefferies and will not absorb a majority of its expected losses or receive a majority of its expected residual returns. The Company has not provided any guarantees, nor is it contingently liable for any of JHYH's liabilities, all of which are non-recourse to the Company. The Company's maximum exposure to loss as a result of its investment in JHYH is limited to the book value of its investment plus any additional capital it decides to invest.

5. Investments

A summary of investments classified as current assets at June 30, 2012 and December 31, 2011 is as follows (in thousands):

	June 30, 2012		December 31, 2011	
	Amortized Cost	Carrying Value and Estimated Fair Value	Amortized Cost	Carrying Value And Estimated Fair Value
Investments available for sale	$189,467	$189,474	$146,594	$145,977
Other investments, including accrued interest income	4,188	4,268	4,113	4,158
Total current investments	$193,655	$193,742	$150,707	$150,135

The amortized cost, gross unrealized gains and losses and estimated fair value of available for sale investments classified as current assets at June 30, 2012 and December 31, 2011 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 2012				
Bonds and notes:				
U.S. Government and agencies	$187,861	$9	$4	$187,866
All other corporates	1,515	4	2	1,517
Total fixed maturities	189,376	13	6	189,383
Other investments	91	–	–	91
Total current available for sale investments	$189,467	$13	$6	$189,474
December 31, 2011				
Bonds and notes:				
U.S. Government and agencies	$139,940	$13	$1	$139,952
All other corporates	5,649	70	–	5,719
Total fixed maturities	145,589	83	1	145,671
Other investments	1,005	–	699	306
Total current available for sale investments	$146,594	$83	$700	$145,977

A summary of non-current investments at June 30, 2012 and December 31, 2011 is as follows (in thousands):

	June 30, 2012		December 31, 2011	
	Amortized Cost	Carrying Value and Estimated Fair Value	Amortized Cost	Carrying Value And Estimated Fair Value
Investments available for sale:				
Fortescue	$27,100	$153,438	$115,703	$569,256
Inmet Mining Corporation (“Inmet”)	504,006	453,276	504,006	708,193
Other investments available for sale	711,655	765,118	724,664	776,444
Other investments:				
Private equity funds	81,481	81,481	85,528	85,528
FMG Chichester Pty Ltd (“FMG”)				
zero coupon note component	43,237	43,237	40,801	40,801
Other non-publicly traded investments	45,861	45,649	46,947	46,653
Total non-current investments	$1,413,340	$1,542,199	$1,517,649	$2,226,875

In July 2012, the Company sold its remaining investment in Fortescue common shares for net cash proceeds of $152,926,000 and will record a net securities gain of $125,826,000 during the third quarter of 2012.

As more fully discussed in the 2011 10-K, the Company’s investment in Fortescue also includes a $100,000,000 unsecured note of FMG that matures in August 2019 (the “FMG Note”). Interest on the FMG Note is calculated as 4% of the revenue, net of government royalties, invoiced from the iron ore produced from the project’s Cloud Break and

Christmas Creek areas, which commenced production in May 2008. Interest is payable semi-annually within thirty days of June 30th and December 31st of each year. The Company accounts for the FMG Note as two components: a thirteen year zero-coupon note and a prepaid mining interest. The zero-coupon note component of this investment is accounted for as a loan-like instrument, with income being recognized as the note is accreted up to its face value. The prepaid mining interest, which is being amortized to expense as the revenue is earned (using the units of production method), is classified as other current and non-current assets with an aggregate balance of $145,579,000 and $152,521,000 at June 30, 2012 and December 31, 2011, respectively. Amounts recognized in the consolidated statements of operations related to the FMG Note are as follows (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Classified as investment and other income:				
Interest income on FMG Note	$71,740	$67,103	$116,809	$104,516
Interest accreted on zero-coupon note component	$1,218	$1,083	$2,436	$2,165
Amortization expense on prepaid mining interest	$4,047	$3,034	$6,942	$5,150

The aggregate book values of the various components of the FMG Note, net of accrued withholding taxes on interest, totaled $294,616,000 and $290,415,000 at June 30, 2012 and December 31, 2011, respectively. In July 2012, the Company received $105,128,000 (net of $11,681,000 in withholding taxes) from FMG in payment of the accrued interest due on the FMG Note through June 30, 2012.

In August 2010, the Company was advised that Fortescue is asserting that FMG is entitled to issue additional notes identical to the FMG Note in an unlimited amount. Fortescue further claims that any interest to be paid on additional notes can dilute, on a pro rata basis, the Company's entitlement to the above stated interest of 4% of net revenue. The Company does not believe that FMG has the right to issue additional notes which affect the Company's interest or that the interpretation by Fortescue of the terms of the FMG Note, as currently claimed by Fortescue, reflects the agreement between the parties.

In September 2010, the Company filed a Writ of Summons against Fortescue, FMG and Fortescue's then Chief Executive Officer in the Supreme Court of Western Australia. The Writ of Summons seeks, among other things, an injunction restraining the issuance of any additional notes identical to the FMG Note and damages. If the litigation is ultimately determined adversely to the Company and additional notes are issued, the Company's future cash flows from the FMG Note and future results of operations would be significantly and adversely affected to the extent of the dilution resulting from the issuance of such additional notes. In addition, the Company would have to evaluate whether the prepaid mining interest had become impaired. The amount of the impairment, if any, would depend upon the amount of new notes issued and the resulting dilution, plus the Company's projection of future interest payable on the FMG Note.

At June 30, 2012, the Company owns 11,042,413 common shares of Inmet, representing approximately 15.9% of Inmet's outstanding shares. Inmet is a Canadian-based global mining company traded on the Toronto Stock Exchange (Symbol: IMN). The Inmet shares have registration rights and may be sold without restriction in accordance with applicable securities laws.

Non-current other non-publicly traded investments are accounted for under the cost method of accounting, reduced for impairment charges when appropriate.

The amortized cost, gross unrealized gains and losses and estimated fair value of non-current investments classified as available for sale at June 30, 2012 and December 31, 2011 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 2012				
Bonds and notes:				
U.S. Government and agencies	$2,541	$–	$–	$2,541
U.S. Government-Sponsored Enterprises	560,274	15,572	22	575,824
All other corporates	99,476	690	858	99,308
Total fixed maturities	662,291	16,262	880	677,673
Equity securities:				
Common stocks:				
Banks, trusts and insurance companies	24,751	23,020	–	47,771
Industrial, miscellaneous and all other	555,719	141,720	51,051	646,388
Total equity securities	580,470	164,740	51,051	694,159
	$1,242,761	$181,002	$51,931	$1,371,832
December 31, 2011				
Bonds and notes:				
U.S. Government-Sponsored Enterprises	$609,617	$12,683	$109	$622,191
All other corporates	66,960	636	1,054	66,542
Total fixed maturities	676,577	13,319	1,163	688,733
Equity securities:				
Common stocks:				
Banks, trusts and insurance companies	22,084	28,887	–	50,971
Industrial, miscellaneous and all other	644,717	669,270	299	1,313,688
Total equity securities	666,801	698,157	299	1,364,659
Other investments	995	–	494	501
	$1,344,373	$711,476	$1,956	$2,053,893

The amortized cost and estimated fair value of non-current investments classified as available for sale at June 30, 2012, 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.

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Due after one year through five years	$21,947	$22,231
Due after five years through ten years	–	–
Due after ten years	–	–
	21,947	22,231
Mortgage-backed and asset-backed securities	640,344	655,442
	$662,291	$677,673

At June 30, 2012, unrealized loss positions which have been in a continuous unrealized loss for less than 12 months principally relate to the Company's investment in Inmet which is 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, the ability and intent to hold investments to maturity or recovery, and other factors specific to the individual investment.

At June 30, 2012, the Company's investments which have been in a continuous unrealized loss position for 12 months or longer were not significant.

6. Inventory

A summary of inventory at June 30, 2012 and December 31, 2011 is as follows (in thousands):

	June 30, 2012	December 31, 2011
Finished goods	$238,822	$233,542
Work in process	55,180	49,514
Raw materials, supplies and other	46,435	71,522
	$340,437	$354,578

7. Intangible Assets, Net and Goodwill

A summary of intangible assets, net and goodwill at June 30, 2012 and December 31, 2011 is as follows (in thousands):

	June 30, 2012	December 31, 2011
Intangibles:		
Customer and other relationships, net of accumulated amortization of $55,899 and $41,958	$413,889	$426,603
Trademarks and tradename, net of accumulated amortization of $8,609 and $1,527	270,941	278,024
Cattle supply contracts, net of accumulated amortization of $4,786 and $0	138,814	143,500
Licenses, net of accumulated amortization of $3,210 and $2,917	8,788	9,081
Other, net of accumulated amortization of $5,159 and $5,095	1,198	1,262
Goodwill	18,805	18,119
	$852,435	$876,589

Amortization expense on intangible assets was $12,939,000 and $1,858,000 for the three month periods ended June 30, 2012 and 2011, respectively, and $26,166,000 and $3,748,000 for the six month periods ended June 30, 2012 and 2011, respectively. The estimated aggregate future amortization expense for the intangible assets for each of the next five years is as follows (in thousands): 2012 (for the remaining six months) - $26,210; 2013 - $52,249; 2014 - $52,210; 2015 - $49,417; and 2016 - $47,651.

At June 30, 2012 and December 31, 2011, goodwill in the above table related to Conwed Plastics ($8,151,000), the winery operations ($1,053,000) and National Beef ($9,601,000 and $8,915,000, respectively).

8. Accumulated Other Comprehensive Income

Activity in accumulated other comprehensive income is reflected in the consolidated statements of comprehensive income (loss) and consolidated statements of changes in equity but not in the consolidated statements of operations. A summary of accumulated other comprehensive income, net of taxes at June 30, 2012 and December 31, 2011 is as follows (in thousands):

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	June 30, 2012	December 31, 2011
Net unrealized gains on investments	$630,552	$998,151
Net unrealized foreign exchange losses	(7,674)	(3,168)
Net unrealized losses on derivative instruments	(153)	–
Net minimum pension liability	(81,656)	(83,537)
Net postretirement benefit	652	975
	$541,721	$912,421

9. Pension Plans and Postretirement Benefits

Pension expense charged to operations for the three and six month periods ended June 30, 2012 and 2011 related to defined benefit pension plans included the following components (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Interest cost	$2,722	$2,800	$5,443	$5,631
Expected return on plan assets	(2,073)	(1,397)	(4,146)	(2,808)
Actuarial loss	1,463	241	2,926	491
Net pension expense	$2,112	$1,644	$4,223	$3,314

The Company contributed $1,573,000 to its defined benefit pension plan during the six month period ended June 30, 2012.

Several subsidiaries provide certain healthcare 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 significant in each of the three and six month periods ended June 30, 2012 and 2011.

10. Share-Based Compensation

Salaries and incentive compensation expense included $3,447,000 and $13,436,000 for the three month periods ended June 30, 2012 and 2011, respectively, and $7,339,000 and $14,460,000 for the six month periods ended June 30, 2012 and 2011, respectively, for share-based compensation expense principally relating to the Company’s senior executive warrant plan and grants previously made under the Company’s fixed stock option plan.

During the three and six month 2012 periods, 12,000 options were granted to non-employee directors at an exercise price of $21.99 per share, the market price on the grant date.

11. Income Taxes

The aggregate amount of unrecognized tax benefits related to uncertain tax positions reflected in the Company’s consolidated balance sheet at June 30, 2012 was $11,600,000 (including $3,900,000 for interest); if recognized, such amounts would lower the Company’s effective tax rate. Over the next twelve months, the Company believes it is reasonably possible that the aggregate amount of unrecognized tax benefits related to uncertain tax positions will

decrease by approximately $300,000 upon the resolution of certain assessments. The statute of limitations with respect to the Company's federal income tax returns has expired for all years through 2007. The Company's New York State and New York City income tax returns are currently being audited for the 2006 to 2008 period.

For the six months ended June 30, 2011, the provision for income taxes includes a charge related to the excess of the tax benefit recognized for accounting purposes over the actual tax benefit realized upon the exercise of warrants in March 2011. The provisions for income taxes also include $6,101,000 and $5,039,000 for the three month periods ended June 30, 2012 and 2011, respectively, and $11,078,000 and $7,741,000 for the six month periods ended June 30, 2012 and 2011, respectively, for foreign taxes principally related to interest on the FMG Note and, in the six month 2011 period, a dividend paid by Fortescue. The provisions for income taxes for the three and six month 2012 periods also include $3,975,000 and $8,300,000, respectively, for state income taxes. These are the principal reasons why the Company's effective tax rates are greater than the federal statutory rates in the 2012 and 2011 periods.

12. Earnings (Loss) Per Common Share

Basic and diluted earnings (loss) per share amounts were calculated by dividing net income (loss) by the weighted average number of common shares outstanding. The numerators and denominators used to calculate basic and diluted earnings (loss) per share for the three and six month periods ended June 30, 2012 and 2011 are as follows (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Numerator for earnings (loss) per share:				
Net income (loss) attributable to Leucadia National Corporation common shareholders for basic earnings (loss) per share	$(197,251)	$186,309	$293,626	$196,816
Interest on 3¾% Convertible Notes	–	654	1,312	1,308
Net income (loss) attributable to Leucadia National Corporation common shareholders for diluted earnings (loss) per share	$(197,251)	$186,963	$294,938	$198,124
Denominator for earnings (loss) per share:				
Denominator for basic earnings (loss) per share – weighted average shares	244,583	244,521	244,583	244,290
Stock options	–	225	–	195
Warrants	–	–	–	206
3¾% Convertible Notes	–	4,280	4,327	4,280
Denominator for diluted earnings (loss) per share	244,583	249,026	248,910	248,971

Options to purchase 2,257,000 and 878,000 weighted average common shares were outstanding during the three month periods ended June 30, 2012 and 2011, respectively, and 2,243,000 and 875,000 weighted average common shares were outstanding during the six month periods ended June 30, 2012 and 2011, respectively, but were not included in the computation of diluted per share amounts as the effect was antidilutive.

The denominator for diluted earnings (loss) per share does not include weighted average common shares of 4,000,000 for the three and six month periods ended June 30, 2012, and 2,000,000 and 1,000,000 for the three and six month periods ended June 30, 2011, respectively, related to outstanding warrants to purchase common shares at $33.84 per share, as the effect was antidilutive.

For the three month period ended June 30, 2012, 4,327,317 shares related to the 3¾% Convertible Notes were not included in the computation of diluted per share amounts as the effect was antidilutive.

Outstanding stock options and stock appreciation rights of a subsidiary are not included above since the subsidiary operates at a net loss and the effect is antidilutive.

13. Indebtedness

The Board of Directors has authorized the Company, from time to time, to purchase its outstanding debt securities through cash purchases in open market transactions, privately negotiated transactions or otherwise. Such repurchases,

if any, depend upon prevailing market conditions, the Company's liquidity requirements and other factors; such purchases may be commenced or suspended at any time without notice. In March 2012, pursuant to pre-existing call rights, the Company redeemed its 7 1/8% Senior Notes due 2017 and its 8.65% Junior Subordinated Deferrable Interest Debentures due 2027. Excluding accrued interest, the Company paid an aggregate of $528,308,000 to redeem these securities, and recognized aggregate pre-tax losses of $23,972,000, which are reflected in selling, general and other expenses.

Securities sold under agreements to repurchase are accounted for as collateralized financing transactions. At June 30, 2012, these fixed rate repurchase agreements have a weighted average interest rate of approximately 0.3%, mature at various dates through August 2012 and are collateralized by non-current investments. The non-current investments are adjustable rate mortgage pass-through certificates issued by U.S. Government-Sponsored Enterprises (FHLMC or FNMA). This portfolio has a weighted average life of approximately 5 years and a duration of 0.8 at June 30, 2012.

14. Fair Value

Aggregate information concerning assets and liabilities at June 30, 2012 and December 31, 2011 that are measured at fair value using Level 1 and Level 2 inputs on a recurring basis is presented below (in thousands):

		June 30, 2012 Fair Value Measurements Using	
	Total Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Investments classified as current assets:			
Investments available for sale:			
Bonds and notes:			
U.S. Government and agencies	$187,866	$187,866	$–
All other corporates	1,517	1,517	–
Other	91	–	91
Non-current investments:			
Investments available for sale:			
Bonds and notes:			
U.S. Government and agencies	2,541	–	2,541
U.S. Government-Sponsored Enterprises	575,824	–	575,824
All other corporates	99,308	62,733	36,575
Equity securities:			
Common stocks:			
Banks, trusts and insurance companies	47,771	47,771	–
Industrial, miscellaneous and all other	646,388	646,388	–
Investments in associated companies	1,197,407	1,197,407	–
Total	$2,758,713	$2,143,682	$615,031
Commodity contracts - other current assets	$6,974	$6,974	$–
Other current liabilities:			
Commodity contracts	$(4,453)	$–	$(4,453)
Other	(1,626)	(1,626)	–
Total	$(6,079)	$(1,626)	$(4,453)

	December 31, 2011		
		Fair Value Measurements Using	
	Total Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Investments classified as current assets:			
Investments available for sale:			
Bonds and notes:			
U.S. Government and agencies	$139,952	$139,952	$–
All other corporates	5,719	5,719	–
Other	306	–	306
Non-current investments:			
Investments available for sale:			
Bonds and notes:			
U.S. Government-Sponsored Enterprises	622,191	–	622,191
All other corporates	66,542	26,703	39,839
Equity securities:			
Common stocks:			
Banks, trusts and insurance companies	50,971	50,971	–
Industrial, miscellaneous and all other	1,313,688	1,313,688	–
Other	501	–	501
Investments in associated companies	1,198,029	1,198,029	–
Total	$3,397,899	$2,735,062	$662,837
Commodity contracts - other current assets	$3,816	$88	$3,728
Other current liabilities:			
Commodity contracts	$(2,802)	$–	$(2,802)
Other	(955)	(955)	–
Total	$(3,757)	$(955)	$(2,802)

The estimated fair values for securities measured using Level 1 inputs are determined using publicly quoted market prices in active markets. The Company has a segregated portfolio of mortgage pass-through certificates issued by U.S. Government-Sponsored Enterprises (FHLMC or FNMA) which are carried on the balance sheet at their estimated fair value. Although the markets that these types of securities trade in are generally active, market prices are not always available for the identical security. The fair value of these investments are based on observable market data including benchmark yields, reported trades, issuer spreads, benchmark securities, bids and offers. The estimates of fair value of the portfolios of mortgage pass-through certificates and corporate bonds are considered to be based on Level 2 inputs.

Other than the redeemable noncontrolling interest, the Company did not have significant fair value measurements using unobservable inputs (Level 3) for assets and liabilities measured at fair value on a recurring basis at June 30,

2012 or December 31, 2011. As more fully discussed in the 2011 10-K, the minority owners of National Beef have the right to require the Company to purchase their interests for fair value under certain specified circumstances in the future. At December 31, 2011, the fair value of the redeemable noncontrolling interests was determined based on the amount paid by the Company for its interest.

The following table reconciles National Beef's redeemable noncontrolling interest activity during the six months ended June 30, 2012 (in thousands):

As of January 1, 2012	$235,909
Income allocated to redeemable noncontrolling interests	5,936
Distributions to redeemable noncontrolling interests	(6,289)
Increase in fair value of redeemable noncontrolling interests	
charged to additional paid-in capital	10,990
Balance, June 30, 2012	$246,546

At acquisition, the Company prepared a projection of future cash flows of National Beef, which was used along with other information to allocate the purchase price to National Beef's individual assets and liabilities. At June 30, 2012, the Company calculated the fair value of the redeemable noncontrolling interest by updating its estimate of future cash flows, as well as considering other market comparable information deemed appropriate. The projected future cash flows consider estimated revenue growth, cost of sales changes, capital expenditures and other unobservable inputs. However, the most significant unobservable inputs affecting the estimate of fair value are the discount rate (12.01%) and the terminal growth rate (2%) used to calculate the capitalization rate of the terminal value.

The table below is a sensitivity analysis which shows the fair value of the redeemable noncontrolling interests using the discount and the terminal growth rates assumed by the Company and fair values under different rate assumptions as of June 30, 2012 (dollars in millions):

	Discount Rates		
	11.76 %	12.01 %	12.26 %
Terminal Growth Rates			
1.75%	$251.2	$243.4	$236.1
2.00%	$254.4	$246.5	$238.9
2.25%	$257.8	$249.7	$241.9

The projection of future cash flows is updated with input from National Beef personnel and the Company's personnel who originally prepared the projection in connection with its acquisition valuation. The estimate is reviewed by personnel at the Company's corporate office, and is later reviewed with the Company's audit committee as part of the normal process for the preparation of the Company's quarterly and annual financial statements.

At June 30, 2012 and December 31, 2011, the Company did not have significant assets and liabilities that were measured at fair value on a nonrecurring basis.

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 and fixed maturity securities (which include securities sold not owned) are substantially based on quoted market prices.

Other non-current investments which do not trade publicly include private equity fund investments where the Company's voting interest isn't large enough to apply the equity method of accounting, a portfolio of non-agency mortgage-backed bond securitizations where the underlying assets are various individual mortgage loans, the zero-coupon component of the FMG Note and various other non-publicly traded investments. For the investments in private equity funds and the FMG zero-coupon note, the Company has concluded that the carrying amount approximates the fair value of these investments based primarily on reviews of issuer financial statements or statements of net asset value. The fair values of the Company's other non-publicly traded investments that are principally accounted for under the cost method were assumed to be at least equal to the carrying amount. For these non-publicly traded investments, the Company reviews cash flows and/or other information obtained from investee companies on a regular basis to determine if impairment charges are required.

(b) Cash and cash equivalents: For cash equivalents, the carrying amount approximates fair value.

(c) Notes receivable: The fair values of variable rate notes receivable are estimated to be the carrying amount.

(d) Long-term and other indebtedness: The fair values of non-variable rate debt are estimated using quoted market prices and estimated rates that 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.

(e) Redeemable noncontrolling interests: Redeemable noncontrolling interests at June 30, 2012 and at December 31, 2011 were valued as described above.

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The carrying amounts and estimated fair values of the Company's financial instruments at June 30, 2012 and December 31, 2011 are as follows (in thousands):

	June 30, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Investments:				
Current	$193,742	$193,742	$150,135	$150,135
Non-current	1,542,199	1,542,199	2,226,875	2,226,875
Cash and cash equivalents	186,665	186,665	168,490	168,490
Notes receivable:				
Current	1,959	1,959	1,675	1,675
Non-current	12,998	12,998	13,531	13,531
Commodity contracts	6,974	6,974	3,816	3,816
Financial Liabilities:				
Indebtedness:				
Current	411,097	411,097	447,612	447,612
Non-current	1,370,845	1,461,272	1,875,571	1,944,879
Securities sold not owned	1,626	1,626	955	955
Commodity contracts	4,453	4,453	2,802	2,802
Redeemable noncontrolling interests	246,546	246,546	235,909	235,909

15. Related Party Transactions

National Beef enters into transactions with an affiliate of NBPCo Holdings, LLC ("NBPCo Holdings") and U.S. Premium Beef, LLC ("USPB"), owners of redeemable noncontrolling interests in National Beef. For the six month 2012 period, sales to and purchases from the affiliate of NBPCo Holdings were $53,310,000 and $12,469,000, respectively, which the Company believes are based upon prevailing market prices on terms that could be obtained from an unaffiliated party. National Beef has entered into a cattle supply agreement with USPB pursuant to which National Beef has agreed to purchase through USPB from the members of USPB 735,385 head of cattle per year (subject to adjustment), based on pricing grids furnished by National Beef to the members of USPB. National Beef believes the pricing grids are based on terms that could be obtained from an unaffiliated party. During the six month period ended June 30, 2012, National Beef obtained approximately 21% of its cattle requirements through USPB. At June 30, 2012, amounts due from and payable to these related parties were not significant.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Interim Operations.

Statements included in this Report may contain forward-looking statements. See "Cautionary Statement for Forward-Looking Information" below. The following should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2011 10-K.

Liquidity and Capital Resources

The Company's investment portfolio, equity and results of operations can be significantly impacted by the changes in market values of certain securities, particularly during times of increased volatility in security prices. Changes in the market values of publicly traded available for sale securities are reflected in other comprehensive income (loss) and equity. However, changes in the market prices of investments for which the Company has elected the fair value option, declines in the fair values of equity securities that the Company deems to be other than temporary and declines in the fair values of debt securities related to credit losses are reflected in the consolidated statements of operations and equity. JHYH also owns public securities with changes in market values reflected in its earnings. Since the Company accounts for JHYH on the equity method of accounting, it records its share of JHYH's earnings in the consolidated statement of operations which increases the Company's exposure to volatility in the public securities markets.

The Company's largest publicly traded available for sale equity securities with changes in market values reflected in other comprehensive income (loss) are Fortescue and Inmet. During the six month period ended June 30, 2012, the market value of the Company's investment in the common shares of Fortescue increased from $133,332,000 (excluding shares sold in 2012) to $153,438,000, and the market value of the Company's investment in Inmet decreased from $708,193,000 to $453,276,000. Due to changes in the market values during the six month period ended June 30, 2012 of the Company's investments in Jefferies and Mueller, for which the fair value option was elected, the Company recognized unrealized gains (losses) of $(44,085,000) and $43,463,000, respectively, as a component of income (losses) related to associated companies.

In addition to cash and cash equivalents, the Company also considers investments classified as current assets and investments classified as non-current assets on the face of its consolidated balance sheet as being generally available to meet its liquidity needs. Securities classified as current and non-current investments are not as liquid as cash and cash equivalents, but they are generally easily convertible into cash within a relatively short period of time. As of June 30, 2012, the sum of these amounts aggregated $1,922,606,000. However, since $684,462,000 of this amount is pledged as collateral pursuant to various agreements, is subject to trading restrictions, represents investments in non-public securities or is held by subsidiaries that are party to agreements that restrict the Company's ability to use the funds for other purposes, the Company does not consider those amounts to be available to meet the Company's liquidity needs. The $1,238,144,000 that is available is comprised of cash and short-term bonds and notes of the U.S. Government and its agencies, U.S. Government-Sponsored Enterprises and other publicly traded debt and equity securities (including the Fortescue and Inmet common shares). The Company's available liquidity, and the investment income realized from cash, cash equivalents and marketable securities is used to meet the Company's short-term recurring cash requirements, which are principally the payment of interest on its debt and corporate overhead expenses.

In January 2012, the Company received $97,093,000 from FMG (net of $10,788,000 in withholding taxes) in payment of interest due on the FMG Note for the second half of 2011. In July 2012, the Company received $105,128,000 (net of $11,681,000 in withholding taxes) from FMG in payment of the accrued interest due on the FMG Note through June 30, 2012. Future interest payments under the FMG Note will be dependent upon the physical volume of iron ore sold and the selling price, which can fluctuate widely, as well as the outcome of the litigation described below. As a

result, it is not possible to predict whether interest earned in the most recent quarter will continue at the same level in future quarters.

In January 2012, the Company sold 100,000,000 common shares of Fortescue for net cash proceeds of $506,490,000, which resulted in the recognition of a net securities gain of $417,887,000. In July 2012, the Company sold its remaining 30,586,000 common shares of Fortescue for net cash proceeds of $152,926,000 and will record a net securities gain of $125,826,000 during the third quarter of 2012.

In August 2010, the Company was advised that Fortescue is asserting that FMG is entitled to issue additional notes identical to the FMG Note in an unlimited amount. Fortescue further claims that any interest to be paid on additional notes can dilute, on a pro rata basis, the Company's entitlement to the above stated interest of 4% of net revenue. The Company does not believe that FMG has the right to issue additional notes which affect the Company's interest or that the interpretation by Fortescue of the terms of the FMG Note, as currently claimed by Fortescue, reflects the agreement between the parties.

In September 2010, the Company filed a Writ of Summons against Fortescue, FMG and Fortescue's then Chief Executive Officer in the Supreme Court of Western Australia. The Writ of Summons seeks, among other things, an injunction restraining the issuance of any additional notes identical to the FMG Note and damages. If the litigation is ultimately determined adversely to the Company and additional notes are issued, the Company's future cash flows from the FMG Note and future results of operations would be significantly and adversely affected to the extent of the dilution resulting from the issuance of such additional notes. In addition, the Company would have to evaluate whether the prepaid mining interest had become impaired. The amount of the impairment, if any, would depend upon the amount of new notes issued and the resulting dilution, plus the Company's projection of future interest payable on the FMG Note.

The Board of Directors has authorized the Company, from time to time, to purchase its outstanding debt securities through cash purchases in open market transactions, privately negotiated transactions or otherwise. Such repurchases, if any, depend upon prevailing market conditions, the Company's liquidity requirements and other factors; such purchases may be commenced or suspended at any time without notice. In March 2012, pursuant to pre-existing call rights, the Company redeemed its 7 1/8% Senior Notes due 2017 and its 8.65% Junior Subordinated Deferrable Interest Debentures due 2027. Excluding accrued interest, the Company paid an aggregate of $528,308,000 to redeem these securities, and recognized aggregate pre-tax losses of $23,972,000, which are reflected in selling, general and other expenses.

In May 2012, the Company invested an additional $50,000,000 in Sangart, which increased its ownership interest to approximately 97.2%.

Consolidated Statements of Cash Flows

Net cash of $63,169,000 was provided by operating activities in the six month 2012 period as compared to $1,924,000 of cash provided by operating activities in the six month 2011 period. The change in operating cash flows reflects interest payments received from FMG ($97,093,000, net of withholding taxes in 2012 and $72,900,000, net of withholding taxes in 2011), premiums paid to redeem debt, greater income tax payments and interest payments. National Beef provided funds of $38,604,000 during the 2012 period. Keen Energy Services, LLC ("Keen") generated funds of $11,902,000 and $12,135,000 during the 2012 and 2011 periods, respectively; Premier Entertainment Biloxi LLC ("Premier") generated funds of $12,318,000 and $12,279,000 during the 2012 and 2011 periods, respectively; and the Company's manufacturing segments generated funds of $11,982,000 and $3,471,000 during the 2012 and 2011 periods, respectively. Funds used by Sangart, a development stage company, increased to $20,657,000 during the 2012 period from $17,084,000 during the 2011 period. For the period ended June 30, 2012, distributions from associated companies principally include earnings distributed by Berkadia ($24,651,000), Jefferies ($4,351,000), JHYH ($5,223,000), Mueller ($1,043,000) and Garcadia ($7,190,000). For the period ended June 30, 2011, distributions from associated companies principally include earnings distributed by Berkadia ($20,153,000) and Jefferies ($7,789,000). Net gains related to real estate, property and equipment, and other assets in 2011 include a gain of $81,848,000 on forgiveness of debt related to the Myrtle Beach project.

Net cash of $508,415,000 was provided by investing activities in the six month 2012 period as compared to $22,484,000 of funds used in the six month 2011 period. For the period ended June 30, 2011, proceeds from disposals of real estate, property and equipment, and other assets include $12,040,000 from the sale of certain of Keen's rigs. In 2011, acquisitions, net of cash acquired, primarily relates to the Company's acquisition of Seghesio Family Vineyards. Investments in associated companies include Jefferies ($125,000,000) in the 2011 period. Capital distributions and loan repayment from associated companies include Berkadia ($15,862,000), Mueller ($1,042,000), Jefferies ($4,350,000) and Garcadia ($7,533,000) in 2012 and Berkadia ($250,154,000), JHYH ($8,710,000) and Garcadia ($4,984,000) in 2011.

Net cash of $553,409,000 was used for financing activities in the six month period ended June 30, 2012 and $118,312,000 was provided by financing activities in the six month period ended June 30, 2011. Issuance of debt for 2012 primarily reflects borrowings by National Beef under its bank credit facility and for 2011 primarily reflects the increase in repurchase agreements of $258,418,000. Reduction of debt for 2012 includes the redemption of $423,140,000 principal amount of the Company’s 7 1/8% Senior Notes due 2017 and $88,204,000 principal amount of the Company’s 8.65% Junior Subordinated Deferrable Interest Debentures due 2027, the decrease in repurchase agreements of $46,159,000 and $18,500,000 of repayments under National Beef’s term loans. Reduction of debt for 2011 includes $19,275,000 in full satisfaction of the Myrtle Beach project’s non-recourse indebtedness, $32,881,000 on the maturity of debt of a subsidiary that was collateralized by certain of the Company’s corporate aircraft, $8,500,000 for the repayment of Keen’s line of credit and the buyback of $21,359,000 principal amount of the Company’s 8 1/8% Senior Notes due 2015, $54,860,000 principal amount of the Company’s 7 1/8% Senior Notes due 2017 and $1,350,000 principal amount of the Company’s 8.65% Junior Subordinated Deferrable Interest Debentures due 2027.

Critical Accounting Estimates

The Company’s discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements 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 significant 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 net deferred tax asset to the net amount that is more likely than not to be realized. If in the future the Company determines that it is more likely than not that the Company will be able to realize its net deferred tax asset in excess of its net recorded amount, an adjustment to increase the net deferred tax asset would increase income in such period. If in the future the Company were to determine that it would not be able to realize all or part of its recorded net deferred tax asset, an adjustment to decrease the net deferred tax asset would be charged to income in such period. The Company is required to consider all available evidence, both positive and negative, and to weight the evidence when determining whether a valuation allowance is required and the amount of such valuation allowance. Generally, greater weight is required to be placed on objectively verifiable evidence when making this assessment, in particular on recent historical operating results.

The Company’s estimate of future taxable income considers all available evidence, both positive and negative, about its operating businesses and investments, included an aggregation of individual projections for each significant operating business and investment, estimated apportionment factors for state and local taxing jurisdictions and included all future years that the Company estimated it would have available net operating loss carryforwards (“NOLs”) (until 2029). 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 different than the projected amounts, further adjustments to the valuation allowance are possible. In addition to the reversal of deferred tax liabilities related to unrealized gains, the Company will need to generate approximately $4,700,000,000 of future U.S. pre-tax income to fully realize its net deferred tax asset. The current balance of the deferred tax valuation allowance principally reserves for NOLs of certain subsidiaries that are not available to offset income generated by other members of the Company’s consolidated tax return group.

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.

Impairment of Long-Lived Assets – 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.

Current economic conditions have adversely affected most of the Company's operations and investments. A worsening of current economic conditions or a prolonged recession could cause a decline in estimated future cash flows expected to be generated by the Company's operations and investments. If future undiscounted cash flows are estimated to be less than the carrying amounts of the asset groups used to generate those cash flows in subsequent reporting periods, particularly for those with large investments in intangible assets and property and equipment (for example, beef processing services, manufacturing, gaming entertainment, land based contract oil and gas drilling operations, real estate and certain associated company investments), impairment charges would have to be recorded.

Impairment of Equity Method Investments – The Company evaluates equity method investments for impairment when operating losses or other factors may indicate a decrease in value which is other than temporary. For investments in investment partnerships that are accounted for under the equity method, the Company obtains from the investment partnership financial statements, net asset values and other information on a quarterly basis and annual audited financial statements. On a quarterly basis, the Company also makes inquiries and discusses with investment managers whether there were significant procedural, valuation, composition and other changes at the investee. Since these investment partnerships record their underlying investments at fair value, after application of the equity method the carrying value of the Company's investment is equal to its share of the investees' underlying net assets at their fair values. Absent any unusual circumstances or restrictions concerning these investments, which would be separately evaluated, it is unlikely that any additional impairment charge would be required.

For equity method investments in operating businesses, the Company considers a variety of factors including economic conditions nationally and in their geographic areas of operation, adverse changes in the industry in which they operate, declines in business prospects, deterioration in earnings, increasing costs of operations and other relevant factors specific to the investee. Whenever the Company believes conditions or events indicate that one of these investments might be significantly impaired, the Company will obtain from such investee updated cash flow projections and impairment analyses of the investee assets. The Company will use this information and, together with discussions with the investee's management, evaluate if the book value of its investment exceeds its fair value, and if so and the situation is deemed other than temporary, record an impairment charge.

Impairment of Securities – Declines in the fair values of equity securities considered to be other than temporary and declines in the fair values of debt securities related to credit losses are reflected in net securities gains (losses) 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 various factors that the Company considers in making its determination are specific to each investment. For publicly traded debt and equity securities, 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, the ability and intent to hold investments to maturity, and other factors specific to the individual investment. For investments in private equity funds and non-public securities, the Company bases its determination upon financial statements, net asset values and/or other information obtained from fund managers or investee companies.

Credit Quality of Financing Receivables and Allowance for Credit Losses – The Company's operating subsidiaries do not provide financing to their customers in the ordinary course of business. However, the Company does have the FMG Note, which had a balance of $43,237,000 at June 30, 2012 that meets the accounting definition of a finance receivable. The Company exercises judgment in evaluating the credit risk and collectability of this note. This assessment was made prior to the inception of the credit exposure and continues to be made at regular intervals. The

various factors that the Company considers in making its assessment include the current and projected financial condition of FMG, the Company's collection experience and the length of time until the note becomes due. As a result of its assessment, the Company concluded that an allowance for credit losses was not required as of June 30, 2012.

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 fair values. Significant judgments and estimates are often made by the Company's management to determine these values, and may include the use of appraisals, consideration of market quotes for similar transactions, use of discounted cash flow techniques or consideration of 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 significantly different from initially recorded amounts adjustments to prior periods may be required. 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. If the fair values of the net assets and liabilities acquired are greater than the purchase price, the excess is treated as a bargain purchase and recognized in income. 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. At June 30, 2012, the book value of goodwill was $18,805,000.

Subsequent to the finalization of the purchase price allocation, any adjustments to the recorded values of acquired assets and liabilities would be reflected in the Company's consolidated statement of operations. Once final, the Company is not permitted to revise the allocation of the original purchase price, even if subsequent events or circumstances prove the Company's original judgments and estimates to be inaccurate. In addition, long-lived assets recorded in a business combination like property and equipment, intangibles and goodwill may be deemed to be impaired in the future resulting in the recognition of an impairment loss. The assumptions and judgments made by the Company when recording business combinations will have an impact on reported results of operations for many years into the future.

Use of Fair Value Estimates – Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Further, a fair value hierarchy prioritizes inputs to valuation techniques into three broad levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), the next priority to inputs that don't qualify as Level 1 inputs but are nonetheless observable, either directly or indirectly, for the particular asset or liability (Level 2), and the lowest priority to unobservable inputs (Level 3).

Approximately 90% of the Company's investment portfolio is classified as available for sale securities, which are carried at estimated fair value in the Company's consolidated balance sheet. The estimated fair values are principally based on publicly quoted market prices (Level 1 inputs), which can rise or fall in reaction to a wide variety of factors or events, and as such are subject to market-related risks and uncertainties. The Company has a segregated portfolio of mortgage pass-through certificates issued by U.S. Government-Sponsored Enterprises (FHLMC or FNMA) and by U.S. Government agencies (GNMA) which are carried on the balance sheet at their estimated fair value of $578,365,000 at June 30, 2012. Although the markets that these types of securities trade in are generally active, market prices are not always available for the identical security. The fair values of these investments are based on observable market data including benchmark yields, reported trades, issuer spreads, benchmark securities, bids and offers. These estimates of fair value are considered to be Level 2 inputs, and the amounts realized from the disposition of these investments has not been significantly different from their estimated fair values.

The Company also has a segregated portfolio of non-agency mortgage-backed securities which are carried on the balance sheet at their estimated fair value of $36,575,000 at June 30, 2012. Although these securities trade in brokered markets, the market for these securities is sometimes inactive. The fair values of these investments are based on bid and ask prices, quotes obtained from independent market makers and pricing services. These estimates of fair values are also considered to be Level 2 inputs.

The minority owners of National Beef have the right to require the Company to purchase their interests for fair value under certain specified circumstances in the future. The fair values of these redeemable noncontrolling interests are considered to be Level 3 inputs. At June 30, 2012, the fair value was primarily determined using an income valuation model to calculate the present value of expected future cash flows. The projected future cash flows consider estimated revenue growth, cost of sales changes, capital expenditures and other unobservable inputs. However, the most significant unobservable inputs affecting the estimate of fair value are the discount rate and the terminal growth rate used to calculate the capitalization rate of the terminal value.

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 significant change with the passage of time as more information becomes available. Estimating the ultimate impact of litigation matters is inherently uncertain, in particular because the ultimate outcome will rest on events and decisions of others that may not be within the power of the Company to control. The Company does not believe that any of its current litigation will have a material adverse effect on its consolidated financial position, results of operations or liquidity; however, if amounts paid at the resolution of litigation are in excess of recorded reserve amounts, the excess could be significant in relation to results of operations for that period. As of June 30, 2012, the Company's accrual for contingent losses was not significant.

Results of Operations

The 2012 Periods Compared to the 2011 Periods

General

Substantially all of the Company's operating businesses sell products or services that are impacted by general economic conditions in the U.S. and to a lesser extent internationally. Poor general economic conditions have reduced the demand for products or services sold by the Company's operating subsidiaries and/or resulted in reduced pricing for products or services. Troubled industry sectors, like the residential real estate market, have had an adverse impact not only on the Company's real estate segments, but have also had an adverse indirect impact on some of the Company's other operating segments, including manufacturing and gaming entertainment. The discussions below and in the 2011 10-K concerning revenue and profitability by segment consider current economic conditions and the impact such conditions have had and may continue to have on each segment; however, should general economic conditions worsen and/or if the country experiences a prolonged recession, the Company believes that all of its businesses would be adversely impacted.

A summary of results of continuing operations for the Company for the three and six month periods ended June 30, 2012 and 2011 is as follows (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Income (loss) from continuing operations before income taxes and income (losses) related to associated companies:				
Beef Processing Services	$46,937	$–	$29,340	$–
Manufacturing:				
Idaho Timber	1,962	(2,011)	4,330	(1,995)
Conwed Plastics	2,953	1,740	5,400	5,030
Oil and Gas Drilling Services	(4,460)	532	(2,407)	4,103
Gaming Entertainment	1,721	2,697	5,984	8,493
Domestic Real Estate	(2,073)	(44)	(3,182)	81,273
Medical Product Development	(11,252)	(9,449)	(21,305)	(13,443)
Other Operations	(7,219)	(7,422)	(9,320)	(13,993)
Corporate	43,023	533,149	421,197	529,254
Total consolidated income from continuing operations before income taxes and income (losses) related to associated companies	71,592	519,192	430,037	598,722
Income (losses) related to associated companies before income taxes	(350,216)	(225,940)	51,692	(270,112)
Total consolidated income (loss) from continuing operations before income taxes	(278,624)	293,252	481,729	328,610
Income taxes:				
Income from continuing operations before income (losses) related to associated companies	33,945	190,108	167,462	229,161
Associated companies	(123,896)	(80,144)	15,473	(96,268)
Total income taxes	(89,951)	109,964	182,935	132,893
Income (loss) from continuing operations	$(188,673)	$183,288	$298,794	$195,717

Beef Processing Services

As more fully discussed in the 2011 10-K, National Beef was acquired in December 2011. A summary of results of operations for National Beef for the three and six month periods ended June 30, 2012 is as follows (in thousands):

	For the Three Month Period Ended June 30, 2012	For the Six Month Period Ended June 30, 2012
Revenues and other income	$1,913,666	$3,705,645

Expenses:		
Cost of sales	1,828,328	3,600,547
Interest	3,284	6,300
Salaries and incentive compensation	6,577	13,154
Depreciation and amortization	20,757	41,065
Selling, general and other expenses	7,783	15,239
	1,866,729	3,676,305
Income before income taxes	$46,937	$29,340

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National Beef's profitability is dependent, in large part, on the spread between its cost for live cattle, the primary raw material for its business, and the value received from selling boxed beef and other products. Because National Beef operates in a large and liquid market, it does not have much influence over the price it pays for cattle or the selling price it receives for the products it produces. National Beef's profitability typically fluctuates seasonally as well as cyclically, with relatively higher margins in the spring and summer months and during times of cattle herd expansion.

The U.S. Department of Agriculture ("USDA") regularly reports market values for cattle, beef, offal and other products produced by ranchers, farmers and beef processors. Generally, National Beef expects its profitability to improve as the ratio of the USDA comprehensive boxed beef cutout (a weekly reported measure of the total value of all USDA inspected beef primal cuts, grind and trim produced from fed cattle) to the USDA 5-area weekly average slaughter cattle price increases and for profitability to decline as the ratio decreases. The ratio during the first six months of 2012 was the lowest ratio for the corresponding periods during the past ten years. Due in part to the declining U.S. cattle herd, during this period average cattle prices increased to record levels; however, National Beef's revenue per head did not keep pace with the rise in the cost for cattle, resulting in reduced margins. In May 2012, the ratio began to improve seasonally, which resulted in higher margins.

During the three and six month 2012 periods, revenues from beef processing operations were consistent with pre-acquisition periods. Cost of sales, which is principally comprised of the cost of cattle processed during the period, reflects the changes in cattle prices discussed above. Depreciation and amortization expenses include $11,313,000 and $22,625,000 for the three and six months ended June 30, 2012, respectively, of amortization expenses related to identifiable intangible assets recorded at the date of acquisition.

As part of National Beef's operations, it is exposed to market risks from changes in certain commodity prices. To manage these risks, National Beef may enter into forward purchase contracts for cattle and exchange traded futures and options contracts for cattle or grain. While these instruments are intended to mitigate market risks, they are not designated and accounted for as hedges; accordingly, the gains and losses associated with changes in fair value of derivative financial instruments are recorded in net sales or cost of goods sold in the period of change. Income (losses) related to these activities reflected in revenues and cost of sales were $5,629,000 and $357,000, respectively, for the three months ended June 30, 2012 and $2,226,000 and $(719,000), respectively, for the six months ended June 30, 2012.

The drought across much of the country has caused prices for corn, hay and certain other cattle feedstuffs to increase and pastures to wither; as such some cattle producers are reducing the size of their cow herds. Since National Beef's profitability is primarily dependent upon the spread between what it pays for fed cattle and the price it receives for its products, along with the efficiency of its processing facilities, it has not yet been significantly impacted by the current drought conditions. However, if the drought causes the beef cow herd to further decline, it could result in the price National Beef pays for fed cattle to increase more than it could pass along in the form of higher selling prices for its products, thus causing its profitability to be negatively impacted.

Manufacturing – Idaho Timber

A summary of results of operations for Idaho Timber for the three and six month periods ended June 30, 2012 and 2011 is as follows (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Revenues and other income	$40,579	$41,773	$81,708	$82,013
Expenses:				
Cost of sales	35,212	40,800	70,937	78,036
Salaries and incentive compensation	1,459	1,279	2,905	2,577
Depreciation and amortization	1,038	1,033	2,072	2,067
Selling, general and other expenses	908	672	1,464	1,328
	38,617	43,784	77,378	84,008
Income (loss) before income taxes	$1,962	$(2,011)	$4,330	$(1,995)

Idaho Timber's revenues reflect a decrease in average weekly shipments of approximately 16% and 11%, respectively, for the three and six month 2012 periods as compared to the same periods in 2011 and an increase in average selling prices of approximately 16% and 6%, respectively, for the 2012 periods as compared to the 2011 periods. Shipping volume continues to reflect the depressed state of the U.S. housing market. While housing starts increased in the three and six month 2012 periods as compared to the same periods in 2011, they remain historically low. Idaho Timber believes that the abundance of existing homes available for sale in the market and high unemployment will continue to impact housing starts and Idaho Timber's revenues.

Raw material costs, the largest component of cost of sales (approximately 78% of cost of sales), reflect the shipment volume, and decreased costs for the six month 2012 period as compared to the same period in 2011. Raw material cost per thousand board feet was largely unchanged for the three month 2012 period and decreased approximately 5% for the six month 2012 period. The difference between Idaho Timber's selling price and raw material cost per thousand board feet (spread) is closely monitored, and the rate of change in pricing and cost is not necessarily the same.

Manufacturing – Conwed Plastics

A summary of results of operations for Conwed Plastics for the three and six month periods ended June 30, 2012 and 2011 is as follows (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Revenues and other income	$22,991	$22,870	$43,589	$46,439
Expenses:				
Cost of sales	17,042	17,152	32,260	34,169
Salaries and incentive compensation	1,446	1,739	2,862	3,386
Depreciation and amortization	57	82	113	164
Selling, general and other expenses	1,493	2,157	2,954	3,690
	20,038	21,130	38,189	41,409

Income before income taxes	$2,953	$1,740	$5,400	$5,030

Conwed Plastics' revenues for the three and six month 2012 periods were impacted by declines in many of its markets, particularly packaging, consumer products and carpet cushion. The decline in the packaging market primarily reflected the sale of Conwed Plastics' Mexican plant in 2011. The reduction in revenues from the other markets was principally due to tighter inventory control by certain customers, competitive pressure, certain customers carrying excess inventory into the current year and some of its products no longer being used in certain of its customers' products.

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The primary raw material in Conwed Plastics' products is a polypropylene resin, which is a byproduct of the oil refining process, whose price has historically fluctuated with the price of oil. Conwed Plastics' polypropylene resin costs were lower in the 2012 periods as compared to the same periods in 2011. The volatility of oil and natural gas prices along with current general economic conditions worldwide make it difficult to predict future raw material costs. The decline in gross margin in the six month 2012 period as compared to the 2011 period was primarily due to changes in the product mix and lower sales volume.

Selling, general and other expenses for the 2011 periods include severance costs and professional fees related to employment matters aggregating $634,000.

Oil and Gas Drilling Services

A summary of results of operations for Keen for the three and six month periods ended June 30, 2012 and 2011 is as follows (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Revenues and other income	$31,852	$32,119	$70,879	$64,203
Expenses:				
Direct operating expenses	26,493	23,364	55,676	44,635
Interest	30	27	53	89
Salaries and incentive compensation	1,058	1,416	2,176	2,209
Depreciation and amortization	4,938	5,290	10,141	10,583
Selling, general and other expenses	3,793	1,490	5,240	2,584
	36,312	31,587	73,286	60,100
Income (loss) before income taxes	$(4,460)	$532	$(2,407)	$4,103

Keen's revenue volume and profitability are significantly affected by the actual and anticipated price of natural gas and oil, levels of natural gas and oil in storage and the supply of drilling rigs available in the marketplace. The negative impact of low natural gas prices during 2012 was partially mitigated by a greater proportion of Keen's customers using its rigs to drill for oil rather than natural gas. Keen's dayrates increased substantially during the three and six month 2012 periods as compared to the same periods in 2011. Rig utilization declined in the three month 2012 period and was largely unchanged in the six month 2012 period as compared to the 2011 periods. The decline in utilization in the three month period reflected fewer rigs in operation due to the underperformance of certain rigs and to lower customer demand, as oil prices declined. Revenues and other income for the six month 2012 period includes $1,369,000 for a business interruption insurance recovery related to a damaged rig, and for the six month 2011 period a gain of $937,000 from the sale of 12 of Keen's older mechanical rigs. During the six months ended June 30, 2011, these older mechanical rigs generated revenues of $638,000.

Direct operating expenses for the three and six month 2012 periods reflected $3,019,000 and $7,827,000, respectively, of greater costs incurred primarily for major maintenance and repair projects as compared to the same periods in 2011. Keen believes that as its rigs age, the cost to maintain and repair its equipment will increase. Direct operating expenses also reflected $1,531,000 of greater salaries and bonuses in the six month 2012 period as compared to the same period in 2011, principally due to wage increases enacted in the second quarter of 2011, and $1,215,000 of

greater equipment rental costs.

Selling, general and other expenses for the three and six month 2012 periods include a loss of $1,653,000 from the exchange of certain under performing rigs.

Gaming Entertainment

A summary of results of operations for Premier for the three and six month periods ended June 30, 2012 and 2011 is as follows (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Revenues and other income	$29,642	$30,520	$61,715	$61,302
Expenses:				
Direct operating expenses	22,647	22,353	45,037	43,822
Interest	–	10	–	33
Salaries and incentive compensation	580	605	1,262	1,239
Depreciation and amortization	4,269	4,140	8,514	8,384
Selling, general and other expenses	425	715	918	(669)
	27,921	27,823	55,731	52,809
Income before income taxes	$1,721	$2,697	$5,984	$8,493

Premier's gaming revenues decreased approximately 4% for the three month 2012 period and were largely unchanged for the six month 2012 period as compared to the same periods in 2011, principally due to a decline in revenues from table games due to large payouts to two customers in the second quarter. The three and six month periods also reflect higher slot machine revenue, which Premier believes primarily resulted from increased marketing activities. Gaming revenues for the entire Biloxi market were largely unchanged for the 2012 periods as compared to the same periods in the prior year.

The increase in direct operating expenses in the six month 2012 period as compared to the 2011 period primarily reflects greater marketing and promotional costs and contract labor costs.

As more fully described in the 2011 10-K, during 2010 Premier recorded in selling, general and other expenses a loss for the award of $11,200,000, including interest, to the former holders of Premier's bond debt as a result of a decision by the Bankruptcy Court for the Southern District of Mississippi. In April 2011, Premier entered into an agreement to settle the litigation with its former noteholders for $9,000,000. As a result, Premier reduced the liability for the award and credited selling, general and other expenses for $2,241,000 in the six month 2011 period. All litigation with respect to Premier's chapter 11 restructuring has been settled.

Domestic Real Estate

A summary of results of operations for the domestic real estate segment for the three and six month periods ended June 30, 2012 and 2011 is as follows (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Revenues and other income	$3,409	$3,368	$6,830	$88,751

Expenses:				
Interest	–	–	–	34
Depreciation and amortization	868	845	1,743	1,748
Other operating expenses	4,614	2,567	8,269	5,696
	5,482	3,412	10,012	7,478
Income (loss) before income taxes	$(2,073)	$ (44)	$(3,182)	$81,273

Revenues and other income for the six month 2011 period includes a gain on forgiveness of debt of $81,848,000 related to the Myrtle Beach project. As more fully discussed in the 2011 10-K, in January 2011 a subsidiary of the Company paid $19,275,000 to the lenders of the Myrtle Beach project in full satisfaction of the project's non-recourse indebtedness, which had a balance of $100,524,000 at December 31, 2010. The Company had previously recorded impairment charges related to this project aggregating $114,900,000. The increase in other operating expenses in the 2012 periods as compared to the 2011 periods primarily reflects additional commissions and other operating expenses at the Myrtle Beach project.

Pre-tax results for the domestic real estate segment are largely dependent upon the performance of the segment's operating properties, the current status of the Company's real estate development projects and non-recurring gains or losses recognized when real estate assets are sold. As a result, pre-tax results for this segment for any particular period are not predictable and do not follow any consistent pattern.

Residential property sales volume, prices and new building starts have declined significantly in many U.S. markets, including markets in which the Company has real estate projects. The slowdown in residential sales has been exacerbated by the turmoil in the mortgage lending and credit markets during the past few years, which has resulted in stricter lending standards and reduced liquidity for prospective home buyers. The Company has deferred its development plans for certain of its real estate development projects, and is not actively soliciting bids for its fully developed projects. The Company intends to wait for market conditions to improve before marketing certain of its projects for sale.

Medical Product Development

A summary of results of operations for Sangart for the three and six month periods ended June 30, 2012 and 2011 is as follows (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Revenues and other income	$125	$82	$199	$173
Expenses:				
Salaries and incentive compensation	3,495	3,234	6,780	6,246
Depreciation and amortization	213	212	423	421
Selling, general and other expenses	7,669	6,085	14,301	6,949
	11,377	9,531	21,504	13,616
Loss before income taxes	$(11,252)	$(9,449)	$(21,305)	$(13,443)

The change in Sangart's selling, general and other expenses for the three and six month 2012 periods as compared to the same periods in 2011 primarily reflects $956,000 and $2,364,000, respectively, of greater research and development costs and, in the six month 2011 period, an expense reduction of $4,459,000 related to share-based awards previously granted to a former officer, the fair value of which had declined. The increase in research and development costs in 2012 primarily related to the conduct of a Phase 2 clinical study of MP4OX in trauma patients.

Sangart is a development stage company that does not have any revenues from product sales. During 2010, Sangart completed a Phase 2 proof of concept clinical trial of MP4OX in trauma patients in Europe and South Africa. Study

results were considered to be successful and supported the conduct of a larger Phase 2 clinical study in trauma patients, which commenced in the second quarter of 2011. Sangart expects to complete this Phase 2 study during the fourth quarter of 2012. If this larger Phase 2 study were to be successful, Sangart would have to conduct Phase 3 clinical studies in trauma patients. Completing these studies will take several years at substantial cost, and until they are successfully completed, if ever, Sangart will not be able to request marketing approval and generate revenues from sales in the trauma market.

Other Operations

A summary of results of operations for other operations for the three and six month periods ended June 30, 2012 and 2011 is as follows (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Revenues and other income	$17,686	$14,639	$36,651	$30,746
Expenses:				
Salaries and incentive compensation	2,305	1,939	4,686	4,080
Depreciation and amortization	1,561	1,343	3,144	2,489
Selling, general and other expenses	21,039	18,779	38,141	38,170
	24,905	22,061	45,971	44,739
Loss before income taxes	$(7,219)	$(7,422)	$(9,320)	$(13,993)

The change in revenues and other income for the three and six month 2012 periods primarily reflects $3,708,000 and $6,719,000, respectively, of increased revenues at the winery operations relating to the acquisition of Seghesio Family Vineyards in June 2011, and for the six month 2012 period $784,000 of greater income from purchased delinquent credit card receivables. Revenues and other income for the three and six month 2011 periods include $889,000 and $2,879,000, respectively, with respect to government grants to reimburse the Company for certain of its prior expenditures related to energy projects, which were fully expensed as incurred; such amounts were not significant in 2012.

Selling, general and other expenses include $9,514,000 and $8,846,000 for the three month periods ended June 30, 2012 and 2011, respectively, and $15,625,000 and $18,531,000 for the six month periods ended June 30, 2012 and 2011, respectively, related to the investigation and evaluation of energy projects (principally professional fees and other costs). Selling, general and other expenses for the three and six month 2012 periods also reflect $1,235,000 and $2,870,000, respectively, of greater costs at the winery operations.

Corporate

A summary of results of operations for corporate for the three and six month periods ended June 30, 2012 and 2011 is as follows (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Revenues and other income (including net securities gains)	$81,695	$608,070	$558,717	$663,848
Expenses:				
Interest	18,059	27,799	43,888	56,657
Salaries and incentive compensation	652	22,554	29,853	28,967

Depreciation and amortization	7,154	5,633	13,136	10,484
Selling, general and other expenses	12,807	18,935	50,643	38,486
	38,672	74,921	137,520	134,594
Income before income taxes	$43,023	$533,149	$421,197	$529,254

Net securities gains for Corporate aggregated $2,526,000 and $529,641,000 for the three months ended June 30, 2012 and 2011, respectively, and $427,462,000 and $531,944,000 for the six months ended June 30, 2012 and 2011, respectively. Net securities gains include gains of $417,887,000 for the six month 2012 period and $527,351,000 for the 2011 periods, resulting from the sale of a portion of the Company's investment in the common shares of Fortescue. Net securities gains are net of impairment charges of $562,000 and $1,440,000 for the three month 2012 and 2011 periods, respectively, and $2,406,000 and $1,505,000 for the six month 2012 and 2011 periods, respectively. The Company's decision to sell securities and realize security gains or losses is generally based on its evaluation of an individual security's value at the time, the prospect for changes in its value in the future and/or the Company's liquidity needs. The decision could also be influenced by the status of the Company's tax attributes. The timing of realized security gains or losses is not predictable and does not follow any pattern from year to year.

Investment income declined $3,489,000 and $12,066,000 in the three and six month periods ended June 30, 2012 as compared to the same periods in 2011, principally due to decreased cash dividends of $6,431,000 for the six month period paid on Fortescue's common shares and less investment income for the three and six month periods due to a smaller amount of fixed income securities. Other income, which increased $4,229,000 and $11,417,000 in the three and six month 2012 periods, respectively, as compared to the same periods in 2011, includes $71,740,000 and $67,103,000 for the three month periods ended June 30, 2012 and 2011, respectively, and $116,809,000 and $104,516,000 for the six month periods ended June 30, 2012 and 2011, respectively, related to Fortescue's Pilbara iron ore and infrastructure project in Western Australia. The Company is entitled to receive 4% of the revenue, net of government royalties, invoiced from certain areas of Fortescue's project. Amounts are payable semi-annually within thirty days of June 30th and December 31st of each year. Depreciation and amortization expenses include prepaid mining interest amortization of $4,047,000 and $3,034,000 for the three month periods ended June 30, 2012 and 2011, respectively, and $6,942,000 and $5,150,000 for the six month periods ended June 30, 2012 and 2011, respectively, which is being amortized over time in proportion to the amount of ore produced.

The decrease in interest expense for the three and six month 2012 periods as compared to the same periods in 2011 primarily reflects decreased interest expense related to the repurchase of certain of the Company's debt securities during the first quarter of 2012 and during 2011.

The change in salaries and incentive compensation expense in the three and six month 2012 periods as compared to the same periods in 2011 principally reflected changes in accrued incentive bonus expense related to the Company's Senior Executive Annual Incentive Bonus Plan and decreased share-based compensation expense. Bonus accruals under this bonus plan, which are based on a percentage of pre-tax profits as defined in the plan, decreased by $12,393,000 and increased by $7,327,000, respectively, for the three and six month 2012 periods as compared to the same periods in 2011. The Company recorded share-based compensation expense relating to grants made under the Company's senior executive warrant plan and the fixed stock option plan of $3,380,000 and $13,301,000 for the three month periods ended June 30, 2012 and 2011, respectively, and $7,223,000 and $14,296,000 for the six month periods ended June 30, 2012 and 2011, respectively. Share-based compensation expense decreased in the 2012 periods as compared to the same periods in 2011 principally due to the warrants granted under the Company's senior executive warrant plan in the second quarter of 2011, which were issued and vested 20% upon shareholder approval in May 2011.

Selling, general and other expenses include expenses related to the repurchase of certain of the Company's debt securities of $3,455,000 for the three month period ended June 30, 2011 and $23,972,000 and $6,352,000 for the six month 2012 and 2011 periods, respectively. The change in selling, general and other expenses for the three and six month 2012 periods as compared to the same periods in 2011 also reflects lower legal fees of $809,000 and $2,697,000, respectively.

For the three and six months ended June 30, 2012, the provisions for income taxes includes $6,101,000 and $11,078,000, respectively, for foreign taxes principally related to interest on the FMG Note and $3,975,000 and $8,300,000, respectively, for state income taxes. These are the principal reasons why the Company's effective tax rates are greater than the federal statutory rate in 2012.

For the six months ended June 30, 2011, the provision for income taxes includes a charge related to the excess of the tax benefit recognized for accounting purposes over the actual tax benefit realized upon the exercise of warrants in March 2011. The provisions for income taxes for the three and six month periods ended June 30, 2011 also include $5,039,000 and $7,741,000, respectively, for foreign taxes principally related to interest on the FMG Note and, for the six month period, a dividend paid by Fortescue. These are the principal reasons why the Company's effective tax rates are greater than the federal statutory rate in 2011.

Associated Companies

Income (losses) related to associated companies for the three and six month periods ended June 30, 2012 and 2011 includes the following (in thousands):

	For the Three Month Period Ended June 30,		For the Six Month Period Ended June 30,	
	2012	2011	2012	2011
Jefferies	$(334,985)	$(239,813)	$(35,384)	$(319,515)
Mueller	(28,767)	–	45,548	–
JHYH	4,579	(1,003)	14,273	13,925
Berkadia	2,410	7,037	14,230	21,696
Garcadia companies	8,888	4,703	16,982	8,998
Linkem	(4,078)	–	(8,268)	–
HomeFed	(447)	(404)	(562)	(422)
Brooklyn Renaissance Plaza	1,540	2,071	1,981	2,714
Other	644	1,469	2,892	2,492
Income (losses) related to associated companies before income taxes	(350,216)	(225,940)	51,692	(270,112)
Income tax provision (benefit)	(123,896)	(80,144)	15,473	(96,268)
Income (losses) related to associated companies, net of taxes	$(226,320)	$(145,796)	$36,219	$(173,844)

As discussed above, the Company accounts for its investments in Jefferies and Mueller at fair value, resulting in the recognition of unrealized gains (losses) for the difference between the market value and the cost of the investments.

Discontinued Operations

During the second quarter of 2011, the Company received and recognized as income from discontinued operations distributions totaling $2,748,000 from its subsidiary, Empire Insurance Company ("Empire"), which has been undergoing a voluntary liquidation since 2001. The Company had classified Empire as a discontinued operation in 2001 and fully wrote-off its remaining book value based on its expected future cash flows at that time. Although Empire no longer writes any insurance business, its orderly liquidation over the years has resulted in reductions to its estimated claim reserves that enabled Empire to pay the distributions, with the approval of the New York Insurance Department. For income tax purposes, the payments were treated as non-taxable distributions paid by a subsidiary.

Cautionary Statement for Forward-Looking Information

Statements included in this Report may contain forward-looking statements. Such statements may relate, but are not limited, to projections of revenues, income or loss, development expenditures, plans for growth and future operations, competition and regulation, as well as assumptions relating to the foregoing. Such forward-looking statements are made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted or quantified. When used in this Report, the words "will," "could," "estimates," "expects," "anticipates," "believes," "plans," and variations of such words and similar expressions are intended to identify forward-looking statements that involve risks and uncertainties. Future events and actual results could differ materially from those set forth in, contemplated

by or underlying the forward-looking statements.

Factors that could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted or may materially and adversely affect the Company's actual results include but are not limited to the following: potential acquisitions and dispositions of our operations and investments could change our risk profile; dependence on certain key personnel; economic downturns and the current recession; changes in the market prices of publicly traded securities and entities that invest in publicly traded securities, particularly during times of increased volatility in securities prices; changes in the U.S. housing and commercial real estate markets; risks associated with the increased volatility in raw material prices and the availability of key raw materials; outbreaks of disease affecting livestock; product liability due to contaminated beef; volatility in the volume and prices at which beef products are sold; political and economic risks in foreign countries as well as foreign currency fluctuations; costs to comply with environmental regulations; negative impact of hedging and derivative positions; failure of Wal-Mart and its affiliates to continue purchasing from National Beef; unfavorable labor relations with its employees; declines in the prices of base metals (primarily iron ore and copper); natural gas supplies and prices and the supply of drilling rigs in the marketplace; compliance with government laws and regulations; changes in mortgage interest rate levels or the lack of available consumer credit; lack of liquidity and turmoil in the capital markets; obtaining significant funding and regulatory approvals to develop large scale energy projects and for medical product development and clinical trial activities; substantial investments in companies whose operating results are greatly affected by the economy and financial markets; changes in existing government and government-sponsored mortgage programs and the loss of or changes in Berkadia's relationships with the related governmental bodies; a decrease in consumer spending or general increases in the cost of living; intensified competition in the operation of our businesses; our ability to generate sufficient taxable income to fully realize our net deferred tax asset; weather related conditions and significant natural disasters, including hurricanes, tornadoes, windstorms, earthquakes, hailstorms and drought; our ability to insure certain risks economically; dividend payments on our common shares; changes in government tax policies in foreign and domestic jurisdictions; new financial legislation that could affect the market value of certain of the Company's investments. For additional information see Part I, Item 1A. Risk Factors in the 2011 10-K.

Undue reliance should not be placed on these forward-looking statements, which are applicable only as of the date hereof. The Company undertakes no obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this Report or to reflect the occurrence of unanticipated events.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Information required under this Item is contained in Item 7A in the 2011 10-K, and is incorporated by reference herein.

Item 4. Controls and Procedures.

The Company's management evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of June 30, 2012. Based on their evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of June 30, 2012.

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended June 30, 2012, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 6. Exhibits.

10.1 Registration Rights Agreement, dated May 17, 2012, between Leucadia National Corporation and Mueller Industries, Inc.

31.1 Certification of Chairman of the Board and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of President pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.3 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chairman of the Board and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

32.3 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 Financial statements from the Quarterly Report on Form 10-Q of Leucadia National Corporation for the quarter ended June 30, 2012, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Changes in Shareholders Equity and (vi) the Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEUCADIA NATIONAL CORPORATION
(Registrant)

Date: August 1, 2012	By:	/s/ Barbara L. Lowenthal
		Name: Barbara L. Lowenthal
		Title: Vice President and Comptroller (Chief Accounting Officer)

Exhibit Index

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