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ALLEGHANY CORP /DE
Form 8-K
July 20, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): July 14, 2005

Alleghany Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

1-9371

51-0283071

(Commission File Number)

(IRS Employer Identification Number)

7 Times Square Tower, 17th Floor
New York, New York 10036

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 752-1356

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets.

On July 14, 2005, Alleghany Corporation ("Alleghany") completed the sale of its world-wide industrial minerals business, World Minerals Inc., to Imerys USA, Inc., a wholly owned subsidiary of Imerys, S.A., pursuant to a Stock Purchase Agreement dated as of May 19, 2005 by and among Imerys USA, Inc., Imerys, S.A. and Alleghany (the "Stock Purchase Agreement"). Under the terms of the Stock Purchase Agreement, the purchase price was \$230.0 million, which was reduced by \$13.2 million reflecting contractual obligations to be paid by the

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purchaser after the closing, resulting in an adjusted purchase price of \$216.8 million (the "Adjusted Purchase Price"). \$206.8 million of the Adjusted Purchase Price was paid in cash by the purchaser to Alleghany on the closing date, with the remaining \$10.0 million being held by the purchaser as security for certain indemnification obligations undertaken by Alleghany pursuant to the Stock Purchase Agreement. The \$10.0 million hold back amount will bear interest at the U.S. Treasury 10-year note rate and is scheduled to be released to Alleghany (to the extent not applied toward such indemnification obligations) during the period covering the fifth through the tenth anniversaries of the closing date.

The foregoing description of the transaction does not purport to be complete and is qualified in its entirety by reference to the Stock Purchase Agreement, a copy of which is filed as Exhibit 2.1 hereto and is incorporated herein by reference.

A copy of the press release issued by Alleghany on July 14, 2005 announcing the completion of the sale of World Minerals Inc. is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(b) Pro forma financial information.

The following unaudited pro forma financial information is attached as Annex A hereto:

(i) Alleghany Corporation Unaudited Pro Forma Consolidated Balance Sheet as of March 31, 2005.

(ii) Alleghany Corporation Unaudited Pro Forma Consolidated Statement of Earnings for the three months ended March 31, 2005.

(iii) Alleghany Corporation Unaudited Pro Forma Consolidated Statement of Earnings for the year ended December 31, 2004.

The unaudited pro forma consolidated balance sheet as of March 31, 2005 included in Annex A attached hereto gives effect to the sale of Alleghany's wholly-owned subsidiary World Minerals Inc. to Imerys USA, Inc. as if the sale had occurred on March 31, 2005, and the unaudited pro forma consolidated statements of earnings for the three months ended March 31, 2005 and for the year ended December 31, 2004 included in Annex A attached hereto give effect to such sale as if it had occurred on January 1, 2004. The unaudited pro forma balance sheet as of March 31, 2005 reflects an after-tax gain on the transaction of approximately \$14.8 million. Unaudited pro forma financial information does not purport to be indicative of either the results of future operations or

the results of operations that would have occurred had the transaction been consummated on the dates indicated.

The unaudited pro forma financial statements included in Annex A attached hereto should be read in conjunction with Alleghany's historical consolidated financial statements and notes thereto previously filed in Alleghany's Annual Report on Form 10-K for the year ended December 31, 2004 and Quarterly Report on Form 10-Q for the period ended March 31, 2005.

(c) Exhibits. The following are filed as exhibits to this report:

Exhibit Number	Exhibit Description
----------------	---------------------

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- | | |
|------|--|
| 2.1 | Stock Purchase Agreement dated as of May 19, 2005 by and among Imerys USA, Inc., Imerys, S.A. and Alleghany. |
| 99.1 | Press Release announcing the completion of the sale by Alleghany of World Minerals Inc. to Imerys USA, Inc. |

SIGNATURES

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

ALLEGHANY CORPORATION

Date: July 20, 2005

By: /s/ Peter R. Sismondo

Name: Peter R. Sismondo
Title: Vice President,
Controller, Treasurer
and Assistant Secretary

ANNEX A

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated balance sheet as of March 31, 2005 gives effect to the sale of Alleghany's wholly-owned subsidiary World Minerals Inc. to Imerys USA, Inc. as if the sale had occurred on March 31, 2005, and the unaudited pro forma consolidated statements of earnings for the three months ended March 31, 2005 and for the year ended December 31, 2004 give effect to such sale as if it had occurred on January 1, 2004. The unaudited pro forma balance sheet as of March 31, 2005 reflects an after-tax gain on the transaction of approximately \$14.8 million. Unaudited pro forma financial information does not purport to be indicative of either the results of future operations or the results of operations that would have occurred had the transaction been consummated on the dates indicated.

The unaudited pro forma financial statements should be read in conjunction with Alleghany's historical consolidated financial statements and notes thereto previously filed in Alleghany's Annual Report on Form 10-K for the year ended December 31, 2004 and Quarterly Report on Form 10-Q for the period ended March 31, 2005.

ALLEGHANY CORPORATION
PRO FORMA CONSOLIDATED BALANCE SHEET
MARCH 31, 2005
(dollars in thousands)
(unaudited)

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	As of 3/31/05	World Minerals Adjustments inc / (dec)	Pro Forma Adjustments inc / (dec)
	-----	-----	-----
ASSETS			
Available for sale securities at fair value:			
Equity securities (cost: 2005 \$276,370)	\$ 637,291	\$ 0	\$ 0
Debt securities (cost: 2005 \$1,481,008)	1,466,558	0	0
Short-term investments	265,733	(6,907)	202,219
	-----	-----	-----
	2,369,582	(6,907)	202,219
Cash	240,729	(17,879)	0
Notes receivable	91,665	0	9,130
Accounts receivable, net	63,008	(55,946)	0
Premium balances receivable	181,466	0	0
Reinsurance recoverables	648,922	0	0
Ceded unearned premium reserves	275,131	0	0
Deferred acquisition costs	55,514	0	0
Property and equipment at cost, net of accumulated depreciation and amortization	164,976	(148,625)	0
Inventory	39,950	(39,950)	0
Goodwill and other intangibles, net of amortization	221,339	(50,451)	0
Deferred tax assets	110,738	(7,137)	3,010
Other assets	121,131	(7,171)	0
	-----	-----	-----
	\$4,584,151	\$ (334,066)	\$ 214,359
	=====	=====	=====
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY			
Losses and loss adjustment expenses	\$1,266,411	\$ 0	\$ 0
Unearned premiums	729,517	0	0
Reinsurance payable	121,794	0	0
Deferred tax liabilities	225,384	(19,131)	0
Subsidiaries' debt	138,860	(58,860)	0
Current taxes payable	46,008	(2,511)	2,181
Other liabilities	228,389	(56,777)	600
	-----	-----	-----
Total liabilities	2,756,363	(137,279)	2,781
Common stockholders' equity	1,827,788	(196,787)	211,578
	-----	-----	-----
	\$4,584,151	\$ (334,066)	\$ 214,359
	=====	=====	=====

See accompanying footnotes.

ALLEGHANY CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS
MARCH 31, 2005
(dollars in thousands, except share and per share amounts)
(unaudited)

World

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	For the period ended 3/31/05	Minerals Adjustments inc / (dec)	Pro Forma Adjustments inc / (dec)
	-----	-----	-----
REVENUES			
Net premiums earned	\$ 213,552	\$ 0	\$ 0
Net mineral and filtration sales	69,738	(69,738)	0
Interest, dividend and other income	17,562	162	0
Net gain on investment transactions	47,227	0	0
	-----	-----	-----
Total revenues	348,079	(69,576)	0
	-----	-----	-----
COSTS AND EXPENSES			
Loss and loss adjustment expenses	115,277	0	0
Commissions and brokerage	53,044	0	0
Cost of mineral and filtration sales	56,954	(56,954)	0
Salaries, administrative and other operating expenses	18,563	(10,410)	0
Corporate administration	9,081	0	0
Interest expense	1,352	(687)	0
	-----	-----	-----
Total costs and expenses	254,271	(68,051)	0
	-----	-----	-----
Earnings from continuing operations, before income taxes	93,808	(1,525)	0
Income taxes	32,937	(1,877)	0
	-----	-----	-----
Earnings from continuing operations	60,871	352	0
Discontinued operations			
Operations	-	-	-
Income taxes	-	-	-
	-----	-----	-----
Earnings from discontinued operations, net	-	-	-
	-----	-----	-----
Net earnings	\$ 60,871	\$ 352	\$ 0
	-----	-----	-----
Basic earnings per share of common stock			
Continuing operations	\$ 7.74		
Discontinued operations	-		

	\$ 7.74		

Diluted earnings per share of common stock			
Continuing operations	\$ 7.72		
Discontinued operations	-		

	\$ 7.72		

Average number of outstanding shares of common stock	7,896,309		

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See accompanying footnotes.

ALLEGHANY CORPORATION
 PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS
 DECEMBER 31, 2004
 (dollars in thousands, except share and per share amounts)
 (unaudited)

	For the year ended 12/31/04 -----	World Minerals Adjustments inc / (dec) -----	Pro Forma Adjustmen inc / (de -----
REVENUES			
Net premiums earned	\$ 805,417	\$ 0	\$
Net mineral and filtration sales	285,587	(285,587)	
Interest, dividend and other income	63,053	235	
Net gain on investment transactions	86,870	0	
	-----	-----	-----
Total revenues	1,240,927	(285,352)	
	-----	-----	-----
COSTS AND EXPENSES			
Loss and loss adjustment expenses	540,569	0	
Commissions and brokerage	190,657	0	
Cost of mineral and filtration sales	217,546	(217,546)	
Salaries, administrative and other operating expenses	75,950	(44,194)	
Corporate administration	41,278	0	
Interest expense	4,800	(2,383)	
	-----	-----	-----
Total costs and expenses	1,070,800	(264,123)	
	-----	-----	-----
Earnings from continuing operations, before income taxes	170,127	(21,229)	
Income taxes	52,179	(5,979)	
	-----	-----	-----
Earnings from continuing operations	117,948	(15,250)	
Discontinued operations			
Operations	(1,033)	-	
Income taxes	(781)	-	
	-----	-----	-----
Earnings from discontinued operations, net	(252)	-	
	-----	-----	-----
Net earnings	\$ 117,696	\$ (15,250)	\$
	-----	-----	-----
Basic earnings per share of common stock			
Continuing operations	\$ 15.38		
Discontinued operations	(0.03)		

	\$ 15.35		

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Diluted earnings per share of common stock	-----
Continuing operations	\$ 15.34
Discontinued operations	(0.03)

	\$ 15.31

Average number of outstanding shares of common stock	7,853,981

See accompanying footnotes.

FOOTNOTES

1. The sale was completed on July 14, 2005.
2. Under the terms of the Stock Purchase Agreement, the purchase price was \$230.0 million, which was reduced by \$13.2 million reflecting contractual obligations to be paid by the purchaser after the closing, resulting in an adjusted purchase price of \$216.8 million (the "Adjusted Purchase Price"). \$206.8 million of the Adjusted Purchase Price was paid in cash by the purchaser to Alleghany on the closing date, with the remaining \$10.0 million being held by the purchaser as security for certain indemnification obligations undertaken by Alleghany pursuant to the Stock Purchase Agreement. The \$10.0 million hold back amount will bear interest at the U.S. Treasury 10-year note rate and is scheduled to be released to Alleghany (to the extent not applied toward such indemnification obligations) during the period covering the fifth through the tenth anniversaries of the closing date.

Pro forma adjustments include (i) an increase in short-term investments of \$202.2 million reflecting the Adjusted Purchase Price less \$4.5 million of transaction expenses; (ii) a note receivable of \$9.1 million, comprised of the \$10.0 million hold back amount less a \$0.9 million interest rate discount; (iii) a deferred tax asset of \$3.0 million; (iv) current taxes payable of approximately \$2.2 million; and (v) another liability in the amount of \$0.6 million for product liability indemnification.

The net increase in common stockholders' equity is \$14.8 million, which is the gain on sale had the sale occurred on March 31, 2005.

1

Index to Exhibits

Exhibit Number	Exhibit Description
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99.1	Press Release announcing the completion of the sale by Alleghany of World Minerals Inc. to Imerys USA, Inc.