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Accounting trends and techniques, 44th annual survey, 1990 edition

American Institute of Certified Public Accountants

1990 Accounting Trends & Techniques AICPA

1990

Forty-Fourth Edition

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA
American Institute of Certified Public Accountants

1990
Forty-Fourth Edition

Accounting Trends & Techniques

Forty-fourth annual cumulative survey of the accounting aspects of the annual reports of 600 industrial and merchandising corporations to which are added excerpts from and comments upon unusual accounting treatments found in additional reports. The reports analyzed are those with fiscal years ended not later than February 3, 1990.

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PREFACE

Accounting Trends & Techniques—1990, Forty-fourth Edition, is a compilation of data obtained by a survey of 600 annual reports to stockholders undertaken for the purpose of analyzing the accounting information disclosed in such reports. The annual reports surveyed were those of selected industrial and merchandising companies for fiscal periods ending between February 24, 1989 and February 3, 1990.

Significant accounting trends, as revealed by a comparison of current survey findings with those of prior years, are highlighted in numerous comparative tabulations throughout this publication. These tables show trends in such diverse accounting matters as financial statement format and terminology and the accounting treatment of transactions and events reflected in the financial statements.

Accounting techniques are illustrated by excerpts from the annual reports of the survey companies and the annual reports of companies not included in the survey which presented items of particular interest or of an unusual nature. References (in the form of a listing of company identification numbers—see the following paragraph) to additional illustrations of an accounting technique may be requested from the American Institute of Certified Public Accountants either by writing or by calling Richard Rikert—(212) 575-6394.

Each of the 600 survey companies included in this edition has been assigned an identification number which is used for reference throughout the text in the discussion of pertinent information. 425 of the companies were listed in the fortieth (1986) edition and each retained the number assigned in that edition. The other 175 companies in the 1986 edition have been eliminated. Most of the eliminated companies were eliminated because of a business combination with another company. The identification numbers of the eliminated companies have not been reused. Numbers 736 through 775 have been assigned to the replacement companies. The 600 companies in the current edition are listed in the Appendix of 600 Companies both alphabetically and by their identification number.

The American Institute of Certified Public Accountants has established the National Automated Accounting Research System (NAARS) as an additional means of information retrieval. NAARS includes a computerized data bank consisting of the full text of several thousand company annual reports to stockholders supplemented by a literature file of authoritative pronouncements. Information may be retrieved through individual computer terminal subscription or by requesting Institute personnel to perform searches on an AICPA terminal. For further information concerning NAARS, contact Hal Clark, American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036. Telephone (212) 575-6393.

Special acknowledgement is due to Matthew Calderisi, CPA; J. Richard Chaplin, CPA; Gregory Frydman, CPA; William A. Godla, CPA; Toni Monier, CPA; Joseph M. Nestor, CPA; and Anthony Tarallo, CPA for their assistance in the analysis of the financial reports and preparation of the manuscript.

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Table of Contents

Section 1: General

Section 2: Balance Sheet

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Section 3: Income Statement

Section 4: Stockholders' Equity

Section 5: Statement of Cash Flows

Section 6: Independent Auditors' Report

Section 1: General

TABLE 1-1: INDUSTRY CLASSIFICATIONS

	1989	1988	1987	1986
Foods:				
Meat products	7	7	8	8
Dairy products	2	2	3	3
Canning, etc.	4	4	4	4
Packaged and bulk	16	17	17	17
Baking	2	3	3	3
Sugar, confections	3	3	4	4
Beverages	7	7	7	6
Tobacco products	4	4	5	5
Textiles	21	23	25	25
Paper products	23	25	25	22
Printing, publishing	19	19	20	20
Chemicals	31	28	25	25
Drugs, cosmetics	25	30	29	30
Petroleum	29	30	29	28
Rubber products	8	10	12	11
Shoes—manufacturing, merchandising	8	7	7	7
Building:				
Cement	4	4	4	4
Roofing, wallboard	9	9	10	10
Heating, plumbing	3	3	2	3
Other	17	17	15	19
Steel and iron	20	20	17	17
Metal—nonferrous	17	16	16	16
Metal fabricating	21	20	21	19
Machinery, equipment and supplies	37	38	37	36
Electrical equipment, appliances	20	17	19	19
Electronic equipment	34	33	31	31
Business equipment and supplies	22	21	21	20
Containers	7	8	8	8
Autos and trucks (including parts, accessories)	26	27	27	27
Aircraft and equipment, aerospace	12	13	12	12
Railway equipment, shipbuilding	5	5	5	6
Controls, instruments, medical equipment, watches and clocks	25	23	20	18
Merchandising:				
Department store	4	4	4	4
Mail order stores, variety stores	2	2	2	2
Grocery stores	12	12	13	16
Other	8	6	6	6
Motion pictures, broadcasting	4	5	5	5
Widely diversified, or not otherwise classified	82	78	82	84
Total Companies	**600**	**600**	**600**	**600**

THIS SECTION OF THE SURVEY is concerned with general information about the 600 companies selected for the survey and with certain accounting information usually disclosed in notes accompanying the basic financial statements.

COMPANIES SELECTED FOR SURVEY

All 600 companies included in the survey are registered with the Securities and Exchange Commission. Many of the survey companies have securities traded on one of the major stock exchanges—80% on the New York and 8% on the American. Table 1-1 presents an industry classification of the 600 survey companies; Table 1-2 indicates the relative size of the survey companies as measured by dollar value of revenue.

TABLE 1-2: REVENUE OF SURVEY COMPANIES

	1989	1988	1987	1986
Less than $100,000,000	50	50	43	49
Between $100,000,000 and $500,000,000	110	115	119	109
Between $500,000,000 and $1,000,000,000	90	95	104	122
Between $1,000,000,000 and $2,000,000,000	128	114	121	113
More than $2,000,000,000	222	226	213	207
Total Companies	**600**	**600**	**600**	**600**

INFORMATION REQUIRED BY RULE 14a-3 TO BE INCLUDED IN ANNUAL REPORTS TO STOCKHOLDERS

Rule 14a-3 of the Securities Exchange Act of 1934 states that annual reports furnished to stockholders in connection with the annual meeting of stockholders should include audited financial statements—balance sheets as of the 2 most recent fiscal years, and statements of income and of cash flows for each of the 3 most recent fiscal years. Rule 14a-3 also states that the following information, as specified in *Regulation S-K,* should be included in the annual report to stockholders:

1. Selected quarterly financial data.
2. Disagreements with accountants on accounting and financial disclosure.
3. Summary of selected financial data for last 5 years.
4. Description of business activities.
5. Segment information.
6. Listing of company directors and executive officers.
7. Market price of Company's common stock for each quarterly period within the two most recent fiscal years.
8. Management's discussion and analysis of financial condition and results of operations.

Examples of items 1, 3, and 8 follow. Examples of segment information disclosures are presented on pages 14-23.

Quarterly Financial Data

GARAN, INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14—Quarterly Financial Data (Unaudited)

Financial data for the interim periods of 1989 and 1988 were as follows:

	(In thousands, except per share amounts)			
	Net Sales	Gross Margins	Net Earnings	Earnings Per Share
Fiscal Year 1989 Quarters				
First	$ 29,421	$ 6,605	$1,300	$ .51
Second	34,844	9,073	2,658	1.05
Third	35,624	9,018	2,552	1.01
Fourth	36,824	8,789	2,038	.81
Total	$136,713	$33,485	$8,548	$3.38
Fiscal Year 1988 Quarters				
First	$ 28,830	$ 5,583	$ 767	$ .29
Second	37,436	8,015	2,187	.86
Third	33,019	7,504	1,989	.78
Fourth	34,006	7,442	1,532	.60
Total	$133,291	$28,544	$6,475	$2.53

THE ALLEN GROUP INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Unaudited Quarterly Financial Data

Quarterly financial data are summarized as follows (amounts in thousands, except per share amounts):

	Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
1989				
Net revenues	$88,880	$94,018	$90,649	$88,451
Gross profit on product sales	$28,959	$30,207	$26,842	$29,086
Income from continuing operations	$ 2,458	$ 3,182	$ 2,187	$ 2,343
Net income	$11,313	$ 3,182	$ 2,187	$ 2,343
Earnings per common share:*				
Primary:				
From continuing operations	$ .18	$.27	$.15	$.16
Net income	$1.26	$.27	$.15	$.16
Fully Diluted:				
From continuing operations	$ .24	$.27	$.15	$.16
Net income	$1.10	$.27	$.15	$.16

	Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
1988				
Net revenues	$74,687	$88,896	$92,550	$88,283
Gross profit on product sales	$22,215	$26,743	$27,658	$29,739
Income (loss) from continuing operations	$ (4,977)	$ 2,554	$ 2,508	$ 3,270
Net income (loss)	$ (4,522)**	$ 4,681	$ 2,914	$ 2,602
Earnings (Loss) per common share:				
Primary and fully diluted:				
From continuing operations	$(.74)	$.19	$.19	$.28
Net income (loss)	$(.68)	$.45	$.23	$.20

*Quarterly income per share data does not equal the annual amounts due to changes in the average common and common equivalent shares outstanding.

**The first quarter of 1988 included approximately $2,200,000, or $.27 per common share, for employment termination costs.

EATON CORPORATION (DEC)

FINANCIAL REVIEW

Quarterly Data (Unaudited)

	Quarter Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31
(In Millions Except for Per Share Amounts)				
1989				
Net sales	$879.8	$864.1	$969.4	$957.7
Gross margin	226.1	213.7	251.8	251.4
Income from continuing operations	44.6	39.9	61.9	63.3
Net income	54.3	40.0	63.4	67.2
Per Common Share:				
Income from continuing operations	1.18	1.04	1.68	1.71
Net income	1.44	1.04	1.72	1.81
Cash dividends paid	.50	.50	.50	.50
Market price:				
High	62⅛	67½	65¼	59⅞
Low	53	58⅜	56⅝	54¾
1988				
Net sales	$890.9	$840.4	$880.1	$857.1
Gross margin	233.9	222.7	251.9	241.0
Income from continuing operations	50.2	53.8	63.6	60.1
Income before extraordinary item	51.0	54.4	64.3	60.3
Net income	51.0	54.4	46.6	60.3
Per Common Share:				
Income from continuing operations	1.35	1.45	1.70	1.60
Income before extraordinary item	1.37	1.47	1.72	1.61
Net income	1.37	1.47	1.25	1.61
Cash dividends paid	.50	.50	.34	.33
Market price:				
High	57	56½	57¼	55½
Low	50⅞	46⅝	50½	44⅝

Income from discontinued operations for the fourth quarter of 1988 included a provision of $43.0 million, before income tax credits of $14.6 million, for estimated contract losses and a tax benefit of $31.0 million for a realized tax rate change.

During the second quarter of 1988, the Company provided, as an extraordinary item, $26.9 million, before income tax credits of $9.2 million, for a litigation award. The net loss was $17.7 million or $.48 per share.

THE PERKIN-ELMER CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Quarterly Consolidated Financial Information (Unaudited)

The following is a summary of quarterly financial results for the years ended July 31:

(Dollar amounts in millions, except per share amounts)

1989	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Net revenues	$173.9	$200.0	$ 198.7	$211.6
Gross margin	87.3	102.0	100.4	106.2
Income from continuing operations	9.6	13.6	10.5	13.2
Income (loss) from discontinued operations	6.6	3.6	(81.2)	—
Net income (loss)	$ 16.2	$ 17.2	$ (70.7)	$ 13.2
Income per share from continuing operations	$ .22	$ .32	$ .24	$ .30
Income (loss) per share from discontinued operations	.15	.08	(1.87)	—
Net income (loss) per share	$ .37	$ .40	$ (1.63)	$ .30

1988	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Net revenues	$142.2	$168.1	$ 177.4	$196.1
Gross margin	70.7	79.9	88.6	100.6
Income from continuing operations	4.8	5.9	9.7	12.7
Income from discontinued operations	9.5	11.6	9.5	8.1
Net income	$ 14.3	$ 17.5	$ 19.2	$ 20.8
Income per share from continuing operations	$ .10	$ .14	$ .22	$ .28
Income per share from discontinued operations	.21	.26	.22	.18
Net income per share	$ .31	$ .40	$ .44	$ .46

Selected Information For Five Years

ACTION INDUSTRIES, INC. (JUN)

Selected Financial Data

Five Year Summary

($ in thousands, except per share amounts)	June 24, 1989	June 25, 1988	Fiscal Year Ended June 27, 1987	June 28, 1986	June 29, 1985
SUMMARY OF CONTINUING OPERATIONS FOR THE YEAR					
Net sales	$134,243.7	$154,710.9	$125,428.5	$167,747.8	$168,113.3
Earnings *(a)*	$ 1,798.2	$ 4,291.4	$ 2,124.4	$ 8,344.7	$ 6,103.2
Weighted average number of shares oustanding	5,511,693	5,499,864	5,684,649	6,350,790	6,358,570
Earnings per share *(a)(b)*	$ 0.33	$ 0.78	$ 0.37	$ 1.31	$ 0.96
Dividends per share	—	—	$ 0.24	—	—
Return on sales	1.3%	2.8%	1.7%	5.0%	3.6%
Return on beginning shareholders' equity	4.9%	13.4%	4.4%	18.8%	15.9%
Return on beginning total assets	1.7%	4.1%	2.0%	8.5%	6.1%
AT THE END OF THE YEAR					
Current assets	$ 86,972.0	$ 76,951.2	$ 77,927.5	$ 79,721.0	$ 80,035.7
Current liabilities	$ 48,167.4	$ 40,006.6	$ 43,343.4	$ 37,938.7	$ 28,037.1
Working capital	$ 38,804.6	$ 36,944.6	$ 34,584.1	$ 41,782.3	$ 51,998.6
Current ratio	1.81	1.92	1.80	2.10	2.85
Net property, plant & equipment	$ 11,551.1	$ 12,048.6	$ 13,703.3	$ 17,391.2	$ 14,007.5
Depreciation and amortization:					
Current year	$ 2,232.8	$ 2,296.7	$ 2,282.1	$ 1,833.0	$ 1,550.9
Accumulated	$ 17,080.0	$ 18,906.9	$ 17,860.2	$ 14,813.0	$ 12,550.8
Total assets *(c)*	$112,548.7	$103,392.2	$105,500.4	$106,722.4	$ 98,532.8
Long-term obligations	$ 24,843.5	$ 25,671.3	$ 29,496.1	$ 20,730.3	$ 25,245.6
Shareholders' equity	$ 38,301.7	$ 36,452.2	$ 32,113.9	$ 47,748.5	$ 44,274.3
Long-term debt to equity ratio	0.65	0.70	0.92	0.43	0.57
Book value per share *(d)*	$ 6.94	$ 6.62	$ 5.84	$ 7.77	$ 6.96

(a) Earnings for the year ended June 25, 1988 include the cumulative effect (net of income taxes) of the change in the method of inventory costing of $642,100 ($0.12 per share). Had the Company changed its method of inventory accounting prior to 1985, the effect on earnings and earnings per share would have been as follows:

Increase (Decrease)	1987	1986	1985
Earnings	$336,000	$(251,000)	$(64,000)
Earnings Per Share	$ 0.06	$ (0.04)	$ (0.01)

(b) Earnings per share are based on the weighted average number of shares outstanding during each year.
(c) Includes assets of discontinued operation of $4,961.9 in 1987; $11,799.0 in 1986 and $9,299.1 in 1985.
(d) Book value per share is based on the number of shares outstanding at the end of each year.

MEDTRONIC, INC. (APR)

Selected Financial Data

(in thousands, except per share data)	1989	1988	1987	1986	1985
Net sales	$741,699	$653,319	$502,011	$402,811	$363,883
Earnings from continuing operations	97,429	86,521	73,816	67,438	51,833
Net earnings	97,429	86,521	73,816	53,413	38,155
Earnings per share from continuing operations	7.30	6.32	5.25	4.61	3.37
Earnings per share	7.30	6.32	5.25	3.65	2.48
Total assets	759,639	640,802	559,719	527,412	460,339
Net working capital	189,622	232,051	240,244	221,771	215,658
Long-term debt	7,814	9,096	5,508	10,500	7,142
Cash dividends per share	1.20	1.04	.88	.80	.76

NORTEK, INC. (DEC)

Consolidated Selected Financial Data

	1989	1988	1987	1986	1985
Consolidated Summary of Operations:					
Net sales	$1,080,225	$1,029,240	$ 911,925	$656,853	$276,371
Operating expenses	1,079,244	1,006,909	858,898	614,853	252,891
Earnings (loss) from continuing operations before extraordinary gain (loss)	(42,500)	200	800	25,150	18,800
Earnings (loss) from discontinued operations	14,000	13,000	(7,500)	11,850	(1,200)
Extraordinary gain (loss) from debt retirements	16,000	6,400	(550)	(8,000)	—
Net earnings (loss)	(12,500)	19,600	(7,250)	29,000	17,600
Financial Position:					
Total assets	$ 836,765	$ 993,581	$1,048,405	$961,439	$725,341
Working capital	322,419	453,957	411,863	393,541	358,647
Stockholders' investment	218,031	234,851	222,822	240,829	177,793
Long-term debt	400,825	546,421	603,154	552,596	466,210
Common and Special Common shares outstanding	13,928	14,380	15,229	16,238	13,269
Current ratio	3.0:1	3.5:1	3.1:1	3.8:1	7.0:1
Return on equity	(5.5%)	8.5%	(3.0%)	14.4%	11.2%
Debt to equity ratio	2.0:1	2.5:1	3.1:1	2.5:1	2.7:1
Depreciation and amortization	33,273	29,914	24,392	19,290	8,752
Capital expenditures	35,303	20,736	32,908	19,804	9,952
Per Share:					
Earnings (loss) from continuing operations—					
Primary	(3.10)	.01	.05	1.74	1.63
Fully diluted	(3.10)	.24	.05	1.45	1.42
Net earnings (loss)—					
Primary	(.91)	1.34	(.46)	2.00	1.52
Fully diluted	(.91)	1.26	(.46)	1.64	1.34
Cash dividends—					
Common	.10	.10	.10	.085	.08
Special Common	.04	.04	.04	.01	—
Stockholders' investment	15.65	16.33	14.63	14.83	13.40

WARNER-LAMBERT COMPANY

Five-Year Summary of Selected Financial Data

	1989	1988	1987	1986	1985
	(Dollars in millions, except per share amounts)				
RESULTS FOR YEAR:					
Net sales	$4,196	$3,908	$3,441	$3,064	$3,162
Cost of goods sold	1,383	1,352	1,170	1,053	1,170
Research and development expense	309	259	232	202	208
Interest expense	56	68	61	67	78
Income (loss) before income taxes	592	538	493	446*	(252)*
Net income (loss)	413	340	296	309*	(316)*
Net income (loss) per common share	$ 6.10	$ 5.00	$ 4.15	$ 4.18*	$ (4.05)*
YEAR-END FINANCIAL POSITION:					
Current assets	$1,366	$1,265	$1,253	$1,510	$1,246
Current liabilities	1,031	1,025	974	970	872
Working capital	335	240	279	540	374
Property, plant and equipment	1,133	1,053	960	819	869
Total assets	2,860	2,703	2,476	2,516	2,358
Long-term debt	303	318	294	342	358
Total debt	506	512	444	585	527
Stockholders' equity	$1,130	$ 999	$ 874	$ 907	$ 891
COMMON STOCK INFORMATION:					
Average number of common shares outstanding (in millions)	67.7	68.0	71.3	74.0	77.9
Common stock price per share:					
High	$ 118¾	$ 79½	$ 87½	$ 63⅛	$ 49⅜
Low	74½	59⅞	48¼	48	33⅜
Book value per common share	16.76	14.73	12.75	12.64	11.77
Cash dividends paid	173	147	127	118	117
Cash dividends per common share	$ 2.56	$ 2.16	$ 1.77	$ 1.59	$ 1.50
OTHER DATA:					
Capital expenditures	$ 218	$ 190	$ 174	$ 138	$ 139
Depreciation and amortization	$ 105	$ 96	$ 79	$ 68	$ 93
Number of employees (in thousands)	33	33	34	31	39

*Includes a net nonrecurring credit of $8 million pretax (after-tax $48 million or $.64 per share) in 1986 and a nonrecurring charge of $654 million pretax (after-tax $553 million or $7.10 per share) in 1985.

Management's Discussion And Analysis Of Financial Condition And Results Of Operations

CLARK EQUIPMENT COMPANY (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Overview

Business conditions in 1989 were generally very favorable. Markets for all of Clark's product lines were strong and with the exception of the Brazil-based Automotive business unit, Clark's business units' sales improved over 1988 levels. The favorable business conditions coupled with the impact of restructuring efforts undertaken in prior years resulted in the Company earning net income of $68.9 million, or $4.02 per share, an increase of 49.5 percent over the 1988 level.

Based on the strong operational performance, the Company improved its financial position as of December 31, 1989. Working capital increased $38.6 million to $286.5 million. Total capitalization increased by $55.1 million to $695.9 million and the debt to total capital was reduced to 29.4 percent compared with 36.5 percent at December 31, 1988. The Company's cash balance grew $22.6 million to $184.4 million at December 31, 1989.

Clark continued to invest in technological improvements to remain world-cost competitive. The 1989 capital investment totaled $44.7 million, which is similar to the 1988 level and an increase of $14.5 million over the 1987 level of $30.2 million. Total research and development expenses included in the Statement of Income were $24.7 million in 1989, compared with $20.8 million in 1988 and $23.4 million in 1987.

In 1989, the Company entered into negotiations to acquire the stock of Drexel Industries Inc., a manufacturer of narrow aisle forklift trucks. A definitive purchase agreement was signed in January 1990 and is subject to regulatory and Drexel stockholder approval. This acquisition is expected to be completed by mid-year 1990 and will complement the Material Handling product line and expand product offerings.

Results of Operations

Sales in 1989 totaled $1,391.9 million, which represents an improvement of 8.9 percent over the 1988 level of $1,278.3 million. Sales in 1988 increased approximately 21.1 percent over the 1987 level of $1,055.5 million.

The overall 1989 sales increase was principally from additional volumes resulting from improved market demand. Price increases also impacted sales while foreign currency fluctuations reduced sales levels. New products introduced in 1989 marginally contributed to total sales, with additional benefits expected in future years.

Sales of the Material Handling Equipment and Vehicles Group increased 10.7 percent while sales of the Axles and Transmissions Group increased 4.9 percent over 1988 levels. Sales improvements in the Axles and Transmissions Group were limited by flat Automotive business unit sales. The sales performance of that business unit was negatively impacted throughout the year by a slowdown in the Brazilian economy and a slowdown in the U.S. medium-duty truck market during the second half of 1989. Price increases in Brazil tended to offset volume reductions which resulted in nearly the same sales level being achieved in 1989 as compared with 1988.

Both business segments showed substantial sales increases in 1988 over 1987 levels. Sales of the Material Handling Equipment and Vehicles Group improved 17.1 percent while sales of the Axles and Transmissions Group improved 31.0 percent. Sales improvements in 1988, which were primarily volume related, were more dramatic than in 1989 because of a more pronounced growth in the markets for Clark-manufactured products in 1988 compared with 1989.

The gross profit margin in 1989 of approximately 18.6 percent compares favorably with the 1988 and 1987 levels of 18.0 percent and 13.7 percent, respectively. The margin improvements in 1989 reflects higher production levels at all business units except Automotive, cost reductions through technological improvements, price increases, and exchange impacts. These favorable factors were partially offset by cost increases, particularly in the Material Handling business where currency impacts affected the price of products produced in Korea, expenses relating to Melroe's plant expansion and product introductions, and relocation costs at Clark Components International. The substantial increase in the 1988 margin level as compared with 1987, which was more pronounced in the Material Handling Equipment and Vehicles Group, resulted from significantly higher production levels, cost reductions through technological improvements and the re-sourcing of certain products, price increases, and lower discounting. The 1988 margins were negatively impacted by higher costs, including raw material and sub-contracting costs, and exchange impacts.

Foreign currency exchange results are included in cost of goods sold. The financial statements of most of Clark's foreign subsidiaries are translated at current and average exchange rates and the resulting translation adjustment is included in the cumulative translation adjustment account as a part of stockholders' equity. In hyperinflationary economies, such as Brazil's, and for foreign operations which are an extension of U.S. manufacturing concerns, financial statements are translated using a combination of current, average, and historic exchange rates, and translation impacts are included in income. Transactions carried out in different currencies result in exchange adjustments which are also included in income. The impact of foreign currency translation and exchange transaction costs included in cost of goods sold were losses of $0.5 million and $8.1 million in 1989 and 1988, respectively, and income of $6.3 million in 1987.

Research and development expenses of $24.7 million, $20.8 million, and $23.4 million were included in cost of goods sold in 1989, 1988, and 1987, respectively. The continued high level of spending reflects the Company's commitment to develop new products and to maintain current product superiority through use of the latest technologies.

Reductions of certain domestic inventory levels produced LIFO income which reduced cost of goods sold by $3.3 million in 1989 compared with $3.9 million and $3.1 million in 1988 and 1987, respectively.

Selling, general and administrative expenses were $164.6 million, or 11.8 percent of sales, in 1989 compared with $155.8 million, or 12.2 percent of sales, in 1988 and $143.8 million, or 13.6 percent of sales, in 1987. The 1989 dollar increase resulted largely from the higher selling expenses relating to sales increases. Employee-related benefit costs and charitable contributions were also contributing factors. The increase in the 1988 dollar level resulted from improved sales, higher finance charges, and the effects of management incentive compensation programs.

Other income, which consists principally of interest income, was $30.0 million in 1989 compared with $34.2 million in 1988 and $21.8 million in 1987. The reduction in 1989 resulted from lower cash balances invested in Brazil. Brazilian interest rates were substantially higher than U.S. rates to compensate for hyperinflationary conditions in that country. Other income in 1988 was higher than the 1987 level principally because of higher interest income generated by higher cash balances from operations and divestitures of businesses and higher interest rates. Other income in 1989 and 1988 was reduced by costs to transfer cash from foreign operations. These costs approximated $8.7 million in 1989 and $13.6 million in 1988. Although costs associated with transferring cash are significant, the adverse effects of subsequent currency devaluations and taxes could exceed the transfer costs if the cash were to remain in the foreign operations.

Interest expense was $26.8 million in 1989 compared with $27.8 million in 1988 and $29.2 million in 1987. The continued decline in the interest expense level has resulted from lower average debt balances.

Equity in the net income of associated companies was $22.4 million in 1989 compared with $12.3 million in 1988 and a loss of $1.9 million in 1987. The higher income resulted from the improved performance of VME Group N.V., Clark's 50-percent-owned construction machinery joint venture. VME continued to benefit from strong construction markets worldwide and cost-reduction efforts. Cost-reduction programs included consolidation and modernization of production facilities, product line rationalizations, materials resourcing, and rationalizing the engineering, marketing, and administrative functions to reduce manpower and fixed-overhead costs. In 1988, Clark sold its 33.0 percent investment in its Mexican affiliate, PRIMSA, and also sold sufficient shares in its other Mexican affiliate, TREMEC, to reduce ownership to 19.0 percent from 33.0 percent. These 1988 transactions created a loss of $2.1 million. The portion of the loss related to PRIMSA is included with the loss from discontinued operations.

Gains in pre-tax income from continuing operations reflect improved sales and lower operating expenses resulting from the Company's restructuring efforts of the past several years. The provision for income taxes before extraordinary credits was $54.5 million in 1989, or 45.7 percent of pre-tax income from continuing operations. This compares with a provision for continuing operations of 52.4 percent in 1988. A tax provision was also recorded for continuing operations in 1987, despite a loss being incurred, because of income earned in overseas subsidiaries.

Tax provisions in 1989 and 1988 were higher than the provisions computed at the U.S. statutory tax rate because of higher foreign tax provisions, foreign and U.S. taxes associated with dividend distributions, and provisions for possible additional taxes relating to on-going and future tax audits. In 1989, the Company made U.S. tax payments aggregating $33.0 million relating to issues arising from U.S. tax audits from 1974 through 1985.

In 1987, the Financial Accounting Standards Board issued Statement Number 96, "Accounting for Income Taxes." This Statement specifies that a revised approach be adopted in accounting for income taxes and requires implementation by 1992. Various methods of adoption are allowed, including restatement. Based on the Statement as currently written, the Company expects to retroactively adopt to the earliest period presented. Had this Statement been adopted in 1989, the impact on income would not have materially changed the trend of earnings during the affected period, however, the impact on stockholders' equity would have been a reduction of approximately $20 million. The Company has not yet determined when this Statement will be adopted.

Results of discontinued operations were income of $0.1 million in 1989, a loss of $6.7 million in 1988, and income of $1.9 million in 1987. The loss from discontinued operations in 1988 resulted principally from additional provisions for bad debts and closing costs recorded in preparation for the sale of the Company's Australian finance subsidiary. This subsidiary was sold in early 1989 for approximately book value. A loss on the sale of a Mexican affiliate also contributed to the 1988 loss. The income related to discontinued operations in 1987 resulted largely from the sale of the North American finance operations in March 1987. In February 1990, the Company sold its French finance subsidiary and is continuing its efforts to sell or liquidate the remaining finance and insurance subsidiaries.

The extraordinary credit relating to the income tax benefit from net operating loss carryforwards of $4.0 million in 1989 included $2.4 million from U.S. operations and $1.6 million from foreign operations. The U.S. portion relates to carryforwards which exist for financial reporting purposes. The benefit of $8.7 million in 1988 includes $4.5 million of U.S. and $4.2 million of foreign benefit and the benefit in 1987 of $2.3 million relates entirely to foreign operations.

Net income in 1989 was $68.9 million, or $4.02 per share. This compares with net income of 46.1 million, or $2.70 per share, in 1988 and a loss of $16.6 million in 1987, or $.95 per share. Net income in 1989 represents a return on average stockholders' equity of 15.6 percent in 1989 compared with 12.0 percent in 1988.

Special charges of approximately $13.8 million were included in 1989 income relating to provisions for potential tax disallowances. These provisions were considered necessary by management to establish reserves for potential disallowances for U.S. tax exposures after 1985 and for potential exposures relating to foreign jurisdictions in which tax audits are now being conducted. During 1988, Clark reported special charges totaling $18.6 million. This consisted of provisions for doubtful receivables in Clark's discontinued Australian finance company, U.S. income taxes for certain tax disputes relating to U.S. tax audits for the years 1974 through 1985, a reversal of duty draw-back recoveries accrued in previous years, a reserve related to receivables with certain South American governments, and the loss related to the restructuring of the Company's Mexican investments. These losses were partially offset by $3.0 million of income resulting from the sale of a business unit and from the favorable settlement of a lawsuit. Included in 1987 results were gains from the sales of the North American finance operations and the medium-duty truck transmission business. These 1987 gains were offset by charges for product liability losses resulting from the bankruptcy of an insurance carrier and negative cumulative translation adjustments related to the planned disposition of certain foreign operations. The net result of these 1987 items was a loss of $5.0 million.

In recent years, Clark has been notified that it has been named as a "potentially responsible party" for costs of environmental clean-ups at ten waste disposal sites. Management has determined, based on facts currently available, that Clark's liability at three of these sites will be minimal. The clean-up activities at the other seven sites are in various stages of cost determination and the ultimate amount of Clark's proportionate share cannot be determined with certainty at this time. The Company is also involved in possible clean-up actions at three of its former manufacturing facilities. The costs of clean-up at these locations has not yet been determined. As appropriate, Clark has made provisions for these costs and will continue to do so, when determinable. Reserves aggregating approximately $2.7 million have been established for clean-up costs at one former plant site and one waste disposal site. Although management cannot determine whether or not material effect on future results of operations is reasonably likely to occur, it is not expected that these environmental clean-up costs will materially impact the financial condition of the Company. The Company is also contingently liable for other matters including the self-insurance of product liability, workers' compensation and generally liability claims, guarantees of receivables and other litigation (see pages 38-39).

Liquidity and Capital Resources

Cash provided by operations was $85.2 million in 1989 compared with $90.3 million in 1988 and $16.9 million in 1987. In 1989, payments of $33.0 million were made relating to expected settlements with U.S. tax authorities, which reduced the amount of cash provided by operations. At the end of 1989, working capital increased to $286.5 million from $247.9 million at the end of 1988 and $205.6 million at the end of 1987. Cash increased $22.6 million during 1989 to $184.4 million.

In 1988, the Company discontinued the use of a factoring arrangement with a financial institution under which approximately $40 million of receivables had been factored. The Company continues to maintain this facility as an additional cash source, if needed.

At December 31, 1989, the Company's current ratio was 2.1 to 1 compared with 2.0 to 1 at December 31, 1988, and 1.9 to 1 at December 31, 1987. The Company believes sufficient cash resources exist to support its long-term growth strategies either through currently available cash, cash generated from future operations, or the ability of the Company to obtain additional financing through private and/or public debt placements or public stock offerings.

Capital Investment

Worldwide capital expenditures for facilities, manufacturing equipment, and tooling were $44.7 million in 1989 compared with $46.3 million in 1988 and $30.2 million in 1987. Clark committed to additional capital expenditures in 1989, approximating $13 million, which will be put in place in 1990 when deliveries and construction projects are completed. In 1989, 1988, and 1987 respectively, $34.2 million, $38.2 million, and $21.6 million were spent for facilities and equipment, and $10.5 million, $8.1 million, and $8.6 million were spent for tooling. In 1989, 64.6 percent of total capital expenditures were in North America and 35.4 percent were at foreign locations, compared with 55.7 percent and 44.3 percent in 1988 and 44.5 percent and 55.5 percent in 1987. The continued high level of investment in 1989 reflects Clark's commitment to reducing costs by improving efficiency. Capital expenditures for foreign subsidiaries are funded from the cash generated by those businesses.

Major projects undertaken in 1989 included the continuation of the plant expansion and installation of an automated conveyor and paint system in Melroe's Gwinner, North Dakota, plant and installation of new equipment at other manufacturing locations to enhance the production process. Capital expenditures in 1990, including unfilled 1989 commitments, could reach $75 million and will be funded from operating cash flows. A major project in 1990 is expected to consist of a plant expansion at Melroe's Bismarck, North Dakota, facility. Other expenditures will relate largely to the purchase of new machinery to further enhance production processes. Depreciation of fixed assets was $33.8 million 1989, $31.7 million in 1988, and $35.1 million in 1987.

In fourth quarter 1989, the Company entered into negotiations to acquire the stock of Drexel Industries Inc., a manufacturer of narrow aisle forklift trucks. A definitive stock purchase agreement was signed in January 1990 specifying a purchase price of approximately $19 million. The purchase is expected to be completed by mid-year 1990. Drexel's sales for its year ended January 31, 1990, approximated $25 million. Clark expects that Drexel will contribute to its business by enhancing the Material Handling product line. The Company will continue to review other acquisition opportunities.

Clark has divested several businesses which did not fit the Company's long-term strategies or where local ownership was beneficial to the business. The sale of Clark's French finance company was completed in February 1990, and in 1989, Clark Equipment Credit of Australia Limited was sold. During 1988, Clark sold Credit Bank GmbH in Germany, Clark Telecommunnications Inc., Clark Equipment Australia Limited, and Clark's Argentine operation. In 1987, the North American finance operations were sold.

Capitalization

At December 31, debt as a percent of total capitalization—i.e. total debt and stockholders' equity—was 29.4 percent in 1989, 36.5 percent in 1988, and 40.0 percent in 1987. The 1989 decrease was principally due to higher stockholders' equity and the reduction of total debt to $204.3 million in 1989 from $233.8 million in 1988. Projected operating cash flows are considered sufficient to service outstanding debt, provide cash to develop existing businesses, or acquire new businesses that will increase stockholder value.

Stockholders' equity at year-end 1989 increased to $491.6 million from $407.0 million in 1988 and $359.5 million in 1987. The 1989 increase was due to current year income and favorable adjustments to the cumulative translation adjustment account from exchange rate changes. Including unallocated LESOP shares at December 31, stockholders' equity per share was $28.62 in 1989, $23.85 in 1988, and $21.18 in 1987. Excluding unallocated LESOP shares at December 31, stockholders' equity per share was $32.09 in 1989, $27.21 in 1988, and $24.76 in 1987.

Outlook

The order backlog at the end of 1989 was approximately $420 million, which is about $10 million higher than the comparable 1988 amount and $75 million higher than the 1987 level. The backlog provides a solid base for 1990. Barring any unforeseen change in the U.S. economic environment, demand in Clark's North American domestic markets is generally expected to remain strong. Overseas sales should continue at the current level. Some market uncertainty exists relating to the Company's Automotive business unit because of the upcoming government changeover in Brazil and the current softness in the U.S. medium-duty truck market. Additional cost reductions achieved from planned capital programs and product development are expected to contribute to 1990 profitability.

MINNTECH CORPORATION (MAR)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Revenues

Total revenues in fiscal year 1989 increased by $5,612,000, or 43%, due principally to sales of the Company's new membrane oxygenator and increased sales of dialysis concentrate products and dialyzer reprocessing equipment and supplies. Revenues in fiscal 1988 increased by 23% primarily as a result of increased sales of concentrate products and reprocessing equipment and supplies.

Product sales have grown at a compound annual rate of 34% over the past three years. The Company expects revenues will also increase significantly in fiscal 1990 due to, among other factors, sharply higher sales of oxygenators. On the other hand, sales of concentrate products are expected to decline in fiscal 1990 as a result of a major customer's decision to manufacture certain products it previously purchased from the Company. This event is not expected to adversely affect the Company's overall revenue growth.

The following table indicates the percentage of total sales by product group for each of the last three fiscal years:

	1989	1988	1987
Dialysis supplies and devices	55%	68%	72%
Reprocessing products	26	26	
Hollow fiber membrane products	19	6	5
	100%	100%	100%

Hollow fiber products are expected to account for an even larger percentage of total sales in fiscal 1990.

Contract revenues in fiscal years 1989, 1988 and 1987 consisted of performance payments received under a development and marketing agreement for the Company's membrane oxygenator. Revenues from this agreement are expected to end in early fiscal 1990. Currently, the Company has no other agreements to provide it with contract revenues. Contract revenues accounted for 2.5% of total revenues in fiscal 1989, 1.7% of total revenues in fiscal 1988, and 7.7% of total revenues in fiscal 1987.

Gross Margins

Gross profit from product sales in fiscal 1989 was $5,158,000, or 28.3% of net sales, compared to $3,546,000, or 27.6%, in fiscal 1988 and $3,464,000, or 35.2%, in fiscal 1987. The gross margin declines in fiscal years 1989 and 1988 compared to fiscal 1987 resulted primarily from production start-up of the Company's new membrane oxygenator and water filtration products. Manufacturing start-up costs generated by these products amounted to approximately $550,000 and $1,300,000 in fiscal years 1989 and 1988, respectively. Fiscal 1989 start-up costs included a $100,000 charge for estimated costs to rework certain oxygenators sold in fiscal 1989. All start-up costs were charged to cost of product sales.

Despite the start-up costs incurred in fiscal 1989, oxygenator production surpassed the breakeven point in the fourth quarter as unit production rose and yields improved. Improvements in the Company's overall gross margin in fiscal 1990 are dependent upon continued increases in unit production and yield of the oxygenator.

Research and Development

Development expenditures in fiscal 1989 were $816,000, or 4.4% of total revenues, compared to $1,096,000, or 8.4% of total revenues, in fiscal 1988 and $1,335,000, or 12.5% of total revenues, in fiscal 1987. The reduced expenses in fiscal years 1989 and 1988 reflected the completion of certain major development projects early in fiscal 1988 and the Company's subsequent reassignment of some of its technical staff to support manufacturing operations. The high level of expenditures in fiscal 1987 resulted from certain major projects moving into the final phases of development. The Company intends to continue investing a substantial portion of its revenues in new product development as part of its strategy to expand into areas outside the dialysis market. Accordingly, the Company expects that total development expenses in fiscal 1990 will approximate 5% of revenues.

Selling, General and Administrative

Selling, general and administrative expenses as a percentage of total revenues have declined over the past four years. SG & A expenses were 20% of total revenues in fiscal 1989, compared to 24.7% in fiscal 1988 and 24.8% in fiscal 1987. Although expenses in fiscal years 1989 and 1988 increased by $513,000 and $581,000, respectively, such expenses declined as a percentage of revenues due to higher sales generated in fiscal years 1989 and 1988. In addition, sharply higher sales to distributor customers in fiscal 1989 served to lower SG&A expenses as a percentage of revenues.

Net Earnings

Net earnings in fiscal 1989 were $893,000, or 4.8% of total revenues, compared to a net loss of $524,000, or 4% of total revenues, in fiscal 1988, and net earnings of $553,000, or 5.2% of total revenues, in fiscal 1987. The improvement in operating results in fiscal 1989 compared to fiscal 1988 amounted to $1,417,000 and resulted from higher sales and reduced manufacturing start-up costs. The net loss in fiscal 1988 was due to manufacturing start-up costs which totaled $1,300,000.

For financial reporting purposes, the Company utilized the balance of its net operating loss carryforwards and income tax credits in fiscal 1989, thereby reducing income taxes by $198,000. The Company incurred income tax expense of $45,000, or 4.8% of pretax earnings, in fiscal 1989 as a result of alternative minimum tax rules. The Company expects that its effective income tax rate for financial reporting purposes in fiscal 1990 will be approximately 35%.

Liquidity and Capital Resources

At March 31, 1989, the Company had $1,023,000 in cash and cash equivalents—a decrease of $454,000 from the fiscal 1988 balance and a $2,600,000 decrease from the fiscal 1987 balance. The decline in cash was due primarily to capital equipment expenditures and to increased levels of accounts receivable resulting from higher sales.

Working capital at March 31, 1989 was $4,802,000, an increase of $502,000 from the March 31, 1988 level. The Company's current ratio at March 31, 1989 was 3.22. These data reflect the strength of the Company's balance sheet and its capacity to absorb additional debt financing, if required. The Company currently has an unused $500,000 bank line of credit.

In fiscal 1987, the Company began upgrading certain production facilities and also began equipping its plant to manufacture new products. This expansion continued throughout fiscal 1988 and fiscal 1989. As a result, the Company has acquired a total of $4,499,000 in machinery and equipment over the past three years as follows: fiscal 1989—$1,376,000, fiscal 1988—$1,848,000, and fiscal 1987—$1,275,000. The Company borrowed $600,000 under a five-year term loan facility to finance a portion of its equipment acquisitions in fiscal 1989. The Company plans to invest approximately $1,400,000 in capital equipment in fiscal 1990 to meet the needs of its expanding business.

In fiscal years 1987 and 1988 certain holders of the Company's subordinated convertible debentures converted an aggregate $515,000 of principal amount into approximately 121,600 shares of common stock, thereby providing the Company with equity capital. All debentures were fully liquidated by December 1987.

The Company believes that its strong financial condition at March 31, 1989, along with funds expected to be generated from operations, will be sufficient to meet its working capital and capital investment needs in fiscal 1990.

REPUBLIC GYPSUM COMPANY (JUN)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Comparison of Fiscal 1989 and Fiscal 1988

Consolidated net sales of $48,069,000 in fiscal 1989 were 8% less than the $52,138,000 reported in the prior year. The decline was caused primarily by a 6% reduction in gypsum wallboard net selling prices from 1988 to 1989 along with a15% reduction in gypsum wallboard shipments. The continuation of the downward trend in construction activity in many of the Company's markets, especially its historical primary market in the Southwest where general economic conditions continue to be depressed, and excessive productive capacity in the industry caused the overall drop in gypsum wallboard sales. The gypsum division's operating loss of $1,363,000 in 1989 compares to an operating profit of $396,000 in 1988. Results in recent years have been adversely affected by depressed oil and gas prices and a related collapse of real estate values and building activity in the Southwest and by a nationwide decline of construction spending. To moderate the impact of these developments on the Company, management has conducted more business in the stronger construction markets of the Midwest and the East, has sold more paperboard to customers outside the construction industry and has reduced manufacturing costs and administrative expenses. The construction industry is currently in a cyclical decline due to high interest rates and changes in the tax laws. In addition, production capacity in the gypsum wallboard industry significantly exceeds current demand, and capacity is continuing to expand.

The gypsum wallboard industry has become more competitive in recent years for a variety of reasons. First, there is a greater imbalance between production capacity and demand in the Southwest than in other parts of the country. Southwestern plants ship to other parts of the country causing prices in those regions to decline. Second, the marketing and pricing dominance of the very large companies has been eroded by other gypsum manufacturers, both large and small. This trend, while more pronounced in the Southwest due to the oil and gas industry depression, is prevalent nationwide. There is no evidence of an abatement of competitive pressures resulting from this trend. Third, imports are becoming a greater problem. Foreign producers have increased shipments into the Northeast in recent years, and two recently built plants in Mexico are now shipping into the U.S. Fourth, there is the influence of the nationwide trend toward restructuring, recapitalizing and leveraging of balance sheets with debt. There appears to be, as a result of this nationwide trend, a tendency for companies to operate in a manner conducive to the generation of maximum short-term cash flows rather than for long-term profitability.

Due to the excessive production capacity and reduced demand in the gypsum wallboard industry noted above, the Company has temporarily modified the production work flow of its Duke, Oklahoma plant so that one production line, operating at higher speeds, can generate sufficient output to meet expected demand. The efficiencies of the modified production line more than offset the negative influence of spreading selling and administrative expenses and other fixed costs over less volume.

Net sales of paperboard decreased 3% from 1988 to 1989, due to a 5% reduction in shipments partially offset by a slight increase in selling prices. Operating profits of Republic Paperboard Company of $7,526,000 in 1989 were 16% better than $6,506,000 reported in 1988. Raw material costs per ton of paperboard decreased 15% during 1989, due to lower raw material costs and to improved raw material utilization.

Selling and administrative expenses were reduced by $798,000 from fiscal 1988 to 1989. Included therein was a $363,000 reduction of corporate expenses.

In July 1989, the Company's wholly-owned subsidiary, Republic Paperboard Company, purchased certain production equipment for cash and assumed the lease for land and buildings of a Kansas City, Kansas container plant formerly operated by Packaging Corporation of America. The total capital employed of this operation will be approximately $4,000,000 to $5,000,000 (inclusive of working capital of $1,500,000 to $3,000,000), depending on the level of shipments obtained. Republic Paperboard's new Container Division commenced manufacturing operations on August 3 and made its first shipment on August 9, 1989. The Company expects the new facility to operate near break even in fiscal year 1990.

Interest expense increased, while debt decreased, because of indemnification clauses in certain loan agreements designed to offset the negative impact to the lender of certain changes in the federal income tax law.

Miscellaneous income declined $71,000 in 1989 from that of 1988, primarily because of the inclusion in 1988 of a medical insurance refund received (related to a change to self insurance).

The provision for income taxes declined to 18% of income before taxes in 1989 from 34% in 1988, due primarily to the availability of $286,000 of claimed refunds (net of federal tax) of state income taxes paid in prior years. These refunds resulted from changes in allocations of revenues and expenses between states.

Comparison of Fiscal 1988 and Fiscal 1987

Consolidated net sales of $52,138,000 in fiscal 1988 were 8% less than the $56,848,000 reported in the prior year. The decline was caused, primarily, by a 17% reduction in gypsum wallboard net selling prices from 1987 to 1988 after a similar price reduction the previous year and, secondarily, by a small reduction in shipments. The decline in construction activity in many of the Company's markets, especially in the Southwest, and excessive productive capacity in the industry caused the overall drop in gypsum wallboard sales. The gypsum division's operating profits of $396,000 in 1988 were 93% below the $5,695,000 achieved in 1987.

Net sales of paperboard increased 6% from 1987 to 1988, due to a small increase in shipments and a slight hike in selling prices. Raw material costs per ton of paperboard increased 22% during 1988. This development was partially offset by a 15% reduction in unit energy costs. Operating profits of Republic Paperboard Company of $6,506,000 in 1988 were 17% below the $7,821,000 reported in 1987. The decline in profitability is explained by the increase in raw material costs.

The improvement in miscellaneous income between 1987 and 1988 is attributable to (i) a medical insurance refund received (related to a change to self insurance) in 1988 and (ii) a charge for termination of a proposed co-generation project in 1987.

Net income in 1988 as compared to 1987 was favorably affected by a reduction of statutory federal income tax rate from 46% to 34%.

Cyclical and Seasonal Nature of Business

Demand for wallboard and, to a lesser extent, paperboard is directly affected by the cyclical nature of the residential and commercial construction industries in the Company's markets. The operating profit margins achievable by the Company from the manufacture and sale of wallboard are affected significantly by trends in the demand for wallboard. Typically, wallboard selling price increases are realized during periods of high demand for wallboard in relation to available production capacity. During periods of low demand in relation to available production capacity, wallboard selling price decreases reduce operating profit margins. Fluctuations in the level of construction activity tend to have an effect on profit margins realizable from the manufacture and sale of paperboard similar to, though less pronounced than, the effect on profit margins from the manufacture and sale of wallboard. Operating profit margins on sales of paperboard are also impacted by changes in raw material costs, which may not necessarily correspond with the construction cycle.

Liquidity, Capital Resources and Changes in Financial Condition

Cash and cash equivalents decreased to $3,068,000 at the close of 1989 down from $5,170,000 one year earlier while the Company's investments and marketable securities increased to $7,934,000 from $4,925,000 at the beginning of fiscal 1989. Working capital rose to $17,773,000 at June 30, 1989 from $15,918,000 a year earlier. The ratio of current assets to current liabilities was 3.6-to-one at June 30, 1989 and 3.3-to-one at June 30, 1988. Net cash provided by operating activities of $6,697,000 in fiscal 1989 was adequate to fund $2,421,000 of dividends, $1,812,000 of additions to property, plant and equipment and $1,601,000 of interest bearing debt repayments.

The Company continues to invest excess funds in short-term, interest bearing obligations.

Management is not aware of any significant demands for capital funds which may materially affect short-term or long-term liquidity in the form of large fixed asset acquisitions, unusual working capital commitments or contingent liabilities.

Future capital needs of the Company are expected to be provided by future operations and existing cash balances. Supplemental funds, in the event additional capital is needed, are considered to be available from banks with which the Company maintains good relationships.

During fiscal 1987, the Board of Directors of the Company authorized the purchase of an additional 500,000 shares of the Company's common stock. At this date, a total of 204,000 shares have been acquired pursuant to that program. No shares were acquired during the 1989 fiscal year.

Interest bearing debt amounted to 23% of total capital at the end of the 1989 fiscal year. This compares to 27% at the end of fiscal 1988 and 29% at the close of 1987. Maturities of interest bearing debt during fiscal 1990 will be $1,975,000. The retention of earnings is expected to be the primary method by which the proportion of debt in the Company's capital structure is reduced.

On August 7, the Board of Directors declared a dividend of $.05 per share of common stock to be paid on September 15 to holders of record on August 31, 1989. A reduction in the quarterly dividend from $.09 to $.05 per share per quarter was effected in the December 1988 quarter to preserve balance sheet liquidity. The lower dividend means that cash required for dividends will be approximately $2,017,000 per year rather than $3,631,000.

The Company will be required to comply with SFAS 96 in fiscal 1991. See Note 6 of "Notes to Consolidated Financial Statements."

WAUSAU PAPER MILLS COMPANY (AUG)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net Sales

Net sales for the fiscal year ended August 31, 1989 were $317.1 million. This represents an increase of 12% over 1988 sales of $284.2 million, which in turn were 13% over net sales in 1987 of $251.4 million. The improvement in net sales during the past year was due primarily to selling price increases, particularly in the fine printing grades offered by the Company's Brokaw Division.

Fiscal 1989 marks the fourth consecutive year of record shipments for the Company. Shipments in 1989 totalled 256,900 tons, compared to 250,400 tons in 1988 and 238,100 tons in 1987. During 1989, demand varied between the Company's two major market segments. Demand for the Company's fine printing paper grades was excellent throughout the past year, while some fluctuation was experienced in the demand for the Company's pressure sensitive backing papers during the third quarter. The Company is experiencing strong demand for its products in early fiscal 1990, as indicated by an August 31, 1989 order backlog of $36.4 million, an increase of $5.8 million or 19% over the August 31, 1988 order backlog of $30.6 million.

Gross Profit

Gross profit margins increased to 14.9% in 1989 from 14.2% in 1988 and compares to 14.9% in 1987. This increase was accomplished despite the continued escalation in the price of market pulp, the basic raw material consumed in the production process. The average annual market price of northern bleached softwood kraft rose by 21% in 1989 and 20% in 1988. The prices of other raw materials and chemicals have generally increased consistent with the rate of inflation. Selling price increases, efficiency improvements and cost reduction programs have offset the higher material costs experienced in 1989. Maintenance and repair expenses during 1989 were $15.7 million as compared to $16.4 million and $12.3 million in 1988 and 1987, respectively.

Cost Reduction and Capacity Expansion

During 1989, the Company concentrated on implementing the most extensive capital plan in its 90 year history. The primary focus of the plan is to increase operating efficiencies and production capabilities. The 1989 capital plan centered on the pulp mill and finished room expansions at the Brokaw Division, and the new supercalender, new rewinder, and No. 7 paper machine rebuild at the Rhinelander subsidiary. These projects are designed to continue the Company's positive earnings trend by reducing costs and increasing production capabilities.

At the Brokaw Division, the pulp mill expansion is nearing completion after encountering several start-up problems. Since start-up in August 1989, pulp production has been substantially lower than anticipated. This has temporarily increased Brokaw's reliance on higher cost market pulp. When fully operational, the pulp mill expansion is expected to increase pulp mill capacity by 17% while reducing the manufacturing cost of pulp by 13%. The finishing room expansion has progressed on schedule, with the exception of delivery on one of the automated sheeters. Delivery and installation is expected to occur during the second quarter of 1990, completing the finishing room expansion. This expansion will provide Brokaw with one of the most technically advanced finishing rooms in the world and enable the mill to continue to focus its marketing efforts toward more profitably grades.

At the Rhinelander subsidiary, the new supercalender and rewinder have been installed and are operational. The No. 7 paper machine is scheduled for an approximate 30-day rebuild late in the second quarter of fiscal 1990. Delivery of equipment is on schedule and segments of the project are being installed prior to the machine shutdown. When complete, the paper machine rebuild will increase Rhinelander's production capacity by 25%. These projects will position Rhinelander to meet the growing demand in the pressure sensitive backing and technical specialty paper markets.

Labor

In December 1988, a three year agreement was reached with the United Paperworkers International Union at the Rhinelander subsidiary. Settlement terms at Rhinelander included a lump sum signing bonus of $1,200 per union employee in the first year, followed by a 2.75% wage increase in the second year and a 3.0% wage increase in the third year of the contract. This follows the three year agreement reached with the United Paperworkers International Union at the Brokaw Division in May 1988. Settlement terms at Brokaw were $1,200 per union employee in the first year, followed by a 2.75% wage increase in the second year and a 3.0% increase in the third year of the contract. The Company considers its relationship with its employees to be excellent and is of the opinion that the current labor agreements will enhance the Company's competitive position in the paper industry. The agreements will expire in May 1991 and December 1991 at the Brokaw and Rhinelander mills, respectively.

Selling, Administrative and Research Expenses

Selling, administrative and research expenses were $15.6 million in 1989, as compared to $15.4 million in 1988 and $14.7 million in 1987. Continued emphasis on cost containment programs has enabled the company to control selling and administrative costs. Current expansion projects are not expected to add significant cost in this area.

Interest Income and Expense

Interest income and expense combined for a net income of $.4 million in 1989, compared to a net expense of $.8 million and $1.7 million in 1988 and 1987, respectively. The decline in net expense (increase in net income) is due primarily to the recording of $1.9 million of capitalized interest in 1989, compared to $200 thousand in 1988 and $35 thousand in 1987. The amounts capitalized were calculated in accordance with generally accepted accounting principles and are directly related to the accelerated capital spending at both mills.

Income Taxes

The income tax provision was $11.3 million in 1989 for an effective tax rate of 35.1%. This compares with effective rates in 1988 and 1987 of 34.3% and 42.5%, respectively. The lower rates experienced since 1987 are attributable to tax law changes associated with the Tax Reform Act of 1986. The Company has until fiscal 1991 to adopt Statement of Financial Accounting Standard No. 96 "Accounting For Income Taxes" ("SFAS 96"), issued in December 1987. The statement requires the use of the liability method of accounting and reporting for income taxes. Although SFAS 96 will have a positive effect on the Company's financial statements, the impact cannot be determined until the Company selects a method of adoption.

Capital Resources and Liquidity

Long-Term Debt

The Company reported long-term debt of $37.5 million at August 31, 1989, compared to $15.8 million at the end of 1988 and $20.3 million at the end of 1987. Long-term debt as a percentage of total capitalization rose to 25% from 1988 and 1987 levels of 15% and 21%, respectively. Due to capital spending, the Company initiated borrowing under its revolving credit facility agreement in 1989. As of August 31, 1989, the Company has borrowed $22 million under this agreement, accounting for most of the long-term debt increase. Current capital plans and cash projections indicate that total long-term debt will peak between $45 million and $50 million in fiscal 1990. Cash generated by operations is expected to decrease the debt burden in the latter part of fiscal 1990, throughout 1991 and beyond.

Cash Provided by Operations

Cash provided by operations increased to $32.7 million in 1989, from $18.4 million and $19.4 million in 1988 and 1987, respectively. The increase in 1989 is due, in part, to higher product selling prices and tight control of operating expenses and working capital.

Capital Expenditures

The Company spent $57.5 million for capital improvements in fiscal 1989. This amount represents record spending for the Company and compares to $15.5 million in 1988 and $11.5 million in 1987. The Company plans to continue its active capital plan by spending approximately $78 million over the next two years.

At the Brokaw Division, the pulp mill expansion has progressed slower than planned and is expected to cost approximately $26 million, up from earlier estimates of $20 million. The increase is due primarily to recent escalations in the price of stainless steel products and unexpected start-up/design difficulties. Although initial output has been substantially below capacity, pulp mill production is expected to steadily increase during the first quarter of fiscal 1990 and reach full capacity in the second quarter.

At the Rhinelander subsidiary, the new rewinder and new supercalender are installed and operational. Coupled with the No. 7 paper machine rebuild, these projects are expected to cost $40 million (within the Company's original budget for this project). Planned for completion in March 1990, this expansion will increase Rhinelander's production capabilities by 25% and provide opportunity for additional sales during the second half of the fiscal year.

Financing

Strong operation profits are expected to continue to provide much of the funding necessary for the Company's capital expansion. The Company maintains a revolving credit facility agreement with two banks to provide up to $55 million of borrowings over the next two years. As of August 31, 1989, $22 million was outstanding under this agreement. The Company expects to borrow an additional $15 million to $20 million under the agreement during fiscal 1990 to complete its capital plan. This would result in peak borrowings under the agreement of $37 million to $42 million, well under the $55 million maximum. The revolving credit facility agreement converts to a four-year term loan on August 1, 1991 (or earlier, at the Company's discretion) requiring annual payments of principal. The Company plans to retire its obligation under this agreement as sufficient funds become available. The Company is of the opinion that sufficient amounts of capital resources are available to achieve both short-term plans and long-term goals.

Dividends

During 1989, the Board of Directors declared cash dividends of $.60 per share. Coupled with the 10% stock dividend issued in January 1989, dividends increased 27% over 1988 levels.

SEGMENT INFORMATION

Statement of Financial Accounting Standards No. 14 (Section S20 of *FASB Accounting Standards—Current Text*) requires that financial statements presented in conformity with generally accepted accounting principles include specified information relating to a reporting entity's: operations in different industries, foreign operations and export sales, and major customers. *SFAS No. 14* describes the information to be presented and the formats for presenting such information. *Statement of Financial Accounting Standards No. 21* amends *SFAS No. 14* by stating that the requirements of *SFAS No. 14* do not apply to nonpublic enterprises.

Table 1-3 shows the type of segment information most frequently presented as an integral part of the 1989 financial statements of the survey companies.

Industry Segments

BERGEN BRUNSWIG CORPORATION (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Industry Segment Information

The Corporation operates principally in two industry segments—wholesale distribution of drugs and health care products and wholesale distribution of consumer electronics. Operations in wholesale distribution of drugs and health care products involve distribution of a full line of pharmaceuticals, proprietary medicines, cosmetics, toiletries, personal health products, small electronics, sundries, convalescent supplies and equipment, and related service programs. Operations in wholesale distribution of consumer electronics involve distribution of prerecorded video cassettes, cellular telephones, personal computers, home/office electronics, auto com-

TABLE 1-3: SEGMENT INFORMATION

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Industry segments				
Revenue	366	397	412	432
Operating income or loss	334	358	381	394
Identifiable assets	366	383	406	424
Depreciation expense	363	383	401	421
Capital expenditures	355	374	397	413
Geographic areas				
Revenue	210	202	211	202
Operating income or loss	162	167	173	156
Identifiable assets	205	204	213	197
Depreciation expense	14	8	13	14
Capital expenditures	13	18	14	18
Export sales	127	121	107	112
Sales to major customers	148	139	127	130

munications products, telephones and video accessories.

Dollars in thousands Years ended August 31,	1989	1988	1987
Net sales and other revenues:			
Drug and health care	$3,373,195	$3,011,292	$2,686,578
Consumer electronics	549,974	475,076	442,403
Total net sales and other revenues	$3,923,169	$3,486,368	$3,128,981
Operating earnings:			
Drug and health care	$ 99,592	$ 84,281	$ 55,565
Consumer electronics	11,269	6,011	5,454
Total operating earnings	110,861	90,292	61,019
Short-term investment income	6,017	3,256	954
Corporate expense	(24,364)	(23,132)	(18,473)
Interest expense	(13,798)	(14,417)	(14,681)
Earnings from continuing operations before taxes on income	$ 78,716	$ 55,999	$ 28,819
Depreciation and amortization:			
Drug and health care	$ 7,726	$ 7,957	$ 7,573
Consumer electronics	2,145	1,600	1,474
Corporate	2,518	2,408	2,362
Total depreciation and amortization	$ 12,389	$ 11,965	$ 11,409
Capital expenditures:			
Drug and health care	$ 13,818	$ 8,138	$ 6,995
Consumer electronics	921	1,203	1,762
Corporate	3,100	1,094	982
Total capital expenditures	$ 17,839	$ 10,435	$ 9,739
Identifiable assets (at August 31):			
Drug and health care	$ 712,278	$ 628,206	$ 516,753
Consumer electronics	121,657	122,519	112,285
Discontinued operations—net	—	—	35,899
Total identifiable assets.	833,935	750,725	664,937
Corporate assets	151,745	137,957	100,799
Total assets	$ 985,680	$ 888,682	$ 765,736

The Corporation operates entirely within the United States and has an immaterial amount of intersegment sales. Corporate assets are primarily cash and cash equivalents, property, deferred charges and other assets.

BOWATER INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Segment and Geographic Information

Information concerning the company's business segments for the three years ended December 31, 1989, appears on page 14.

Sales and operating income for the three years ended December 31, 1989, and identifiable assets at the end of each of those years, classified by geographic area, were as follows:

(In thousands)	United States	Canada	Consolidated
1989			
Sales to unaffiliated customers	$1,318,093	$131,887	$1,449,980
Operating income	$ 271,215	$ 9,306	$ 280,521
Identifiable assets	$2,089,658	$194,553	$2,284,211
1988			
Sales to unaffiliated customers	$1,270,097	$140,314	$1,410,411
Operating income	$ 299,823	$ 34,254	$ 334,077
Identifiable assets	$1,686,753	$193,736	$1,880,489
1987			
Sales to unaffiliated customers	$1,110,409	$120,593	$1,231,002
Operating income	$ 189,357	$ 29,181	$ 218,538
Identifiable assets	$1,555,493	$144,271	$1,699,764

Export Sales

The breakdown of total export sales by geographic area was:

(In thousands)	1989	1988	1987
Europe	$117,193	$ 92,001	$ 75,206
Latin America	18,921	35,517	26,362
Asia	43,933	28,562	12,249
Other	12,415	3,866	445
Total export sales	$192,462	$159,946	$114,262

SEGMENT INFORMATION

(In thousands)	Sales	Operating Income	Depreciation, Amortization and Cost of Timber Harvested	Capital Expenditures, Including Timberlands	Identifiable Assets
Year ended December 31, 1989					
Newsprint	$ 645,324	$ 87,919	$ 55,108	$330,505	$1,100,018
Coated paper	279,197	87,663	26,800	15,126	422,095
Pulp	182,626	96,090	7,215	41,343	155,975
Timber and timberlands and other pulp and paper operations	32,675	12,943	8,438	29,653	319,487
Communication papers	310,158	17,548	8,765	5,956	166,876
Corporate	—	(21,642)	328	799	119,760
Total	$1,449,980	$280,521	$106,654	$423,382	$2,284,211
Year ended December 31, 1988					
Newsprint	$ 671,312	$164,350	$ 48,987	$166,522	$ 824,294
Coated paper	269,670	89,538	26,304	16,918	409,053
Pulp	153,171	75,749	6,783	4,288	132,312
Timber and timberlands and other pulp and paper operations	37,224	15,413	7,602	23,160	305,003
Communication papers	279,034	9,672	8,168	3,350	169,724
Corporate	—	(20,645)	164	107	40,103
Total	$1,410,411	$334,077	$ 98,008	$214,345	$1,880,489
Year ended December 31, 1987					
Newsprint	$ 607,089	$125,909	$ 41,548	$ 48,091	$ 660,400
Coated paper	203,745	33,526	22,649	12,477	461,516
Pulp	125,138	51,855	6,760	3,207	90,974
Timber and timberlands and other pulp and paper operations	37,680	13,059	6,578	18,314	273,510
Communication papers	257,350	10,116	7,752	5,701	167,642
Corporate	—	(15,927)	147	298	45,722
Total	$1,231,002	$218,538	$ 85,434	$ 88,088	$1,699,764

HARNISCHFEGER INDUSTRIES, INC. (OCT)

NOTES TO FINANCIAL STATEMENTS

(Dollar amounts in thousands unless indicated.)

Note 12—Segment Information

The Company designs, manufactures and markets products in four industry segments.

The Systems Group (comprised of Harnischfeger Engineers, Inc. and Syscon Corporation) designs, engineers and integrates automated material handling systems for manufacturing, distribution and warehousing applications. In addition, the group provides systems development, systems integration and systems services primarily for the Department of Defense and other United States government agencies.

Papermaking Machinery and Systems (Beloit Corporation) produces and markets papermaking machinery and allied equipment for the pulp and paper industries.

The Mining Equipment Division (Harnischfeger Corporation) designs, manufactures and markets electric mining shovels, electric and diesel-electric draglines, buckets, hydraulic mining excavators and related replacement parts for the surface mining and quarrying industries.

The Material Handling Equipment Division (Harnischfeger Corporation) designs, manufactures and markets overhead cranes, electric wire rope and chain hoists, engineered products, and crane modernizations and electrical products for use in a variety of industries and applications.

Intersegment sales are not significant. Common operating plants have been allocated to the respective segments. Corporate assets include, principally; cash, cash equivalents, assets held for resale and administration facilities.

Segments of Business By Industry	Total Sales	Operating Income	Depreciation and Amortization	Capital Expenditures	Identifiable Assets
1989					
Systems Group	$ 212,885	$ 16,284	$ 1,195	$ 4,387	$ 147,578
Papermaking Machinery and Systems	898,909	86,227	15,656	33,908	780,975
Mining Equipment	254,467	22,848	3,512	10,245	248,216
Material Handling Equipment	100,365	2,678	2,038	2,583	83,394
Total business segments	1,466,626	128,037	22,401	51,123	1,260,163
Corporate		(21,664)	1,551	507	69,399
Investment in Century II					37,142
Investments in affiliates					3,188
Consolidated total	$1,466,626	$106,373	$ 23,952	$51,630	$1,369,892
1988					
Systems Group	$ 244,953	$ 20,949	$ 537	$ 4,286	$ 146,572
Papermaking Machinery and Systems	697,133	63,465	15,392	21,089	649,826
Mining Equipment	151,716	10,886	3,329	6,604	163,608
Material Handling Equipment	93,655	(5,156)	2,436	3,031	78,179
Total business segments	1,187,457	90,144	21,694	35,010	1,038,185
Corporate		(20,797)	871	380	73,882
Investment in Century II					40,290
Investments in affiliates					14,352
Consolidated total	$1,187,457	$ 69,347	$ 22,565	$35,390	$1,166,709
1987					
Systems Group	$ 193,953	$ 15,627	$ (1,810)	$ 2,715	$ 151,697
Papermaking Machinery and Systems	492,038	34,581	12,818	19,473	552,670
Mining Equipment	173,498	19,136	2,621	3,305	127,013
Material Handling Equipment	98,057	(6,995)	2,100	1,605	74,887
Total business segments	957,546	62,349	15,729	27,098	906,267
Corporate		(19,031)	1,579	256	62,018
Discontinued operations					90,654
Investments in affiliates					11,500
Consolidated total	$ 957,546	$ 43,318	$ 17,308	$27,354	$1,070,739

Sales to agencies of the government of the United States approximated 11%, 16% and 15% of net sales in 1989, 1988 and 1987, respectively. Over 71% of the Systems Group sales resulted from contracts with the United States Government in 1989.

Geographical Segment Information	Total Sales	Interarea Sales	Sales to Unaffiliated Customers	Operating Income	Identifiable Assets
1989					
United States	$1,108,808	$(85,693)	$1,023,115	$112,138	$ 837,963
Europe	248,304	(27,818)	220,486	15,367	305,437
Other Foreign	235,865	(12,843)	223,025	4,068	177,799
Interarea Eliminations	(126,354)	126,354	—	(3,536)	(61,036)
	$1,466,626	$ —	$1,466,626	$128,037	$1,260,163
1988					
United States	$ 845,603	$(45,415)	$ 800,188	$ 64,750	$ 664,423
Europe	193,572	(9,465)	184,107	16,143	252,138
Other Foreign	204,732	(1,570)	203,162	8,806	166,874
Interarea Eliminations	(56,450)	56,450	—	445	(45,250)
	$1,187,457	$ —	$1,187,457	$ 90,144	$1,038,185
1987					
United States	$ 684,966	$(44,842)	$ 640,124	$ 51,875	$ 602,475
Foreign	340,077	(22,655)	317,422	11,151	348,198
Interarea Eliminations	(67,497)	67,497	—	(677)	(44,406)
	$ 957,546	$ —	$ 957,546	$ 62,349	$ 906,267

Exports of U.S. produced products were approximately $139,000, $111,000 and $108,000 in 1989, 1988 and 1987, respectively.

TRINITY INDUSTRIES, INC. (MAR)

SEGMENT INFORMATION

The Company manufactures, sells, and leases a variety of metal products consisting principally of (1) rail freight cars, principally tank cars and hopper cars ("Railcars"); (2) pressure and non-pressure containers for the storage and transportation of liquefied gases, other liquid, and dry products ("Containers"); (3) structural products such as highway guardrail and beams, girders, and columns used in construction of office buildings, highway and railway bridges, power plants, mills, etc. ("Structural Products"); (4) boats and barges for ocean and inland waterway service ("Marine Products"); (5) weld fittings (tees, elbows, reducers, caps, flanges, etc.) used in pressure piping systems and container heads (the ends of pressure and non-pressure containers) for use internally and by other manufacturers of containers ("Metal Components"); and (6) railcar and barge leasing to various industries ("Leasing").

Financial information for these segments is summarized in the following table. The Company operates only in the continental United States. Intersegmental sales are shown at market prices.

Corporate assets consist primarily of cash and other short-term investments, other assets, notes receivable, land held for investment, and certain property, plant and equipment.

The Railcar segment included net sales to one customer which accounted for 13.4 percent and 11.0 percent of consolidated net sales in fiscal 1989 and fiscal 1988, respectively.

Segments of Business (in millions)	Railcars	Containers	Structural Products	Marine Products	Metal Components	Leasing	Eliminations & Corporate Items	Consolidated Total
Year ended March 31, 1989								
Total sales and revenues:								
Trade	$414.1	93.7	211.6	129.0	81.2	71.2	0.5	1,001.3
Intersegment	$ 18.5	—	—	—	11.1	—	(29.6)	—
Total	$432.6	93.7	211.6	129.0	92.3	71.2	(29.1)	1,001.3
Operating profit (loss)	$ 40.9	13.5	4.4	1.1	15.3	5.8	(21.0)	60.0
Identifiable assets	$221.8	37.0	118.6	108.4	57.8	278.3	56.2	878.1
Depreciation	$ 6.3	0.7	3.1	4.1	1.4	13.1	2.2	30.9
Additions (net) to property, plant and equipment	$ 9.6	0.3	0.9	4.1	1.0	9.7	5.9	31.5
Year ended March 31, 1988 (Restated)								
Total sales and revenues:								
Trade	$209.2	77.5	176.5	77.3	57.4	72.8	2.1	672.8
Intersegment	$ 32.9	—	—	—	7.8	—	(40.7)	—
Total	$242.1	77.5	176.5	77.3	65.2	72.8	(38.6)	672.8
Operating profit (loss)	$ 7.0	11.8	6.3	2.3	9.8	6.2	(18.0)	25.4
Identifiable assets	$165.3	38.4	110.2	48.6	38.5	281.2	52.2	734.4
Depreciation	$ 4.8	0.9	4.0	2.2	1.4	13.9	2.0	29.2
Additions (net) to property, plant and equipment	$ 1.2	2.7	1.1	1.2	(1.3)	29.4	4.1	38.4
Year ended March 31, 1987 (Restated)								
Total sales and revenues:								
Trade	$138.1	48.6	209.8	34.9	34.2	55.8	2.1	523.5
Intersegment	$ 23.4	—	—	—	5.8	—	(29.2)	—
Total	$161.5	48.6	209.8	34.9	40.0	55.8	(27.1)	523.5
Operating profit (loss)	$ 7.0	6.9	10.0	(2.8)	2.4	2.8	(12.0)	14.3
Identifiable assets	$127.4	28.9	112.2	38.4	35.8	274.4	51.7	668.8
Depreciation	$ 3.5	0.4	4.1	1.6	1.2	14.0	2.1	26.9
Additions (net) to property, plant and equipment	$ 1.2	0.2	(0.1)	1.1	0.5	18.5	0.5	21.9

PETTIBONE CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J—Business Segment Information

The Company is engaged in the design, manufacture and sale of products in three principal business segments. For the years ended March 31, 1989 and 1988, one customer accounted for approximately 36% of Railway Track Specialty segment net sales, the loss of which would have a material adverse effect on the segment if not replaced with other business. Business segment information for the prior three years is as follows ($000's omitted):

	March 31, 1989	1988	1987
Net shipments—			
Mobile equipment	$ 72,939	$ 61,521	$ 52,482
Foundry and processing equipment	47,808	39,700	34,281
Railway track speciality	9,595	8,515	5,861
Net shipments	$130,342	$109,736	$ 92,624
Amount of export sales included above (primarily to western hemisphere countries and the orient)	$ 17,511	$ 12,710	$ 13,933
Operating income (loss)—			
Mobile equipment	$ 7,315	$ 8,758	$ 6,180
Foundry and processing equipment	5,591	3,144	2,698
Railway track speciality	(2,902)	(473)	184
Corporate expenses	(4,997)	(5,516)	(5,293)
Earnings from operations	5,007	5,913	3,769
Interest expense	(934)	(72)	(61)
Other income (expense)—net	448	849	220
Earnings from continuing operations	$ 4,521	$ 6,690	$ 3,928
Assets—			
Mobile equipment	$ 33,215	$ 25,577	$ 21,853
Foundry and processing equipment	23,994	18,808	19,518
Railway track speciality	5,122	7,093	6,479
Corporate	3,676	15,789	16,616
Net assets of discontinued operations	2,176	2,827	6,105
	$ 68,183	$ 70,094	$ 70,571
Net additions (disposals) of property, plant and equipment—			
Mobile equipment	$ 618	$ 278	$ (528)
Foundry and processing equipment	698	120	8
Railway track speciality	89	107	49
	$ 1,405	$ 505	$ (471)
Depreciation—			
Mobile equipment	$ 378	$ 275	$ 637
Foundry and processing equipment	323	368	443
Railway track speciality	521	498	506
	$ 1,222	$ 1,141	$ 1,586

Foreign Operations

BAUSCH & LOMB INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Industry Segment and Geographic Information

The company's operations are classified into two different business segments: healthcare and optics.

Operations within the healthcare segment include the production, manufacture and sale of solutions used in the care of contact lenses and for relief of eye irritation; contact lenses and materials; contact lens accessories; oral care products; periodontal diagnostic equipment; hearing aids; over-the-counter and prescription ophthalmic pharmaceuticals; laboratory animals, principally rats, mice and guinea pigs specially bred for use in biomedical research; and specialized biotechnical products and services used primarily for production of monoclonal antibodies. This segment also includes a vision care services plan, a contact lens frequent replacement program and insurance for lens wearers.

The optics segment manufactures and sells products used for the enhancement or protection of vision. These include sunglasses, ophthalmic frames, binoculars, riflescopes and telescopes. Optical thin film coating services are also included in this segment.

Inter-area sales to affiliates represent products which are transferred between geographic areas on a basis intended to reflect as nearly as possible the market value of the products.

Operating earnings by business segment and by geographic area are defined as sales less operating costs and expenses. Income and expense not allocated to business segments or geographic areas include investment income, interest expense, foreign currency gains and losses and corporate administrative costs.

Identifiable assets are those assets used exclusively in the operations of each business segment or geographic area, or which are allocated when used jointly. Corporate assets are principally comprised of cash, short-term investments and certain property, plant and equipment.

The following tables show sales, operating earnings and other financial information by industry segment and geographic area for the years 1989, 1988 and 1987.

Industry Segment

Dollar Amounts in Thousands	Healthcare	Optics	Divested Businesses	Corporate and Other	Consolidated
1989					
Sales	$779,625	$440,674	$ —	$ —	$1,220,299
Operating earnings	136,249	95,051	—	—	231,300
Depreciation	28,497	9,712	—	2,447	40,656
Identifiable assets	827,156	288,433	—	313,567	1,429,156
Capital expenditures	67,772	28,698	—	3,872	100,342
1988					
Sales	$635,461	$342,815	$ —	$ —	$ 978,276
Operating earnings	126,111	60,048	—	—	186,159
Depreciation	24,823	7,362	—	1,075	33,260
Identifiable assets	738,640	215,161	—	258,834	1,212,635
Capital expenditures	63,071	18,440	—	21,613	103,124
1987					
Sales	$514,108	$279,991	$46,238	$ —	$ 840,337
Operating earnings	108,552	45,983	2,550	—	157,085
Depreciation	20,972	5,688	1,366	1,487	29,513
Identifiable assets	554,809	194,477	1,456	227,962	978,704
Capital expenditures	34,236	10,798	1,706	2,665	49,405

Geographic Area

Dollars Amounts in Thousands	United States	Europe	Asia and Pacific	Other International	Consolidated
1989					
Sales to unaffiliated customers	$772,296	$212,747	$163,428	$71,828	$1,220,299
Inter-area sales to affiliates	72,411	43,788	115	960	117,274
Operating earnings	122,780	59,808	36,066	12,646	231,300
Identifiable assets	767,829	498,758	121,257	41,312	1,429,156
1988					
Sales to unaffiliated customers	$612,885	$181,448	$126,538	$57,405	$ 978,276
Inter-area sales to affiliates	69,992	39,361	92	66	109,511
Operating earnings	96,226	52,261	26,101	11,571	186,159
Identifiable assets	669,421	408,059	93,639	41,516	1,212,635
1987					
Sales to unaffiliated customers	$551,191	$141,878	$ 99,364	$43,904	$ 840,337
Inter-area sales to affiliates	58,126	35,811	336	184	94,457
Operating earnings	99,500	32,945	17,099	7,541	157,085
Identifiable assets	454,715	414,445	76,335	33,209	978,704

BINKS MANUFACTURING COMPANY (NOV)

(17) Information about the Company's Operations in Different Geographic Areas

Year ended November 30, 1989:	United States	France	United Kingdom	Canada	Other Areas	Consolidated
Net sales	$136,289,000	31,904,000	25,646,000	11,413,000	32,105,000	237,357,000
Operating income	$ 10,431,000	2,903,000	1,825,000	288,000	3,543,000	18,990,000
Interest expense						(3,674,000)
Contributions to employees' profit-sharing funds						(995,000)
Gain on sale of land						1,570,000
Other income, net						815,000
Earnings before income taxes and equity in loss of unconsolidated subsidiaries						$ 16,706,000
Identifiable assets at November 30, 1989	$ 95,241,000	25,309,000	18,589,000	13,588,000	23,406,000	176,133,000
Investments in and advances to an affiliate and unconsolidated subsidiaries						1,988,000
Goodwill						3,200,000
Total assets at November 30, 1989						$181,321,000
Year ended November 30, 1988:						
Net sales	$123,928,000	32,424,000	18,254,000	9,851,000	25,467,000	209,924,000
Operating income	$ 8,634,000	2,685,000	1,148,000	32,000	2,377,000	14,876,000
Interest expense						(2,864,000)
Contributions to employees' profit-sharing funds						(823,000)
Other income, net						850,000
Earnings before income taxes, equity in loss of unconsolidated subsidiaries and cumulative effect of a change in accounting principle						$ 12,039,000
Identifiable assets at November 30, 1988	$ 84,140,000	26,377,000	15,369,000	8,596,000	21,285,000	155,767,000
Investments in and advances to unconsolidated subsidiaries						1,388,000
Goodwill						3,285,000
Total assets at November 30, 1988						$160,440,000
Year ended November 30, 1987:						
Net sales	$147,741,000	1,925,000	9,908,000	14,954,000	21,641,000	196,169,000
Operating income	$ 13,562,000	103,000	382,000	262,000	1,529,000	15,838,000
Interest expense						(1,424,000)
Contributions to employees' profit-sharing funds						(1,137,000)
Other income, net						861,000
Earnings before income taxes and equity in loss of unconsolidated subsidiaries						$ 14,138,000
Identifiable assets at November 30, 1987	$ 79,611,000	12,684,000	9,418,000	7,218,000	19,651,000	128,582,000
Investments in and advances to unconsolidated subsidiaries						951,000
Goodwill						3,356,000
Total assets at November 30, 1987						$132,889,000

The Company and its subsidiaries are engaged in one major line of business, the manufacture and sale of spray finishing and coating application equipment.

In 1989 and 1988, no single customer accounted for more than 10% of sales. Approximately 11% of sales in 1987 were made to a single customer who purchases through a large number of different divisions and plants.

COLGATE-PALMOLIVE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Geographic Areas and Industry Segments

Reference is made to pages 22 and 23 of this annual report for financial and descriptive information concerning the Company's geographic areas and industry segments. This information covers the three years 1987 through 1989 and is an integral part of these financial statements.

GEOGRAPHIC AREA DATA

Thousands of Dollars	1989	1988	1987
Net sales:			
United States	$1,828,018	$1,687,173	$1,513,544
Europe	1,556,929	1,508,207	1,487,291
Western Hemisphere	967,415	909,841	844,781
Far East and Africa	686,451	629,104	520,071
	$5,038,813	$4,734,325	$4,365,687
Operating profit:			
United States	$ 180,117	$ 67,974[1]	$ 83,574[2]
Europe	119,067	99,917	12,284[2]
Western Hemisphere	114,561	114,054	90,459[2]
Far East and Africa	67,257	55,770	15,673[2]
	$ 481,002	$ 337,715[1]	$ 201,990[2]
Identifiable assets:			
United States	$1,386,417	$1,272,097	$1,112,778
Europe	945,983	880,368	758,996
Western Hemisphere	376,857	386,671	341,228
Far East and Africa	349,287	316,044	279,083
Discontinued operations	—	—	703,142
	$3,058,544	$2,855,180	$3,195,227

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[1]Operating profit for United States geographic area and Specialty Marketing segment data in 1988 includes the effect of the Hill's service agreement renegotiation expense of $59,000.

[2]Operating profit for geographic area and segment data in 1987 includes the effect of the charge for restructured operations of $205,700. The effects on geographic area data were to reduce the operating profit of the United States, Europe, Western Hemisphere, and Far East and Africa by $37,700, $69,000, $6,000 and $21,600, respectively. The operating profit of the Household and Personal Care and Specialty Marketing segments was reduced by $128,300 and $6,000, respectively. Net unallocated expenses include $71,400 representing certain 1987 charges for restructured operations.

Major Customers

KEVLIN MICROWAVE CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Financial Information for Business Segments

A significant portion of the Company's net sales has been derived from five major customers in 1989, 1988, and 1987. All of these sales were in the Microwave Products segment. Specifically:

two customers accounted for 24% and 12% in 1989;

two additional customers accounted for 21% and 12% in 1988;

one other customer accounted for 10% in 1988 and 14% in 1987.

In addition, sales to foreign customers were approximately 14%, 18%, and 15% of the Company's consolidated sales in 1989, 1988, and 1987, respectively. Geographically, these sales were distributed as follows:

Fiscal years ended May 31,	1989	1988	1987
Canada	35%	27%	16%
Europe	31%	50%	58%
Asia	34%	23%	26%

THE STANDARD PRODUCTS COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Segment Information

The Company's operations are in two industry segments. The Transportation Equipment Segment includes extruded and molded rubber and plastic products for automotive, building and marine industries and rubberized tracks for tanks and other military vehicles. The Tread Rubber Segment produces and markets precure and mold cure rubber for the tire retreading industry.

The Transportation Equipment Segment includes the results of the recently acquired Holm Industries, Inc., while the acquisition of certain assets of the Long Mile Rubber Company are reflected in the Tread Rubber segment.

Net sales by segment include both sales to unaffiliated customers, as reported in the Company's Consolidated Statements of Income, and intersegment sales. Operating income consists of net sales less applicable operating costs and expenses related to those sales. In computing operating income, general corporate expenses are excluded. Identifiable assets by segment are those assets that are used in the operations of each segment. General corporate assets are those not identifiable with the operations of a segment.

Approximately 71%, 73% and 70% of the Company's annual revenues in 1989, 1988 and 1987, respectively, are represented by direct sales to automotive original equipment customers—Chrysler, Ford and General Motors. Sales to the automotive original equipment customers include a number of different products and types of the same product, the sales of which are not interdependent. Sales to the United States Government were 10% of consolidated sales in 1987 and have declined to levels below 10% since then.

Export Sales

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

L (In Part): Business Segments:

Summarized data for the Company's foreign operations (principally in Europe), are as follows (in thousands):

	1989	1988	1987
Revenues—unaffiliated customers	$311,134	$299,049	$245,786
Intersegment revenues	—	—	—
Total revenues	$311,134	$299,049	$245,786
Operating profit	$ 8,016	$ 5,461	$ 5,391
Identifiable assets	$105,434	$116,806	$ 94,051

Net earnings of the Company's foreign subsidiaries have been reinvested in these subsidiaries.

Export sales from the Company's United States operations were as follows (in thousands):

	1989	1988	1987
Far East	$38,498	$13,775	$13,712
Europe	1,834	710	3,797
Other	19,774	22,085	14,341
Total	$60,106	$36,570	$31,850

The Company operates in four business segments, as indicated below. In conjunction with the consolidation of CMC Finanz AG, the Company has formed a new financial services segment. This segment is active in international trade finance, investments, project financing, as well as portfolio and asset management. Amounts for prior years have been restated. Intersegment sales generally are priced at prevailing market prices. Certain corporate administrative expenses have been allocated to segments based upon the nature of the expense.

PEERLESS MFG. CO. (JUN)

NOTES TO FINANCIAL STATEMENTS

Note H—Segment Reporting

The Company's operations consist of a dominant industry segment—the designing, manufacturing and selling of specialized products for separating liquid and solid contaminants from gases.

Sales to a single customer exceeding 10% of total sales were as follows: 1989—$1,600,000; 1988—$1,226,000.

Export sales account for a significant portion of the Company's revenues and are summarized by geographic areas as follows:

	1989	1988	1987
Western Europe	$ 288,000	$1,213,000	$ 968,000
North America (excluding U.S.A.)	697,000	450,000	213,000
South America	380,000	485,000	1,028,000
Middle East	2,434,000	945,000	6,000
Far East	562,000	470,000	542,000
Total export sales	$4,361,000	$3,563,000	$2,757,000

NATURAL BUSINESS YEAR

For years, the accounting and legal professions, printers, the Securities and Exchange Commission, and others interested in various aspects of the year-end bottleneck have advocated that companies adopt a natural business year. A natural business year is the period of 12 consecutive months which ends when the business activities of an entity have reached the lowest point in their annual cycle. In many instances, the natural business year of a company is December 31.

Table 1-4 summarizes, by the month in which a fiscal year ends, the fiscal year endings of the survey companies. For tabulation purposes, if a fiscal year ended in the first week of a month, the fiscal year was considered to have ended in the preceding month.

One hundred twenty-nine survey companies use a 52-53 week fiscal year.

During 1989, five companies changed the date of their fiscal year end. Examples of such changes and examples of fiscal year definitions follow.

TABLE 1-4: MONTH OF FISCAL YEAR END

	1989	**1988**	**1987**	**1986**
January	22	20	23	23
February	15	13	13	15
March	16	15	14	11
April	8	7	8	5
May	15	16	14	16
June	57	54	42	43
July	16	14	14	14
August	16	15	15	18
September	37	38	37	36
October	20	22	23	23
November	17	15	16	15
Subtotal	**239**	**229**	**219**	**219**
December	361	371	381	381
Total Companies	**600**	**600**	**600**	**600**

Change In Date Of Fiscal Year Ending

HILLS DEPARTMENT STORES, INC.

Consolidated Balance Sheets

	Feb. 3, 1990	Jan. 28, 1989

Consolidated Statements of Operations

	Fiscal Year Ended Feb. 3, 1990	Fiscal Year Ended Jan. 28, 1989	Fiscal Year Ended Jan. 30, 1988

Consolidated Statements of Cash Flows

	Feb. 3, 1990	Jan. 28, 1989	Jan. 30, 1988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Fiscal Year

The Company's fiscal years ended February 3, 1990 (fiscal 1989), January 28, 1989 (fiscal 1988) and January 30, 1988 (fiscal 1987) were comprised of 53, 52 and 52 weeks, respectively. The Company changed its year end date during fiscal 1989. The Company's fiscal year now ends on the Saturday closest to January 31, rather than the last Saturday in January.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Hills Department Stores, Inc.:

We have audited the accompanying consolidated balance sheets of Hills Department Stores, Inc. as of February 3, 1990 and January 28, 1989, and the related consolidated statements of operations, common shareholders' equity (deficit) and cash flows for each of the three years in the period ended February 3, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hills Department Stores, Inc. as of February 3, 1990 and January 28, 1989 and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 3, 1990, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of inventory valuation in fiscal 1988.

PHOTO CONTROL CORPORATION

Consolidated Balance Sheets

	December 31 1989	June 30 1989

Consolidated Statements of Operations

Six Months Ended December 31		Year Ended June 30		
	unaudited			
1989	1988	1989	1988	1987

Consolidated Statements of Cash Flows

Six Months Ended December 31		Year Ended June 30		
	unaudited			
1989	1988	1989	1988	1987

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Year End—The Company changed from a June 30 year end to December 31 effective December 31, 1989. The Company's business is seasonal with the least activity in the period of November to February.

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Photo Control Corporation

We have audited the accompanying consolidated balance sheets of Photo Control Corporation and Subsidiaries as of December 31 and June 30, 1989, and the related consolidated statements of changes in stockholders' equity, operations and cash flows for the six months ended December 31, 1989 and each of the three years in the period ended June 30, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Photo Control Corporation and subsidiaries as of December 31 and June 30, 1989 and the consolidated results of operations and cash flows for the six months ended December 31, 1989 and each of the three years in the period ended June 30, 1989, in conformity with generally accepted accounting principles.

As discussed in Note 4 to the Consolidated Financial Statements, the Company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" in the year ended June 30, 1988.

TULTEX CORPORATION

Balance Sheet

	Dec. 30, 1989	Dec. 2, 1988

Statement of Income

Fiscal years ended:	Dec. 30, 1989 (52 weeks)	Dec. 2, 1988 (53 weeks)	Nov. 27, 1987 (52 weeks)

Statement of Cash Flows

Fiscal years ended:	Dec. 30, 1989 (52 weeks)	Dec. 2, 1988 (53 weeks)	Nov. 27, 1987 (52 weeks)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Fiscal Year: Effective with 1989, the Company has changed its fiscal year end from the Friday nearest November 30 to the Saturday nearest December 31 in each year. Results of operations for the four-week period ended December 31, 1988, reflected in Stockholders' Equity, were (in thousands of dollars except per share loss):

Sales	$ 17,483
Gross Profit	$ 3,241
(Loss) before income taxes	$ (590)
Provision for income taxes	(227)
Net (loss)	$ (363)
Net (loss) per common share	$ (.01)

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Tultex Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Tultex Corporation and its subsidiaries at December 30, 1989 and December 2, 1988, and the results of their operations and their cash flows for the year ended December 30, 1989 and each of the two years in the period ended December 2, 1988, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Definition Of Fiscal Year

AULT INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Nature of Business and Significant Accounting Policies

Fiscal year:

The Company's fiscal year ends on the last Sunday in May or the first Sunday in June, whichever is closest to May 31. The fiscal years ended May 28, 1989, May 29, 1988, and May 31, 1987, each contained 52 weeks.

BROWN GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Accounting Period

The corporation's fiscal year is the 52 or 53 week period ending the Saturday nearest to January 31. Fiscal years 1989, 1988 and 1987 ended on February 3, 1990, January 28, 1989, and January 30, 1988, respectively. Fiscal year 1989 included 53 weeks; 1988 and 1987 each included 52 weeks.

FOSTER WHEELER CORPORATION

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of Foster Wheeler Corporation and all significant domestic and foreign subsidiary companies.

The Corporation's fiscal year is the 52 or 53-week annual accounting period ending the last Friday in December for domestic operations and December 31 for foreign operations. For domestic operations, the year 1989 included 52 weeks; 1988 included 53 weeks and 1987 included 52 weeks.

MARRIOTT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Fiscal Year

The company's fiscal year ends on the Friday closest to December 31 for domestic operations and on November 30 for most foreign operations.

NATIONAL SEMICONDUCTOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Basis of Presentation. The Consolidated Financial Statements include National Semiconductor Corporation and its majority-owned subsidiaries ("National" or the "Company"). All significant intercompany transactions are eliminated in consolidation. Investments in which National has less than 20 percent ownership are accounted for by the cost method.

National uses the U.S. dollar as the functional currency for financial reporting. Gains and losses from translation to U.S. dollars are included in the determination of net income in the period in which they occur. Foreign exchange gains and losses were immaterial in all years presented.

National has a fiscal year which ends on the last Sunday of May. Fiscal years 1989, 1988 and 1987 were each 52-week years. The next 53-week year will end on May 31, 1992. Certain prior year balances have been reclassified to conform with the fiscal 1989 presentation.

SMITHFIELD FOODS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Fiscal Year

The Company's fiscal year is the 52 or 53 week period which ends on the Sunday nearest April 30.

COMPARATIVE FINANCIAL STATEMENTS

Rule 14a-3 of the Securities Exchange Act of 1934 requires that annual reports to stockholders should include comparative balance sheets, and statements of income and of cash flows for each of the 3 most recent fiscal years. All of the survey companies are registered with the Securities and Exchange Commission and conformed to the aforementioned requirements of Rule 14a-3.

Usually the income statement is the first financial statement presented and is followed by either a balance sheet (297 companies) or a statement showing changes in retained earnings (58 companies). 191 companies presented the balance sheet as the first financial statement followed by an income statement.

Prior to 1986, the financial statements, with rare exception, were presented on consecutive pages. In 1989, 26 survey companies did not present their financial statements on consecutive pages but interspersed the Management's Discussion and Analysis of Financial Condition among the financial statements by having comments discussing the content of a financial statement follow the presentation of a financial statement. Such interspersed material was not covered by an auditors' report and was not presented in lieu of notes.

ROUNDING OF AMOUNTS

Table 1-5 shows that most of the survey companies state financial statement amounts in either thousands or millions of dollars.

TABLE 1-5: ROUNDING OF AMOUNTS

	1989	1988	1987	1986
To nearest dollar	56	55	55	62
To nearest thousand dollars:				
Omitting 000	365	367	368	367
Presenting 000	39	41	44	45
To nearest million dollars	140	137	133	126
Total Companies	**600**	**600**	**600**	**600**

NOTES TO FINANCIAL STATEMENTS

Securities and Exchange Commission *Regulations S-X and S-K,* and *SAS No. 32* state the need for adequate disclosure in financial statements. Normally the financial statements alone cannot present all information necessary for adequate disclosure but must make reference to appended notes which disclose information of the sort listed below:

Changes in accounting principles.

Any material retroactive adjustments.

Long-term lease agreements.

Assets subject to lien.

Preferred stock data.

Pension and retirement plans.

Restrictions on the availability of retained earnings for cash dividend purposes.

Contingencies and commitments.

Depreciation and depletion policies.

Stock option or stock purchase plans.

Consolidation policies.

Business combinations.

Computation of earnings per share.

Subsequent events.

Quarterly data.

Segment information.

Table 1-6 summarizes the manner in which financial statements refer to notes. Notes on specific topics are illustrated in this publication in the sections dealing with such topics.

DISCLOSURE OF ACCOUNTING POLICIES

APB Opinion No. 22 (Section A10 of *FASB Accounting Standards—Current Text*) requires that the significant accounting policies of an entity be disclosed in the financial statements of the entity. *Opinion No. 22* set forth guidelines as to the content and format of disclosures of accounting policies.

Table 1-7 shows the nature of information frequently disclosed in summaries of accounting policies and the number of survey companies disclosing such information. Examples of summaries of accounting policies follow.

ALLIED-SIGNAL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Consolidated financial statements include the accounts of Allied-Signal Inc. and majority-owned subsidiaries.

Investments and long-term receivables are carried at the lower of cost or market, and in the case of affiliates over which significant influence is exercised, at cost adjusted for the equity in undistributed earnings.

Inventories are valued at the lower of cost or market using the last-in, first-out (LIFO) method for certain qualifying domestic inventories and the first-in, first-out (FIFO) or the average cost method for other inventories.

Recognition of contract revenues primarily relates to Aerospace operations. Under fixed-price contracts, sales and related costs are recorded as deliveries are made. Sales and related costs under cost-reimbursable contracts are recorded as costs are incurred. Anticipated future losses on contracts are charged to income when identified; contracts which are part of a program are evaluated on an overall program basis.

Property, plant and equipment are carried at cost and are generally depreciated using estimated service lives, which range from 3 to 40 years. For the financial statements, depreciation is computed principally on the straight-line method.

Cost in excess of net assets of acquired companies and other assets includes goodwill and patents and licenses, net of amortization. Goodwill is being amortized on a straight-line basis over 25- or 40-year periods. The cumulative amount of goodwill amortized at December 31, 1989, and December 31, 1988, is $191 and $153 million, respectively. The amount of goodwill disposed of as part of the sale of businesses in 1989 and 1988 was $12 and $116 million, respectively. Patents and licenses, which include the costs of acquiring rights to certain manufacturing processes, are amortized over the lives of such rights.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action.

Income taxes are based on pretax financial statement income with an appropriate deferred tax provision in accordance with Accounting Principles Board Opinion No. 11 to provide for the tax effect of timing differences between pretax financial statement income and taxable income per the tax return. Deferred income taxes have not been provided on approximately $150 million of undistributed earnings of foreign affiliated companies, which are considered to be permanently reinvested. Any U.S. taxes payable on foreign earnings which may be remitted, however, will be substantially offset by foreign tax credits.

TABLE 1-6: NOTES TO FINANCIAL STATEMENTS

	1989	1988	1987	1986
General reference only	385	367	359	355
General and direct references	210	226	233	236
Direct reference only	2	3	4	5
No reference to notes	3	4	4	4
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-7: DISCLOSURE OF ACCOUNTING POLICIES

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Consolidation policy	582	582	579	579
Depreciation methods	580	575	579	579
Inventory pricing	555	560	554	554
Property	472	482	488	493
Interperiod tax allocation	455	482	496	510
Earnings per share calculation	420	412	407	400
Cash equivalents	398	351	—	—
Amortization of intangibles	354	338	334	309
Translation of foreign currency	244	233	225	235
Employee benefits	162	190	223	243
Research and development costs	127	125	110	113
Capitalization of interest	73	59	59	61

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Principles of consolidation. The Company's consolidated financial statements include the accounts of its significant domestic and foreign subsidiaries, after eliminating transactions between Brunswick Corporation and such subsidiaries. Investments in certain affiliates, including some majority-owned subsidiaries which are immaterial, are reported using the equity method.

Certain previously reported amounts have been reclassified to conform with year-end 1989 presentations.

Cash and cash equivalents. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Accounts and notes receivable. During the second quarter of 1989, the Company discontinued its Corporate collection department which was responsible for the collection of receivables deemed to be uncollectible by the Company's operating units. As a result of this discontinuance, the collection effort for these receivables was shifted outside the Company. Consequently, receivables approximating $7.7 million, which were being administered by the collection department and carried on the Company's books, were written off along with an equal amount of allowances for doubtful accounts.

Inventories. Approximately one-half of the Company's inventories are valued at the lower of first-in, first-out (FIFO) cost or market (replacement cost or net realizable value). All other inventories are valued at last-in, first-out (LIFO) cost, which is not in excess of market. Inventory cost includes material, labor and manufacturing overhead.

Long-term contracts. For financial reporting purposes, sales and costs under long-term contracts are recorded in results of operations primarily as shipments are made and related costs are incurred. For tax purposes, such sales and costs are recognized on a combination of completed contract or percentage of completion bases as specified by the tax regulations.

Property. Property, including major improvements, is recorded at cost. The cost of maintenance and repairs is charged against results of operations as incurred.

Depreciation is charged against results of operations over the estimated service lives of the related assets. Improvements to leased property are amortized over the life of the lease or the life of the improvement, whichever is shorter. For financial reporting purposes, the Company principally uses the straight-line method of depreciation. For tax purposes, the Company generally uses accelerated methods where permitted.

Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in results of operations.

Intangibles. The costs of dealer networks, trademarks and other intangible assets are amortized over their expected useful lives using the straight-line method. Accumulated amortization was $175.8 million and $125.3 million at December 31, 1989 and 1988, respectively. The excess of cost over net assets of businesses acquired is being amortized using the straight-line method, principally over 40 years. Accumulated amortization was $20.2 million and $17.3 million at December 31, 1989 and 1988, respectively.

Income taxes. The provision (benefit) for income taxes is based on pretax earnings (loss) reported on the consolidated financial statements, adjusted for transactions that will never enter into the computation of income taxes payable. The tax effects related to differences in the time certain income and expenses are recognized in results of operations and when they are recognized for tax purposes are reflected in the consolidated balance sheets as prepaid or deferred income taxes.

Retirement plans. The Company accrues the cost of pension and retirement plans which cover substantially all employees. Pension costs, which are primarily computed using the projected unit credit method, are funded based on the minimum required contribution under the Employee Retirement Income Security Act of 1974 for the Company's domestic pension plans and in accordance with local laws and income tax regulations for foreign plans.

HERSHEY FOODS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Significant accounting policies employed by the Corporation are discussed below and in Notes 8, 9, 10, 11 and 12.

During 1989, the Financial Accounting Standards Board amended the provisions of Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" (FAS No. 95) as they relate to classification of cash flows from hedging activities. As a result of this amendment, cash flows from commodities hedging activities have been classified as operating activities for all years presented. As required by FAS No. 95 prior to this amendment, hedging activities had previously been classified as investing activities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries after elimination of intercompany accounts and transactions. Investments in affiliated companies are accounted for on the equity method.

Cash Equivalents

All highly liquid debt instruments purchased with a maturity of three months or less are classified as cash equivalents.

Commodities Futures Contracts and Options

In connection with the purchasing of major commodities (principally cocoa and sugar) for anticipated manufacturing requirements, the Corporation enters into commodities futures contracts and options as deemed appropriate to reduce the risk of future price increases. These futures contracts and options are accounted for as hedges and, accordingly, gains and losses are deferred and recognized in cost of sales as part of the product cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of buildings and machinery and equipment is computed using the straight-line method over the estimated useful lives.

Intangibles Resulting from Business Acquisitions

Intangible assets resulting from business acquisitions principally consist of the excess of the acquisition cost over the fair value of the net assets of businesses acquired (goodwill). Goodwill is amortized on a straight-line basis over 40 years. Other intangible assets are amortized on a straight-line basis over their estimated useful lives.

Accumulated amortization of intangible assets resulting from business acquisitions was $25.7 million and $14.8 million at December 31, 1989 and 1988, respectively.

Foreign Currency Translation

Results of operations for foreign entities are translated using the average exchange rates during the period. For foreign entities operating in non-highly inflationary economies, assets and liabilities are translated to U.S. dollars using the exchange rates in effect at the balance sheet date. Resulting translation adjustments are recorded in a separate component of stockholders' equity, "Cumulative Foreign Currency Translation Adjustments."

License Agreements

The Corporation has entered into licensing agreements under which it has access to proprietary technology and manufactures and/or markets and distributes certain products. The Corporation's rights under these agreements are extendable on a long-term basis at the Corporation's option subject to certain conditions, including minimum sales levels. License fees and royalties, payable under the terms of the agreements, are expensed as incurred.

KIMBERLY-CLARK CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1. Accounting Policies

Kimberly-Clark Corporation's accounting policies conform to generally accepted accounting principles. Significant policies followed are described below.

Basis of Presentation

The consolidated financial statements include the accounts of Kimberly-Clark Corporation and all significant subsidiaries which are more than 50 percent owned and controlled. Except for the Corporation's investment in its affiliate in South Africa, which subsequent to 1987 is accounted for using the cost method, investments in nonconsolidated companies which are at least 20 percent owned are stated at cost plus equity in undistributed net income. These latter companies are referred to as equity companies.

Certain reclassifications have been made to conform prior years' data to the current presentation.

Start-Up and Preoperating Expenses

Significant expenses of bringing new or expanded facilities into operation are recorded as deferred charges and amortized to income over periods of not more than five years.

Advertising and Promotion Expenses

Advertising expenses are charged to income during the year in which they are incurred. Promotion expenses are charged to income over the period of the promotional campaign.

Net Income Per Share

Net income per share is based on the average number of common shares outstanding, which were 80.6 million, 80.4 million and 87.2 million for the years ended December 31, 1989, 1988 and 1987, respectively.

Inventories

U.S. inventories valued at cost on the Last-In, First-Out (LIFO) method for U.S. income tax purposes are valued in the same manner for accounting purposes. The balance of the U.S. inventories and inventories of consolidated operations outside the U.S. are valued at the lower of cost, using the First-In, First-Out (FIFO) method, or market.

Property and Depreciation

Property, plant and equipment are stated at cost. Depreciable property is depreciated on the straight-line or units-of-production method for accounting purposes and generally on an accelerated method for income tax purposes. When property is old or retired, the cost of the property and the related accumulated depreciation are removed from the balance sheet and any gain or loss on the transaction is included in income.

TEXACO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements consist of the accounts of Texaco Inc. and subsidiary companies; however, for balance sheet purposes, as of December 31, 1988, Texaco's interest in Texaco Canada Inc. (Texaco Canada) was carried in Investments and Advances due to its pending sale which was subsequently consummated on February 28, 1989. (See Note 2, "Restructuring and Reorganization," for additional information.) Intercompany accounts and transactions are eliminated.

The U.S. dollar is the functional currency of all of the company's operations and substantially all of the operations of its affiliates accounted for on the equity method.

Cash Equivalents

Highly liquid investments with a maturity of three months or less when purchased are generally considered to be cash equivalents.

Inventories

Virtually all inventories of crude oil, petroleum products and petrochemicals are stated at cost, determined on the last-in, first-out (LIFO) method. Other merchandise inventories are stated at cost, determined on the first-in, first-out (FiFO) method. Inventories are valued at the lower of cost or market. Materials and supplies are stated at average cost.

Investments and Advances

The equity method of accounting is used for investments in certain nonsubsidiary companies, including corporate joint ventures and partnerships. Under this method, equity in the pre-tax income or losses of partnerships and in the net income or losses of corporate joint-venture companies is reflected currently in Texaco's revenues, rather than when realized through dividends or distributions. Investments in the entities accounted for by this method generally reflect Texaco's equity in their underlying net assets.

The company's interest in the net income of nonsubsidiary companies accounted for at cost is reflected in net income when realized as dividends.

Properties, Plant and Equipment and Depreciation, Depletion and Amortization

Texaco follows the "successful efforts" method of accounting for its oil and gas exploration and producing operations.

Lease acquisition costs related to properties held for oil, gas and mineral production are capitalized when incurred. Unproved properties with acquisition costs which are individually significant are assessed on a property-by-property basis, and a loss is recognized, by provision of a valuation allowance, when the assessment indicates an impairment in value. Unproved properties with acquisition costs which are not individually significant are generally aggregated and the portion of such costs estimated to be nonproductive, based on historical experience, is amortized on an average holding period basis.

Exploratory costs, excluding the costs of exploratory wells, are charged to expense as incurred. Costs of drilling exploratory wells, including stratigraphic test wells, are capitalized pending determination whether the wells have found proved reserves which justify commercial development. If such reserves are not found, the drilling costs are charged to exploratory expenses. Intangible drilling costs applicable to productive wells and to development dry holes, as well as tangible equipment costs related to the development of oil and gas reserves, are capitalized.

The costs of productive leaseholds and other capitalized costs related to producing activities, including tangible and intangible costs, are amortized principally by field on the unit-of-production basis by applying the ratio of produced oil and gas to estimated recoverable proved oil and gas reserves. Estimated future restoration and abandonment costs are taken into account in determining amortization and depreciation rates.

Depreciation of properties, plant and equipment related to facilities other than producing properties is provided generally on the group plan, using the straight-line method, with depreciation rates based upon estimated useful life applied to the cost of each class of property. Marine vessels are depreciated based on estimated useful lives.

Capitalized nonmineral leases are amortized over the estimated useful life of the asset or the lease term, as appropriate, using the straight-line method.

Periodic maintenance and repairs applicable to marine vessels and manufacturing facilities are accounted for on the accrual basis. Normal maintenance and repairs of all other properties, plant and equipment are charged to expense as incurred. Renewals, betterments and major repairs that materially extend the life of properties are capitalized and the assets replaced, if any, are retired.

When capital assets representing complete units of property are disposed of, the difference between the disposal proceeds and net book value is credited or charged to income. When miscellaneous business properties are disposed of, the difference between asset cost and salvage value is charged or credited to accumulated depreciation.

Deferred Income Taxes

Deferred income taxes are determined utilizing a liability approach. This method gives consideration to the future tax consequences associated with differences between financial accounting and tax bases of assets and liabilities. Such differences relate mainly to depreciable and depletable properties, intangible drilling costs, nonproductive leases, merchandise inventories and certain liabilities. This method gives immediate effect to changes in income tax laws upon enactment. The income statement effect is derived from changes in deferred income taxes on the balance sheet.

Provision is not made for possible income taxes payable upon distribution of accumulated earnings of subsidiary companies and nonsubsidiary corporate joint-venture companies when such earnings are permanently reinvested.

Net Income (Loss) per Common Share

Primary net income (loss) per common share is based on net income (loss) less preferred stock dividend requirements, if any, divided by the average number of common shares outstanding and common equivalents. Fully diluted net income per common share assumes full conversion of all convertible securities into common stock at the later of the beginning of the year or date of issuance (unless antidilutive).

Accounting for Contingencies

Certain conditions may exist as of the date financial statements are issued, which may result in a loss to the company, but which will only be resolved when one or more future events occur or fail to occur. Such contingent liabilities are assessed by the company's management and legal counsel. The assessment of loss contingencies necessarily involves an exercise of judgment and is a matter of opinion. In assessing loss contingencies related to legal proceedings that are pending against the company or unasserted claims that may result in such proceedings, the company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed. However, in some instances in which disclosure is not otherwise required, the company may disclose contingent liabilities of an unusual nature which, in the judgment of management and its legal counsel, may be of interest to shareholders or others.

THE WASHINGTON POST COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

Fiscal Year. The company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. The fiscal year 1989, which ended on December 31, 1989, included 52 weeks; 1988 included 52 weeks and 1987 included 53 weeks.

Principles of Consolidation. The accompanying financial statements include the accounts of the company and its subsidiaries; significant intercompany transactions have been eliminated.

Cash Equivalents. Short-term investments with maturities of ninety days or less are considered cash equivalents.

Marketable Securities. Marketable securities consist of debt instruments that generally mature over ninety days from the purchase date and are stated at cost plus accrued interest, which approximates market.

Inventories. Inventories are valued at the lower of cost or market. Cost of newsprint is determined by the first-in, first-out method, and cost of magazine paper is determined by the specific cost method.

Investment in Affiliates. The company uses the equity method of accounting for its investments in and earnings of affiliates.

Property, Plant and Equipment. Property, plant and equipment is recorded at cost and includes interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are charged to expense as incurred. Upon sale or retirement of property, plant and equipment, the costs and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the determination of net income.

Depreciation is calculated using the straight-line method over the estimated useful lives of the property, plant and equipment: 3 to 12 years for machinery and equipment, 20 to 50 years for buildings and 5 to 20 years for land improvements. The costs of leasehold improvements are amortized over the lesser of the useful lives or the terms of the respective leases.

Goodwill and Other Intangibles. Goodwill and other intangibles represent the unamortized excess of the cost of acquiring subsidiary companies over the fair values of such companies' net tangible assets at the dates of acquisition. Goodwill and other intangibles acquired prior to October 30, 1970, the effective date of Accounting Principles Board Opinion No. 17, are not being amortized because in the opinion of the company there has been no diminution of the value of such assets. Goodwill and other intangibles acquired subsequently are being amortized by use of the straight-line method over various periods up to 40 years.

Deferred Program Rights. The broadcast subsidiaries are parties to agreements that entitle them to show motion pictures and syndicated programs on television. The unamortized cost of these rights and the liability for future payments under these agreements are reflected in the Consolidated Balance Sheets. The unamortized cost is charged to expense using accelerated amortization rates for motion pictures and accelerated or straight-line rates for syndicated programs.

Deferred Subscription Revenue and Magazine Subscription Procurement Costs. Deferred subscription revenue, which primarily represents amounts received from subscribers in advance of magazine and newspaper deliveries, is reflected in operating revenues over the subscription term. Deferred subscription revenue to be earned within one year is included in "Current Liabilities" in the Consolidated Balance Sheets. Subscription procurement costs are charged to expense as incurred.

Income Taxes. Deferred income taxes result from timing differences in the recognition of certain revenue and expense items for tax and financial reporting purposes, in the recognition of income tax to be paid or withheld on earnings of affiliates, and in the recognition of investment tax credits that for financial reporting purposes are applied as a reduction of income taxes over the depreciable lives of the related assets.

Foreign Currency Translation. Gains and losses on foreign currency transactions and translation of accounts of the company's foreign operations are recognized currently in the Consolidated Statements of Income. Gains and losses on translation of the company's equity interests in its foreign affiliates are not included in the Consolidated Statements of Income but are reported separately and accumulated in the "Cumulative foreign currency translation adjustment" in the Consolidated Balance Sheets.

ACCOUNTING CHANGES

APB Opinion No. 20 (Section A06 of *FASB Accounting Standards—Current Text*) "defines various types of accounting changes and establishes guides for determining the manner of reporting each type." Table 1-8 lists the accounting changes disclosed in the 1989 annual reports of the survey companies.

Of the 57 survey companies adopting the pension plan requirements of *Statement of Financial Accounting Standards No. 87,* 56 were doing so for foreign pension plans. Of the 31 survey companies conforming to the requirements of *Statement of Financial Accounting Standards No. 96,* 23 did not restate prior years financial statements. Of the 29 survey companies reporting a change in reporting entity, 27 changed to conform to the requirements of *Statement of Financial Accounting Standards No. 94.*

TABLE 1-8: ACCOUNTING CHANGES

	Number of Companies			
	1989	1988	1987	1986
Pension Costs:				
Actuarial assumptions	189	119	176	102
Minimum liability recognized	77	11	—	—
SFAS 87 adopted	57	82	157	266
Actuarial cost method	—	—	—	3
Income taxes	31	98	37	—
Reporting entity	29	90	17	9
Inventories:				
Capitalization of costs formerly expensed	4	11	15	—
LIFO adopted	2	2	5	2
LIFO discontinued	2	7	4	3
Other	3	1	2	1
Depreciable lives	4	3	6	3
Depreciation method	3	1	4	3
Insurance companies contracts	1	6	—	—
Loan originating fees	—	7	3	—
Taxes on undistributed earnings	—	1	2	4
Successful efforts method adopted	—	1	—	6
Software costs	—	—	6	8
Other—described	16	18	14	16

Examples of accounting changes follow. Additional examples relating to consolidation practices, pension plans, income taxes, and restatements of prior period financial statements are presented in the discussions of these subjects.

CHANGE IN ACCOUNTING ESTIMATES

BAKER-HUGHES INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Five—Change in Accounting Estimate:

During 1989, the Company revised the estimated remaining useful lives of certain rental tools and equipment to more closely reflect expected remaining lives. The effect of this change in accounting estimate resulted in an increase in the Company's income before extraordinary item of $2,220,000 or $.02 per common share, and net income of $2,822,000, or $.02 per common share, for 1989.

CHEVRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars)

Note 2. Change in Accounting Policy

In 1989, the company changed its accounting policy for determining impairment of its proved oil and gas properties. Previously, this determination was made on a worldwide basis, with all the proved properties viewed as a single portfolio. The company has elected to adopt a more conservative accounting policy, which also subjects high-cost, long-lead-time projects to regular individual assessment prior to the commencement of production. A write-down is recorded if the assessment indicates that the economic value of the project is less than its book value and such impairment appears to be permanent. The company believes this new policy is preferable because it results in a more realistic valuation of major projects.

Under the new policy, an assessment was made of the company's investment in the offshore California Point Arguello Field, a project that was completed and ready for production more than two years ago. In 1989, the project suffered the latest in a series of regulatory setbacks when the California Coastal Commission invalidated the company's permit to transport oil by tankers from onshore terminal facilities. Costs associated with these continuing delays, the current outlook for crude oil prices, and other factors resulted in a book value far greater than the project's worth. As this impairment appeared to be permanent, operating expenses of $675 for the project's write-down were recorded in the fourth quarter, resulting in a $445, or $1.30 per share, reduction to net income.

The project's book value was reduced to $191. Of this amount, $129 is carried in investments and advances and $62 in properties, plant and equipment.

Many of the events affecting the Point Arguello impairment occurred prior to 1989. If the new policy had been implemented previously, some impairment likely would have been recorded in those periods. However, determining the effect of this change on prior periods would require reconstructing judgments based only on the information available in each period. The company believes this difficult subjective process would produce estimates that would neither be meaningful nor augment the analysis and understanding of the financial statements presented. Additionally, since the Point Arguello project is the only project to date that fails the company's newly established test, prior period information would have in no way suggested a trend.

TESORO PETROLEUM CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (In Part): Property, Plant and Equipment and Assets Held For Sale

During 1989, the Company extended the estimated useful life and increased the salvage value used to depreciate the cost of its refinery in Alaska. The effect of this change in accounting estimate, which was retroactive to October 1, 1988, was to decrease depreciation expense and net loss for 1989 by approximately $4.9 million, or $.35 per share.

CHANGE IN ACCOUNTING PRINCIPLES

Pension Plan Costs

BRUNSWICK CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

12 (In Part): Retirement and Employee Benefit Costs

The Company has pension and retirement plans covering substantially all of its employees, including certain employees in foreign countries. Effective January 1, 1989, the Company adopted Statement of Financial Accounting Standards No. 87 (SFAS No. 87), "Employers' Accounting for Pensions," for its significant foreign pension plans. The effect of the change was to increase 1989 pension costs by $.4 million. The Company adopted SFAS No. 87 for its domestic pension plans and unfunded supplemental plan in 1987.

Pension cost for all plans was $7.2 million, $3.8 million and $1.5 million in 1989, 1988 and 1987, respectively. Plan benefits are based on years of service, and for some plans, the average compensation prior to retirement. Plan assets generally consist of debt and equity securities, real estate and investments in insurance contracts.

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Benefits (In Part)

The Company has noncontributory defined benefit pension plans in effect for substantially all of its domestic employees. Benefits are based on age, years of service and the level of compensation during the final years of employment. The funding policy of the Company for these plans is to contribute annually the amount necessary to meet the minimum funding standards established by the Employee Retirement Income Security Act. In addition, the Company has various foreign retirement programs, including defined benefit, defined contribution and other plans, covering the majority of foreign employees. In Germany, under common local practice and enabling tax law, pension costs are accrued but unfunded.

In 1989, the Company adopted Statement of Financial Accounting Standard No. 87 (SFAS 87) covering pension accounting for its significant foreign retirement plans. The net effect of the accounting change was a reduction in pension expense in 1989 by $2.4 million ($1.4 million after tax, or $.01 per share). The Company adopted SFAS 87 for its domestic plans in 1986.

Total pension expense for 1989 was $32.1 million, compared with $32.4 million and $30.4 million in 1988 and 1987, respectively. The components of net pension expense follow.

HONEYWELL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

($ Millions)

20 (In Part): Pension Plans

Honeywell and its subsidiaries have noncontributory defined benefit pension plans that cover substantially all of its U.S. employees. The plan covering non-union employees provides pension benefits that are based on employee average earnings during the highest paid 60 consecutive calendar months of employment during the 10 years prior to retirement. The plan covering union employees provides pension benefits of stated amounts for each year of credited service. Funding for these plans is provided solely through contributions from Honeywell determined by the board of directors after consideration of recommendations from the plan's independent actuary. Such recommendations are based on actuarial valuations of benefits payable under the plan.

Employees in foreign countries who are not U.S. citizens are covered by various post-employment benefit arrangements, some of which are considered to be defined benefit plans for accounting purposes. The cost of all foreign plans charged to income was $6.4 in 1989, $20.5 in 1988 and $22.1 in 1987. In 1989 Honeywell adopted Financial Accounting Standard No. 87 (FAS 87), "Employers' Accounting for Pensions," for its foreign plans. This accounting change has been applied prospectively; accordingly, there is no cumulative effect and pension costs presented for 1988 and 1987 have not been restated.

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Pension Plans

The Company has several pension plans covering substantially all full-time employees.

Effective January 1, 1987, the Company adopted the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" (SFAS No. 87) for its domestic pension plans. Pension expense was reduced and pre-tax earnings increased by approximately $26 million in 1987 due to this change, with net income increased by approximately $15 million or $.36 per share. Effective January 1, 1989, the Company adopted the provisions of SFAS No. 87 for its foreign plans. The impact of adoption was not material.

Under the domestic and foreign plans, pension benefits generally are based on an employee's years of service and compensation. Company contributions to pension plans are based on the calculations of an independent actuary using the projected unit credit method and meet the requirements of applicable regulations. Plan assets consist primarily of domestic and foreign equity securities with the balance in fixed income investments. The unrecognized cost of retroactive amendments and actuarial gains and losses are amortized over the average future service of plan participants expected to receive benefits.

Income Taxes

AMERICAN PETROFINA, INCORPORATED (DEC)

Consolidated Statements of Earnings

	1989	1988	1987
		(in thousands)	
Earnings before cumulative effect of accounting change	$ 96,165	$132,900	$83,284
Cumulative effect to January 1, 1989 of change in accounting for income taxes (note 5)	22,978	—	—
Net earnings	$119,143	132,900	83,284

Note 5 (In Part): Income Taxes

Statement of Financial Accounting Standards No. 96 (Statement 96) "Accounting for Income Taxes" requires a change from the deferred method to the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The Company elected to adopt Statement 96 in 1989. The cumulative effect to January 1, 1989 of this change in accounting for income taxes increased net earnings in 1989 by $22,978,000 ($1.51 per share) and resulted in a corresponding reduction in deferred Federal income tax liability primarily due to the effect of reduced income tax rates. The change had no effect on 1989 net earnings subsequent to January 1, 1989. Prior years' consolidated financial statements have not been restated to apply the provisions of Statement 96.

McDERMOTT INTERNATIONAL, INC. (MAR)

Consolidated Statement of Income (Loss)

	1989	1988	1987
		(In thousands)	
Loss Before Extraordinary Items and Cumulative Effects of Accounting Changes	$(144,255)	$(266,047)	$(133,123)
Extraordinary Items	—	4,276	4,991
Cumulative Effects of Accounting Changes	52,580	—	25,711
Net Loss	(91,675)	(261,771)	(102,421)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Income Taxes

Effective April 1, 1988, McDermott International adopted FAS No. 96, "Accounting for Income Taxes." The Statement provides for a liability approach under which deferred income taxes are provided based upon enacted tax laws and rates applicable to the periods in which the taxes become payable. For periods prior to April 1, 1988, deferred income taxes were provided based upon tax laws and rates applicable to the current year without adjustment for subsequent changes. The cumulative effect of the accounting change at April 1, 1988 was $52,580,000 ($1.42 per share). The effect of the change was to decrease the loss from continuing operations and the loss before extraordinary items and cumulative effect of accounting change by $4,142,000 ($0.11 per share) and to decrease the net loss by $1,146,000 ($0.03 per share) for the fiscal year ended March 31, 1989.

McDONNELL DOUGLAS CORPORATION (DEC)

Consolidated Statement of Earnings

	1989	1988	1987
	(Millions of dollars)		
Earnings Before Cumulative Effect of Accounting Change	$ 40	$350	$313
Cumulative effect of initial application of new accounting standard for income taxes	179		
Net Earnings	$219	$350	$313

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except share data)

Accounting Policies (In Part):

Income Taxes. MDC adopted Statement of Financial Accounting Standards (SFAS) No. 96, *Accounting for Income Taxes,* as of January 1, 1989. SFAS No. 96 changes the method of accounting for income taxes from the deferred to the liability method. Under the liability method, deferred income taxes at the end of each period are determined by using enacted tax rates for the years in which the taxes are expected to be paid or recovered. Under the deferred method, deferred income taxes were recognized using the tax rates in effect when the tax was first recorded and not adjusted for subsequent changes in the tax rates until paid or recovered. MDC has elected not to restate prior years' financial statements for the effects of this change. The adoption of SFAS No. 96 required revaluation of MDC's deferred income tax liability as of January 1, 1989 to reflect the reduction in the U.S. corporate income tax rate to 34% and for other provisions of the Statement. The cumulative effect of this change to January 1, 1989 increased net earnings by $179 million ($4.68 per share) and relates principally to the reduction in tax rates. The effect of the change on earnings before the cumulative effect of the change for the year ended December 31, 1989 was not material.

United States and foreign income taxes are computed at current tax rates, less tax credits, and adjusted for both items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, plus changes in deferred tax assets and liabilities that arise because of temporary differences between the time when items of income and expense are recognized for financial reporting and income tax purposes.

The undistributed earnings of foreign subsidiaries are considered to be permanently invested; accordingly, no provisions are made for taxes which would become payable upon the distribution of such earnings as a dividend to MDC. MDC files a consolidated return for federal and certain state income taxes, and dividends from domestic subsidiaries included therein are not subject to income tax.

MOSINEE PAPER CORPORATION (DEC)

Consolidated Statements of Income

	1989	1988	1987
	(In thousands)		
Income before effect of a change in accounting principle	$1,651	$9,477	$5,714
Cumulative effect on prior years of accounting change	5,000	—	—
Net income	$6,651	$9,477	$5,714

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3—Change in Accounting Policy

The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes," in the fourth quarter of 1989. As required, previously reported quarterly earnings for 1989 have been restated for the effect of this change as if it had occurred as of January 1, 1989. Restated quarterly amounts can be found in Note 16. Prior year financial statements have not been restated for this accounting change.

SFAS No. 96 requires the liability method in accounting for deferred income taxes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities. Deferred tax assets or liabilities at the end of each period will be determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Accordingly, under new rules, income tax provisions will increase or decrease in the same period in which a change in tax rates is enacted. Previous rules required providing deferred taxes using rates in effect when the tax asset or liability was first recorded, without subsequent adjustment solely for tax rate changes.

The change to the liability method of accounting for income taxes did not have a material effect on 1989 earnings before the cumulative effect recognition. The cumulative effect to January 1, 1989 of the change was $5,000,000, or $.70 per share and is separately shown in the 1989 consolidated statement of income.

BLOUNT, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Income taxes:

During the third quarter of 1989, the Company retroactively adopted SFAS No. 96, "Accounting for Income Taxes," effective as of March 1, 1985. All applicable prior periods have been restated. The new Statement requires that the Company follow the liability method of accounting for income taxes and requires an adjustment to the provision for income taxes for the effect on deferred income taxes of any change in corporate income tax rates. As a result of this change, retained earnings were reduced $51.6 million at March 1, 1986. The change increased income from continuing operations and net income for 1989, 1988 and 1987 by $1.8 million ($.15 per share), $2.6 million ($.22 per share) and $17.4 million ($1.46 per share).

Investment and other tax credits are reported on the flow-through method as a reduction of federal income tax expense in the year the credits arise. Investment tax credits were $883 thousand, $1.9 million and $451 thousand in 1989, 1988 and 1987.

McKESSON CORPORATION (MAR)

Statements of Consolidated Stockholders' Equity

	Retained Earnings	Net Stockholders' Equity
Balances, March 31, 1986—As previously reported	$509.6	$695.8
Cumulative effect of accounting change on retained earnings at March 31, 1986 (Note 11)	(4.8)	(4.8)
Balances, March 31, 1986—As restated	504.8	691.0

FINANCIAL NOTES

11 (In Part): Taxes on Income

In fiscal 1989, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes." The Company elected to retroactively apply the provisions of SFAS No. 96 to all periods after March 31, 1983 by restating the financial statements of prior periods. Applying the new accounting standard had the effect of increasing income from continuing operations and net income by $2.1 million in fiscal 1989, $1.8 million in fiscal 1988 and $5.5 million in fiscal 1987. The per share effects were as follows:

	1989	1988	1987
Earnings Per Common Share			
Fully diluted	$.04	$.04	$.11
Primary	.05	.05	.13

Costs Included In Inventories

PARKER HANNIFIN CORPORATION (JUN)

Consolidated Statement of Income

(Dollars in thousands, except per share amounts)	1989	1988	1987
Income before cumulative effect of changes in accounting principles	$102,777	$106,539	$84,432
Cumulative effect on prior years (to June 30, 1988) of a change in accounting for overhead recorded in inventory	34,737		
Cumulative effect on prior years (to June 30, 1988) of a change in accounting for long-term research and development contracts	(13,039)		
Net income	$124,475	$106,539	$84,432
Earnings per share:			
Earnings per share before cumulative effect of changes in accounting principles	$ 2.11	$ 2.20	$ 1.77
Cumulative effect on prior years (to June 30, 1988) of a change in accounting for overhead recorded in inventory	.71		
Cumulative effect on prior years (to June 30, 1988) of a change in accounting for long-term research and development contracts	(.27)		
Earnings per share	$ 2.55	$ 2.20	$ 1.77
Pro forma amounts assuming the changes in accounting are applied retroactively:			
Net income	$102,777	$ 90,878	$84,965
Earnings per share	$ 2.11	$ 1.87	$ 1.78

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Accounting Changes

Overhead Recorded in Inventory—Effective July 1, 1988, the Company changed its accounting procedures to include in inventory certain manufacturing overhead costs previously charged directly to expense. The more significant categories of cost now included in inventory are manufacturing support, materials support, and division personnel and management of manufacturing functions. As a result of this change in accounting procedures the long-term contract reserves were revalued to include the related manufacturing overhead costs. The Company believes this change is preferable because it provides a better matching of production costs with related revenues in reporting periodic income and improves the comparability of the Company's operating results and financial position with other companies. The cumulative effect of this change for the periods prior to July 1, 1988 of $34.7 million (after a reduction of income taxes of $32.1 million) is shown separately in fiscal 1989. The effect of the change on fiscal 1989 was to increase income before cumulative effect of changes in accounting principles by $9.1 million ($.19 per share). Quarterly earnings for 1989 have been restated as if the change had occurred at July 1, 1988. The pro forma amounts reflect the retroactive application of this change after a reduction for related income taxes.

Accounting for Long-Term Research and Development Contracts—The Company enters into research and development contracts to develop or produce prototypes of various products and had previously expensed the costs under such contracts as incurred. Effective July 1, 1988, the Company changed its accounting procedures to provide for the anticipated losses on such contracts in the period in which it becomes contractually committed. Although it has not yet been issued, the American Institute of Certified Public Accountants' proposed revision of its "Industry Audit and Accounting Guide for Audits of Government Contractors" is expected to become effective in 1989 and will require this accounting for these contracts. The cumulative effect of this change for the periods prior to July 1, 1988 of $13.0 million (after an income tax benefit of $9.5 million) is shown separately in fiscal 1989. The effect of the change on fiscal 1989 was to increase income before the cumulative effect of changes in accounting principles by $1.9 million ($.04 per share). Quarterly earnings for 1989 have been restated as if the change had occurred at July 1, 1988. The pro forma amounts reflect the retroactive application of this change after a reduction for related income taxes.

Accounting for Income Taxes—In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes. The Company has not completed all of the analyses required by the statement and does not anticipate adopting the statement before its effective date in fiscal 1991, or restating any periods prior to its adoption. However, the Company expects that the implementation of Statement 96 will not have a material impact on its financial position.

HERCULES INCORPORATED (DEC)

Consolidated Statement of Income

	1989	1988	1987
	(Dollars in thousands)		
Income (loss) before cumulative effect of changes in accounting principles	$(96,359)	$120,435	$820,737
Cumulative effect (to January 1, 1989) of accounting changes	15,039	—	—
Net income (loss)	$(81,320)	$120,435	$820,737

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share)

Summary of Significant Accounting Policies (In Part)

Inventories

Inventories are stated at the lower of cost or market. In order to provide for a better match of costs and revenues, domestic nonlong-term contract inventories are valued predominantly on the last-in, first-out (LIFO) method. Foreign inventories and certain domestic inventories, which in the aggregate represent approximately 35% of total inventories, are valued principally on the average cost method. Inventoried costs relating to long-term contracts are stated at actual production cost, including general and administrative costs.

Effective January 1, 1989, accounting practices were changed to include substantially all spare maintenance parts and certain manufacturing overhead costs in inventory. Among the more significant of the overhead costs now included in inventory are the salaries and other benefits of manufacturing employees. These costs were previously charged directly to expense. These changes are preferable because they provide for a better matching of costs with related revenues. The cumulative effect of the changes, which was included in net income for 1989, was a favorable $15,039 or $.33 per share (net of income taxes of $7,748). The pro forma effect on prior years and the effect of the changes on 1989 net income, exclusive of the cumulative effect of prior periods, was not material.

LIFO Adopted

THE QUAKER OATS COMPANY (JUN)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Inventories. Inventories are valued at the lower of cost or market, using various cost methods, and include the cost of raw materials, labor and overhead. The percentage of year-end inventories valued using each of the methods is as follows:

June 30	1989	1988	1987
Average quarterly cost	21%	54%	52%
Last-in, first-out (LIFO)	65%	29%	31%
First-in, first-out (FIFO)	14%	17%	17%

Effective July 1, 1988, the Company adopted the LIFO cost flow assumption for valuing the majority of remaining U.S. Grocery Products inventories. The Company believes that the use of the LIFO method better matches current costs with current revenues. The cumulative effect of this change on retained earnings at the beginning of the year is not determinable, nor are the pro forma effects of retroactive application of LIFO to prior years. The effect of this change on fiscal 1989 was to decrease net income by $16.0 million, or $.20 per share.

If the LIFO method of valuing certain inventories were not used, total inventories would have been $60.1 million, $24.0 million and $14.6 million higher than reported at June 30, 1989, 1988, and 1987, respectively.

The Company takes positions in the commodity futures market as part of its overall raw materials purchasing strategy in order to reduce the risk associated with price fluctuations of commodities used in manufacturing. The gains and losses on futures contracts are included as a part of product cost.

Catalogue Costs

W. H. BRADY CO.

Consolidated Statements of Earnings

Fiscal year ended (Dollars in thousands except per share amounts)	July 31, 1989	July 31, 1988	July 31, 1987
Earnings before extraordinary item and cumulative effect of change in accounting method	$ 9,875	$10,305	$8,844
Extraordinary item:			
Gain on proceeds of officer's life insurance policies, net	4,625	—	—
Earnings before cumulative effect of change in accounting method	14,500	10,305	8,844
Cumulative effect on prior years (to July 31, 1988) of change in method of accounting for catalog costs—Note A	1,233	—	—
Net earnings	$15,733	$10,305	$8,844
Net earnings per common share			
Class A Nonvoting:			
Earnings before extraordinary item and cumulative effect of change in accounting method (includes $.10 preferential dividend)	$ 1.31	$ 1.36	$ 1.17
Extraordinary item	.62	—	—
Cumulative effect of change in accounting method	.17	—	—
Net earnings	$ 2.10	$ 1.36	$ 1.17
Class B voting—net earnings	$ 2.00	$ 1.26	$ 1.07
Proforma amounts assuming the new accounting method is applied retroactively—Note A:			
Earnings before extraordinary item and cumulative effect of change in accounting method	$ 9,875	$10,920	$9,291
Net earnings	$14,500	$10,920	$9,291
Earnings per common share:			
Before extraordinary item and cumulative effect of change in accounting method—Class A	$ 1.31	$ 1.44	$ 1.23
Net earnings:			
Class A Nonvoting	$ 1.93	$ 1.44	$ 1.23
Class B Voting	$ 1.83	$ 1.34	$ 1.13

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Catalog costs—During the fiscal year ended July 31, 1989, the Company changed its method of accounting for catalog costs from one which expensed catalog publication and development costs as incurred, to a method under which such costs are initially capitalized and amortized over the estimated useful lives of the publications (generally between 4 and 14 months).

The change was made in order to better match expenses with revenues and to prevent the timing of purchasing decisions from impacting the results of operations. The effect of the change for Fiscal '89 was to increase earnings before the extraordinary item and the cumulative effect of change in accounting method by $1,482,000 ($.19 per share) and to increase net earnings by $2,715,000 ($.36 per share). The $1,233,000 cumulative effect of the change on prior years (after reduction for income taxes of $824,000) is included in earnings for the year ended July 31, 1989.

The pro forma amounts reflect the effect of retroactive application on prepaid catalog costs, the change in provisions for incentive compensation that would have been made had the new method been in effect, and related income taxes.

At July 31, 1989, $4,827,000 of prepaid catalog costs were included in prepaid expenses and other current assets.

REPORTING ENTITY

ALCO STANDARD CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Consolidation

All subsidiaries are consolidated and intercompany transactions have been eliminated. The Company adopted Statement of Financial Accounting Standards (SFAS) No. 94 in 1989 and consolidated its wholly-owned finance subsidiaries which were previously accounted for using the equity method. This change in accounting policy was applied retroactively and had no effect on shareholders' equity or net income for any of the years presented. The combined results of the finance subsidiaries' operations included in the Company's consolidated net income were income (loss) of $(326,000) in 1989, $(206,000) in 1988, and $61,000 in 1987. The separate subsidiaries were merged as of September 30, 1989. The surviving finance subsidiary's assets, disclosed in the accompanying balance sheets, exclude intercompany receivables of $13,570,000 in 1989 and $14,658,000 in 1988.

The cumulative translation adjustment of foreign subsidiaries was $977,000 at September 30, 1989 and $1,387,000 at September 30, 1988, and has been accounted for as a reduction of retained earnings.

CROSS & TRECKER CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Accounting changes

In 1989, the company adopted, as required, Statement of Financial Accounting Standards (SFAS) No. 94, "Consolidation of All Majority-Owned Subsidiaries." SFAS No. 94 requires the consolidation of the assets, liabilities, revenues and expenses of Cross & Trecker Credit Corporation and Machine Remarketing Corporation, which were previously accounted for on an equity basis. The adoption of SFAS No. 94 has no effect on the net assets or net loss of the company. Amounts reported in prior periods have been restated for this change in accounting principle.

In 1988, the company adopted SFAS No. 96, "Accounting for Income Taxes," and restated its consolidated financial statements effective October 1, 1983. The adoption of SFAS No. 96 reduced the loss from continuing operations and the net loss in 1988 by approximately $13.5 million and $13.9 million, or $1.09 and $1.12 per share, respectively. Adoption reduced such amounts in 1987 by approximately $2.4 million and $2.0 million, or $.19 and $.16 per share, respectively.

HEWLETT-PACKARD COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting and Reporting Changes (In Part)

Consolidation of Hewlett-Packard Finance Company

The company implemented Statement of Financial Accounting Standards No. 94 (SFAS 94), "Consolidation of All Majority-owned Subsidiaries," in fiscal 1989. With the adoption of SFAS 94, the company consolidated the accounts of Hewlett-Packard Finance Company (HPFC), a wholly-owned subsidiary previously accounted for under the equity method, with those of the company. The change resulted in an increase in consolidated assets and liabilities but did not have a material effect on the company's financial position. Since HPFC was previously accounted for under the equity method, the change did not affect net earnings. Prior years' consolidated financial information has been restated to reflect this change for comparative purposes.

PHELPS DODGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Basis of Consolidation. The consolidated financial statements include the accounts of the Corporation and its majority owned subsidiaries. Reflecting the growing size of its international wire and cable businesses, in 1989 the Corporation consolidated majority owned foreign subsidiaries that were previously accounted for on the equity basis. This accounting change had no effect on consolidated net income or common shareholders' equity. As the impact of this accounting change on prior years' financial statements was not significant, they have not been restated. Since the consolidated financial statements include 100 percent of the assets and liabilities of these subsidiaries, the ownership interests of minority participants are recorded as "Minority Interest in Subsidiaries." Minority interest in the net income of these subsidiaries was immaterial.

Investments in unconsolidated companies owned 20 percent or more are recorded on the equity basis. Investments in companies less than 20 percent owned are carried at cost.

CONSOLIDATION POLICIES

Accounting Research Bulletin No. 51 (Section C51 of *FASB Accounting Standards—Current Text*) states in part:

1. The purpose of consolidated statements is to present, primarily for the benefit of the shareholders and creditors of the parent company, the results of operations and the financial position of a parent company and its subsidiaries essentially as if the group were a single company with one or more branches or divisions. There is a presumption that consolidated statements are more meaningful than separate statements and that they are usually necessary for a fair presentation when one of the companies in the group directly or indirectly has a controlling financial interest in the other companies.

5. Consolidated statements should disclose the consolidation policy which is being followed. In most cases this can be made apparent by the headings or other information in the statements, but in other cases a footnote is required.

Effective for financial statements for fiscal years ending after December 15, 1988, *Statement of Financial Accounting Standards No. 94* amends *ARB No. 51* by requiring the consolidation of subsidiaries having nonhomogeneous operations. Consequently, with rare exception, the survey companies consolidate nonhomogeneous operations. Table 1-9 shows the nature of nonhomogeneous operations consolidated by the survey companies.

The financial statement formats used to present nonhomogeneous operation vary considerably. Of the 93 survey companies disclosing nonhomogeneous operations, 60 presented a classified balance sheet showing either certain or no accounts for nonhomogeneous operations, 13 presented an unclassified balance sheet, 12 presented a classified balance sheet as to industrial operations but showing assets and liabilities of nonhomogeneous operations separately, and 8 presented a consolidating balance sheet.

Examples of consolidation practice disclosures follow.

TABLE 1-9: NONHOMOGENEOUS OPERATIONS CONSOLIDATED

	Number of Companies			
	1989	1988	1987	1986
Credit	69	64	17	12
Insurance	33	34	7	3
Leasing	11	8	2	1
Banks	8	11	1	—
Real Estate	15	N/C	N/C	N/C

N/C—Not Compiled.

Classified Balance Sheet

GERBER PRODUCTS COMPANY

Consolidated Statements of Financial Position

March 31, (in thousands)	1989	1988
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 33,758	$ 5,298
Trade accounts receivable, less allowances (1989—$4,083; 1988—$4,642)	113,651	109,356
Inventories		
Finished products	89,754	90,483
Raw materials and supplies	87,553	79,650
	177,307	170,133
Current assets of discontinued operations		78,538
Prepaid expenses and other		2,349
Total current assets	324,716	365,674
OTHER ASSETS		
Investments of insurance operations	47,171	41,981
Deferred policy acquisition costs	28,613	24,723
Prepaid pension costs	31,556	25,110
Miscellaneous other assets	17,464	16,300
Intangible assets, less amortization (1989—$6,909; 1988—$10,068)	11,317	16,465
Investment in affiliate	2,723	4,558
Other assets of discontinued operations	5,164	12,510
	144,008	141,647
LAND, BUILDINGS AND EQUIPMENT		
Land	13,105	11,895
Buildings	116,786	108,572
Machinery and equipment	216,423	204,542
Construction in progress	13,837	17,433
Allowances for depreciation (deduct)	(135,595)	(120,065)
	224,556	222,377
Fixed assets of discontinued operations (net)	3,906	37,512
	228,462	259,889
	$697,186	$767,210

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 6,506	$ 46,190
Trade accounts payable	50,884	47,621
Salaries, wages and other compensation	29,509	22,735
Local taxes, interest and other expenses	37,159	29,773
Income taxes	5,104	6,666
Policy claims and reserves	5,631	4,879
Current liabilities of discontinued operations and provision for estimated loss on disposal	7,114	37,685
Current maturities of long-term debt	499	16,683
TOTAL CURRENT LIABILITIES	142,406	212,232
LONG-TERM DEBT, less current maturities	146,176	146,982
DEFERRED INCOME TAXES	38,312	39,622
FUTURE POLICY BENEFITS	35,534	28,526
NONCURRENT LIABILITIES OF DISCONTINUED OPERATIONS	4,388	13,949
SHAREHOLDERS' EQUITY		
Common stock, par value $2.50 a share—authorized 100,000,000 shares; issued 20,826,861 shares	52,067	52,067
Additional paid-in capital		873
Retained earnings	371,459	319,584
Foreign currency translation adjustments (deduct)	(2,004)	(1,996)
Cost of common stock in treasury (deduct): (1989—1,789,775 shares; 1988—1,052,111 shares)	(91,152)	(44,629)
	330,370	325,899
	$697,186	$767,210

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and all wholly-owned subsidiaries. A 49%-owned Mexican affiliate is reflected in the accounts using the equity method of accounting. Insurance operations are included based on December 31 financial statements. The Mexican affiliate and a Costa Rican subsidiary are included on the basis of fiscal years ended November 30 and February 28, respectively. Upon consolidation, all intercompany accounts, transactions and profits are eliminated.

In 1989, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 94, "Consolidation of All Majority-owned Subsidiaries," and accordingly, included the accounts of its insurance subsidiaries (see Note E) in the consolidated financial statements. Comparative financial information for earlier years has been restated.

Note E—Insurance Operations

Summarized financial information of insurance operations included in the consolidated financial statements is as follows:

STATEMENTS OF FINANCIAL POSITION

December 31, (in thousands)	1988	1987
ASSETS:		
Investments of insurance operations, at cost:		
Long-term bonds	$44,442	$39,188
Other investments	2,729	2,793
	47,171	41,981
Deferred policy acquisition costs	28,613	24,723
Miscellaneous other assets	1,060	688
Land, buildings and equipment	262	299
	$77,106	$67,691
LIABILITIES:		
Trade accounts payable and accruals	$ 2,796	$ 2,251
Policy claims and reserves	5,631	4,879
Future policy benefits	35,534	28,526
Deferred income taxes	6,485	5,026
	50,446	40,682
SHAREHOLDER'S EQUITY	26,660	27,009
	$77,106	$67,691

The approximate market value of investments of insurance operations was $46,174,000 at December 31, 1988 and $40,979,000 at December 31, 1987.

STATEMENTS OF OPERATIONS

Year ended December 31, (in thousands)	1988	1987	1986
Revenues	$27,253	$23,040	$19,787
Investment Income	3,934	3,730	4,669
TOTAL INCOME	31,187	26,770	24,456
Cost of services provided	16,424	13,692	12,267
Marketing, administrative and general expenses	11,953	10,787	10,953
Earnings before income taxes	2,810	2,291	1,236
Income taxes	958	903	447
NET EARNINGS OF INSURANCE OPERATIONS	$ 1,852	$ 1,388	$ 789

Marketing, administrative and general expenses include deferred policy acquisition cost amortization of $5,077,000, $4,768,000 and $4,459,000 in calendar 1988, 1987, and 1986, respectively.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part):

Principles of Consolidation:

The consolidated financial statements include the accounts of International Business Machines Corporation and its U.S. and non-U.S. subsidiary companies. Investments in joint ventures and other companies in which IBM does not have control, but has the ability to exercise significant influence over operating and financial policies (generally greater than 20% ownership) are accounted for by the equity method. Other investments are accounted for by the cost method.

Finance Subsidiaries

The company's wholly owned finance subsidiaries consist of IBM Credit Corporation and several non-U.S. finance subsidiaries. IBM Credit Corporation offers lease financing of selected IBM products, finances receivables resulting from installment sales by IBM of its products, and finances selected non-IBM equipment in the U.S. The non-U.S. finance subsidiaries offer lease financing of selected IBM products and in some cases finance installment receivables.

The accompanying schedule depicts the combined financial information for these finance subsidiaries, of which IBM Credit Corporation accounts for more than 80% of the net earnings. These wholly owned subsidiaries are consolidated in the accompanying financial statements. Financing activity in countries in which the company does not have a finance subsidiary is not included.

Additional information is available in the 1989 Annual Report of the IBM Credit Corporation. Copies may be obtained by writing to:

First Chicago Trust Company of New York
P.O. Box 7896, Church Street Station,
New York, N.Y. 10242-7896.

Financial position at December 31:

(Dollars in millions)	1989	1988
Assets:		
Cash and cash equivalents	$ 315	$ 536
Receivables—net	2,796	2,281
Net investment in capital leases	7,350	6,351
Equipment under operating leases—net	2,030	758
Other	246	184
Total Assets	$12,737	$10,110
Liabilities and Stockholder's Equity:		
Short-term debt	$ 3,482	$ 3,007
Deferred taxes and accruals	1,214	1,092
Due to IBM and affiliates	2,210	1,714
Long-term debt	4,729	3,300
Stockholder's equity	1,102	997
Total Liabilities and Stockholder's Equity	$12,737	$10,110

Earnings for the years ended December 31:

(Dollars in millions)	1989	1988	1987
Financing and other income	$1,332	$914	$876
Interest and other expenses	1,098	791	744
Provision for income taxes	75	26	27
Net earnings	$ 159	$ 97†	$105

†1988 net earnings before cumulative effect of accounting change for income taxes.

THE SHERWIN-WILLIAMS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Consolidation. The consolidated financial statements include all significant majority-owned subsidiaries. Intercompany accounts and transactions have been eliminated.

Note 4—Real Estate Subsidiary

Sherwin-Williams Development Corporation, a wholly-owned subsidiary, and its affiliates (SWDC) acquire, develop, lease, and manage properties for the Company and others. As required by Financial Accounting Standards Board Statement No. 94, SWDC is included in the consolidated financial statements. Total revenue includes intersegment revenue of $10,058,000, $9,575,000, and $7,040,000 in 1989, 1988 and 1987, respectively, which is eliminated in consolidation with the parent. Summarized financial data for SWDC is as follows:

	December 31,		
Thousands of dollars	1989	1988	1987
Property, plant and equipment—net	$99,063	$88,871	$75,666
Current assets	670	1,053	1,536
Other noncurrent assets	718	817	918
Long-term debt	53,225	53,615	52,160
Current liabilities	2,062	3,125	13,196
Other noncurrent liabilities	5,415	4,781	4,173
Due to parent	35,130	19,916	2,169
Total revenue	$14,162	$15,414	$14,884
Interest expense	5,306	5,156	6,293
Total expenses—net	11,545	11,191	9,837
Net income	1,714	2,883	5,561

THE TORO COMPANY (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies and Related Data

Basis of Consolidation—The accompanying consolidated financial statements include the accounts of The Toro Company and all of its domestic and foreign subsidiaries. The investments in 50% or less owned companies are carried at cost plus equity in undistributed earnings. The accounts of foreign subsidiaries, which are not material, have been adjusted to conform to U.S. accounting principles and practices and have been remeasured in appropriate U.S. dollar equivalents. All material intercompany accounts and transactions have been eliminated in consolidation.

13. Consolidated Finance Subsidiary—Toro Credit Company

Toro Credit Company is a consolidated wholly-owned subsidiary of the company and operates primarily in the finance industry with wholesale financing of distributor and dealer inventories under various floor plan arrangements and other programs.

	Years Ended July 31		
Summary of Earnings	1989	1988	1987
Finance Revenues	$14,361,000	$14,275,000	$15,067,000
Expenses:			
Operating	1,621,000	1,553,000	1,507,000
Interest	6,840,000	6,580,000	7,009,000
Foreign currency exchange net gains	(383,000)	(497,000)	(177,000)
Total expenses	8,078,000	7,636,000	8,339,000
Earnings before income taxes	6,283,000	6,639,000	6,728,000
Provision for income taxes	2,109,000	1,938,000	2,227,000
Net earnings	$ 4,174,000	$ 4,701,000	$ 4,501,000

	Years Ended July 31	
Summary Balance Sheets	1989	1988
Assets		
Cash	$ 5,935,000	$ 6,721,000
Receivables	90,127,000	72,210,000
Note receivable—The Toro Company	2,000,000	10,000,000
Other receivables and assets	1,929,000	809,000
Total Assets	$99,991,000	$89,740,000
Liabilities and Stockholder's Equity		
Bank loans	$ 2,668,000	$ 405,000
Current portion of long-term debt	15,000,000	10,000,000
Other liabilities	8,824,000	9,510,000
Long-term debt, less current portion	42,000,000	42,500,000
Stockholder's equity	31,499,000	27,325,000
Total Liabilities and Stockholder's Equity	$99,991,000	$89,740,000

TEXAS INDUSTRIES, INC. (MAY)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

The Company adopted Statement of Financial Accounting Standards 94, "Consolidation of all Majority-owned Subsidiaries," (SFAS 94) in 1989. Accordingly, the consolidated financial statements include the accounts of the Company and all subsidiaries. Previously, the real estate and finance companies were carried on the equity method. The information for 1988 and 1987 has been restated as a result of adopting SFAS 94. Chaparral Steel Company (Chaparral) became 100% owned at the end of November 1985. Its operations were consolidated as of June 1, 1985.

Affiliated Companies

In October 1987, the Financial Accounting Standards Board released SFAS 94 which requires the consolidation of all majority owned subsidiaries. As required by SFAS 94, summarized financial information for the formerly unconsolidated subsidiaries, Brookhollow Corporation (Brookhollow) and Southwestern Financial Corporation (Southwestern) is as follows:

Brookhollow (real estate)

In thousands	1989	1988	1987
Major assets:			
Notes and accounts receivable	$ 1,873	$ 1,496	$ 1,653
Land for investment and resale	17,029	27,316	28,697
Buildings	3,722	4,037	4,180
Total assets	23,192	34,704	36,088
Notes payable	3,444	6,757	7,620
Stockholder's equity	8,602	22,804	26,114
Sales and revenues	13,230	7,178	6,875
Income from continuing operations before income taxes	754	1,509	1,827
Loss from discontinued operations net of tax	(14,973)	(4,883)	(3,300)
Cumulative effect of change in accounting for income taxes	—	594	—
Net loss	(14,202)	(3,308)	(1,608)

Southwestern (finance)

In thousands	1989	1988	1987
Major assets:			
Notes and accounts receivable	$ 5,613	$ 7,901	$ 8,192
Investment in limited partnership	8,673	8,643	8,748
Total assets	17,541	20,515	18,330
Notes payable	1,225	13,375	11,375
Stockholder's equity	4,843	6,059	6,728
Revenues	1,863	2,050	2,392
Income (loss) from operations	(1,211)	417	863
Cumulative effect of change in accounting for income taxes	—	(86)	—
Net income (loss)	(1,211)	331	863

Classified Balance Sheet—Assets/Liabilities Of Nonhomogeneous Operations Shown Separately

ETHYL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Consolidation The consolidated financial statements include the accounts and operations of Ethyl Corporation and all of its subsidiaries (the "Company").

Basis of Presentation The consolidated financial statements present asset and liability, revenue and cost and expense, and cash flow information reported as "Chemicals and Corporate" or "Insurance." "Chemicals and Corporate" includes the accounts and operations of the Chemicals Group and Corporate activities. "Insurance" includes the accounts and operations of the Insurance Group, which consists primarily of First Colony Life Insurance Company and its consolidated subsidiaries ("First Colony"). The net assets of the aluminum, plastics and energy businesses were combined into a new corporation, Tredegar Industries, Inc. ("Tredegar") in 1989. Ethyl Corporation as "sole stockholder" in the new corporation distributed all of the outstanding stock of Tredegar to the common shareholders of Ethyl Corporation on July 24, 1989.

The financial results and net assets of the aluminum, plastics and energy businesses spun off are reported in the consolidated financial statements of the Company as discontinued operations.

Previously reported financial statements for all periods presented and certain amounts in the notes to financial statements have been restated to conform to the current presentation.

HARCOURT BRACE JOVANOVICH, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

The consolidated financial statements include the accounts of Harcourt Brace Jovanovich, Inc. and all of its subsidiaries ("HBJ" or the "Company"). The Company's consolidated financial statements are structured so that Insurance financial information is segregated throughout the statements. Insurance assets, including cash, are restricted by statute and unavailable for general corporate use except by dividend distribution to the parent company (Note 3). All material intercompany items have been eliminated. Certain prior-year amounts have been reclassified to conform with the current-year presentation.

QUAKER STATE CORPORATION

Consolidated Balance Sheet

December 31 (in thousands except share date)	1989	1988
Assets		
Petroleum, coal and other—		
Current assets:		
Cash and cash equivalents	$ 22,889	$ 11,818
Accounts and notes receivable, less allowance of $1,370 in 1989 and $1,372 in 1988	66,562	69,812
Inventories (Note 3)	50,008	55,003
Other current assets	30,555	40,925
Total current assets	170,014	177,558
Property, plant and equipment, net of accumulated depreciation and depletion (Notes 5 and 7)	334,306	336,768
Other assets	21,492	23,493
Total assets—petroleum, coal and other	525,812	537,819
Insurance assets (Note 4)		
Investments	125,303	109,670
Cash	3,485	694
Premiums and other receivables	29,389	27,049
Deferred insurance acquisition costs	61,260	51,384
Other assets	19,321	16,541
Total insurance assets	238,758	205,338
Total assets	$764,570	$743,157
Liabilities		
Petroleum, coal and other—		
Current liabilities:		
Accounts payable	$ 35,583	$ 41,281
Accrued liabilities (Note 2 and 6)	52,859	48,645
Income taxes	—	444
Installments on long-term debt	4,889	5,294
Total current liabilities	93,331	95,664
Long-term debt, less current installments (Note 7)	97,317	94,092
Deferred income taxes and investment credit (Note 11)	51,266	48,678
Other long-term liabilities (Note 2)	36,007	36,189
Total liabilities—petroleum, coal and other	277,921	274,623
Insurance liabilities (Note 4)		
Unearned premiums	146,752	124,491
Policy claims	15,217	11,754
Due to reinsurance companies	4,315	4,308
Other liabilities	13,301	11,743
Total insurance liabilities	179,585	152,296
Commitments and contingencies (Notes 4 and 8)		
Stockholders' Equity		
Capital stock $1.00 par value; authorized shares 37,500,000; issued shares, 27,124,822 in 1989 and 27,123,512 in 1988 (Note 9)	27,125	27,124
Additional capital	61,685	61,666
Retained earnings (Note 7)	218,254	227,448
Total stockholders' equity	307,064	316,238
Total liabilities and stockholders' equity	$764,570	$743,157

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

a. Basis of consolidation: The consolidated financial statements include the accounts of Quaker State Corporation and all of its subsidiaries more than 50% owned (the company). Intercompany accounts and transactions are eliminated. The assets and liabilities for the insurance operations have not been classified as current or noncurrent in accordance with insurance industry practice.

d. Insurance company accounting policies: Investments in fixed maturities, consisting of bonds, are carried at amortized cost. Equity securities, including common and nonredeemable preferred stocks, are carried at market value, with the change in net unrealized appreciation, net of related deferred taxes, credited or charged directly to stockholders' equity. The cost of securities sold is determined by the average cost method.

Credit life, accident and health and mechanical breakdown insurance premiums are earned over the life of the policy. Premiums applicable to the unexpired terms of policies in force are recorded as unearned premium reserves and recognized as revenue over the contract period.

Reserves are provided for reported claims, claims incurred but not reported and claim settlement expenses at each balance sheet date. Such reserves are based on estimates which are periodically reviewed and evaluated in light of emerging claim experience and existing circumstances. Any changes in estimates resulting from this review process are reflected in earnings currently.

Policy acquisition costs, consisting of commissions and premium taxes, are deferred and amortized as the related premiums are earned.

Heritage considers anticipated investment income in determining if a premium deficiency exists on short duration contracts.

4. Heritage Insurance Group:

Heritage is an insurance holding company principally engaged through its subsidiaries in the business of credit life, accident and health, and special indemnity insurance.

During the third quarter of 1989 Heritage acquired Sturdivant Life Insurance Company (Sturdivant). This acquisition was recorded under the purchase method; the purchase price was assigned to the net assets acquired based on their fair value at the date of acquisition. The results of operations of Sturdivant are included in the Consolidated Statement of Operations from the acquisition date forward. Pro forma results, assuming the acquisition had been made at the beginning of each year presented, would not be materially different from the results reported.

Heritage's condensed income statement for the years ended December 31, 1989, 1988 and 1987 are presented below:

(in thousands)	1989	1988	1987
Premiums	$66,565	$56,964	$45,129
Net investment income*	9,547	8,449	6,935
Realized investment gains	1,556	671	1,099
Other, net	6,907	3,705	2,659
Total revenue	84,575	69,789	55,822
Policy and contract benefit expenses	(35,834)	(30,700)	(22,890)
Amortization of deferred policy acquisition costs	(33,672)	(23,255)	(19,274)
General and administrative costs	(9,687)	(10,141)	(8,488)
Income before income taxes	5,382	5,693	5,170
Provision for income taxes	370	951	910
Net income	$ 5,012	$ 4,742	$ 4,260
*Excludes intercompany interest of	$ 925	$ 767	$ 450

Investments included in "Insurance assets" in the balance sheet consist of the following:

(in thousands)	1989	1988
Fixed maturities:		
Bonds (market value is $85,830 in 1989 and $70,519 in 1988)	$ 81,201	$ 67,217
Equity securities:		
Nonredeemable preferred stocks (cost is $15,959 in 1989 and $19,068 in 1988)	15,786	19,547
Common stocks (cost is $8,181 in 1989 and $5,788 in 1988)	10,541	7,191
Short-term investments, at cost which approximates market	14,215	12,198
Other	3,560	3,517
	$125,303	$109,670

At December 31, 1989, $1,424,000 of net unrealized appreciation, net of $762,000 of deferred taxes, was included in the stockholders' equity.

Bonds and short-term investments with a carrying value of $6,974,000 and $5,390,000 were on deposit with regulatory authorities at December 31, 1989 and 1988, respectively.

Heritage has various reinsurance agreements whereby it cedes certain risks to reinsurers in order to limit maximum losses under policies underwritten. Heritage also assumes insurance from various companies.

Heritage requires that reinsurers maintain funds in trust in excess of the amount of reserves reinsured by such companies at any time.

Heritage has ceded $2,045,722,000 and assumed $291,721,000 of insurance in force at December 31, 1989. Ceded reinsurance premiums amounted to $54,890,000, $46,348,000 and $31,846,000 for the years ended December 31, 1989, 1988 and 1987, respectively. Heritage received $27,150,000, $33,868,000 and $23,096,000 of premiums for business assumed for the years ended December 31, 1989, 1988 and 1987, respectively.

The maximum amount of insurance retained by Heritage on any single policy is $35,000 of life insurance coverage and $600 per month disability coverage.

A contingent liability exists with respect to such reinsurance which would become a liability of Heritage to the extent that the reinsuring companies may be unable to meet their obligations under the reinsurance treaties. The amount of such contingent liability was approximately $14,800,000 at December 31, 1989.

The regulations of various states in which the insurance subsidiaries are admitted to do business restricted the amount of dividends that may be paid without obtaining the approval of the regulators and impose minimum statutory capital requirements. Under the most restrictive regulations at December 31, 1989, the amount of retained earnings available for dividends to Quaker State without such approval was approximately $2,287,000 and the minimum statutory capital stock and surplus requirements was approximately $3,575,000.

Net income and capital stock and surplus for Heritage's life companies and indemnity company, as computed on a statutory basis, were as follows:

	Years Ended December 31,		
(in thousands)	1989	1988	1987
Net income:			
Life companies	$ 1,277	$ 1,128	$678
Indemnity company	$ 675	$ 988	$632
Capital stock and surplus:			
Life companies	$21,464	$18,295	
Indemnity company	$ 7,388	$ 5,928	

Unclassified Balance Sheet

FLEETWOOD ENTERPRISES, INC.

Consolidated Balance Sheets

Amounts in thousands	April 30, 1989	April 24, 1988
Assets		
Cash	$ 24,877	$ 6,322
Investments	155,622	163,036
Receivables:		
Manufacturing	96,003	88,047
Finance company	157,622	66,517
Inventories:		
Raw materials	74,601	65,863
Work in process and finished products	43,605	30,656
Property, plant and equipment	122,742	103,773
Deferred tax benefits	31,562	16,680
Other assets	11,289	15,251
	$717,923	$556,145
Liabilities and Shareholders' Equity		
Accounts payable	$ 65,719	$ 67,534
Commercial paper borrowings	130,589	31,677
Employee compensation and benefits	52,477	45,066
Federal and state taxes on income	3,561	8,977
Insurance reserves	23,242	16,425
Other liabilities	41,766	42,544
Total liabilities	317,354	212,223
Contingent liabilities		
Shareholders' equity:		
Preferred stock, $1 par value, authorized 10,000,000 shares, none outstanding	—	—
Common stock, $1 par value, authorized 75,000,000 shares, outstanding 22,908,000 at April 30, 1989 and 22,902,000 at April 24, 1988	22,908	22,902
Capital surplus	45,524	45,415
Retained earnings	331,160	275,350
Foreign currency translation adjustment	977	255
	400,569	343,922
	$717,923	$556,145

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

a. Principles of consolidation: The consolidated financial statements include the accounts of Fleetwood Enterprises, Inc. and is wholly owned subsidiaries. The term "Company" used herein means Fleetwood Enterprises, Inc. and its subsidiaries, unless otherwise indicated by the context. All material intercompany accounts and transactions have been eliminated. In fiscal year 1989, the Company adopted Statement of Financial Accounting Standards No. 94 which requires the consolidation of all majority owned subsidiaries. This accounting change resulted in the consolidation of finance, insurance and real estate subsidiaries which were previously unconsolidated. Prior years' financial statements have been restated to conform with the current year presentation.

2. Supplementary Information on Finance, Insurance and Real Estate Subsidiaries

The finance subsidiary provides wholesale and retail financing for the Company's recreational vehicle products. The insurance subsidiary was formed primarily for the purpose of insuring products liability risks of the parent company and its subsidiaries. The real estate subsidiary was originally formed mainly for the purpose of participating in the development of planned communities using manufactured housing. As of April 30, 1989, however, this subsidiary was not actively involved in real estate development activities, having liquidated its real estate investments prior to fiscal 1989. Condensed financial information for these subsidiaries, excluding intercompany eliminations, is as follows:

Amounts in thousands	1989	1988	1987
Finance subsidiary:			
Finance receivables (net)	$156,232	$66,077	$31,754
Cash and temporary investments	15,334	4,361	1,821
Other assets	1,958	1,024	775
Notes payable—parent company	—	—	8,500
Commercial paper borrowings	130,589	31,677	—
Other liabilities	4,519	3,224	332
Revenue from lending operations	14,731	7,208	1,251
Interest expense	5,982	1,841	29
Operating costs	5,961	3,702	1,722
Investment income	318	169	1,008
Net income	1,855	1,043	293
Insurance subsidiary:			
Investments	$ 37,268	$28,406	$23,026
Other assets	4,633	4,074	4,831
Reserves for losses	23,242	16,425	13,391
Other liabilities	4,690	4,017	4,491
Net premiums	8,445	7,254	7,294
Underwriting income	206	896	582
Investment income	2,930	2,538	2,035
Net income	1,931	2,063	1,313
Real estate subsidiary:			
Investment in real estate developments	$ —	$ —	$ 1,732
Other assets	1,906	2,297	1,706
Notes payable—parent company	795	795	990
Other liabilities	—	—	633
Revenues	—	666	675
Net income (loss)	44	(184)	(625)

Consolidating Balance Sheet

TEMPLE-INLAND INC.

Consolidating Balance Sheets

At year end 1989	Parent Company	Financial Services	Guaranty Federal	Consolidated
		(in thousands)		
ASSETS				
Cash	$ 18,221	$ 33,557	$ 41,236	$ 93,014
Investments	—	808,717	135,592	944,309
Covered Assets	—	—	1,643,461	1,643,461
Receivable from FSLIC	—	—	1,379,950	1,379,950
Loans receivable	—	—	732,838	732,838
Trade and other receivables	199,965	75,578	16,780	292,323
Inventories	166,965	100,285	—	267,250
Property and Equipment	1,550,616	15,345	17,248	1,583,209
Other Assets	84,859	224,082	42,525	312,443
Investment in Affiliates	117,834	—	—	—
Total Assets	$2,138,460	$1,257,564	$4,009,630	$7,248,797
LIABILITIES				
Deposits	$ —	$ 149,906	$2,760,396	$2,910,302
Federal Home Loan Bank Advances	—	—	1,069,374	1,069,374
Future Policy Benefit Claims	—	689,798	—	689,798
Long-Term Debt	398,777	30,437	—	429,214
Deferred Federal Income Taxes	258,184	29,799	—	287,983
Short-Term Borrowings	—	200,733	—	200,733
Other Liabilities	222,574	94,521	51,007	402,468
Total Liabilities	$ 879,535	$1,195,194	$3,880,777	$5,989,872
SHAREHOLDERS' EQUITY				
Preferred stock—par value $1 per share: authorized 25,000,000 shares; none issued				
Common stock—par value $1 per share: authorized 100,000,000 shares; issued 61,389,552 shares including shares held in the treasury				61,390
Additional Paid-In Capital				298,799
Retained Earnings				1,047,344
				1,407,533
Cost of shares held in the treasury: 6,538,738 shares				(148,608)
Total Shareholders' Equity				1,258,925
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				$7,248,797

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles and with current financial reporting requirements. However, because certain assets and liabilities are in separate corporate entities, the consolidated assets are not available to satisfy all consolidated liabilities.

The consolidated financial statements include the accounts of Temple-Inland Inc. (the "Company") and all subsidiaries in which the Company has more than a 50 percent equity ownership, except the Company's investment in Guaranty. Due to many uncertainties, the Company did not initially consolidate Guaranty and accounted for its investment using the cost method adjusted for any recovery. The Company has consolidated Guaranty in its 1989 balance sheet and will fully consolidate Guaranty beginning in 1990. See Note B on page 44. All material intercompany amounts and transactions have been eliminated.

Included as an integral part of the consolidated financial statements are separate summarized financial statements and notes for the Company's primary business groups as well as the significant accounting policies unique to each group.

GENERAL ELECTRIC COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Consolidation and financial statement presentation

Consolidation. The consolidated financial statements represent the adding together of all companies in which General Electric Company directly or indirectly has a majority ownership or otherwise controls ("affiliated companies"). Prior to 1988, results of financial services affiliates—the principal one being General Electric Financial Services, Inc. (GEFS or GE Financial Services) and its affiliated companies—were included on the equity basis as one line in total earnings and net assets. This was permissible under accounting rules in effect before 1988. Because financial services operations are so different in nature from and essentially unrelated to operations of other GE businesses, management believed that financial statements were more understandable if GEFS' statements were shown separately. It should be emphasized that, under both current and prior procedures, consolidated net earnings and share owners' equity are the same for all periods presented. However, substantially more detail is required under the current standard than under rules previously in effect. Also as a result of this change, the Company adopted an unclassified consolidated statement of financial position.

Management believes it is important to preserve as much as possible the identity of the principal financial data and related measurements to which share owners and others have become accustomed over the years. Accordingly, consolidated financial statements and notes now are generally presented in a format that includes data grouped basically as follows.

GE—this is essentially the pre-1988 basis of consolidation except that it includes some very small financial services affiliates previously not consolidated. The effect of transactions among companies within this group has been eliminated. Where appropriate for clarification or emphasis, particularly in the notes, this group of entities also is referred to as "GE except GEFS."

GEFS—this affiliate owns all of the common stock of General Electric Capital Corporation (GECC or GE Capital) and of Employers Reinsurance Corporation (ERC), and 80% of the stock of Kidder, Peabody Group Inc. (Kidder, Peabody). These affiliates and their respective affiliates are consolidated in the GEFS columns with the effect of transactions among them eliminated before the consolidated presentation.

Consolidated—these columns represent the adding together of GE and GEFS. However, it is necessary to remove the effect of transactions between GE except GEFS and GEFS to arrive at a consolidated total. The "eliminations" used to arrive at these consolidated totals are summarized below.

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Deconsolidation—Reduction Of Voting Interest

PEPSICO, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Principles of Consolidation. The financial statements reflect the consolidated accounts of PepsiCo, Inc. and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Equity interests of 50% or less in joint ventures in which PepsiCo exercises significant influence are accounted for by the equity method, and the equity in net income is included in the Consolidated Statement of Income under the caption "Selling, administrative and other expenses." The Consolidated Statement of Income for 1988 and 1987 has been restated to report under the equity method of accounting the results of certain previously consolidated foreign joint ventures of Kentucky Fried Chicken (KFC). The restatement resulted principally from a reduction of PepsiCo's voting interest to less than 50% in the KFC joint venture in Japan, which was the largest of these joint ventures. A portion of PepsiCo's voting stock was sold to the joint venture's directors and certain employees in early 1989. Although the equity interests and previously consolidated operations were not significant to the Consolidated Financial Statements of PepsiCo, the restatement is intended to improve comparability of PepsiCo's operating results. The restatement had no effect on income from continuing operations or net income. The Consolidated Balance Sheet and Statement of Cash Flows were not restated.

Proportionate Consolidation

CYPRUS MINERALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation—The financial statements include the accounts of Cyprus and its more than 50 percent owned subsidiaries. Investments in 20 percent to 50 percent owned companies are accounted for by the equity method. Investments in ventures where Cyprus can take its production in kind and is responsible for its pro rata share of assets and liabilities are included on a proportionate consolidation basis. All material intercompany balances and transactions have been eliminated.

MAXUS ENERGY CORPORATION (DEC)

SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Equity Accounting.

The Consolidated Financial Statements include the accounts of Maxus Energy Corporation and all domestic and foreign subsidiaries (the "Company"). The Company uses the equity method to account for its less than 50% owned investments in affiliates and joint ventures ("Associated Companies"), and the proportionate consolidation method to account for its investments in Diamond Shamrock Offshore Partners Limited Partnership and other noncorporate joint ventures in oil and gas exploration and production. Under the equity method, the Company recognizes its proportionate share of the net income or loss of Associated Companies currently, rather than when realized through dividends or disposal. All significant intercompany accounts and transactions have been eliminated.

Certain Subsidiaries Not Consolidated

HILLENBRAND INDUSTRIES, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

1 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries except for several small subsidiaries which provide ancillary services to the Company and the public. These entities, which are not consolidated because of their materiality, are accounted for by the equity method. Their results of operations appear in the income statement, net of income taxes, under the caption "Other income (expense), net." Material intercompany accounts and transactions have been eliminated in consolidation.

Effective December 4, 1988, the Company adopted SFAS No. 94, "Consolidation of All Majority-Owned Subsidiaries." Amounts related to Forecorp, Inc. and subsidiaries, formerly accounted for by the equity method, are included in the Company's consolidated financial statements. Except where indicated otherwise, amounts identified as "Industrial" include unassigned corporate items. Financial data presented for previous periods have been restated to reflect this change. Income before tax was $1,922 and $2,117 lower in 1988 and 1987 than previously reported. There was no impact on net income or earnings per share.

The Company's fiscal year is the 52 or 53 week period ending the Saturday nearest November 30.

TRW INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Principles of consolidation—The financial statements include the accounts of the company and its subsidiaries except for an insurance subsidiary. The wholly-owned insurance subsidiary and investments in affiliated companies, which are not significant individually or in the aggregate, are accounted for by the equity method.

Consolidation Includes Less Than 50% Owned Company

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of American Maize-Products Company, its wholly owned Subsidiaries and American Fructose Corporation ("AFC") for which the Company has voting control, collectively referred herein as the "Company." Prior years financial information has been restated to reflect the Company's building material business as a discontinued operation (see Note 2).

2 (In Part): Business Changes:

During 1989, $19,240,000 of the Company's 7½% Exchangeable subordinated debentures were exchanged for 1,665,794 shares of American Fructose Corporation Class A Common Stock owned by the Company. As a result, the Company's equity ownership interest in AFC decreased from 58.15% in June to 40.59% in August. The Company, however, retains a majority voting interest in AFC.

BUSINESS COMBINATIONS

Paragraph 8 of *APB Opinion No. 16* (Section B50 of *FASB Accounting Standards—Current Text)* states:

> The Board concludes that the purchase method and the pooling of interests method are both acceptable in accounting for business combinations, although not as alternatives in accounting for the same business combination. A business combination which meets specified conditions requires accounting by the pooling of interests method. A new basis of accounting is not permitted for a combination that meets the specified conditions, and the assets and liabilities of the combining companies are combined at their recorded amounts. All other business combinations should be accounted for as an acquisition of one or more companies by a corporation. The cost to an acquiring corporation of an entire acquired company should be determined by the principles of accounting for the acquisition of an asset. The cost should then be allocated to the identifiable individual assets acquired and liabilities assumed based on their fair values; the unallocated cost should be recorded as goodwill.

Paragraphs 50 to 65 and 66 to 96 of *Opinion No. 16* describe the manner of reporting and disclosures required for a pooling of interests and a purchase, respectively.

Table 1-10 shows that in 1989 the survey companies reported 18 business combinations accounted for as a pooling of interests of which 9 such business combinations did not result in a restatement of prior year financial statements. Those companies not restating prior year financial statements for a pooling of interests usually commented that the reason for not doing so was immateriality.

Examples of poolings of interests and purchases follow.

Poolings Of Interests

AMERICAN CYANAMID COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars except per share amounts)

3 (In Part): Acquisitions, Dispositions, Special Items

In November 1989 the company issued 3,903,798 shares of its common stock in exchange for all the outstanding common stock of Praxis Biologics, Inc. Praxis develops, manufactures and markets highly purified vaccines for the prevention of infectious diseases. The acquisition has been accounted for under the pooling of interests method and, accordingly, the company's financial statements and financial data have been restated to include the accounts and operations of Praxis. Certain reclassifications have been made to Praxis historical accounts to conform to the company's presentation.

Net sales and net earnings of the company and Praxis for the periods prior to the acquisition were as follows:

	Nine months ended Sept. 30, 1989	Years ended Dec. 31, 1988	1987
Net sales:			
Previously reported	$3,671.7	$4,592.0	$4,166.1
Praxis	6.4	.2	2.6
	$3,678.1	$4,592.2	$4,168.7
Earnings from continuing operations:			
Previously reported	$ 263.9	$ 305.6	$ 264.0
Praxis	(10.4)	(10.0)	.3
	$ 253.5	$ 295.6	$ 264.3
Net earnings:			
Previously reported	$ 263.9	$ 305.6	$ 275.6
Praxis	(10.4)	(10.0)	.3
	$ 253.5	$ 295.6	$ 275.9

Net earnings per share were reduced $.33 in 1989, $.25 in 1988 and $.11 in 1987 attributable to dilution from shares issued in connection with the acquisition, consolidation of Praxis results and one-time acquisition costs in 1989 of approximately $8.

BRISTOL-MYERS SQUIBB COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Business Combination

On October 4, 1989, Squibb Corporation merged with a subsidiary of Bristol-Myers Company, and Bristol-Myers Company changed its name to Bristol-Myers Squibb Company. As a result, 97.4 million shares of Squibb common stock became entitled to be exchanged at a ratio of one share of Squibb for 2.4 Bristol-Myers Squibb shares, and 9.8 million shares of Squibb common stock owned by Squibb as treasury stock were retired. The merger has been accounted for as a pooling-of-interests and, accordingly, the accompanying consolidated financial statements for periods prior to the merger have been restated.

TABLE 1-10: BUSINESS COMBINATIONS

	1989	1988	1987	1986
Poolings of Interests				
Prior year financial statements restated	9	8	11	13
Prior year financial statements not restated	9	6	10	9
Total	**18**	**14**	**21**	**22**
Purchase Method	**219**	**216**	**194**	**239**

Operating results of the separate companies for periods prior to the merger were:

(in millions of dollars)	Nine months Ended September 30, 1989	Year Ended December 31, 1988	1987
Net sales:			
Bristol-Myers	$4,726	$5,972	$5,401
Squibb	2,103	2,586	2,157
	$6,829	$8,558	$7,558
Net Earnings:			
Bristol-Myers	$ 716	$ 829	$ 710
Squibb	384	425	358
	$1,100	$1,254	$1,068

Purchases

ACME STEEL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Business Acquisitions (In Part):

In May 1989, the company acquired for $22 million the business and certain assets and liabilities of two steel tubing operating divisions of Sudbury Industrial, Inc. This acquisition has been accounted for as a purchase and accordingly, the acquired assets and liabilities have been recorded at their estimated fair values at date of acquisition. The purchase agreement, as amended, provides for contingent payments of up to $8.8 million based on the annual adjusted pre-tax income of the steel tubing operations over the next four years. Any such payments, if earned, will be allocated to the assets acquired or, if applicable, recorded as goodwill. The operating results of this acquisition are included in the company's consolidated results of operations from the date of acquisition.

The following unaudited pro-forma summary presents the consolidated results of operations of the company as if the acquisition had occurred at the beginning of the 1989 and 1988 fiscal years.

	1989	1988
	(in thousands, except per share)	
Net sales	$468,344	$479,259
Income before extraordinary credit	14,643	17,866
Net income	14,643	18,876
Earnings per common share:		
Income before extraordinary credit	2.71	3.10
Net income	2.71	3.27

The above amounts are based upon certain assumptions and estimates which the company believes are reasonable, and do not reflect any benefit from economies which might be achieved from combined operations. The pro-forma results do not necessarily represent results which would have occurred if the acquisition had taken place on the basis assumed above, nor are they indicative of the results of future combined operations.

THE BLACK & DECKER CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Dollars Except Per Share Data)

Note 2: Acquisition of Emhart

Pursuant to a tender offer and subsequent merger, the Corporation acquired all of the outstanding shares of common stock of Emhart Corporation (Emhart) at a price of $40.00 per share in cash, with the aggregate purchase price for such shares and related costs totaling approximately $2,650,000. The acquisition was financed by borrowings under a credit agreement dated as of April 26, 1989.

The acquisition has been accounted for as a purchase transaction and, accordingly, the purchase price was allocated to assets and liabilities based on the estimated fair value as of the date of acquisition. The excess of the consideration paid over the estimated fair value of net assets acquired in the amount of $1,982,000 has been recorded as goodwill to be amortized on the straight-line basis over 40 years. The Consolidated Statement of Earnings includes the results of Emhart, exclusive of the operating results associated with businesses held for sale, from the purchase date of April 27, 1989.

In connection with the acquisition, the Corporation intends to dispose of several Emhart businesses including information and electronics systems, electronic component assembling machinery, capacitors manufacturing, and chemical adhesives. It is expected that such businesses will be sold within one year of the acquisition date. Accordingly, the valuation of businesses held for sale of $1,020,965 represents the Corporation's estimate of the after-tax sales proceeds for such businesses as adjusted for expected cash flows from the operation of these businesses and interest expense on the incremental debt incurred to finance the purchase of these businesses. Net income of $24,732 and allocated after-tax interest expense of $45,465 on such businesses has been excluded from consolidated results of operations for the year ended September 24, 1989.

The following unaudited pro forma consolidated results of operations for the twelve months ended September 1989 and 1988 have been prepared by the Corporation and give effect to the acquisition of Emhart from the beginning of the period presented. These pro forma results include certain assumptions as to businesses held for sale and as to additional costs and expenses or savings of a continuing nature inherent to the combination of the Corporation and Emhart. The Corporation has developed other acquisition-related plans beyond those assumed in these pro formas to further reduce operating expenses, inventories and capital spending. These additional plans are prospective in nature and although there are savings inherent in these plans, such projected savings have not been incorporated into these pro forma financial statements.

These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would actually have resulted had the combination been in effect on the dates indicated or that may result in the future.

	Unaudited Twelve Months Ended	
	1989	1988
Net Sales	$4,071,837	$3,893,400
Net Earnings	(7,818)	4,200
Earnings Per Share	(.13)	.07

The pro forma results for 1989 include a provision of $34,500 ($21,400 net of tax or $.36 per share) for the termination of certain interest rate swaps as more fully explained in Note 8, "Long-Term Debt."

CARRIAGE INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2: Acquisition

Effective December 5, 1988, the company acquired all of the common stock of Medart, Inc. (Medart), a metal fabricator located in Greenwood, Mississippi. Medart was involved in a corporate reorganization under Chapter 11 of the Bankruptcy Code. The company and the Official Committee of Unsecured Creditors filed a joint plan of reorganization which was ultimately accepted and confirmed by the bankruptcy court. The reorganization plan required the company to make a cash infusion to reorganized Medart, to fund payment of bankruptcy costs incurred, and to provide for sufficient working capital to allow reorganized Medart to operate in a normal, businesslike manner.

The Medart acquisition was accounted for using the purchase method; accordingly, the cost of the acquisition, totaling approximately $2,217,000, was allocated to assets acquired and liabilities assumed based on their estimated fair values. The aggregate estimated fair values of net assets approximated Carriage's cost of the acquisition.

Under the terms of the reorganization plan, Medart is required to pay into a trust established for the benefit of the unsecured creditors an annual amount of $250,000 for five years (note 5). In addition, Medart will be required to pay to the trust an annual amount equal to 35% of its positive cash flow in excess of the greater of $715,000 or 50% of the cash contributed by the company, up to a maximum of an additional $250,000 per year. These contingent cash payment requirements will be in effect for the next four fiscal years. No contingent payment was required for fiscal 1989. The probability of these future contingent payments is uncertain and, accordingly, no accrual for these amounts has been recorded in the consolidated financial statements.

Medart's results of operations have been included in the consolidated results of operations since the date of acquisition. The following table presents the unaudited pro forma results of operations as if the acquisition had occurred at the beginning of each respective period presented. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisition been made as of those dates or of results which may occur in the future.

	1989	1988
Net sales	$109,890,672	$99,688,890
Net earnings	1,136,404	705,366
Net earnings per common share	.23	.14

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Acquisition of La Gloria Oil and Gas Company

Effective as of October 1, 1989, the Company acquired all of the stock of La Gloria. La Gloria's principal asset is a petroleum refinery in Tyler, Texas, with a rated capacity of 50,000 barrels per day. La Gloria also owns a truck rack terminal at the refinery, three wholesale terminals, and a crude oil pipeline gathering system that serves the Tyler refinery. The purchase price was $109,683,000 which was provided by the Company's current available cash and funds from the existing Revolving Credit Agreement. The acquisition has been recorded using the purchase method of accounting, and the results of operations of La Gloria have been included in the Company's consolidated financial statements since the effective date of the acquisition. The excess of the purchase price over the estimated fair market value of the assets was approximately $10,000,000 and is being amortized using the straight-line method over 20 years.

The following summarized unaudited pro forma results of operations for the years ended December 31, 1989 and 1988 assume the acquisition occurred as of the beginning of the respective periods. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the combination been in effect on the dates indicated, or which may result in the future.

	Pro Forma	
Thousands of dollars except per share data— year ended December 31	1989	1988
Sales and operating revenues	$2,088,254	$1,793,851
Net income	21,849	35,196
Net income per share:		
Primary	2.30	4.26
Fully diluted	2.18	3.51

In conjunction with the acquisition, liabilities were assumed as follows:

Thousands of dollars	
Fair value of assets acquired and goodwill	$ 187,198
Cash paid for capital stock	(109,683)
Liabilities Assumed	$ 77,515

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

(In millions, except for share amounts)

D (In Part): Acquisitions and Divestitures

On August 25, 1989, the Company completed a Tender Offer for 58.5 million shares of common stock of Marion Laboratories, Inc. ("Marion"), at $38.00 per share. The shares acquired in the Tender Offer for $2,223 cash represent 38.9 percent of Marion common stock. In addition, the purchase agreement provided for Marion and Merrell Dow Pharmaceuticals, Inc. ("Merrell Dow") the Company's pharmaceutical subsidiary, to be combined in a second step transaction. On December 2, 1989, the second step was completed. This step included the issuance of 127.8 million new shares of Marion stock, to be transferred to the Company in return for all outstanding shares of Merrell Dow with a carrying value of $181 and the issuance by the Company of 92 million Contingent Value Rights (CVRs), one CVR issued for each common share of Marion stock (except those owned by Dow Chemical). The CVRs provide that holders receive from Dow, at maturity on September 30, 1991, the amount (not to exceed $15.77), if any, by which $45.77 exceeds the average trading value of Marion Merrell Dow Inc. stock for the 90-day period prior to September 30, 1991 (unless, at the option of the Company, the maturity date is extended for one year, in which case the holders will receive the amount, not to exceed $20.23, by which $50.23 exceeds the average trading value of Marion Merrell Dow Inc. prior to September 30, 1992). The maximum value of the CVRs ($1,514) is recorded as temporary equity with an adjustment in equity representing the difference ($753) between the maximum value and the actual average value in the first 10 days of trading.

The following unaudited pro forma summary combines the consolidated results of operations of the Company and Marion as if the acquisition had occurred at the beginning of 1988, after giving effect to certain adjustments, including amortization of goodwill, increased interest expense on the acquisition debt and related income tax effects, as well as, minority interests' share in income.

Fiscal Year (unaudited)	1989	1988
Net sales	$18,503	$17,502
Net earnings	2,393	2,273
Net earnings per common share	8.86	8.06

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The acquisitions resulted in goodwill of $2,943 for Marion, $93 for DowElanco, $108 for PSE, $73 for BP Polyols, $34 for First Brands and $18 for DDS Filtration in 1989, $231 for Essex Chemical Corp. in 1988 and $188 for Lamaur and United Agriseeds in 1987. All of this goodwill is being amortized on a straight-line basis over not more than 40 years.

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Acquisition of Fiberglas Canada Inc.

On August 17, 1989, the Company acquired approximately 50% of the outstanding capital stock of Fiberglas Canada Inc. (FCI) for $195 million, subject to adjustments. FCI is engaged primarily in the manufacture of glass fiber thermal and acoustical insulation products, reinforcements and polyester resins. Prior to the acquisition, the Company owned approximately 50% of FCI and accounted for such investment using the equity method. Beginning with the fourth quarter of 1989, the financial position and results of operations of FCI are reflected on a consolidated basis in the accompanying Consolidated Financial Statements.

The acquisition has been accounted for under the purchase method, whereby the purchase price of the additional capital stock has been allocated to the underlying assets and liabilities based on their respective fair values at the date of acquisition. Such allocation has been based on preliminary estimates which may be revised at a later date. A summary of the purchase price allocation as reflected in the accompanying Consolidated Balance Sheet at December 31, 1989 is as follows:

(In millions of dollars)	
Net working capital	$ 14
Goodwill	101
Fixed assets, net	97
Long-term debt	(15)
Other liabilities	(2)
	$195

Summarized below are the unaudited consolidated results of operations of the Company and FCI on a pro forma basis as though FCI had been acquired as of the beginning of 1988. These results include certain adjustments, primarily increased amortization, depreciation, and interest expense, and are not necessarily indicative of what the results would have been had the Company owned FCI during the periods.

(In millions of dollars, except share data)	1989	1988
Net sales	$3,227	$3,209
Income before extraordinary loss	157	190
Net income	157	182
Per share of common stock:		
Income before extraordinary loss	$ 3.72	$ 4.54
Net income	3.72	4.34

UNC INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Acquisitions

During 1989 and 1988, the Company acquired the entities described below, which were accounted for by the purchase method of accounting. The results of operations of the acquired companies are included in the Company's statement of earnings for the period in which they were owned by the Company.

Effective May 1, 1989 the Company acquired substantially all of the assets and assumed certain liabilities of seven related operating companies comprising the TSS Group (collectively the "TSS Group"). The TSS Group of companies provides aircraft accessory overhaul and repair services to a broad range of customers. The services are performed on components included in such aircraft systems as hydraulics, pneumatics, electro-mechanical, electrical, landing gear and propellers. The initial acquisition price consisted of $19.2 million in cash and the Company elected to retire $4.5 million of bank indebtedness of the TSS Group. The Company is also obligated to pay $5.2 million in 10% promissory notes payable in lump sum in June 1994 and $3.5 million in non-interest bearing notes payable in five equal installments beginning in June 1990, which have been discounted to a present value of $2.6 million at a rate of 10.6%. Contingent upon the TSS Group achieving certain combined sales and profitability goals during the next five years, the Company may pay up to an additional $18.7 million. The initial purchase price was funded through borrowings under the Company's revolving credit and term loan agreement. The excess of the purchase price over the fair value of the tangible and identifiable intangible net assets acquired is being amortized over a period of forty years using the straight-line method. Any amounts earned under the terms of this agreement will be recorded as additional cost in excess of net assets of acquired companies and will be amortized over the remaining amortization period using the straight-line method. Certain members of management at the TSS Group are owners of companies that provide sales, consulting and leasing services to the Company. Payments to these companies for services rendered amounted to approximately $0.6 million in 1989.

The following unaudited pro forma consolidated results of operations give effect to the acquisition of TSS as though it had occurred on January 1, 1988.

	Year Ended December 31,	
(In thousands except per share amounts)	1989	1988
Sales and operating revenues	$485,666	$438,960
Earnings from continuing operations	1,156	9,770
Net earnings	1,156	25,906
Earnings per share:		
Continuing operations	$ .07	$ .58
Net earnings	.07	1.54

The unaudited pro forma information is not necessarily indicative either of results of operations that would have occurred had the purchase been made at January 1, 1988, or of future results of operations of the combined companies.

CONTINGENCIES AND COMMITMENTS

Statement of Financial Accounting Standards No. 5 (Section C59 of *FASB Accounting Standards—Current Text*) defines a contingency as "an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur." *SFAS No. 5* supersedes *Accounting Research Bulletin No. 50* as the authoritative pronouncement on accounting for and reporting loss contingencies but reaffirms the provisions of *ARB No. 50* that apply to gain contingencies and to commitments.

Table 1-11 summarizes the various contingencies and commitments (except leases which are summarized in Table 2-28) disclosed in the 1989 annual reports of the survey companies. The balance sheets of 220 survey companies showed a caption, without an amount, for contingencies and/or commitments.

Examples of contingency and commitment disclosures follow. Additional examples of disclosures concerning sales of receivables with recourse and obligations to maintain working capital or restrict dividends are presented in connection with Table 2-6 or Table 2-26, respectively. Examples of operating loss carryforwards and investment credit carryforwards are presented with the discussion of income taxes.

TABLE 1-11: CONTINGENCIES AND COMMITMENTS

	Number of Companies			
	1989	1988	1987	1986
Loss Contingencies				
Litigation	379	371	370	361
Guarantees				
Debt	99	122	121	133
Lease payments	33	31	28	22
Support agreements	19	23	21	26
Other	24	24	25	33
Government regulations				
Environment	128	57	N/C	N/C
Other	5	6	41	47
Letters of credit	82	86	73	51
Sale of receivables with recourse	68	85	90	96
Possible tax assessment	52	66	63	65
Insurance	45	36	39	51
Other—described	37	31	28	28
Gain Contingencies				
Operating loss carryforward	157	176	168	167
Investment credit carryforward	85	117	122	128
Plaintiff litigation	29	31	30	22
Other—described	10	7	7	6
Commitments				
Dividend restrictions	384	386	390	395
Hedge contracts	149	133	100	88
Plant expansion	78	82	76	80
Purchase agreements	64	69	63	66
Employment contracts	40	36	33	26
Additional payments in connection with an acquisition	27	33	27	34
Sale agreements	13	10	15	13
Other—described	43	37	40	36

N/C—Not Compiled.

LOSS CONTINGENCIES

Litigation

ACME-CLEVELAND CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Litigation

In fiscal 1987, Vickers, Incorporated (Vickers), initiated suit in the United States District Court for the District of Nebraska seeking to recover damages for the alleged breach by the Corporation of a contract for the sale to Vickers of a fully automated Flexible Machining System (FMS). The contract had been entered into by LaSalle Machine Tool, Inc. (LaSalle), a wholly owned subsidiary of the Corporation, and was subsequently assigned to and assumed by the Corporation after the business and assets of LaSalle had been sold. Vickers alleged that the FMS was not delivered within the time required by the contract and that it failed to conform to the contract specifications and warranties. Vickers sought to recover the portion of the purchase price paid for the FMS and related equipment and tooling, amounting to $11,495,000, together with incidental and consequential damages, prejudgment interest and court costs. The Corporation filed an answer and counterclaim for damages in an unspecified amount. The counterclaim alleged that Vickers had wrongfully terminated the contract and was thereby in breach of the contract. On October 3, 1989, following a two week jury trial, a $9,974,000 judgment was entered against the Corporation in favor of Vickers. The Corporation believes that the judgment is contrary to the facts and applicable law. It has filed motions with the District Court for a new trial and a judgment notwithstanding the verdict and, if neither of those motions is granted, will vigorously pursue its rights of appeal. The Corporation expects to obtain a favorable judgment in the case. However, the ultimate outcome of this litigation is unknown at the present time. Accordingly, no provision for any liability that might result has been made in the accompanying consolidated financial statements.

The Corporation is subject to other legal proceedings and claims which have arisen in the ordinary course of its business and have not been finally adjudicated. These actions, when finally concluded and determined, will not, in the opinion of management, have a material adverse effect upon the financial position of the Corporation.

CSP INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Commitments and Contingency:

Contingency:

In August, 1989 an action was brought against the Company by a former employee of the Company and by a corporation affiliated with that employee alleging fraud, bad faith, and breach of contract by the Company in connection with its purchase of certain assets of the corporation, employment and termination of the employee. The claim seeks damages in an unspecified amount to compensate the employee and treble damages in an unspecified amount to compensate the corporation. The Company is preparing and intends to file an answer to these allegations. Management believes this suit is without merit and that the outcome of this will not materially affect the Company's financial position.

EASTMAN KODAK COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Legal Notes

The action filed by Polaroid Corporation in 1976 in the U.S. District Court in Boston resulted in a decision on October 11, 1985, holding that Kodak's PR-10 instant film and EK4 and EK6 instant cameras infringed seven Polaroid patents and an injunction, effective January 9, 1986, prohibiting further manufacture or sale of such products in the United States. The U.S. Court of Appeals for the Federal Circuit affirmed the decision on April 25, 1986 and the United States Supreme Court denied Kodak's petition for certiorari on October 6, 1986. The case was returned to the U.S. District Court in Boston for trial of the issues of (a) whether Kodak's infringement of any of the patents was willful and deliberate, (b) damages adequate to compensate Polaroid for Kodak's infringement, pre-judgement interest on this amount and whether the damage award should be trebled, (c) whether costs should be taxed against either party, and (d) whether Polaroid is entitled to its reasonable attorney fees. Trial of these issues commenced on May 1, 1989 and concluded on November 20, 1989. Polaroid asserted claims for damages of $3,924,945,000 in lost profits, $2,188,508,000 in pre-judgment interest and increased damages of $7,849,989,000, and also asserted that it should be awarded its attorney fees, costs, and post-judgment interest. Kodak has vigorously contested the amount of damages sought by Polaroid and has asserted that Polaroid's damages should be based on a reasonable royalty and has denied that Polaroid is entitled to increased damages and attorney fees. Damages based on a 5% royalty, for example, could amount to approximately $187 million, including pre-judgment interest. Although the amount of damages eventually to be awarded by the court cannot be reasonably estimated, Kodak, based on the advice of counsel retained to represent it in the case, does not believe that it is likely that the damages awarded against the Company, including pre-judgment interest, will have a material adverse effect on the financial condition of the Company. The amount of the judgment will be charged against future earnings of the Company.

Kodak was involved in other litigation, investigations of a routine nature, and various legal matters during 1989 which are being defended and handled in the ordinary course of business.

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments and Contingencies

Litigation:

In September of 1989, Silvershoe Acquisition Corporation (Silvershoe) commenced action against the Company for claims allegedly arising out of the Agreement and Plan of Merger which Silvershoe and the Company had entered into on December 16, 1988. The merger provided for in the Agreement was not consummated. Silvershoe alleges that the merger failed by reason of alleged breaches by the Company of various warranties and representations contained in the Agreement. Silvershoe seeks recovery of all costs incurred by it in connection with the Agreement. Its claim is for approximately $2,000,000.

The Company vigorously denies these allegations, denies that it breached any of its warranties and representations under the Agreement and has filed a counterclaim against Silvershoe, claiming that in fact Silvershoe refused to consummate the merger provided for under the Agreement and that it refused to go forward with the merger solely because it had decided that it desired to purchase the Company, if at all, at a price substantially lower than that provided for in the Agreement, all in violation of Silvershoe's obligations under the Agreement. The Company seeks to recover its costs incurred in connection with the Agreement, aggregating approximately $600,000.

At present, the litigation is in the preliminary stages, and management and legal counsel are presently unable to predict the outcome.

The Company has included in its general and administrative expenses legal and other costs of $464,193 and $100,789 in 1989 and 1988, respectively, related to the merger.

A suit, brought by a shareholder of the Company in January 1989, seeking to enjoin the above mentioned merger agreement from being consummated and also seeking damages, has been dismissed with prejudice and without costs.

The Company is also involved in various routine litigation incident to its business. Many of these proceedings are covered in whole or in part by insurance. In the Company's opinion, none of these other proceedings will have a material adverse effect on the Company's financial position.

INSPIRATION RESOURCES CORPORATION (DEC)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingencies

Through February 21, 1990, claims totaling approximately $30 million had been filed relating to product damage associated with the contamination of a formulated agricultural chemical. The Corporation's insurance coverage is sufficient to cover the claims.

LAFARGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)

During 1989, CSX Transportation Inc., Metro-North Commuter Railroad Company and the National Railroad Passenger Corp. (the "railroads") filed actions against Lone Star Industries, Inc. ("Lone Star") for damages resulting from its fabrication and sale of allegedly defective concrete railroad ties to the railroads. The Company has been named in third party actions in which Lone Star is claiming indemnity for costs and losses suffered as a result of the Company supplying allegedly defective cement used by Lone Star in the fabrication of the railroad ties. The damages claimed total approximately $118 million. The Company has denied the allegations and its insurance carrier is defending against the lawsuits.

MATTEL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8—Litigation and Contingencies

In November 1989, a jury in the U.S. District Court in Chicago determined that the flexible track for the Mattel Hot Wheels line of die-cast cars infringed the plaintiff's patent and assessed damages in the amount of $24.8 million. Following that determination, the judge in the U.S. District Court on February 6, 1990 entered judgment upon the jury verdict and awarded prejudgment interest of approximately $46.5 million. The judge denied the plaintiff's request for enhancement of damages and legal fees and Mattel's motion for a new trial and for judgment notwithstanding the verdict. Mattel intends to appeal the decision to the Court of Appeals for the Federal Circuit in Washington D.C. This court regularly deals with complex patent issues such as the one presented in this case. The appeal process is expected to take approximately one year. Based on evidence submitted at the trial and the current state of the law, Mattel believes it will prevail on appeal.

Pending appeal, Mattel has agreed to provide a letter of credit in lieu of an appeal bond. A group of commercial banks which are party to Mattel's seasonal credit lines have agreed to provide the letter of credit.

Mattel is involved in other litigation and various legal matters which are being defended and handled in the ordinary course of business. None of these matters are expected to result in a judgment having a material adverse effect on the Company's consolidated financial position.

SCIENTIFIC INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingencies:

During August 1985, a former outside salesman filed an amended civil action against the Company. The suit alleges a breach of contract for sales commissions and pleads a second cause of action for an accounting with respect to claims for fees and commissions. The first cause of action was amended to a claim of $152,867, from the original amount of $14,067. The Company believes it has meritorious defenses to the claim. It is the opinion of counsel that the possible exposure of the Company to a successful judgment on behalf of the plaintiff in any substantial amount (i.e. exceeding approximately $25,000) is remote. This suit has been inactive since August 1986.

TANDY CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18—Litigation

An action alleging infringement of various patents relating to cellular telephones was filed against the Company by Motorola, Inc. in U.S. District Court in Chicago, Illinois in April 1989, seeking damages in excess of $10,000,000 and an injunction against Tandy's importation of certain models of cellular telephones manufactured in Korea by its joint venture operation with Nokia Corporation. This action is still in the initial discovery stage.

Motorola also seeks to restrain the importation of these telephones in a proceeding initiated before the International Trade Commission (ITC). Based upon a finding that there was reason to believe that patents were infringed, the Commission issued a temporary order on August 29, 1989 requiring the Company to post a bond payable to the U.S. government based on a percentage of the import value of such products in order for the Company to continue to sell and import these telephones. The ITC expects to hold hearings on this matter in December 1989 and issue a permanent ruling by March 1990.

Tandy is vigorously defending itself in these matters. The Company's liability, if any, associated with this dispute is not determinable at this time. The Company believes that if there were an award of damages in the District Court infringement action, it would not have a materially adverse effect on the financial condition of the Company or its results of operations.

Tandy Corporation intends to continue to participate in the cellular market by posting the required bond and/or by purchasing or manufacturing products that employ different technology that is presently available.

There are various other claims, lawsuits, disputes with third parties, investigations and pending actions involving allegations of negligence, product defects, discrimination, patent infringement, tax deficiencies and breach of contract against the Company and its subsidiaries incident to the operation of its business. The liability, if any, associated with these matters is not determinable at June 30, 1989. While certain of these matters involve substantial amounts, it is the opinion of management that their ultimate resolution will not have a materially adverse effect on the Company's financial position or results of operations.

TONKA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Fifteen (In Part): Commitments and Contingencies

The nature and scope of the Company's business in the United States and abroad brings it into regular contact with the general public and a variety of businesses and governmental agencies in the ordinary course of business. Such activities inherently subject the Company to hazards of litigation.

Five stockholders have brought suit against the Company and others on behalf of themselves and a purported class of other stockholders in the United States District Court for the District of Minnesota. Among other things, the suit alleges that the Company, its directors and certain officers violated federal securities laws in connection with the Company's public offering of 6,500,000 shares of common stock in November 1989, and in connection with certain earlier public statements by failing to disclose allegedly material information concerning the Company's anticipated revenues for its 1989 fiscal year; the three managing underwriters of that public offering also are named as defendants in the claims arising from the offering. Plaintiffs seek damages, in an unspecified amount, alleged to have arisen in part from the decline in the price of the Company's stock of approximately $5 per share following the public offering, and rescission. The Court has not yet determined whether the suit will proceed as a class action.

The ultimate liabilities, if any, which may result from this or other pending or threatened legal action against the Company cannot be determined at this time. However, it is the opinion of management that facts known at the present time do not indicate that there is a probability that such litigation, after giving effect to insurance coverage, will have a material effect on the financial position of the Company.

UNC INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Litigation and Contingencies

In February 1990, the Company reached an agreement settling litigation with Robert and William Ott, whereby the Otts were paid approximately $6.9 million as a final settlement of all amounts owed the Otts by the Company under the terms of certain agreements between Burnside-Ott Training Center, Inc. ("Burnside-Ott"), a subsidiary of the Company, and the Otts, entered into in connection with the Company's acquisition of Burnside-Ott, bringing the total amount paid by the Company for Burnside-Ott to $14.6 million. The $6.9 million has been accrued at December 31, 1989 and recorded as additional cost in excess of net assets of acquired companies and will be amortized over the remaining amortization period using the straight line method.

Guarantee Of Indebtedness Of Others

ATLANTIC RICHFIELD COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Other Commitments and Contingencies

The Company has commitments, including those related to the acquisition, construction and development of facilities, all made in the normal course of business.

At December 31, 1989 and 1988, there were contingent liabilities with respect to guarantees of securities of other issuers of approximately $405 million and $183 million, respectively, of which approximately $42 million and $118 million, respectively, are indemnified. Of the 1989 amount, $240 million relates to the guarantee of commercial paper issued by an unrelated third party. The Company believes it would be made whole if it became obligated to pay pursuant to such guarantee.

BIOGEN, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments and Contingencies

The Company is contingently liable up to a maximum liability of 1 million Deutsche Marks, on a loan payable to a bank by its 50%-owned joint venture. As of December 31, 1989, the U.S. dollar equivalent approximated $592,000.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Other Contingencies and Commitments

Occidental has an investment in a coal mine joint venture in the People's Republic of China. The operations of the mine have been affected adversely by depressed product prices in the first half of 1989, by a continuing lack of railcar capacity and by a diesel fuel shortage in winter months. As a result, the project incurred cash deficiencies and operating losses in 1989. Occidental has approximately a 25 percent interest in the project and has guaranteed certain debt incurred in connection with the project. At December 31, 1989, the portion of such debt guaranteed by Occidental totaled approximately $175 million.

UNITED FOODS, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12—Commitments and Contingencies

B. Guarantees

In February 1988 a bank made a $1,000,000, five-year term loan to the Chairman of the Company. The Company has guaranteed the indebtedness in the event the Chairman defaults under the terms of the loan agreement and the guarantee is collateralized by 725,000 shares of United Foods, Inc. Class B common stock owned by the Chairman.

The Company has also guaranteed a $300,000 construction loan for a local contractor in connection with the development of Company-owned real property in Bells, Tennessee.

Guarantees Other Than Guarantees Of Indebtedness

ANACOMP, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingencies:

In addition, Anacomp entered into a long-term lease arrangement in a prior year and subsequently assigned the lease to an unrelated third party (the "assignee"). During 1989, the assignee ceased paying the lease obligation to the landlord. The parties have negotiated an agreement to hold this matter in abeyance so that the assignee has time to achieve a business solution and commence making payments on the lease obligation. If a business solution is not obtained, future litigation against Anacomp to continue the lease payments is likely. While management and legal counsel are presently unable to predict the outcome or to reasonably estimate the amount of any potential liability, Anacomp may have an obligation, with respect to future lease payments, of up to $2,700,000. It is not expected that this matter will have a material adverse effect on Anacomp's consolidated financial position.

FRUIT OF THE LOOM, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingent Liabilities (In Part)

Fruit of the Loom and its subsidiaries are involved in certain legal actions and claims on a variety of matters, including environmental matters relating to discontinued operations. Fruit of the Loom also remains contingently liable at December 31, 1989 for $83,600,000 ($92,900,000 at December 31, 1988) of certain obligations of former subsidiaries of Fruit of the Loom, namely, the Chicago and Northwestern Railroad, Lone Star Steel Company, Inc. ("Lone Star") (a wholly owned subsidiary of Lone Star Technologies, Inc., a publicly owned company) and Microdot Inc. ("Microdot"). The obligations of the former subsidiaries relate primarily to future minimum lease payments under operating leases.

In June 1989, Lone Star entered Chapter 11 bankruptcy proceedings. The gross future rentals under the Lone Star leases for which Fruit of the Loom is contingently obligated are approximately $44,500,000 over the next eleven years. Fruit of the Loom made a $1,800,000 lease payment in July 1989 and has a claim against Lone Star for this amount. Fruit of the Loom is a member of the unsecured creditors committee in the bankruptcy proceedings and, accordingly, is involved in negotiations with Lone Star. It is the opinion of management, based on the financial condition of Lone Star and assets available to satisfy potential claims, including $4,400,000 which is held in a contested escrow account for the purpose of funding any lease payments that Lone Star fails to make, that the ultimate resolution of these contingent obligations will not have a material adverse effect on the business or financial condition of Fruit of the Loom.

In July 1989, Microdot informed Fruit of the Loom that it has been experiencing a cash shortage and did not plan to make and to date has not made its July 1989 and January 1990 payments on the lease for which Fruit of the Loom is contingently obligated. The gross future rentals under the lease are approximately $30,200,000 over the next nine years. Fruit of the Loom has been discussing this situation with Microdot, its principal lender and the lessor who has made demand for the July 1989 and January 1990 payments. It is the opinion of management, based on the discussions held to date, that the ultimate resolution of these contingent obligations will not have a material adverse effect on the business or financial condition of Fruit of the Loom.

MELVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments

As of December 31, 1989, in connection with the sale of the Foxmoor division of the Company in 1985, the Company's wholly-owned subsidiary, Melville Realty Company, Inc., continues to guarantee the rental and other lease related charges on 107 of the 614 retail stores sold.

Subsequent to year end, 42 of the 107 leases, 26 of which continue to be guaranteed, were transferred to a third party, who in turn has agreed to indemnify the Company and Melville Realty Company, Inc. against any default.

On January 16, 1990 the holder of the remaining 65 leases filed for protection under Chapter 11 of the United States Bankruptcy Code. Since the Company has been informed that substantially all of these leases will be subject to auction at a later date, the liability of Melville Realty Company, Inc. pursuant to its guarantees is uncertain.

At December 31, 1989 the aggregate present value of future minimum rental payments under the remaining 91 leases totaled $6,700,000, of which $4,900,000 is attributable to stores covered by the bankruptcy proceedings.

ASHLAND OIL, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (In Part): Litigation, Claims and Contingencies

Riley Consolidated, a subsidiary which manufactures steam-generating and fuel-burning equipment, has experienced significant technical problems with custom boilers built using multi-solid fluidized bed boiler technology. As a result, charges of $38,000,000 in 1989 and $20,000,000 in 1988 were provided for estimated future costs of correcting performance problems associated with these boilers. Additional charges could be incurred if guaranteed boiler performance is not achieved, but the amounts, if any, are uncertain at this time.

BORDEN, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands)

12. Commitments

In connection with the 1987 sale of its basic chemicals and PVC resins business to the Partnership, the Company agreed, subject to certain limitations, to provide additional cash to the Partnership, if necessary, to support the payment by the Partnership of its minimum quarterly distribution on all preference units through December 31, 1992. This commitment is limited to an aggregate of approximately $170,000, subject to reduction under certain circumstances. In connection with the 1988 sale of all common units, the Company also agreed to make direct payments to common unitholders equal to, on a per unit basis, any excess of cash distributed by the Partnership to preference unitholders over that distributed to common unitholders. The total commitment is limited to an aggregate of approximately $70,000. In addition, a wholly-owned subsidiary of the Company, as general partner, manages and controls the activities of the Partnership and has fiduciary responsibilities to the Partnership's unitholders. The management of the Company believes that any payments pursuant to this commitment or any fiduciary responsibilities will not have a material adverse effect on the financial condition of the Company.

EXXON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Contingencies

The corporation and certain of its consolidated subsidiaries were contingently liable at December 31, 1989, for $1,361 million, primarily relating to guarantees for notes, loans and performance under contracts. This includes $543 million representing guarantees of foreign excise taxes and customs duties of other companies, entered into as a normal business practice, under reciprocal arrangements. Not included in this figure are guarantees by consolidated affiliates of $688 million, representing Exxon's share of obligations of certain equity companies, as shown in note 11.

GRUMMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

($ in thousands except per share data)

Note 10 (In Part): Commitments and Contingencies

In July 1983 the company completed the sale of its bus business to The Flxible Corporation and received as part of the selling price $26,300 of notes and preferred stock of the purchaser. It is the company's opinion that the value of these securities is contingent upon future earnings of that company and the general health of the mass transit bus manufacturing industry. The company believes that at the present time there has not been a permanent impairment in the value of its investment and therefore the notes and preferred stock of The Flxible Corporation are valued at cost. As of December 31, 1989, the company was contingently liable for bid and performance bond guarantees of The Flxible Corporation in the amount of approximately $56,000.

Letters Of Credit

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments and Contingencies

Other matters. At September 30, 1989, the Company had $128 million in open letters of credit, of which the most significant relate to landfill operating performance obligations and guarantees related to landfill closure and post-closure required in obtaining operating permits for landfills. Certain of the obligations guaranteed by these instruments are carried on the balance sheet.

CMI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingencies

At December 31, 1989, the Company was contingently liable for outstanding letters of credit, not reflected in the accompanying consolidated financial statements, in the amount of $2,235,000. The Company is also contingently liable on equipment repurchases of approximately $800,000 through June 1992.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D (In Part): Long-Term Debt and Credit Arrangements

At December 31, 1989, in addition to the letters of credit available under the Credit Agreement, several banks have extended uncommitted letter of credit availability to the Company.

As of December 31, 1989, the Company had outstanding irrevocable standby letters of credit in the principal amount of $2,750,000 and outstanding documentary letters of credit in the principal amount of $938,000 in connection with certain crude oil and petroleum product purchase agreements, and outstanding irrevocable standby letters of credit in the principal amount of $5,131,000 for other normal operations. Unused commitments totaling $101,181,000 under the Credit Agreement were available for future borrowing and issuance of letters of credit at December 31, 1989. The Company pays an annual commitment fee on the unused portion of the credit line.

DRAVO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingent Liabilities

At December 31, 1989 and 1988, the corporation had outstanding letters of credit totalling $18.5 million and $27.4 million, respectively.

OCEANEERING INTERNATIONAL, INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Commitments and Contingencies

Letters of Credit

The Company had $11,248,000 and $3,611,000 in letters of credit outstanding as of March 31, 1989 and 1988, respectively, as guarantees in force for various performance and bid bonds. These instruments are usually for a period of one year or the duration of the contract. The increase from 1988 to 1989 is primarily due to a performance guarantee related to the Company's lump-sum construction project in Norway.

GOULDS PUMPS, INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Commitments and Contingencies

At December 31, 1989, the Company had letters of credit outstanding totaling $10.6 million, which guarantee various trade and insurance activities.

Receivables Sold With Recourse

COHERENT, INC. (SEP)

NOTES TO FINANCIAL STATEMENTS

11 (In Part): Commitments and Contingencies

The Company sells certain lease receivables on both a recourse and non-recourse basis to various leasing companies. The Company collects the proceeds from the receivables and transfers them to the leasing companies. The receivables are collateralized by the related equipment. The Company is contingently liable for approximately $655,000 under these agreements as of September 30, 1989, but does not anticipate any significant losses thereunder.

CUMMINS ENGINE COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part):

Guarantees and Contingent Liabilities: In connection with the disposition of certain products and operations in 1989, the company sold substantially all of the loan and lease portfolios of Cummins Financial, Inc. Under the terms of the sale, the purchaser has recourse to Cummins should certain amounts of the loans or leases prove to be uncollectible. The anticipated loss on the maximum recourse amount of $114 million is not material and has been provided for in the consolidated financial statements. The aggregate value of the company's guarantees, contingencies and commitments under outstanding letters of credit approximated $26 million at December 31, 1989.

FUQUA INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingent Liabilities and Commitments (In Part)

Fuqua, on behalf of its Snapper Power Equipment division, has an agreement with a financial institution which makes available to dealers, floor plan financing for Snapper products. Under the terms of the agreement, independent Snapper distributors are liable in the event of a default in payment by one of their dealer customers. In the event of a default in payment by both the dealer and distributor, Fuqua has agreed to indemnify the financial institution for any loss which it may incur. At December 31, 1989 there was approximately $42,800,000 outstanding under this floor plan financing arrangement.

INGERSOLL-RAND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Commitments and Contingencies:

The company is involved in various litigation and claims arising in the normal course of business. Based on the advice of counsel, management believes that recovery or liability with respect to these matters would not materially affect the consolidated financial statements.

In the normal course of business, the company has issued several direct and indirect guarantees, including performance letters of credit, totalling approximately $25,400,000 at December 31, 1989. Management believes these guarantees will not adversely affect the consolidated financial statements.

During the fourth quarter of 1987, the company entered into an agreement whereby it can sell an undivided interest in a designated pool of accounts and notes receivable up to a maximum of $100,000,000. In 1989, the maximum amount of the pool of selected receivables was increased by $25,000,000. During 1989 and 1988, the company used these facilities to sell accounts and notes receivable and such sales amounted to $482,870,000 and $390,334,000, respectively. At December 31, 1989 and 1988, $125,000,000 and $100,000,000, respectively, of such sold receivables remained uncollected. The undivided interest in the designated pool of receivables was sold with limited recourse and the right to continue this arrangement at the company's option on an ongoing basis for a period of up to four years. For receivables sold, the company has retained collection and administrative responsibilities as agent for the purchaser.

Receivables, excluding the designated pool of accounts and notes receivable, sold during 1989, 1988 and 1987 with recourse amounted to $51,040,000, $47,300,000 and $18,400,000, respectively. At December 31, 1989 and 1988, $21,700,000 and $23,400,000, respectively, of such receivables sold remained uncollected.

MARRIOTT CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Investments in Affiliates (In Part):

The company sold notes receivable from affiliates of $61 million in 1989 and $128 million in 1988. At December 29, 1989, the aggregate unpaid balance of notes receivable sold with recourse was $55 million.

THE TORO COMPANY (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Commitments and Contingent Liabilities

Certain receivables have been sold to financial institutions. Under these arrangements, the company acts as agent for collections and was contingently liable for $1,814,000 at July 31, 1989, and $1,261,000 at July 31, 1988. The company is also contingently liable to repurchase $9,550,000 at July 31, 1989, and $6,984,000 at July 31, 1988, of inventory under dealer floor plan arrangements. Additionally, debts, primarily of distributors, aggregating $654,000 at July 31, 1989, and

$718,000 at July 31, 1988, have been guaranteed by the company.

In addition, the company had $7,212,000 and $6,309,000 at July 31, 1989 and 1988, respectively, in outstanding letters of credit to be used for the purchase of foreign-sourced inventory.

Possible Tax Assessments

DOVER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Contingencies

During 1989, the Internal Revenue Service (IRS) completed its examination of the Company's federal income tax returns for 1982 and 1983, and has proposed certain adjustments which relate principally to the Company's purchase price allocations of acquisitions made during those years. As a result, the IRS has proposed additional taxes and penalties of $9,982,000 for 1982 and 1983 plus interest to date of payment. The Company is vigorously contesting the proposed assessment and has filed its protest with the Appellate Division of the IRS.

THE FOXBORO COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands)

Note 12 (In Part): Income Tax Provision (Benefit)

At year-end 1989, the Company had domestic operating loss carryforward, which expires from 2002 to 2004, of $55,819 and cumulative financial accounting expenses, which will be deductible for tax purposes in the future, of $78,284. The Internal Revenue Service (IRS) has completed its examinations of the Company's federal income tax returns through 1985 and has proposed tax adjustments of $7,300 for the years 1983 through 1985. The Company is vigorously contesting the proposed adjustments and has protested such adjustments to the IRS Regional Appeals Office. The Company's management and special tax counsel believe that certain of the IRS's proposed adjustments are without merit and in addition, that the Company has meritorious defenses available to it for other proposed adjustments. In the opinion of management, the ultimate resolution of the proposed adjustments will not have a material effect on the Company's financial position.

INTEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Provision for Taxes (In Part)

The Company's U.S. income tax returns for the years 1978 through 1987 are presently under examination by the Internal Revenue Service. In June 1989, the Company received a notice of proposed deficiencies from the Internal Revenue Service totaling approximately $36 million, exclusive of penalties and interest, for the years 1978 through 1982. These proposed deficiencies relate primarily to subsidiary operations in Puerto Rico. In September 1989, the Company filed a petition in the U.S. Tax Court contesting these proposed deficiencies. No decision has been rendered. Management believes that adequate amounts of tax have been provided for adjustments which may result from these proposed deficiencies and any additional adjustments for the remaining years under examination.

RETAILING CORPORATION OF AMERICA (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingencies

In connection with the filing of the Company's income tax returns for the fiscal year ended March 29, 1986, a technical problem was discovered related to changes brought about by the Tax Reform Act of 1984. The tax returns were prepared and filed in technical compliance with the income tax regulations. Subsequently, the Company has filed amended tax returns requesting that the amount paid be refunded on the basis that the technical rules were not intended to apply to this particular situation. Management believes the Company will be successful in obtaining refunds of the amounts paid. If the Company is not successful, the Company may be required to record additional tax charges in the range of $-0- to $1,400,000.

SIMPSON INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D—Income Taxes

The provisions for income taxes were as follows:

(In thousands)	1989	1988	1987
Current:			
Federal	$3,200	$3,845	$1,779
Foreign	22	258	37
State	158	162	150
Deferred	1,877	1,446	1,885
	$5,257	$5,711	$3,851
Income taxes paid	$3,668	$3,424	$1,115

The provisions for deferred income taxes in 1989, 1988 and 1987 include charges of $1,593,000; $1,399,000; and $1,675,000, respectively, related to depreciation.

The Internal Revenue Service has completed an examination of the federal income tax returns filed by the Company for the fiscal year ended June 30, 1986 and the period of six months ended December 31, 1986 and has proposed to disallow certain deductions taken by the Company in connection with an acquisition. The Company disagrees with the position of the Service, intends to vigorously pursue its position and has filed an appeal. Full disallowance of the contested deductions would result in a charge to net earnings, exclusive of related interest costs, of approximately $1,200,000 or $0.12 per share.

Government Regulations

AMERICAN BRANDS, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Environmental

The Company is subject to laws and regulations relating to the protection of the environment. While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly any future remediation and other compliance efforts, in the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial condition of the Company.

THE DURIRON COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Contingencies

In June 1986, the Company and the State of Ohio entered into a negotiated settlement of alleged violations of Ohio's hazardous waste laws relating to the disposal of wastes at the Company's disposal site in Dayton, Ohio. The Company agreed therein to engage an independent consultant to determine if the Company's waste disposal practices at the site resulted in any present or future environmental contamination. The consultant's plan for the study of the disposal site has been approved by the State of Ohio (although certain subsequent proposed modifications to the Plan are pending approval), and the consultant commenced the review of the site in January 1988. During 1988 and 1989, the consultant conducted a number of environmental tests and measurements at the Dayton site, and the consultant has not yet completed its investigations nor made its definitive conclusions. If it is determined that environmental contamination is occurring or will occur as a result of the Company's prior waste disposal practices, the Company may be obligated to take remedial action. The cost of remedial action, if any, is difficult to project but could be substantial.

GENESCO INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Legal Proceedings

The Company is subject to several administrative orders issued by the Tennessee Department of Health and Environment directing the Company to implement plans designed to remedy possible ground water contamination and to manage source area material which was deposited on a site in a rural area near Nashville, Tennessee. The Company in 1986 recorded a $6.2 million liability to cover the costs of remedial actions it would likely be required to take with respect to this site and, based on currently available information, continues to believe that such amount will be adequate to cover all such costs.

In addition to the administrative proceedings described above, the Company is a defendant in 8 civil actions filed on behalf of 31 individuals who reside or own property in the vicinity of the site described above. The plaintiffs allege that the Company is liable for creating a nuisance and a hazardous condition and for negligence based upon the alleged violation of several state and federal environmental statutes. The plaintiffs seek recovery for personal injuries and property damages totalling $19 million, punitive damages totalling $22.4 million and certain costs and expenses, including attorneys' fees. The Company has filed answers to these suits and intends to vigorously defend these actions. Management believes that the outcome of these actions will not materially affect the financial condition of the Company.

The Company is also a defendant in two separate civil actions filed by the State of New York, one against the City of Gloversville, New York and 33 other private defendants and the other against the City of Johnstown, New York and 14 other private defendants. In addition, third party complaints and cross claims have been filed against numerous other entities, including the Company, in both actions. These actions arise out of the alleged disposal of certain hazardous material directly or indirectly in municipal landfills. The complaints in both cases allege that the defendants, together with other contributors to the municipal landfills, are liable under a federal environmental statute and certain common law theories for the costs of investigating and performing remedial actions required to be taken with respect to the landfills and damages to the natural resources. The Company has filed answers to the complaints in these cases denying liability and asserting numerous defenses. Management of the Company is presently unable to predict the outcome or to estimate the amount of any liability it may have with respect to these actions.

SPECTRUM CONTROL, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Contingencies

In 1989, the U.S. Environmental Protection Agency (the "EPA") notified the Company that it was considering including on the National Priorities List a 100 acre site located in Saegertown, Pennsylvania. A portion of this site is owned by the Company and used in connection with certain of its manufacturing operations. The Company submitted comprehensive comments on the proposed listing within the appropriate comment period and the EPA has not yet issued a final ruling on the site. In connection with this matter, the Company and three other potentially responsible parties have agreed to conduct a remedial investigation and feasibility study of the site. This study is designed to determine the extent of contamination at the site and identify various alternatives and recommended remedial action, if any. The Company has estimated that its share of the costs of this study will be $150,000. Accordingly, this liability is included in the Company's balance sheet at November 30, 1989. The Company's legal counsel has indicated that it is impossible at this time to make any determination as to whether any remedial action will be necessary or whether any additional costs will be incurred by the Company. The Company does not believe, based upon the information available at this time, that the ultimate outcome of this matter will have a material adverse effect on its consolidated financial position.

VULCAN MATERIALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Other Commitments and Contingent Liabilities

In May 1985 the Company received a letter from the United States Environmental Protection Agency ("EPA") regarding remedial actions at a chemical waste disposal site in Ascension Parish, Louisiana. Records indicate that the Company generated a portion of the waste placed at the site, and the Company has therefore been deemed by the EPA to be a potentially responsible party ("PRP") with respect to the site under the Comprehensive Environmental Response, Compensation and Liability Act. For a number of years, the Company, together with other companies which also generated waste placed at the site, has been involved in discussions with the EPA in regard to the planning of cleanup activities at that site. During that time, the Company has also engaged in settlement negotiations with the EPA and with other companies regarding responsibilities for cleanup of the site. No settlements have been achieved, but negotiations are continuing.

On September 30, 1988, the EPA issued a unilateral administrative order which purports to require the respondents to clean up the site in accordance with a remedial plan that is currently being developed by EPA's contractor. Completion of the plan is expected in the first half of 1990. The administrative order does not specify a cost and, until EPA's contractor finalizes the site remediation plan and EPA approves a cleanup proposal based on that plan, definitive engineering estimates of cleanup costs cannot be developed. In June 1989 EPA revised its earlier estimate of cleanup costs to $35,000,000. Cleanup of the site will take an extended period, but the majority of the costs would likely be incurred in the first two years after cleanup begins. The Company has offered, with other companies, to fully fund a cleanup of the site in accordance with an alternative plan, but the EPA has not accepted this offer. The administrative order has been stayed by the EPA pending the completion of the remedial plan by EPA's contractor.

Although the Company expects settlement negotiations to continue, the Company may determine that it has sufficient legal grounds to challenge the administrative order if the stay is lifted, rather than comply with it. If the stay is lifted and the Company does not comply and is later determined not to have had sufficient legal grounds for its challenge, the Company could be subject to treble damages and to statutory penalties of up to $25,000 per day. Because of the status of the EPA remedial plan and ongoing negotiations between the PRP's concerning the sharing of responsibilities, the Company's potential share of the ultimate cleanup costs cannot be determined precisely; however, the Company does not believe that final disposition of this matter will adversely affect the consolidated financial statements of the Company to a material extent. In 1989 the Company recorded a pretax charge of $10,000,000 to cost of sales as an additional provision for environmental cleanup costs in connection with this proceeding. The additional provision primarily reflects a higher share by the Company of the estimated cleanup costs than was previously assumed. Several less significant adjustments to related cost estimates are also reflected in the 1989 charge. Except as indicated, no significant changes have occurred since the end of 1989 with respect to the foregoing environmental matter.

In addition to the above-mentioned matter, the Company is subject to other legal proceedings and claims referable to environmental matters. The 1989 provision of $10,000,000 and provisions totaling $18,750,000 in prior years represent the Company's best estimate of the potential liability for offsite environmental cleanup costs in its Chemicals segment. The other noncurrent liabilities classification in the Company's consolidated balance sheets includes accrued environmental cleanup costs for the Chemicals segment of $27,654,000 and $17,997,000 as of December 31, 1989 and 1988, respectively.

WITCO CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

9 (In Part): Commitments and Contingencies

Litigation and Environmental: The Company has been notified, or is a named or a potentially responsible party in a number of governmental (federal, state and local) and private actions associated with environmental matters, such as those relating to hazardous wastes, including certain sites which are on the United States EPA National Priorities List ("Superfund"). These actions seek cleanup costs, penalties and/or damages for personal injury or to property or natural resources.

In 1989, the Company recorded a pre-tax charge of $51,229,000, included in the "Other Expense (Income)—Net" caption of the Company's Consolidated Statements of Income, as an additional provision for environmental matters. These expenditures are expected to take place over the next several years and are indicative of the Company's commitment to improve and maintain the environment in which it operates. At December 31, 1989, environmental accruals amounted to $63,931,000, of which $56,535,000 are considered noncurrent and are included in the "Deferred Credits and Other Liabilities" caption of the Company's Consolidated Balance Sheets.

While it is impossible at this time to determine with certainty the ultimate outcome of environmental matters, it is management's opinion, based in part on the advice of independent counsel (after taking into account accruals and insurance coverage applicable to such actions) that when the costs are finally determined they will not have a material adverse effect on the financial position of the Company.

CHIQUITA BRANDS INTERNATIONAL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4—Foreign Operations

The Company's earnings are heavily dependent upon products grown and purchased in Central and South America. These activities, a significant factor in the economies of the countries where the Company produces bananas and other agricultural and industrial products, are subject to the risks that are inherent in operating in such foreign countries, including government regulation, currency restrictions and other restraints, risk of expropriation and burdensome taxes. Certain of these operations are substantially dependent upon leases and other agreements with these governments.

The Company is also subject to a variety of governmental regulations in certain countries where it markets bananas, including import quotas, foreign exchange controls and taxes.

See information by geographic area in Note 16 for net sales, operating income and identifiable assets of foreign operations.

MURPHY OIL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Q (In Part): Contingencies

The Company's operations and earnings have been and may be affected by various forms of government action both in the U.S. and throughout the world. Examples of such government action include, but are by no means limited to: tax increases and retroactive tax claims; restrictions on production; import and export controls; price controls; currency controls; allocation of supplies of crude oil and petroleum products and other goods; expropriation of property; restrictions and preferences affecting issuance of oil and gas or mineral leases; laws and regulations intended for the protection of the environment or promotion of safety; and laws and regulations affecting the Company's relationships with employees, suppliers, customers, shareholders, and others. Because government actions are often motivated by political considerations, may be taken without full consideration of their consequences, and may be taken in response to actions of other governments, it is not practical to attempt to predict the likelihood of such actions, the form which such actions may take, or the effect such actions may have on the Company.

NATIONAL CONVENIENCE STORES INCORPORATED (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Commitments and Contingent Liabilities

Federal regulations issued in 1984 and updated in late 1988 have established requirements for owners/operators of underground gasoline storage tanks ("USTs") in regard to (i) maintenance of leak detection, corrosion protection and overfill/spill protection systems, (ii) upgrade of existing tanks, (iii) actions required in the event of a detected leak, (iv) prevention of leakage through tank closings and (v) required gasoline inventory recordkeeping.

States have been empowered through these regulations to develop and administer their own standards to assist the Environmental Protection Agency in enforcing these minimum requirements. Management of the Company believes that its existing gasoline procedures and planned capital expenditures will continue to keep the Company in substantial compliance with applicable federal and state regulations.

Since its inception in 1980, the Company's comprehensive gasoline plan has led to an update of existing USTs such that 57% of the Company's tanks are now of the preferred fiberglass material. Because the average age of the Company's USTs is relatively low (8 years), much of the expenditure for the required compliance under the federal and state regulations has already been made.

In order to ultimately comply with the regulations which phase in through 1998, the Company estimates that average annual expenditures of $3.0 million will be required for fiscal 1990 through fiscal 1999.

Insurance Coverage

COCA-COLA ENTERPRISES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingent Liabilities

The Company is contingently liable for guarantees of the indebtedness owed by others of approximately $3 million and $12 million at December 29, 1989 and December 30, 1988, respectively.

Under the Company's insurance programs, coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or contract. It is the policy of the Company to retain a significant portion of certain expected losses related primarily to workers' compensation, physical loss to property, business interruption resulting from such loss and comprehensive general, product and vehicle liability. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims incurred. Such estimates utilize certain actuarial assumptions followed in the insurance industry. The Company has provided letters of credit aggregating approximately $47 million in connection with certain insurance programs.

GEORGIA-PACIFIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Commitments and Contingencies

The Corporation is self-insured for general liability claims up to $25 million per claim.

JACOBS ENGINEERING GROUP INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Commitments and Contingencies

Although the Company has historically carried liability insurance with broad scopes of coverage providing significant liability limits, it is presently difficult and costly to obtain insurance with such broad scopes of coverage and limits. This development, while not unique to the Company or its industry, may subject Jacobs to some future liability for which it is only partially insured, or completely uninsured. The Company intends to mitigate any such future liability by continuing to exercise prudent business judgment in negotiating the terms and conditions of its contracts.

SCHERING-PLOUGH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Insurance

The Company's liability insurance coverage, including product liability insurance, decreased substantially for events occurring after June 1, 1985, and was decreased again for events occurring after June 1, 1986, such that, currently, the Company is largely self-insured for product liability. These reductions in insurance coverage reflect trends in the liability insurance area generally and, in particular, for product liability in the chemical and pharmaceutical industries, and are not unique to the Company. While management cannot categorically state that future claims will not have a material impact on the Company's consolidated financial position, based on historical experience, management does not anticipate that potential future claims would have a material impact on the Company's consolidated financial position.

Government Contract

ADDSCO INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies (In Part)

USS Lexington Contract

A consolidated subsidiary, Alabama Dry Dock and Shipbuilding Corporation (ADDSCORP), was a party to a contract to repair the USS Lexington. The U.S. Navy has the option to require ADDSCORP to complete similar repair operations during the next year. Management believes that the option will not be exercised since the option was not exercised during fiscal 1989 and also because other contractors were used for repair work during the year. However, if the options are exercised ADDSCORP will be unable to fulfill its obligations on acceptable commercial terms.

Dependency On Major Supplier

MYLEX CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note K—Contingencies

Dependency on Major Supplier: The Company is dependent upon a single vendor for the supply of integral components for its major products, which accounted for approximately 95%, 95% and 80% of the Company's total sales in 1989, 1988 and 1987, respectively. Although limited quantities of these components could be obtained through alternative sources, the resultant higher prices would have an adverse impact on the Company's gross margins.

Litigation: Litigation and claims against Mylex arising in the ordinary course of business are not expected to involve any settlements which would be material to its financial position.

Receivable From Financially Troubled Customer

NASHUA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)

The Company has a net receivable of approximately $5 million at December 31, 1989 from a foreign subsidiary of a financially troubled customer of the Computer Products Group that filed for protection under Chapter 11 of the U.S. Federal Bankruptcy Code. The Company believes that collection of amounts recorded is reasonably possible.

Possible Loss Of Leased Premises

PANCHO'S MEXICAN BUFFET, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Contingencies

The Company has been named in several lawsuits involving litigation and claims in the ordinary course of business. In the opinion of management, the ultimate disposition of these lawsuits and claims will not result in a material adverse effect on the Company's financial position.

The lease for one of the Company's restaurants (opened in February 1987) is the subject of litigation between the Company's landlord and the underlying mortgage holder. The Company is not a party to this litigation. Inasmuch as the underlying mortgage is superior to the Company's leasehold interest, there exists a possibility that the Company's leasehold interest could be terminated, causing it to lose its investment in the leased premises. Though the possible adverse financial impact to the Company is difficult to measure, the Company estimates the net loss, if any, on its investment, after giving effect to income tax benefits, could approximate $175,000. At the present time, the Company and its general counsel believe that the possibility of the Company losing its leasehold interest is rather small and may not be resolved for a considerable period of time; however, no assurance can be given that the Company will not lose its leasehold interest.

Receivables From Slow Paying Customers

TIDEWATER INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments and Other Matters

The company has experienced collection problems with a group of foreign-based companies which have been customers for several years. The group, whose last payment was received in November 1988, has not indicated any significant dispute over the amount owed, but has indicated that it has been unable to make substantial additional payments as the result of slow payments from its major customer, a national oil company. At March 31, 1989 and 1988, the company has approximately $9.9 million and $9.2 million, respectively, of receivables due from this group, which included $1.2 million and $1.0 million, respectively, of amounts owed agents only at the time the receivables are collected. Revenues from these customers in fiscal 1989, 1988, and 1987 approximated $7.8 million, $8.5 million and $7.6 million, respectively. The group has furnished the company a payment schedule which reflects monthly payments from June through December 1989 aggregating $5.6 million. The group has stated that additional sums may be paid if payments from its customers are in excess of the amounts upon which the payment schedule was based. Subsequent to March 31, 1989, the company ceased providing most services to these customers pending satisfactory resolution of the collection problem. Management is pursuing collection of these receivables through all available means, and, based upon information currently available, believes the ultimate resolution of this matter will not result in a loss, if any, that will have a material adverse effect on the financial condition of the company.

GAIN CONTINGENCIES

Plaintiff Litigation

DYNAMICS CORPORATION OF AMERICA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Contingencies

The Company is the plaintiff in an action commenced in 1984 against the United States in the U.S. Claims Court under the Contract Disputes Act of 1978, seeking to set aside a determination by the Government that the Company owes $3,822,000 under an economic adjustment clause of a contract for the sale of generator sets, and for certain other related relief. Management believes the Company is entitled to the relief demanded in the complaint but is not able to predict the outcome at this stage of the proceeding. An unfavorable outcome, although not expected, would not have a materially adverse effect on the financial position of the Company.

HARSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments and Contingent Liabilities

In January 1989, the U.S. Army purported to exercise options three and four under the Armored Combat Earthmover (ACE) contract. The Company and its legal counsel are of the opinion that the U.S. Government did not exercise the first of these options in a timely manner with the result that the unit price for options three and four as well as any subsequently exercised options would be subject to renegotiation. Claims reflecting the Company's position have been filed with respect to options three and four and are in the process of being filed for option five, which together with other claims on this program will in the aggregate be in excess of $70 million. No recognition has been given in reported earnings for any recovery on these claims. Pending a final resolution of this matter, the Company has recorded losses to date of $49 million for the purportedly exercised options, $25 million of which was recorded in 1989 and $24 million in 1988. Of the 1989 amount, $21 million was recorded in the fourth quarter as a result of the U.S. Army exercising one of the two then remaining options (132 vehicles each) in January 1990. Should the remaining option be exercised an additional loss of at least $21 million would be incurred unless the Company's claims are favorably resolved beforehand.

MEDTRONIC, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3—Litigation Settlement

In July 1988, the company settled a patent infringement suit with Intermedics, Inc. for $39.2 million. After deduction of certain legal expenses and deferral of a portion of the settlement which represents a royalty for future use of the patent, the remaining $24.0 million was recorded as earnings before income taxes. The royalty is being recognized over the remaining patent life.

Other

THE BFGOODRICH COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

Note H (In Part): Income Taxes

During the fourth quarter of 1988, the Internal Revenue Service ("IRS") completed its examination of the Company's federal income tax returns for the years 1984 and 1985, and has proposed an adjustment. The proposed adjustment would disallow a $156.0 worthless-security deduction claimed by the Company. The Company is protesting the proposed adjustment through the IRS appeals process and believes that its position is supportable, although it is unable to predict the eventual outcome of this matter. Because of the uncertain outcome of this item, the Company has not recorded any of the potential $53.0 tax benefit related to the worthless-security deduction. If the Company had recorded a tax benefit related to this item for 1989, income tax expense would have been reduced by $16.4.

HUMANA INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Income Taxes

In July 1989 a favorable decision was rendered by the United States Court of Appeals for the Sixth Circuit with respect to deductibility of premiums for professional liability insurance paid by subsidiaries to another subsidiary for fiscal years 1977 through 1979. On October 25, 1989 the Internal Revenue Service declined to appeal this decision. For these years, the Company estimates that it will be entitled to refunds of federal income tax and interest that will increase net income in the first quarter of 1990 by approximately $10,000,000 or $.09 per share. The Company is contesting substantially the same issue for all subsequent years. If the decision were to apply to all years subsequent to 1979, the Company estimates that net income would increase by an additional $17,000,000 or $.17 per share as of October 25, 1989. The Company will recognize the effect of this decision for years subsequent to 1979 upon final resolution with the Internal Revenue Service.

See Note 7.

Note 7 (In Part): Contingencies

Income Taxes—The Internal Revenue Service has proposed additional taxes for prior years. The most significant issue involves current deductibility of professional liability insurance premiums paid to an insurance subsidiary as discussed in Note 4. Settlement of other contested items is not expected to have a material adverse effect on earnings.

RESEARCH INDUSTRIES CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)

The Company is also a party to other legal actions which arose in the ordinary course of business. The Company received a favorable judgment in one lawsuit in which it was a defendant, requiring the plaintiff to reimburse the Company for expenses amounting to approximately $490,000. Since management believes the plaintiff will appeal this decision, the gain has not been recorded in the financial statements. After consultation with its legal counsel, management is of the opinion that none of these matters will have a material effect on the consolidated financial position of the Company.

COMMITMENTS

Obligations To Maintain Working Capital Or Restrict Dividends

CORNING INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments and Guarantees

The ability of certain subsidiaries and associated companies to transfer funds is limited by provisions of certain loan agreements and foreign government regulations. At December 31, 1989, the amount subject to such restrictions for consolidated subsidiaries approximated $11.8 million. While this amount is legally restricted, it does not result in operational difficulties since Corning has generally permitted subsidiaries to retain a majority of generated funds to support their growth programs.

HANDY & HARMAN (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Debt and Credit Agreements

Under the most restrictive provisions of the Company's long-term loan agreements, $334,000 of consolidated retained earnings were unrestricted at December 31, 1989, as to the declaration of cash dividends and the acquisition of capital stock by the Company. The agreements limit total liabilities and long-term liabilities to $385,280,000 and $115,584,000, respectively, and require the maintenance of minimum working capital of $50,000,000, all as determined by formula. Additionally, the agreements require the maintenance of minimum tangible net worth of $100,000,000.

IPCO CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Debt

Certain loan agreements contain restrictive covenants which, among other things, require the Company to maintain minimum amounts of net worth and restrict the payment of cash dividends and the purchase, redemption or retirement of capital stock. At June 30, 1989, the Company was not in compliance with certain covenants contained in its loan agreements and franchise guarantees; however, under the terms of a separate agreement with its lending institutions, the Company obtained waivers on these covenants through October 30, 1989. If alternative financing or further waivers are not obtained by such date, the lending institutions will be able to perfect their security interest with respect to certain collateral and otherwise exercise their rights as secured creditors, including requiring the Company to honor its guarantees respecting franchisee notes sold with full recourse. Since waivers do not extend through June 30, 1990, the Company has classified the related debt of approximately $5,379,000 as short-term. Correspondingly, the Company has recorded notes receivable from franchisees of approximately $4,366,000.

KAMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands)

Credit Arrangements—Short-Term Borrowings and Long-Term Debt (In Part)

Restrictive Covenants—The most restrictive of the covenants contained in the various loan agreements require the Corporation's consolidated net worth to be at least equal to $135,000 and consolidated current assets to be not less than 200% of consolidated current liabilities. The Corporation is prohibited from applying any sum to the redemption, retirement or purchase of any shares of any class of its capital stock or any payment of cash dividends on any class of its capital stock to the extent that the aggregate of all sums and property involved or set apart for such purposes would exceed $3,000 plus 66⅔% of defined consolidated net income from December 31, 1977 through December 31, 1979 and 50% thereafter. As of December 31, 1989 approximately $58,000 of retained earnings was available for the aforementioned purposes.

LACLEDE STEEL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Long-Term Debt

The most restrictive provisions of the Company's loan agreements include the following:

a. The Company shall maintain net working capital of $65,000,000 when $50,000,000 in borrowings are outstanding, escalating to a maximum of $75,000,000 when $60,000,000 or more in borrowings are outstanding.

b. The Company shall maintain net worth, as defined, of not less than $95,000,000 plus 50% of consolidated net income after 1988, as defined. In the event such net worth falls below $100,000,000 plus 50% of defined consolidated net income after 1988 the Company will grant the Banks a security interest in accounts receivable and inventories.

c. The Company will not incur certain additional long-term indebtedness, as defined.

d. Payment of cash dividends is limited to 50% of cumulative net earnings after January 1, 1988.

e. The Company will not incur a ratio of total liabilities, as defined, to net worth in excess of 1.5 to 1.

The Company has no compensating balance arrangements.

SPX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Long-Term Debt

Revolving credit loans, under revolving credit agreements aggregating $140,000,000 with seven banks, have terms of up to four years and include an option on the part of the Company to convert them at any time into four-year term loans. During the period of the revolving credit loans, the borrowings will bear interest at negotiated rates not to exceed prime. If the borrowings are converted to term loans, they will bear interest not to exceed the prime rate plus ⅛%. The Company has agreed to pay the banks commitment fees of ¼% per annum of the unused portion of the credit commitments. The credit agreements do not require the Company to maintain any additional balances at the participating banks, and the agreements can be reduced in amount or terminated at any time at the option of the Company.

The Company is subject to a number of restrictive covenants under the various debt agreements. Under the most restrictive covenants, (a) the Company must maintain current assets at least equal to 175% of its current liabilities, and (b) the Company may not pay dividends (other than dividends payable in common stock) or acquire its common stock in excess of $40,000,000 plus consolidated net income after May 31, 1989, plus the net proceeds to the Company from the sale after May 31, 1989 of any class of capital stock. The agreements also provide for, among other things, restrictions on: sales of assets, mergers and acquisitions; additional financing, loans and advances; investments; guarantees of indebtedness of others; and sale and leaseback transactions. At December 31, 1989, current assets of the Company were 221% of its current liabilities, and $41,000,000 was available for the payment of dividends on, or purchases of, the common stock of the Company.

UNIVERSAL VOLTRONICS CORP. (JUN)

NOTES TO FINANCIAL STATEMENTS

3 (In Part): Credit Agreements and Borrowings

Under the terms of the loan agreement, the Company is required to maintain working capital (as defined) of $1,200,000 during the three months ending September 30, 1989; $1,275,000 during the three months ending December 31, 1989; $1,325,000 during the three months ending March 31, 1990; $1,400,000 during the three months ending June 30, 1990; and $1,500,000 thereafter. In addition, the Company is required to maintain tangible net worth (as defined) of $500,000 during the three months ending September 30, 1989; $600,000 during the three months ending December 31, 1989; $650,000 during the three months ending March 31, 1990, $750,000 during the two months and twenty-nine days ending June 29, 1990 and $850,000 as of June 30, 1990. During each one-year period subsequent to June 30, 1990, tangible net worth at any time shall not be or become less than the balance of tangible net worth at the previous fiscal year end. In addition, tangible net worth at the end of each fiscal year subsequent to June 30, 1990 shall not be less than the balance of tangible net worth at the previous fiscal year end plus $250,000. The loan agreement further provides restrictions on the amount of future borrowings, mergers, loans and capital expenditures and also does not allow the Company to declare or pay any cash dividend or make any distribution of or redeem or otherwise retire directly or indirectly, any shares of its stock without prior written consent of Midlantic National Bank.

At June 30, 1989, the Company has working capital of $1,263,150 and tangible net worth of $500,748 and therefore was in compliance with the working capital and tangible net worth debt covenants set forth above. At September 30, 1989, the Company was not in compliance with the debt covenant set forth above. However, a waiver has been obtained from Midlantic National Bank through December 30, 1989. The Company's ability to achieve compliance with such covenants as they are adjusted, as set forth above, is dependent upon the Company's ability to achieve specified levels of profitable operations or to use other means to secure additional equity and capital. In order to comply with such debt covenants, the Company will seek to concentrate upon higher margin, production-type activity rather than fixed price contracts entailing significant development and carrying costs. Inability to achieve compliance, however, could affect the Company's access to further borrowings or require it to secure additional equity by other means.

Hedge Contracts

KERR-McGEE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Futures Contracts

The company periodically enters into futures contracts for commodities to hedge a portion of its petroleum products inventories and futures contracts for foreign currencies to hedge specific foreign currency commitments. Gains or losses on commodity hedges are included as part of the inventory cost. The gains or losses on foreign currency futures contracts are deferred and recognized as part of the specific transactions hedged.

During 1989, the company adopted the provisions of Statement of Financial Accounting Standards No. 104, which allows cash flows resulting from hedging contracts to be classified in the same category in the Consolidated Statement of Cash Flows as the cash flows from the items being hedged. Previously reported cash flow information has been restated to be presented on a consistent basis.

SAVANNAH FOODS & INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies:

Futures transactions—The Company uses futures and other financial instruments as hedges in its inventory purchasing and cash management program. Gains and losses on such transactions related to inventory are matched to specific inventory purchases and charged or credited to cost of sales as such inventory is sold. Gains and losses on these transactions related to investments and loans are recognized during the period in which the related instruments are outstanding. In connection with the Company's futures trading activity, the Company maintains deposits with futures brokers.

TOSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Futures Contracts

Tosco periodically uses commodity futures contracts to hedge the impact of price fluctuations on inventories of (or fixed price contracts for the purchase of) crude oil or petroleum products which are significantly in excess of target levels for a period of greater than one month. Gains and losses on commodity futures contracts are deferred until hedged inventories are refined or sold. Tosco also enters into open speculative futures contracts (which do not qualify as hedges) which are marked to market on a monthly basis with the resulting gains and losses charged to operations.

EATON CORPORATION (DEC)

FINANCIAL REVIEW

Short-Term and Long-Term Debt (In Part)

In the third quarter of 1989, the Company entered into interest rate swap agreements, which expire in two years, that effectively convert $200 million of its fixed rate borrowings into variable rate obligations. Under the terms of these agreements, the Company makes payments at variable rates which are based on LIBOR and receives payments at fixed interest rates. The net interest paid or received is included in interest expense.

STONE CONTAINER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Long-Term Debt

The Credit Facility required that the Company hedge a portion of the United States based borrowings to protect against increases in market interest rates. Pursuant to that requirement, at December 31, 1989 the Company had various interest rate cap, collar and swap contracts related to $1.25 billion of such borrowings. The effect of these contracts is to: (i) limit the interest rate the Company would pay to no more than approximately 13 percent (including applicable Eurodollar borrowing margin) on $900 million and (ii) fix the interest rate at approximately 12.4 percent (including applicable Eurodollar borrowing margin) on $350 million. Additionally, in November 1989, the Company entered into cross currency swaps related to $699 million of Credit Facility borrowings of Stone-Consolidated that are U.S. dollar denominated, fixing the exchange rate on such borrowings at $1 U.S. = $1.1710 Canadian and resulting in a Canadian dollar equivalent borrowing of $818.5 million of which $653 million was fixed at interest rates of approximately 12.82 percent (including applicable Eurodollar borrowing margin). The expiration dates of the various contracts are tied to scheduled principal payment dates and extend through the third quarter of 1996.

Note 16 (In Part): Commitments and Contingencies

Under certain timber contracts, title passes as the timber is cut. These are considered to be commitments and are not recorded until the timber is removed. At December 31, 1989, 1988 and 1987, commitments on such contracts, which run through 1992, were approximately $42.3 million, $23 million and $64.5 million, respectively.

At December 31, 1989, the Company, including consolidated affiliates, had commitments outstanding for capital expenditures under purchase orders and contracts of approximately $440 million, of which approximately $330 million is expected to be spent in 1990.

Refer to Notes 9 and 10 for further discussion of the Company's debt, hedging and lease commitments.

UNION CARBIDE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

11 (In Part): Long-Term Debt

At December 31, 1989, Union Carbide had outstanding interest rate swap agreements which effectively converted $698 million of fixed rate debt with interest rates ranging from 9.35% to 15% to floating rate debt. Under the agreements, which have a remaining average maturity of approximately two years, Union Carbide makes payments to counterparties at variable rates based on LIBOR and in return receives payments based on fixed interest rates. The agreements resulted in an average annual effective interest rate of approximately 11.41% on the $698 million of debt (11.23% in 1988 on $701 million of debt).

ARDEN GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingent Liabilities:

The Company had commitments to purchase communications equipment from Japanese manufacturers for sale or lease to customers of $9,767,000 and $37,957,000 at the end of 1989 and 1988, respectively. The Company had forward yen contract commitments of $13,830,000 and $29,916,000 at the end of 1989 and 1988, respectively, to finance current and future purchases of communications equipment.

HARLEY-DAVIDSON, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Commitments and Contingencies

The Company has commitments to purchase approximately $26.6 million of forward exchange contracts to hedge against currency fluctuations. The contracts mature at various dates through December, 1990. Unrealized gains and losses on these contracts are deferred and accounted for as part of the transaction.

WESTERN DIGITAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

1 (In Part): Summary of Significant Accounting Policies

The Company enters into forward exchange contracts to hedge the impact of foreign currency fluctuations on certain assets and liabilities denominated in foreign currencies. At June 30, 1989, the Company had outstanding $44,803 of forward exchange contracts with commercial banks. The total amount of these contracts is offset by the underlying assets and liabilities denominated in foreign currencies. The contracts mature on various dates in 1990. The gains or losses on these contracts are included in income in the year in which the exchange rates change.

XEROX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Forward Foreign Exchange Contracts. The Company enters into forward foreign exchange contracts to hedge certain foreign currency denominated receivables and payables and certain firm foreign currency commitments. Gains and losses on foreign currency denominated receivables and payables are reported currently in income; with respect to firm commitments, any gains and losses are deferred and will be recognized as part of the cost of the underlying transaction being hedged. Forward foreign exchange contracts generally have maturities of six months or less and the counterparties are typically major international financial institutions. The Company's theoretical risk in these transactions is the cost of replacing, at current market rates, these contracts in the event of default by the counterparty. Management believes the risk of incurring such losses is remote and any losses therefrom would be immaterial. At December 31, 1989 the Company had approximately $700 million of forward foreign exchange contracts outstanding.

Capital Expenditures

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Other Commitments and Contingencies

At the end of fiscal 1989, the company had purchase commitments to spend approximately $112 million for additional plant and equipment.

KNIGHT-RIDDER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—Commitments

In September 1989 the company announced its plans to construct a new production and distribution plant in Philadelphia. The nine-press plant will cost $299.5 million and is scheduled for completion during 1993. As of Dec. 31, 1989, the company had contractual commitments for capital expenditures of $142.4 million, $21.4 million of which was paid during 1989 and $99.7 million of which is due in 1990. The remainder is due in 1991. The project will be financed internally, without incurring additional indebtedness.

See Capital Spending Program on page 40 for further discussion.

NIKE, INC. (MAY)

NOTES TO FINANCIAL STATEMENTS

Note 13 (In Part): Commitments and Contingencies:

In the fall of 1988, the Company began construction of a new world headquarters facility. The expected cost of the facility including land, buildings and improvements is approximately $70 million. The Company has expended $22 million to date, and has construction commitments of approximately $20 million as of May 31, 1989.

Unconditional Purchase Contracts

LUKENS INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12 (In Part): Commitments and Contingencies

Purchase Commitments

At December 30, 1989, purchase commitments for construction projects in progress were $5.0 million. Subsequent to year end, Lukens Steel Company, a wholly-owned subsidiary, entered into a long-term contract for the supply of oxygen and related products to its primary facility in Coatesville, PA. The contract which runs until 2006 has take-or-pay provisions totaling $39 million. On an annual basis, minimum commitments are $2.4 million which can be adjusted for inflation.

REYNOLDS METALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K (In Part): Contingent Liabilities and Commitments

Various suits and claims are pending against the Company. In the opinion of the Company's management, after consultation with counsel, disposition of the suits and claims will not involve sums having a material adverse effect upon the consolidated financial position of the Company.

In order to assure an adequate supply of certain raw material requirements, the Company has committed to pay its proportionate share of annual production charges (including debt service) relating to its interests in an alumina facility in West Germany, primary aluminum facilities in West Germany and Canada, and a bauxite project in Guinea. These arrangements include minimum commitments of approximately $37 million annually through 1994 and additional amounts thereafter which together, at present value, aggregate $220 million at December 31, 1989 after excluding interest of $106 million and variable operating costs of the facilities. During 1989 the Company purchased $153 million (1988—$175 million, 1987—$133 million) of raw materials under these arrangements.

TENNECO INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingencies

Purchase Obligations

In connection with the financing commitments of certain joint ventures, Tenneco has entered into unconditional purchase obligations of $283 million ($165 million on a present value basis). Tenneco's annual obligations under these agreements are $27 million for each of the years 1990, 1991 and 1992, and $26 million for each of the years 1993 and 1994. Payments under such obligations, including additional purchases in excess of contractual obligations, were $34 million for 1989 and $36 million for each of the years 1988 and 1987. In connection with the Great Plains coal gasification project, Tenneco has contracted to purchase 30% of the plant's production, which averaged 150 million cubic feet per day during 1989, of synthetic gas at prices tied to competitive fuels for a remaining period of 20 years.

Other Purchase Contracts

BARNWELL INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments and Contingencies

a. At September 30, 1989 the Company has commitments, aggregating approximately $3,300,000, to certain participants to repurchase, at the participants' option, their interest in certain ventures. The Company believes that these rights will never be exercised because the value of oil and gas properties involved is in excess of the repurchase price. Substantially all of the above rights are payable in the Company's common stock.

EMERSON ELECTRIC CO. (SEP)

NOTES TO FINANCIAL STATEMENTS

(10) Contingent Liabilities and Commitments

At September 30, 1989 there were no known contingent liabilities (including guarantees, pending litigation, taxes and other claims) that, in the opinion of management, are expected to be material in relation to the Company's financial position, nor were there any material commitments outside the normal course of business, except as discussed below.

On October 4, 1989, the Company and its joint venture partner, Robert Bosch GmbH ("Bosch"), commenced a tender offer to acquire the common stock of Vermont American Corporation ("Vermont"), a diversified manufacturer of cutting and hand tools and power tool accessories, subject to regulatory approvals. The joint venture agreement provides for joint control of Vermont and requires each partner to fund 50 percent of the approximately $440 million purchase price through cash contributions or guarantees of indebtedness of Vermont. If Bosch fails to receive regulatory approvals, the Company is obligated to acquire 100 percent of Vermont.

GUILFORD MILLS, INC. (JUN)

NOTES TO FINANCIAL STATEMENTS

3 (In Part): Capital Stock:

The Company has an agreement with two of its directors whereby the Company will, in the event of their death prior to May 1991, purchase common stock of the Company owned by the two directors in the amount of $5,000,000 and $4,000,000. The number of shares purchased will be based on the market value of the stock for a 20 day period preceding the date of death.

GEO. A. HORMEL & COMPANY (OCT)

NOTES TO FINANCIAL STATEMENTS

Note G—Commitments

In order to ensure a steady supply of turkeys and to keep the cost of products stable, Jennie-O Foods, Inc., a Company subsidiary, enters into contracts to purchase turkeys at fixed prices. Under these contracts the subsidiary is committed at October 28, 1989, to purchase approximately 223,126,000 pounds of live turkeys at a total cost of approximately $80,697,000.

The Company has commitments to expend approximately $21,424,000 to complete construction in progress at various locations at October 28, 1989.

INTERNATIONAL PROTEINS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14—Commitments and Contingencies

The Company has entered into contracts to purchase approximately $8,400,000 of inventory. These contracts will be completed by March 31, 1990. The Company anticipates no losses to be incurred as a result of these contracts.

There are certain lawsuits and claims pending against the Company which arose in the normal course of business. In the opinion of management, none of these actions are expected to have a material adverse effect on the Company's financial position.

SEAGATE TECHNOLOGY (JUN)

NOTES TO FINANCIAL STATEMENTS

Commitments (In Part)

Proposed Acquisition On June 12, 1989, the Company announced that it had signed a Letter of Intent to purchase Imprimis Technology Incorporated, the data storage products subsidiary of Control Data Corporation, for approximately $450 million in cash and securities.

Payment will be in the form of $250 million in cash, 10.7 million shares of the Company's common stock and a $50 million promissory note. The transaction will be financed with the proceeds of a new $300 million credit agreement.

The proposed acquisition is subject to the negotiation of a definitive agreement to be approved by the Boards of Directors of both companies.

Employment Contracts

ARX, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Employment Contracts:

The Company has employment contracts with certain of its officers for terms ranging from one to nine years with annual remuneration ranging from $110,000 to $301,000, plus additional compensation based upon earnings. Two of the officers have two year consulting agreements commencing at the end of their employment agreements which provide for fees ranging from $55,000 to $151,000 per annum. Future minimum payments under these contracts are as follows:

1990	$ 995,000
1991	462,000
1992	462,000
1993	462,000
1994	462,000
Thereafter	1,325,000
	$4,128,000

In addition, three of the officers have the option to terminate their employment agreements upon change in the present control of the Company, as defined, and receive lump sum payments equal to the balance of their respective contracts, in two cases, or five times annual compensation, as defined, in another case.

CONCORD FABRICS INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Note I—Employment Contracts:

The Company's employment contracts with three officers and four senior executives provide for basic annual salaries aggregating $1,022,000 a year plus additional compensation based on earnings (as defined); the contracts expire at various dates through 1994. Additional compensation earned for the years ended September 3, 1989, August 28, 1988 and August 30, 1987, aggregated $1,059,000, $145,000 and $389,000, respectively.

DELCHAMPS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(13) Commitments and Contingencies

The Company is a defendant in various claims and legal actions considered to be in the normal course of business. Management intends to vigorously defend these claims and believes that the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial condition.

Effective fiscal 1989, the Company entered into certain agreements with officers and key management having an initial term which extends until fiscal 1992. The agreements contain provisions that would entitle each officer or employee to receive from 1 to 3 times of his annual compensation (as defined) if there is a change in control of the Company (as defined) and a termination of his employment. The agreements also provide for severance benefits under certain other circumstances. The agreements do not constitute employment contracts and only apply in circumstances following a change in control. In the event of a change in control and termination of all persons subject to the agreement, the cost would be approximately $10,000,000.

DENNISON MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J—Management and Employment Agreements

The Company has entered into change of control agreements with certain key executives which grant these officers the right to receive up to twice their annual salary and bonus plus continuation of certain benefits following a change of control in the Company and termination of these officers. If such changes were to take place, total maximum benefits would be approximately $9 million.

In addition, the Company has adopted a change of control policy for most employees which provides for additional severance benefits following a change of control in the Company and the termination of these employees within two years after the change of control.

EKCO GROUP, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

18 (In Part): Commitments and Contingencies

Employment contracts

The Company has employment agreements with its current executive officers and certain other management personnel. These agreements generally continue until terminated by the executive or the Company and provide for salary continuation for 12 months (offset by short-term and long-term disability payments) in the event of the total and permanent disability of the executive, and for a lump-sum payment of one year's salary in addition to that received under the Company's present group life plan in the event of the executive's death.

Certain of the agreements provide the employees with the right to terminate their respective agreements within 180 days after a Change in Control (as defined) of the Company occurs. In such an event or if the employee is terminated without good cause (as defined), the agreements provide for a lump-sum payment equal to the employee's current salary plus the most recent annual bonus (for two officers, the lump-sum payment is equal to twice the employee's current salary plus twice the most recent annual bonus) and the employee is entitled to the continuation of medical, dental and life insurance coverage until the earlier of either his or her full-time employment by a third party or one year (two years for two officers) following such termination. In order to assure prompt payment of amounts due upon termination, the Company has agreed to keep in place irrevocable letters of credit in amounts equal to at least one and one half times (three times for two officers) each executive's annual salary, plus letters of credit in amounts necessary to secure the Company's obligations under any stock appreciation rights or other equity-linked plan (excluding stock options, restricted stock subject to repurchase rights, or any equity plan giving the executive ownership of shares). The agreements include a covenant against competition with the Company extending for a period of one year (two years for two officers) after termination for any reason.

As of December 31, 1989, if all of the employees under contract were to be terminated without cause under these contracts, the Company's liability would be approximately $2.4 million.

TULTEX CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 13—Employment Continuity Agreements

The Company has entered into employment continuity agreements with certain of its executives which provide for the payments to these executives of amounts up to three times their annual compensation plus continuation of certain benefits, if there is a change in control of the Company (as defined) and a termination of their employment. The maximum contingent liability, at December 30, 1989, under these agreements is approximately $4,700,000.

Additional Payments Related To Acquisitions

CHRYSLER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingent Liabilities

As part of Chrysler's purchase of the interest of Regie Nationale des Usines Renault (Renault) in AMC (see Note 19), Chrysler agreed to make a contingent payment to Renault of up to $350 million, depending on the profitability or volume of sales of certain vehicles manufactured during the 1987 through 1991 period under the Jeep and Eagle brand names. Such payment, if any, will be required to be made after December 31, 1991 but not later than March 31, 1992, and will be recorded as an adjustment to intangible assets.

LAFARGE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)

In connection with the acquisition of Systech, the Company granted the Systech shareholders the right to receive additional Common Shares or cash, contingent on Systech attaining certain specified operating results during a four-year period beginning on December 29, 1986. The maximum amount required would be $5.0 million of additional Common Shares or cash. At December 31, 1989, Common Shares valued at $2.9 million had been earned under the agreement.

MUNSINGWEAR, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

E. Contingent Payments

In conjunction with the August 29, 1986 purchase of Shirtmate (Canada) Inc. (later renamed Munsingwear Canada (1989) Inc.), the Company agreed to make contingent payments to the sellers over a five-year period based upon an earn-out formula in the purchase contract. No contingent payments will be due unless the businesses acquired achieve after-tax earnings, as defined, in excess of 20% of the Company's initial investment of approximately $8.4 million, compounded annually. At January 6, 1990, the remaining maximum aggregate amount of contingent payments at current exchange rates that may be due under the earn-out formula is $6.4 million. In order to achieve this maximum amount, the after-tax earnings of the acquired businesses must exceed $14.2 million in the aggregate, at the current exchange rates, during the remaining one and one half years ending June, 1991. Payments made pursuant to this agreement, if any, will increase the recorded intangible assets.

Sales Agreements

THE COASTAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 14. Discontinued Operations

The Company has signed a letter of intent to sell all of the outstanding stock of ANRFS Holdings, Inc. The pending sale of the trucking operations is subject to completion of a definitive agreement. However, if such sale is not consummated, the Company intends to pursue other alternatives which will ultimately result in disposition. Accordingly, the trucking segment is being reported as a discontinued operation.

The net assets (liabilities) being disposed of have been classified in the accompanying balance sheet in Other Assets at December 31, 1989. Prior year statements have been restated to conform with the current presentation. The net assets (liabilities) of the discontinued operations amounted to $10.7 million and ($14.1) million at December 31, 1989 and 1988, respectively.

Operating results of the trucking segment for the nine months ended September 30, 1989 are shown separately in the accompanying income statement. Prior year income statements have been restated to show the operating results separately. The loss from discontinued operations as shown on the income statement is net of income tax benefits of $5.1 million, $4.7 million and $5.9 million in 1989, 1988 and 1987, respectively. Net sales of the trucking operations were $359.1 million, $512.5 million and $452.4 million for the 1989, 1988 and 1987 periods, respectively. These amounts are not included in operating revenues.

NORTON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Discontinued Operations

In the first half of 1989, Eastman Christensen Company (ECC) completed the redemption for $115.5 million of its 50% partnership interest that was previously owned by a subsidiary of Texas Eastern Corporation.

In December 1989, a wholly-owned indirect subsidiary of Norton Company entered into an agreement with Baker Hughes Incorporated to sell the ECC operations. Under the agreement, Baker Hughes will pay Norton Company $550 million in cash and issue warrants entitling Norton Company to purchase 8 million shares of Baker Hughes common stock at a purchase price of $36.75 per share. The warrants will expire on March 31, 1995 and represent approximately 6% of the shares of Banker Hughes currently outstanding. In accordance with the terms of the sales agreement, Norton will contribute $145 million to the capital of ECC to be used for the repayment of the $115.5 million debt incurred to finance the redemption of the 50% partnership interest in ECC not owned by Norton Company, plus other outstanding borrowing of ECC. Consummation of the sale is scheduled to occur in the first quarter of 1990, pending regulatory approval in the United States and in the Federal Republic of Germany.

As a consequence of the agreement to sell ECC, all business units within the Petroleum and Mining Group have now been sold or written down to net realizable values. Due to this, the mining, well service and drilling products and services business segments have been classified as discontinued operations, and the prior period financial statements have been restated accordingly.

Consulting Agreements

LEXINGTON PRECISION CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18 (In Part): Commitments

Consulting Agreements

In connection with the purchase of EPI by the Company on December 2, 1988, the Company entered into three-year consulting agreements (the "Agreements") with the two former stockholders of EPI calling for aggregate payments of $37,500 per month throughout the term of the agreements. The Company's policy is to expense the payments as they are incurred. At May 31, 1989, $1,125,000 remained to be paid out under the terms of the Agreements.

SUBSEQUENT EVENTS

Events or transactions which occur subsequent to the balance sheet date but prior to the issuance of the financial statements and which have a material effect on the financial statements should be either recorded or disclosed in the financial statements. Section 560 of *Statement on Auditing Standards No. 1* sets forth criteria for the proper treatment of subsequent events.

Table 1-12 classifies disclosures of subsequent events included in the 1989 annual reports of the survey companies.

Examples of subsequent event disclosures follow.

TABLE 1-12: SUBSEQUENT EVENTS

	Number of Companies			
	1989	1988	1987	1986
Debt incurred, reduced or refinanced	47	59	54	68
Business combinations pending or effected	44	56	52	33
Discontinued operations	44	48	37	45
Litigation	28	28	30	21
Employee benefit plans	19	26	15	8
Capital stock issued or purchased	12	22	17	25
Stock purchase rights	10	16	11	10
Stock splits or dividends	9	14	7	27
Other—described	55	52	44	45

Debt Incurred, Reduced Or Refinanced

AMERADA HESS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Short-Term Notes Payable and Related Lines of Credit

A wholly-owned subsidiary of the Corporation operating in the United Kingdom had Revolving Credit Agreements with banks aggregating $178,000,000 (the "Facilities") which were fully utilized at December 31, 1989. The Facilities were scheduled to terminate in 1990 and 1991. In January 1990, the subsidiary replaced the existing credit lines with a new eight year multi-currency Facility aggregating $550,000,000 (increasing to $750,000,000 upon the completion of certain events), which begins to decline in 1994 and terminates in 1998. Accordingly, the outstanding borrowings are classified as long-term in the year-end balance sheet. Borrowings under the new Facility will bear interest at ⅝% above the London Interbank Offered Rate. The Facility provides for commitment fees generally at $\frac{3}{16}$% per annum on the unutilized credit lines.

CARPENTER TECHNOLOGY CORPORATION (JUN)

NOTES TO FINANCIAL STATEMENTS

4 (In Part): Debt Arrangements:

In August 1989, the Company entered into a $125,000,000 financing arrangement with a number of banks, providing for the availability of $100,000,000 of revolving credit to August 1992, with an option to convert to a four-year term loan, and lines of credit of $25,000,000. Interest is based on defined short-term market rates or competitive bids.

Short-term debt, borrowed under previous line of credit arrangements, was $32,138,000 at June 30, 1989, and $30,373,000 at June 30, 1988. For the years ended June 30, 1989, 1988, and 1987, interest cost totaled $19,635,000, $18,461,000 and $19,362,000, of which $1,400,000, $1,070,000 and $2,650,000, respectively, was capitalized as part of the cost of constructing plant and equipment.

CARDINAL DISTRIBUTION, INC. (MAR)

NOTES TO FINANCIAL STATEMENTS

11. Subsequent Event

On May 15, 1989, the Company called for redemption on May 31, 1989, the outstanding aggregate principal amount of its 8¼% Convertible Subordinated Debentures Due 2010 (the "Debentures"). As a result of this call, the $39,900,000 of the Debentures outstanding as of March 31, 1989, were converted into 2,528,459 common shares of the Company, of which 72,940 common shares were acquired by an underwriter in accordance with a standby purchase arrangement. The standby purchase fee and other costs directly related to the call of approximately $657,000 will be charged to shareholders' equity.

The following summarizes the pro forma primary earnings per share of the Company as if the conversion had taken place on March 30, 1986 (the beginning of Fiscal 1987). Such amounts have been adjusted to reflect the interest expense, net of related income taxes, assuming the conversion would have been the same at March 30, 1986:

	Fiscal Year Ended		
	March 31, 1989	March 31, 1988	March 28, 1987
Pro Forma Net Earnings Per Common Share:			
Primary:			
Continuing operations	$1.29	$0.85	$0.73
Discontinued operations	0.04	0.23	0.16
Sale of discontinued operations	0.54		
Total	$1.87	$1.08	$0.89

DIXIE YARNS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D (In Part): Long-Term Debt and Credit Arrangements

In February 1990, the Company completed a private placement of $50,000,000 of unsecured notes payable with an insurance company. These notes are subordinate to all senior indebtedness, bear interest, payable semiannually, at 9.96% and are due in semi-annual installments of $2,381,000 beginning February 1, 2000. Proceeds from the issuance of these notes were used to repay substantially all amounts due under the Company's unsecured revolving credit and term loan agreement and seasonal credit lines.

L. B. FOSTER COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Subsequent Events

In February 1990, the Company entered into a $35,000,000 unsecured revolving credit agreement for two years and terminated the previous secured agreement. The rate of interest payable is, at the Company's option, the prime rate plus ½%, the domestic certificate of deposit rate plus 1½% or the London interbank offering rate plus 1½%. These rates will be reduced by ½% when the Company obtains a specified interest coverage ratio. Additionally, the agreement includes financial covenants requiring a minimum net worth, a leverage ratio, a current ratio and minimum levels of accounts receivable and inventories. The agreement also includes restrictions upon dividends, investments, capital expenditures, indebtedness and the sale of certain assets.

HURCO COMPANIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Long-Term Debt

Long-term debt as of October 31, 1989, consisted of (in thousands):

Bank revolving credit facility	$4,903
Capitalized leases (Note 3)	670
Other	54
	5,627
Less current portion	177
	$5,450

On January 2, 1990, the Company entered into a revolving credit agreement with its bank which provides for a maximum line of credit of $10,000,000, including outstanding letters of credit and bank guaranties. As of October 31, 1989, the Company had $4,903,000 (3,100,000 British pounds) of outstanding borrowings and $3,012,000 of outstanding letters of credit. Several interest rate alternatives exist under this credit facility. As of October 31, 1989, interest was accruing at a rate of 15.5% per annum, which represents one point over the London Interbank Offer Rate. The credit agreement includes restrictive covenants, the most significant of which requires that the Company maintain minimum capitalization and certain financial ratios. This agreement expires on December 31, 1991, and as such, related borrowings are classified as long-term as of October 31, 1989.

TALLEY INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Debt (In Part)

On January 31, 1990, a subsidiary of the Company borrowed $32,930,000 under a bank financing agreement. The five year term loan, with a final maturity in 1995, is collateralized by the Company's right to receive royalty payments under its License Agreement executed in connection with the sale of its air bag operations. The interest rate will be based on commercial paper rates, plus dealer commissions and program fees.

TELEDYNE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Subsequent Events

In January 1990, the Board of Directors declared a five for one split of the Company's common stock. Teledyne shareholders of record February 8, 1990 will receive four additional shares for each share of Teledyne stock held. The shares are expected to be distributed on March 8, 1990.

The Board of Directors also approved a plan to spin off the insurance and finance subsidiaries to the Company's shareholders. Teledyne has received a ruling from the Internal Revenue Service that the distribution will be tax-free to the Company's shareholders and to Teledyne. The proposed transaction is expected to be effective March 31, 1990, if all regulatory clearances have been obtained.

The Teledyne Board of Directors declared a quarterly cash dividend of $1.00 per share payable February 21 to shareholders of record February 7, 1990.

Teledyne has authorized the redemption on March 15, 1990 of its 7⅞% Sinking Fund Debentures due 1994. The debentures are being called at a price of $1,010.92 plus accrued interest to the redemption date of $29.3125 per $1,000.00 principal amount of debenture. There are approximately $6.8 million principal amount of debentures currently outstanding.

Business Combinations

CLARK EQUIPMENT COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

In January 1990, the Company signed a definitive stock purchase agreement to acquire all of the capital stock of Drexel Industries Inc. (Drexel), a manufacturer of narrow aisle forklift trucks. The agreement is subject to regulatory and Drexel stockholder approval and cash of approximately $19 million will be paid for the stock. Drexel's most recent year sales approximate $25 million. It is expected that this transaction will be finalized in the first half of 1990. Also, in February 1990, Clark sold its French finance subsidiary for approximately book value.

INGERSOLL-RAND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17—Subsequent Events:

On February 9, 1990, the company completed the acquisition of all of the stock of The Aro Corporation ("Aro") and its subsidiaries for $127,500,000 in cash, subject to any postclosing adjustments, from Todd Shipyards Corporation ("Todd"). The acquisition was approved by the United States Bankruptcy Court for the District of New Jersey since Todd is currently in bankruptcy. The purchase, financed through cash on hand and the issuance of commercial paper, was consummated pursuant to a stock purchase agreement between the company and Todd entered into as of December 8, 1989, as amended. Aro, headquartered in Bryan, Ohio, is a manufacturer of high-quality air-powered tools, valves, pumps and related equipment. The transaction will be accounted for as a purchase. Aro reported net sales and net earnings for its fiscal year ended March 31, 1989, of approximately $130,300,000 and $11,100,000, respectively. Aro's results of operations are not necessarily indicative of the actual results of operations that would have occurred had the purchase been made at the beginning of the period, or of the results, which may occur in the future.

LORAL CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Subsequent Event: (Unaudited)

On May 13, 1989, the Company entered into an agreement to purchase the Fairchild Weston Systems' defense technology businesses of affiliates of Schlumberger Ltd. for $185 million in cash plus certain other payments, all subject to adjustment at closing.

For its latest fiscal year ended December 31, 1988, the businesses to be acquired had revenues and operating income of approximately $270 million and $22 million, respectively, and year-end net assets of approximately $150 million.

OGDEN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Subsequent Event

On October 31, 1989, Ogden entered into a merger agreement to acquire all of the outstanding shares of ERC International, Inc. (ERC), for 0.4067 shares of Ogden common stock for each share of ERC outstanding. The transaction was completed on January 19, 1990, when Ogden issued 2,369,000 shares of its common stock to ERC shareholders. This acquisition will be accounted for as a pooling-of-interests transaction in 1990.

Selected unaudited pro forma information on a comparable basis, including accruals established by ERC relating principally to the consolidation of facilities (expressed in thousands of dollars), assuming the acquisition was consummated as of January 1, 1988, included the following:

	1989	1988
December 31:		
Current assets	$ 502,028	$ 493,408
Intangibles	50,180	51,980
Total assets	2,706,412	2,320,919
Current liabilities	174,365	170,273
Long-term debt	1,553,549	1,278,035
Shareholders' equity	476,618	470,416
Year Ended December 31:		
Revenues	1,534,609	1,234,259
Net income	58,282	64,069
Earnings per common share	1.38	1.51

RORER GROUP INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Subsequent Events

Proposed Merger

In January 1990, the company jointly announced with Rhône-Poulenc S.A. that the companies have agreed in principle to pursue a transaction modeled on the Dow/Marion Laboratories transaction. Following the completion of the proposed transaction, the company would remain a publicly traded United States company with company shareholders retaining approximately a 32 percent equity position in the company. In the proposed transaction, Rhône-Poulenc would contribute substantially all of its worldwide human pharmaceutical operations to the company in exchange for new company stock and, upon completion of all the transactions, would hold approximately a 68 percent equity interest in the new combined company. Consummation of any transaction is subject to negotiation and execution of a mutually satisfactory transaction agreement, receipt of fairness opinions, approval of the boards of directors and stockholders of both companies and entering into satisfactory financing arrangements. This agreement in principle is not a binding obligation.

Several shareholders have initiated two class action lawsuits against the company and its board of directors alleging, among other things, that the consideration being offered to the company's shareholders in the proposed transaction with Rhône-Poulenc S.A. is inadequate, and that the transaction constitutes a breach of the directors' fiduciary duties. The complaints seek to enjoin the transaction and seek damages in an unspecified amount. The company believes that it has adequate defenses.

WALBRO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Subsequent Event

In February, 1990, the Company signed a letter of intent to acquire the common stock of Sharon Manufacturing Company, a manufacturer of fuel system components located in Lambertville, Michigan. The agreement is subject to the execution of a definitive agreement which is expected by May, 1990. The Company estimates the final purchase price will approximate $9 million.

PENNZOIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(13) Subsequent Events—

Acquisition of JLI—

On January 8, 1990, JLI, Pennzoil and JLI's senior unsecured creditors consummated a previously announced plan of debt restructuring for JLI, which resulted in the acquisition by Pennzoil of 80% (on a fully diluted basis) of JLI's common stock. In connection with the JLI debt restructuring plan, Pennzoil paid $28.5 million in cash to or on behalf of JLI and exchanged Pennzoil's $15 million principal amount of JLI's 12% Convertible Subordinated Debenture (including accrued and unpaid interest) as consideration for the shares of JLI common stock acquired. Pennzoil has not assumed or guaranteed any of JLI's secured or unsecured debt.

The acquisition will be accounted for using the purchase method of accounting, and the results of operations of JLI will be included in Pennzoil's consolidated statement of income subsequent to January 8, 1990.

The following is an unaudited condensed consolidated balance sheet of JLI as of December 31, 1989. JLI has allocated Pennzoil's purchase cost to the assets and liabilities acquired as of December 31, 1989 based upon the estimated fair value of those assets and liabilities. The condensed consolidated balance sheet of JLI also reflects the consummation of the other provisions of the debt restructuring plan.

	December 31, 1989 (Unaudited) (In thousands)
ASSETS	
Current assets	$ 47,892
Assets of centers held for resale	4,068
Notes receivable	16,344
Assets leased or to be leased to Franchisees	128,312
Goodwill	52,864
Other assets	20,076
Total Assets	$269,556
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	$ 91,452
Long-term debt	52,155
Capital lease obligations	72,531
Other liabilities	23,344
Stockholders' equity	30,074
Total Liabilities and Stockholders' Equity	$269,556

Discontinued Operations

FIGGIE INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(8) Discontinued Operation:

In January 1990, the Board of Directors resolved to discontinue the operations of the Company's finance subsidiary, Figgie Acceptance Corporation (the finance subsidiary). The Company has retained investment banking assistance in the sale of the portfolio under terms acceptable to management.

In the opinion of management, the net assets of the finance subsidiary summarized below are realizable, and therefore, no loss on the discontinuance of the business has been included in the consolidated statements of income as of December 31, 1989.

Net revenues, income and income from operations of the discontinued subsidiary are summarized below:

(in thousands of dollars)

	For the years ended December 31		
	1989	1988	1987
Revenues	$13,006	$14,748	$15,867
Income before taxes on income	174	2,791	4,329
Income from discontinued operations net of income taxes	$ 69	$ 1,759	$ 2,409

Assets and liabilities of the discontinued finance subsidiary are summarized below:

	For the years ended December 31	
(in thousands of dollars)	1989	1988
Finance accounts receivable, net	$113,447	$128,166
Other assets	4,587	6,960
Notes payable	(82,202)	(86,497)
Other liabilities	(7,841)	(8,496)
Total net assets	$ 27,991	$ 40,133

Loan covenants associated with the finance subsidiary's notes payable require that 1) net finance receivables not be less than 75% of total assets, 2) subordinated debt be less than 50% of stockholders' equity, 3) senior liabilities not exceed the borrowing base, as defined, by more than a factor of five, 4) stockholder's equity not be less than $20,000,000 and 5) the fixed charge ratio not be less than 130%. As of December 31, 1989, the finance subsidiary was in compliance with all such covenants. The Company has negotiated an unconditional guarantee of this debt which will eliminate the above covenants. Prior years amounts reflected in the accompanying financial statements have been restated to conform to the 1989 discontinued operation presentation.

THE INTERLAKE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Subsequent Event (Unaudited)

Subsequent to the end of 1989, the Corporation reached a tentative agreement to sell its investment castings business. This agreement has not been finalized and is subject to certain conditions, including approval by the Interlake Board of Directors and certain lenders. Management believes that this sale, when completed, will have no material adverse income effects.

Relevant information concerning this business unit includes:

	1989	1988	1987
		(in thousands)	
Net sales	$85,155	$96,435	$ 100,043
Operating profit	$ 1,198	$ 7,727	$ (7,026)
Current assets	$31,942	$33,206	
Long-term assets	27,751	29,117	
Total Assets	$59,693	$62,323	
Current liabilities	$ 8,370	$ 9,346	
Long-term liabilities	2,318	5,303	
Total Liabilities	$10,688	$14,649	
Investment in Business Unit	$49,005	$47,674	

OAK INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(14) Subsequent Event:

In February 1990, the Company announced plans to seek a buyer for its Communications Segment. In conjunction with these plans, the Company revalued certain assets and recorded additional liabilities which resulted in losses of $4,625,000. Additionally, the Corporate headquarters presently residing in the Communications Segment's leased facility in Rancho Bernardo, California will relocate to Boston, Massachusetts. The relocation, which will take place during summer 1990, is expected to cost approximately $1.0 million and has been accrued for at December 31, 1989.

Sales Of Assets

INSILCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Subsequent Events

During the first quarter of 1990 the Company sold certain assets, including Dual-Lite Inc. and Valentec Pohlman Inc. a subsidiary of Valentec International Corporation, for which no significant gain or loss was recognized. The net proceeds from the sales of approximately $59,550,000 were applied to the obligations under the Bank Credit Agreement. As a result, the Company has prepaid the entire 1990 amount due under the term loan and ratably reduced future year payments.

MORRISON KNUDSEN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Subsequent Event—Sale/Leaseback

On January 9, 1990, the Corporation sold its Boise, Idaho, headquarters which had a net book value of $46,014 for $46,336 in cash, after expenses of sale. The Boise headquarters complex consists of approximately 519,300 square feet of usable building space, a four-level, 378,000-square-foot parking garage and 32 acres of land.

The Corporation has leased back approximately 290,700 square feet of usable building space for $3,152 per year. Under the long-term operating lease agreement the minimum terms are 16 to 25 years and the lease contains two 10-year renewal options at market rates. Short-term debt of $20,054 and mortgage debt of $3,433 outstanding at December 31, 1989, were repaid from the net cash proceeds of the sale.

NORTHROP CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

In February 1990 the company sold its headquarters complex in Los Angeles, California for $222.3 million and signed an agreement to lease back the space it now occupies for its corporate needs. Proceeds from the all cash sale were used to pay down short-term notes payable to banks reducing total short-term debt to $424 million immediately thereafter. From the total pretax gain of $136.2 million $34.5 million will be deferred and amortized into income over the 10-year lease term. After-tax earnings and shareholders' equity during the first quarter of 1990 will benefit in the amount of $67.1 million or $1.42 per share.

PFIZER INC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

In December 1989, the Company signed a letter of intent to sell its 30 percent interest in the DeKalb-Pfizer Genetics seed partnership to DeKalb Genetics Corporation. On January 16, 1990, the transaction was finalized. A pre-tax gain of approximately $39 million will be reflected in first quarter 1990 operating results. The Company's share of the seed partnership income for 1989, 1988 and 1987 amounted to $8.2, $7.2 and $1.8 million, respectively.

In fiscal year 1990, the Company acquired the remaining ownership of Medinvent SA for cash of approximately $14.3 million. The Company first acquired a 50 percent equity interest in June 1987. Medinvent manufactures vascular and non-vascular stents.

In February 1990, the Company announced that its Board of Directors approved the sale of the pigments portion of its Specialty Minerals Group, subject to the completion of the current negotiations which are the result of an offer received early in February 1990. Under the terms of the agreement, the

Company will receive cash of approximately $65 million resulting in a provision for loss on the sale of $70 million pre-tax and approximately $46 million ($.27 per common share) on an after-tax basis. The net assets of this business have been classified in the Consolidated Balance Sheet as Net assets held for sale at their estimated realizable values. The provision for loss on the sale has been included in Other deductions in the Consolidated Statement of Income. In 1989, net sales and the net loss for the pigments business amounted to approximately $113 million and $3.0 million, respectively. This business is engaged in the manufacture and marketing of colored pigments and magnetic iron oxides.

Litigation

CONTROL DATA CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

L (In Part): Commitments and Contingencies

On January 16, 1990, the trial of certain consolidated class action and shareholder derivative lawsuits against the Company, certain of its present and former officers and directors, and its independent auditors began in U.S. District Court in Minnesota. The lawsuits arose out of the Company's announcement, on August 6, 1985, that it was restating downward its financial results for 1984, and revising downward previously announced financial results for second quarter of 1985. On February 5, 1990, the Court issued a directed verdict in favor of the defendants on all counts. The plaintiffs have indicated their intent to appeal.

DEKALB ENERGY COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

N (In Part): Subsequent Events

In January 1990, the Company received $8.1 million from the settlement of a gas contract dispute with one of its purchasers. The settlement related primarily to take-or-pay claims on certain contracts, and $8.1 million of pre-tax income will be included in the results for the first quarter of 1990.

HARCOURT BRACE JOVANOVICH, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Subsequent Events:

On February 28, 1990, an alleged purchaser of shares of the Company filed an action on behalf of a purported class of purchasers of the Company's Common Stock from March 30, 1989 through November 28, 1989 against the Company and five present or former directors or officers. The action alleges that the defendants knew or were reckless in not knowing, among other things, that the Company allegedly would not be able to bear the burden of the debt it incurred as a result of its 1987 Recapitalization and its 1988 Refinancing Plan or that it allegedly could not meet these obligations out of cash flow from operations without the sale of substantial assets. The action further alleges that the Company's public filings and reports to shareholders were false and misleading and failed to make required disclosures concerning these and related matters in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and that, as a result, members of the class allegedly purchased the Company's Common Stock at allegedly artificially inflated prices during the class period. The action seeks damaged as well as costs and expenses of the action, including reasonable attorney's and experts' fees.

On March 1, 1990, another alleged purchaser of the Company's securities filed an action on behalf of a purported class of purchasers of the Company's securities between November 4, 1988 and February 28, 1990 against the Company, three directors or officers, and the Company's underwriter for various securities offerings. The action alleges that defendants issued public statements and reports, including registration statements, which failed to divulge adverse facts concerning the Company, its financial performance and condition, and its future business prospects and which were false and misleading in violation of Sections 11, 12(2), and 15 of the Securities Act of 1933 and various alleged common law principles. The action further alleges that, as a result, members of the class acquired the Company's securities at artificially inflated prices during the class period. The action seeks, on behalf of the plaintiff and the members of the class, compensatory damages and rescission and/or punitive damages, together with costs of the action, including reasonable attorney's and experts' fees and other disbursements.

The Company intends to contest these matters. As the actions were recently filed, the outcome is uncertain, and the effect, if any, on the accompanying consolidated financial statements cannot be estimated at this time.

KAY JEWELERS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Subsequent Event

In late March 1990, the Company and certain officers were named as defendants in five suits alleging material misstatements and omissions in the Company's quarterly filings on Form 10-Q in 1989 and in certain other public statements made by the Company. Damages being sought have not been quantified in the complaints. The Company and legal counsel are currently analyzing the allegations made in these actions and intend to pursue the Company's defenses vigorously.

LANCASTER COLONY CORPORATION (JUN)

NOTES TO FINANCIAL STATEMENTS

11 (In Part): Commitments and Contingent Liabilities

In September 1989, a judgment was entered against a wholly-owned subsidiary of the Company involving patent infringement claims. The judgment is in the amount of approximately $4,783,000 and it leaves open certain issues for further consideration by the Court which could cause the judgment to be later amended to a substantially higher amount.

The Company believes there are material errors underlying the judgment and intends to vigorously pursue a reconsideration and reversal of the judgment and, if necessary, to exercise all rights of appeal. While the ultimate outcome of this litigation is not currently determinable, the Company believes it has strong grounds upon which to appeal and, accordingly, no provision for loss has been recorded in the financial statements. In the opinion of management, the ultimate resolution of this matter should not have a material effect on the consolidated financial position of the Company.

Employee Benefits

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

On January 17, 1990, the Company established an employee stock ownership plan, or ESOP, for the purpose of assisting employees who retire in the future to finance their medical coverage during retirement years.

Under the plan, the Company sold to the ESOP 165,872 shares of a new issue of Series C cumulative convertible preferred stock for $100 million, or $602.875 per share. The Series C shares will pay an annual dividend of 8% and will be allocated to eligible employees over a 10-year period beginning in September 1990. In general, the new Series C shares will rank in parity with the Series B preferred stock issued to insurance subsidiaries of Berkshire Hathaway Inc. in July 1989.

Each share of Series C stock, which will be entitled to vote as if it were converted to common stock, is convertible into 10 common shares at $60.2875 per share, or 1,658,720 shares of common stock, about 1.5% of the Company's outstanding voting stock.

Each Series C share carries rights under the Company's preferred stock purchase rights plan and currently is entitled to five rights.

Proceeds received from the sale of Series C shares to the ESOP were used to retire Company debt. The ESOP purchased the Series C shares with borrowed funds. The principal and interest of the ESOP loan will be repaid over a 10-year period by Company contributions to the ESOP and the dividends paid on the new Series C shares.

The Company has guaranteed the ESOP's borrowings and will report the unpaid balance of this loan as a liability of the Company. An unearned ESOP compensation amount will be reported as a reduction of the outstanding Series C shares.

MELVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

On January 10, 1990, the Company's Board of Directors adopted the Omnibus Stock Incentive Plan (Omnibus Plan) which provides for the granting of options, restricted stock and other stock-based awards for a maximum of 5,000,000 shares of common stock to corporate officers and other key employees. The Omnibus Plan is subject to approval by the shareholders at the April 18, 1990 annual meeting. Upon approval of the Omnibus Plan by the shareholders, no further shares of the Company's common stock shall be granted, awarded, or reserved under the 1973 and 1987 Stock Option Plans. The 1980 Restricted Stock Plan, which terminates by its terms on April 8, 1990, will be replaced by the restricted stock feature of the Omnibus Plan.

On January 10, 1990, the Board of Directors, subject to the approval of shareholders, also proposed an amendment to the Company's Restated Certificate of Incorporation to increase the authorized shares of $1 par value common stock from 150,000,000 to 300,000,000 shares.

ROHM AND HAAS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19 (In Part): Contingent Liabilities, Guarantees and Commitments

On February 15, 1990, the company established a leveraged Employee Stock Ownership Plan (ESOP). The ESOP purchased 6.3 million shares of company stock from the company at the February 14, 1990, composite closing stock price. These shares were previously held by Rohm and Haas as treasury shares. The ESOP initially financed the transaction with $185 million in debt at a rate of LIBOR + ⅛%, guaranteed by the company. The company intends to refinance this debt at long-term rates.

On February 15, 1990, the company replaced the treasury shares with 6.3 million shares of company stock purchased from the William Penn Foundation at a price equal to the average composite closing stock price of Rohm and Haas stock during the six-month period beginning in February 1990 and ending in August 1990.

The sale of 6.3 million treasury shares to the ESOP and the replacement purchase of 6.3 million shares from the William Penn Foundation will result in an approximate $185 million increase in long-term debt on the consolidated balance sheet, with an offsetting reduction to stockholders' equity, as follows:

CONDENSED CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1989

	As Reported	Pro Forma (Unaudited)
Assets	$2,455	$2,455
Debt (notes payable plus long-term debt)	531	716
Other liabilities	613	613
Stockholders' equity	1,311	1,126
Liabilities and Stockholders' Equity	$2,455	$2,455

TASTY BAKING COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

16. Subsequent Event:

On February 16, 1990, the company offered to all eligible employees of the Tasty Baking Company Pension Plan a special early retirement program. Eligible employees have until April 15, 1990 to determine whether or not they will accept the provisions provided under the program. The costs and benefits of this program will be determined in the second quarter of 1990.

Capital Stock Issued Or Purchased

CROSS & TRECKER CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Subsequent Event

In November 1989, the company issued $57.5 million of convertible exchangeable depositary preferred shares, with a cumulative annual dividend rate of 10%. Each of the 2,300,000 depositary shares is equivalent to one-tenth of a convertible exchangeable preferred share. Each depositary preferred share is convertible to common stock, at any time at the holder's option, at a rate of approximately 3.6 common shares for each depositary preferred share. At the company's option, the depositary shares are (i) exchangeable on any dividend payment date on or after March 15, 1992, to a 10% convertible subordinated debenture due 2015, at a rate of a $25 debenture for each depositary share, and (ii) redeemable on or after March 15, 1993, at redemption prices (plus accumulated dividends, if any) ranging from $26.75 at March 15, 1993, to $25 per depositary share at March 15, 2000. The debentures would be convertible at any time at the holder's option, at a rate of approximately 3.6 common shares for each $25 debenture, and would be redeemable at the company's option over the same period and at the same prices as the depositary shares.

The net proceeds from such issuance must be used, under terms of the revolving credit agreement, to reduce borrowings from the domestic bank group to $45 million, as discussed in Note 7. On November 15, such borrowings totalled approximately $57.8 million. The remaining proceeds will be used for working capital purposes, including reduction of trade payables, and for general corporate purposes. Assuming that the net issuance proceeds are used to reduce short-term debt until amounts are needed for other specific working capital purposes, on a pro forma basis, relevant financial statement balances at September 30, 1989, would be as follows:

	As Reported	Pro Forma
Preferred stock, Series A	—	$ 57,500
Total debt	$107,976	53,771
Total shareholders' equity	115,362	172,862

OCCIDENTAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Subsequent Events

In February 1990, Occidental issued 23,000,000 shares of common stock in a public offering for net proceeds of approximately $586 million, which were used to retire debt. Assuming the common stock issuance and debt redemption had occurred on January 1, 1989, the 1989 pro-forma earnings per common share would have been $1.06 (unaudited), after giving effect to the additional shares issued and the net-of-tax interest savings resulting from the redemption of debt.

Also in February, Occidental announced that it will redeem on March 15, 1990, all of its outstanding 10 percent Senior Notes due March 15, 1991, at a redemption price of 100 percent plus accrued interest. The notes were issued in March 1986 and are outstanding in the aggregate principal amount of approximately $550 million. The early redemption will result in an extraordinary loss of approximately $2 million (unaudited), to be recorded in the first quarter of 1990.

Stock Purchase Rights

INTERNATIONAL FLAVORS & FRAGRANCES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Subsequent Event

On February 13, 1990, the Company adopted a shareholder protection rights agreement (the "Rights Agreement") and declared a dividend of one right on each share of common stock outstanding on February 28, 1990.

Until a person or group acquires 20% or more of the Company's common stock or commences a tender offer that will result in such person or group owning 20% or more the rights will be evidenced by the common stock certificates, will automatically trade with the common stock and will not be exercisable. Thereafter, separate rights certificates will be distributed and each right will entitle its holder to purchase one share of common stock for an exercise price of $200. If any person or group acquires 20% or more of the Company's common stock, then 10 business days thereafter (the "Flip-in Date") each right (other than rights beneficially owned by holders of 20% or more of the common stock or transferees thereof, which rights become void) will entitle its holder to purchase, for the exercise price, a number of shares of common stock having a market value of twice the exercise price. Also, if the Company is involved in a merger or sells more than 50% of its assets or earning power, each right will entitle its holder to purchase, for the exercise price, a number of shares of common stock of the acquiring company having a market value of twice the exercise price. If any person or group acquires between 20% and 50% of common stock, the Company's Board of Directors may, at its option, exchange one share of common stock for each right. The rights may be redeemed by the Board of Directors for $0.01 per right prior to the Flip-in Date. The rights will expire on February 28, 2000, unless previously redeemed by the Board in accordance with the terms of the Rights Agreement.

MONSANTO COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Capital Stock (In Part)

In January 1990, the Company's Board of Directors declared a dividend of one Preferred Stock Purchase Right on each outstanding share of the Company's common stock. If a person or group acquires beneficial ownership of 20 percent or more, or announces a tender offer that would result in beneficial ownership of 20 percent or more, of the Company's outstanding common stock, the rights become exercisable and each right will entitle its holder to purchase one one-hundredth of a share of a new series of preferred stock for $450. If Monsanto is acquired in a business combination transaction while the rights are outstanding, each right will entitle its holder to purchase, for $450, common shares of the acquiring company having a market value of $900. In addition, if a person or group acquires beneficial ownership of 20 percent or more of the Company's outstanding common stock, each right will entitle its holder (other than such person or members of such group) to purchase, for $450, a number of shares of the Company's common stock having a market value of $900. Furthermore, at any time after a person or group acquires beneficial ownership of 20 percent or more (but less than 50 percent) of the Company's outstanding common stock, the Board of Directors may, at its option, exchange part or all of the rights (other than rights held by the acquiring person or group) for shares of the Company's common stock on a one-for-one basis. At any time prior to the acquisition of such a 20 percent position, the Company can redeem each right for 1 cent. The Board of Directors is also authorized to reduce the 20 percent thresholds referred to above to not less than 10 percent. The rights expire in the year 2000.

In connection with this dividend declaration, the Board of Directors also authorized the redemption in February 1990 of the Company's existing Common Stock Purchase Rights at their redemption price of 5 cents per right.

Stock Splits

MINNTECH CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L (In Part): Subsequent Events

2. Common Stock Split

On June 1, 1989, the Company's Board of Directors declared a five-for-four split of the Company's common stock payable in the form of a stock dividend. Such dividend will be distributed on June 28, 1989 to shareholders of record on June 14, 1989. Accordingly, all share and per share information throughout the consolidated financial statements has been restated to reflect this split.

TEMPLE-INLAND INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note K—Subsequent Event

On February 2, 1990, the Company announced a two-for-one stock split on its common shares. The new shares will be distributed on March 15, 1990 to holders of record on March 1, 1990. At year end 1989, there were 27,425,407 shares outstanding on a historical basis, or 54,850,814 shares on a split basis.

Strike

AMCAST INDUSTRIAL CORPORATION (AUG)

NOTES TO FINANCIAL STATEMENTS

Subsequent Events (In Part)

On September 2, 1989, at the expiration of their collective bargaining agreement with the company, the hourly employees of the company's Stanley G. Flagg division began a work stoppage. The negotiations of a new contract continue but differences concerning economics have precluded an agreement. Flagg's salaried employees are continuing partial production. The Flagg division represents a significant proportion of the company's operations.

On September 15, 1989, the company issued $10 million, 9.0% Senior Notes, due September 15, 1999, to cover planned project financings. Financial covenants obtained are applicable to an earlier financing as well, creating borrowing capacity above last year's level. Proceeds from the notes were used to payoff debt outstanding under the company's Revolving Credit Agreement and allowed the company to fix the majority of its borrowing cost at competitive rates.

Purchase Of Assets

THE AMERICAN SHIP BUILDING COMPANY (SEP)

NOTES TO FINANCIAL STATEMENTS

12. Subsequent Event:

On December 21, 1989 the Company announced it had purchased a major fabrication facility located on Tampa Bay in Tampa, Florida for $18.1 million. The Company had leased the facility from its former owner, Westinghouse Electric Corporation, since early 1984 and plans to continue utilization of this facility as a ship module fabrication site. The acquisition included a 474,000 square foot fabrication building with heavy duty gantry cranes, a 30,000 square foot administration building, a 21,000 square foot employee canteen and 70 acres of land. In conjunction with the purchase, the Company incurred a long-term mortgage payable of approximately $14.5 million with an interest rate of slightly over eight percent per annum.

Transfer Of Assets To Investee

ASTROSYSTEMS, INC. (JUN)

NOTES TO FINANCIAL STATEMENTS

Note I—Subsequent Event:

On September 20, 1989, a division of the Company, engaged in developing a new solar cell (Note D[5]) transferred its assets and liabilities to a new corporation Astropower Inc. The Company owns 49.6% of the common stock of the new corporation. Assuming certain options issued in connection with a previous financing are exercised and certain convertible preferred stock being issued in connection with a new financing for Astropower Inc. is converted to common stock, the Company's interest in the common stock of Astropower Inc. could be reduced to 28.7%. Included in long-term investments at June 30, 1989 are net assets to be exchanged for such equity investment aggregating $392,000.

Separation Of Operations

CASTLE & COOKE, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 2—Separation of Dole Food Company

On February 15, 1990, the Company announced that it is proceeding with a plan to separate its food products operations from its real estate operations with each business being conducted as a separate, publicly traded corporation. In order to effect the separation, the Company will transfer to the Dole Food Company ("Dole") the assets and liabilities of the food products business currently conducted by the Company. The Company's shareholders will receive one share of common stock of Dole for each share of Castle & Cooke, Inc. common stock owned on the date of separation. Following the separation, the Company will retain and continue to own and operate the real estate business. The separation is subject to receipt of a favorable tax ruling, confirming that the separation will be tax-free to the Company and its shareholders, and other necessary governmental approvals.

Sale Of Installment Contracts

CHAMPION ENTERPRISES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Disclosure On Formerly Unconsolidated Majority-Owned Finance Subsidiaries

Subsequent to March 3, 1989, the Company's Board of Directors approved the sale, initiated in fiscal 1989, of $11.7 million of retail installment contracts, resulting in a pretax loss of $2.5 million. This transaction has been recorded in the March 3, 1989 financial statements. The installment contracts have been recorded at their net realizable value of $9.2 million and included in other receivables at March 3, 1989. These contracts were not pledged as collateral for any borrowings. The loss, which is included in other income, increased the net loss by $2.5 million ($.35 per share).

Hurricane Hugo

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Event Subsequent to Date of Auditors' Report

On September 19, 1989, the Company's Puerto Rican facilities suffered damage from Hurricane Hugo. While the operations of those plants were interrupted, management feels that the damage caused by the storm was not material and will be substantially covered by insurance, and that, although there will be temporary production losses, there will be no significant loss of sales.

WMS INDUSTRIES INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16: Subsequent Event

On September 18, 1989, Hugo, the first hurricane of such force to strike Puerto Rico in over 60 years, caused certain damage to the Condado Plaza and El San Juan hotels. While the financial effects of the storm are not yet determinable, the Company believes that the nature of the damage and its insurance coverage is such that there will not be a significant impact on the Company's financial condition.

Outside Investor Acquisition

PIC 'N' SAVE CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Subsequent Event:

In April 1990, management became aware that an outside investor had acquired more than 6% of the Company's Common stock. Such investor has disclosed publicly that it may commence a consent solicitation from other stockholders or a proxy contest at the Company's annual meeting to cause certain actions, including the election of representatives of the investor constituting a majority of the Board of Directors of the Company. If successful, such investor intends to cause the Board to solicit acquisition offers for the Company, including an offer from the investor. Due to the uncertainty surrounding this event, the final outcome cannot be determined at this time.

RELATED PARTY TRANSACTIONS

Statement of Financing Accounting Standards No. 57 (Section R36 of *FASB Accounting Standards—Current Text*) specifies the nature of information which should be disclosed in financial statements about related party transactions. In 1989, 174 survey companies disclosed related party transactions. Examples of related party disclosures follow.

Transactions Between Affiliated Companies

COPPERWELD CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Related Party Transactions

The Corporation and CSC are related parties resulting from Imetal's substantial stock interest in both corporations.

During 1989 the Corporation purchased approximately 19.7% or $5,065,000 of its steel bar requirements from CSC. This compares to 8.5% or $2,684,000 in 1988 and 22.3% or $4,715,000 in 1987.

In 1989, the Corporation negotiated a new computer services agreement with CSC replacing the original agreement that expired in December, 1988, whereby the Corporation provides CSC with certain data processing services. The cost to CSC of these services in 1989 and 1988 amounted to $688,430 and $1,185,000, respectively. The cost to CSC of services provided in 1987 was $1,256,000.

The Corporation continues to sell natural gas to CSC to satisfy a portion of CSC's energy requirements. These sales amounted to $1,493,000 in 1989, $1,484,000 in 1988 and $1,286,000 in 1987.

In 1988, the Corporation also held a $20,000,000 note receivable from CSC. This note represented financing previously provided to CSC by the Corporation while it was a subsidiary. In June 1989, the note was restructured resulting in $6,000,000 in principal and $1,440,000 in accrued interest being forgiven and CSC delivering $6,000,000 in cash and a new non-interest bearing $8,000,000 note to the Corporation. The new note is due in a lump sum in June, 1999, but has mandatory prepayment provisions based upon CSC's profitability. As with the original note, this note is subordinated to CSC's senior indebtedness as a precondition to CSC receiving external financing. The note's realization will be directly affected by CSC's future cash flows.

HURCO COMPANIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Related Party Transactions

The Company and Air Express International (AEI) are related parties because a common group of shareholders hold a substantial stock interest in both companies. AEI ships inventory parts to and from the Company. The cost of these freight services amounted to $1,840,000 and $1,028,000 for the years ended October 31, 1989 and 1988, respectively. As of October 31, 1989, the Company owed AEI $68,000.

The Chairman and Chief Executive Officer of Deckel AG served as a Company director throughout fiscal 1989. During 1989 and 1988, the Company purchased $2,655,000 and $7,516,000, respectively, of machine tool and service parts from this related party. During 1989, the Company also purchased $265,000 of inventory from IBL, an affiliate of Deckel AG. As of October 31, 1989 and 1988, the Company owed Deckel AG $1,376,000 and $2,012,000, respectively.

Transactions Between Company And Major Stockholders

PENN TRAFFIC COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Related Parties:

Penn Traffic is majority owned by an affiliate of MTH. In fiscal 1990, the Company paid MTH a fee of $4,548,000 for services relating to the acquisition of Big Bear. In fiscal 1989, the Company paid MTH a fee of $3,675,000 for services rendered relating to the debt and equity offerings and the acquisition of P&C. In fiscal 1988, Penn Traffic paid MTH a fee of $2,000,000 for assistance in negotiating the temporary financing, the Secured Term Loan and plans of merger.

During fiscal 1990, Penn Traffic, P&C and Big Bear had agreements for financial consulting and business management services to be provided by MTH. Under these agreements, Penn Traffic, P&C and Big Bear pay MTH a fee of $300,000 per annum, $350,000 per annum and $350,000 per annum, respectively. Although these fees were not negotiated at arm's length, management believes that the terms of this engagement are no less favorable than could have been obtained in transactions negotiated at arm's length.

Transactions Between Company And Investees

STONE CONTAINER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14—Related Party Transactions

The Company has entered into output purchase agreements with Seminole, Stone Savannah River and Stone Forest. In accordance with these agreements, the Company purchases all of the output produced by Seminole and Stone Savannah River. Additionally, the Company purchases a portion of its wood chip supply from Stone Forest.

The Company has also entered into supply agreements under which it procures fibre for Seminole and Stone Savannah River and supplies certain timber needs of Stone Forest.

In 1989, the Company also sold products to MacMillan Bathurst Inc. ("MacMillan Bathurst"), a 50 percent owned non-consolidated affiliate, and to Titan, a 49 percent owned non-consolidated affiliate.

Also in 1989, the Company purchased market pulp from Power Consolidated (China) Pulp Inc. ("PCCP"), a 50 percent owned non-consolidated affiliate of the Company. PCCP owns 50 percent of the Celgar Pulp Company, which operates a market pulp mill in British Columbia.

Transactions under all of these agreements are primarily at market prices with the exception of the output purchase agreement with Stone Savannah River. Such agreement is at fixed prices for approximately six years beginning in 1989. The fixed price for such purchases was not significantly different from the market price.

The Company has also entered into management agreements with certain of its affiliates for which it receives a management fee. Additionally, the affiliates reimburse the Company for costs related to carrying out the management agreements and for any payments the Company has made on their behalf.

The following table summarizes the transactions between the Company and its non-consolidated affiliates for the years ended December 31, 1989, 1988 and 1987 and the payable and receivable balances outstanding at the end of each period. During 1989 three previously non-consolidated affiliates (Seminole, Stone Savannah River and Stone Forest) became consolidated subsidiaries of the Company. (See Note 2 for the effective dates of consolidation.) Upon consolidation, all transactions with and balances due to or from these three affiliates have been eliminated in preparing the Company's financial statements. Accordingly, the information contained in the following table pertains only to the periods prior to the respective consolidation dates.

(in millions)	1989	1988	1987
Seminole, Stone Forest and Stone Savannah River:			
Purchases from	$229.3	$196.1	$114.7
Sales to	56.4	74.1	38.6
Management fee	2.2	1.8	—
Net payable to	—	21.2	3.4
MacMillan Bathurst:			
Sales to	$ 64.7	$ —	$ —
Net receivable from	12.9	—	—
Titan:			
Sales to	$ 12.9	$ —	$ —
Management fee	.4	—	—
Net receivable from	6.5	—	—
PCCP:			
Purchases from	$ 3.2	$ —	$ —
Net payable to	.3	—	—

Transactions Between Company And Officers/Directors

ARDEN GROUP, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

11. Related Party Transactions:

A director of the Company is associated with a law firm that rendered various legal services for the Company. The Company paid the firm, in the aggregate, approximately $237,000, $273,000 and $702,000 during 1989, 1988 and 1987, respectively, for legal services.

The Company presently holds two notes receivable for a total of $516,250 from an officer/director of the Company. These notes arose from transactions in 1979 and 1980 whereby the Company loaned the officer/director money to purchase an aggregate of 200,000 shares of the Company's Class A Common stock at the then fair market value. These notes, which bear interest ranging from 6% to 9%, are due in full on January 1, 1995 and are collateralized by a second lien on real property. The amount of indebtedness shown on the balance sheets reflects the above amount discounted for the difference between the face value interest rate and the market rate at the transaction dates.

In December 1988, the Company made a $560,000 interest free loan to the Arden Group, Inc. Stock Bonus Plan and Trust (the Plan) to fund benefit payments to Plan participants electing early distribution. Proceeds to the Plan from Company contributions and income from interest and dividends were used to repay the loan in 1989.

SANMARK-STARDUST INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Related Party Transactions

A director of the Company has an ownership interest in insurance agencies which have written policies for the Company with premiums totalling $850,000, $750,000 and $550,000 in fiscal 1989, 1988 and 1987, respectively.

Certain directors of the Company own a majority interest in a privately held computer service company which provided services and equipment to the Company amounting to $145,000 and $390,000 in fiscal 1989 and 1988, respectively.

Transaction With Profit Sharing Plan

TYSON FOODS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Transactions With Related Parties

In March 1989, the company sold a newly constructed cold storage distribution facility to its profit sharing plan for $6,028,000 and leases it for $600,000 annually.

INFLATION ACCOUNTING

Effective for financial reports issued after December 2, 1986, *Statement of Financial Accounting Standards No. 89* states that companies previously required to disclose current cost information are no longer required to disclose such information.

Many of the survey companies include a discussion of inflation in the Management's Discussion and Analysis of Financial Condition. An example of such a discussion, more detailed than usually presented, follows.

UST INC (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Inflation Related Information

The Financial Accounting Standards Board has made voluntary the disclosure requirements of Statement of Financial Accounting Standards No. 33, "Financial Reporting and Changing Prices." The concept of disclosing inflationary effects on a business is sound. However, the use of a universal format may not accurately reflect the impact of inflation on an individual company. Accordingly, the Company has chosen not to present recalculated financial information that attempts to measure the effects of inflation on historical data. Instead, the following narrative provides useful information on the methods employed by the Company to mitigate the overall effects of inflation.

The financial statements presented in this annual report were prepared under generally accepted accounting principles and do not attempt to measure the impact of inflation on the results of operations or financial condition of the Company. The rate of inflation has remained stable in recent years, but continues to affect both the economy and the Company. There are various means available to the Company which serve to reduce the detrimental effects of inflation. The Company has increased selling prices over the years to maintain overall margins, has employed inventory accounting methods that reflect current costs in operating statements, and has planned asset replacements incorporating better technology to help improve efficiencies in manufacturing operations.

A significant portion of costs of products sold is determined using the LIFO method of inventory valuation which has the effect of matching current costs with current sales. The LIFO method is used for both financial reporting purposes in the primary financial statements and for income tax purposes, resulting in improved cash flow.

The Company replaces its fixed assets in the normal course of business. Decisions are evaluated for efficiencies, tax incentives, cash flow and rates of return on investment. Although assets are usually replaced at a higher cost, technological improvements often create operating efficiencies resulting in cost savings. Over the last several years the Company has invested in new assets that are more efficient than the assets being replaced.

Inflation erodes the general purchasing power of monetary assets such as cash, marketable securities and receivables, as these assets will purchase fewer goods and services over time. However, inflation benefits the Company in relation to monetary liabilities, as the payment of these obligations will be made with less expensive dollars.

Current tax legislation does not allow deductions for the effects of inflation. Accordingly, effective tax rates levied are, in real terms, higher than established statutory rates. The Tax Reform Act of 1986 included provisions that reduced the effective tax rate of the Company. However, the Act seems to disregard the effects of inflation on the replacement of assets by providing for longer useful lives, eliminating favorable capital gains treatment on disposals, and repealing the investment tax credit. The Company supports efforts to modify these provisions.

Overall, the Company has reduced the impact of inflation through management practices and the effective use of accounting and tax practices, as evidenced by the significant growth in pretax margins during the last three years.

Section 2: Balance Sheet

BALANCE SHEET TITLE

Table 2-1 summarizes the titles used to describe the statement of assets, liabilities and stockholders' equity.

TABLE 2-1: BALANCE SHEET TITLE

	1989	1988	1987	1986
Balance Sheet	557	559	555	556
Statement of Financial Position	37	32	35	33
Statement of Financial Condition	6	9	10	11
Total Companies	**600**	**600**	**600**	**600**

BALANCE SHEET FORMAT

Balance sheet formats include the account form, the report form, and the financial position form. The account form shows total assets on the left-hand side equal to the sum of liabilities and stockholders' equity on the right-hand side. The report form shows a downward sequence of either total assets minus total liabilities equal to stockholders' equity or total assets equal to total liabilities plus stockholders' equity. The financial position form, a variation of the report form, shows noncurrent assets added to and noncurrent liabilities deducted from working capital to arrive at a balance equal to stockholders' equity.

Effective for fiscal years ending after December 15, 1988, *Statement of Financial Accounting Standards No. 94* requires that companies consolidate subsidiaries having nonhomogeneous operations. This requirement caused several survey companies to change from a classified balance sheet to either an unclassified balance sheet (15 companies in 1989) or a balance sheet classified as to industrial operations but showing assets and liabilities of nonhomogeneous operations as segregated amounts (12 companies in 1989). Prior to the effective date of *SFAS No. 94,* the survey companies, with rare exception, presented classified balance sheets.

TABLE 2-2: BALANCE SHEET FORMAT

	1989	1988	1987	1986
Report form	404	392	369	356
Account form	195	205	228	241
Financial position from	1	3	3	3
Total Companies	**600**	**600**	**600**	**600**

CASH

Table 2-3 lists the balance sheet captions used by the survey companies to describe cash. Table 2-3 shows that prior to 1988 the balance sheet caption used most frequently was *Cash,* but that in 1988 and 1989 the balance sheet caption used most frequently was *Cash and Cash Equivalents*. Examples of balance sheet captions for cash follow.

ANALOGIC CORPORATION (JUL)

	1989	1988
	(000 omitted)	
Current assets:		
Cash (including time deposits of approximately $9,581 in 1989 and $16,914 in 1988)	$ 10,977	$ 17,562
Marketable securities, at cost which approximates market	54,564	35,566
Accounts and notes receivable—trade, net of allowance for doubtful accounts (1989, $1,021; 1988, $1,492)	27,410	24,385
Accounts receivable, affiliates	726	1,321
Installment sale receivable		8,005
Inventories	36,328	36,544
Prepaid expenses and other current assets	2,486	2,597
Total current assets	132,491	125,980

BERGEN BRUNSWIG CORPORATION (AUG)

	1989	1988
	($000)	
Current assets:		
Cash and cash equivalents	$129,671	$100,621
Accounts and notes receivable, less allowance for doubtful receivables: 1989, $10,002; 1988, $10,639	270,196	220,177
Inventories, less allowance to reduce inventories to cost on the LIFO method: 1989, $76,363; 1988, $51,526	413,460	399,167
Prepaid expenses	4,816	5,260
Total current assets	818,143	725,225

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

The Corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Tax exempt variable rate demand notes and commercial paper, which are included in cash and cash equivalents, are carried at cost, which approximates market value.

COURIER CORPORATION (SEP)

	1989	1988
Current assets:		
Cash and cash equivalents (Note A)	$ 1,179,000	$ 1,096,000
Accounts receivable, less allowance for uncollectible accounts of $345,000 in 1989 and $178,000 in 1988	16,479,000	13,338,000
Inventories	8,682,000	8,281,000
Recoverable income taxes	—	2,765,000
Other current assets	5,848,000	383,000
TOTAL CURRENT ASSETS	32,188,000	25,863,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Cash Equivalent: Cash equivalents consisted of $251,000 of interest bearing foreign currency accounts at September 30, 1989 and $1,520,000 at September 24, 1988. These accounts are a hedge against exchange rate fluctuations related to equipment purchase obligations in foreign currencies. Gains or losses on these hedges are included in the cost of the specific equipment purchases.

DIGITAL EQUIPMENT CORPORATION (JUN)

	1989	1988
	(in thousands)	
Current Assets		
Cash and temporary cash investments (Note F)	$1,655,264	$2,163,580
Accounts receivable, net of allowance of $74,345 and $78,148	2,965,408	2,592,160
Inventories (Note A)		
Raw materials	360,135	392,734
Work-in-process	570,064	555,229
Finished goods	707,802	627,096
Total inventories	1,638,001	1,575,059
Prepaid expenses	255,195	274,160
Net deferred Federal and foreign income tax charges	381,140	324,962
Total Current Assets	6,895,008	6,929,921

Note F—Cash Flow Statement

In 1989, the Company adopted Statement of Financial Accounting Standards No. 95, Statement of Cash Flows. Prior years' Statements of Changes in Financial Position have been restated for comparative purposes.

The Company considers all highly liquid temporary cash investments with low interest rate risk to be cash equivalents. Temporary cash investments are valued at cost plus accrued interest, which approximates market. None of the cash reflected on the balance sheet at July 1, 1989 and July 2, 1988 was required as compensating balances.

Income taxes paid were $451,460,000, $307,785,000 and $323,478,000 during the years ended July 1, 1989, July 2, 1988 and June 27, 1987, respectively.

Interest paid was $40,902,000, $38,182,000 and $45,570,000 during the years ended July 1, 1989, July 2, 1988 and June 27, 1987, respectively.

TABLE 2-3: CASH—BALANCE SHEET CAPTIONS

	1989	**1988**	**1987**	**1986**
Cash	134	160	215	235
Cash and cash equivalents	336	305	159	117
Cash and equivalents	22			
Cash includes certificates of deposit or time deposits	10	14	37	47
Cash combined with marketable securities	93	116	189	201
No amount for cash	5	5	—	—
Total Companies	**600**	**600**	**600**	**600**

FANSTEEL INC. (DEC)

	1989	1988
CURRENT ASSETS		
Cash and cash equivalents (including securities purchased under agreement to resell of $18,700,000 in 1989)	$19,923,090	$ 9,691,643
Accounts receivable, less allowance of $324,000 in 1989 and $362,000 in 1988	29,099,119	34,741,730
Income tax refund receivable	—	1,544,000
Inventories		
Raw materials and supplies	8,367,058	18,378,004
Work-in-process	38,088,953	47,392,311
Finished goods	7,978,487	11,585,627
	54,434,498	77,355,942
Less: Progress billings	11,650,624	8,192,483
Allowance to state certain inventories at LIFO cost	16,126,816	26,777,503
Total inventories	26,657,058	42,385,956
Prepaid expenses	668,852	1,433,427
TOTAL CURRENT ASSETS	76,348,119	89,796,756

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

The Company considers all investments purchased with a maturity of three months or less to be cash equivalents. On December 29, 1989, the Company purchased $18,700,000 of U.S. Government securities under agreement to resell on January 2, 1990. Due to the short-term nature of the agreement, the Company did not take possession of the securities which were instead held in the Company's safekeeping account by the bank.

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

	1989	1988
Current Assets:		
Cash, including cash equivalents of $417,750 and $247,230	$ 745,220	$ 748,356
Accounts receivable, less allowance of $297,000 and $291,000 for doubtful accounts and cash discounts	16,938,624	14,751,544
Inventories	25,348,487	24,552,201
Prepaid expenses	1,946,059	1,792,778
Total Current Assets	44,978,390	41,844,879

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Cash Equivalents

All highly liquid debt instruments purchased with a maturity of three months or less are classified as cash equivalents.

MINNTECH CORPORATION (MAR)

	1989	1988
Current Assets		
Cash and cash equivalents	$1,023,884	$1,477,905
Accounts receivable, less allowance for doubtful accounts: 1989—$50,000; 1988—$40,000	3,466,207	2,618,204
Inventories		
Finished goods	846,492	865,931
Materials and work-in-process	1,508,018	1,298,943
Prepaid expenses	120,597	79,666
Total current assets	6,965,198	6,340,649

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Cash and Cash Equivalents

Cash and cash equivalents at March 31, 1989 and 1988 consisted of:

	1989	1988
Cash	$ 426,040	$ 372,200
Commercial paper	597,844	651,822
Money market funds	—	453,883
	$1,023,884	$1,477,905

LITTON INDUSTRIES, INC. (JUL)

	1989	1988
	($000)	
Current Assets		
Cash and marketable securities	$1,068,761	$1,140,317
Accounts receivable less allowance for doubtful accounts of $43,257 (1989) and $40,990 (1988)	1,060,222	830,339
Inventories less progress billings	805,275	725,781
Prepaid taxes on income and other expenses	275,612	196,060
Total Current Assets	3,209,870	2,892,497

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Cash Equivalents. The Company considers securities purchased within three months of their date of maturity to be cash equivalents.

At July 31, 1989 and 1988, cash and marketable securities of $1,068,761,000 and $1,140,317,000, respectively, included cash and cash equivalents of $294,177,000 and $327,320,000.

Note C (In Part): Cash and Marketable Securities, Debt and Interest

Cash and marketable securities (at cost, which approximates market) consist of the following interest-earning investments:

	1989	1988
	(thousands of dollars)	
Time deposits and certificates of deposit	$ 251,594	$ 263,588
U.S. Government and U.S. Government agency obligations	529,239	576,781
Other short-term negotiable instruments	287,928	299,948
	$1,068,761	$1,140,317

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

	1989	1988
	(In millions of dollars)	
Current Assets		
Cash	$ 2	$ 2
Time deposits	27	21
Receivables, less allowances of $13 in 1989 and $7 in 1988	466	387
Inventories	240	197
Deferred income taxes	69	71
Other current assets	12	9
Total current assets	816	687

MARKETABLE SECURITIES IN CURRENT ASSETS

Chapter 3A of *ARB No. 43,* Section B05 of *FASB Accounting Standards—Current Text,* states in part:

9. The amounts at which various current assets are carried do not always represent their present realizable cash values.... However, practice varies with respect to the carrying basis for current assets such as marketable securities and inventories. In the case of marketable securities where market value is less than cost by a substantial amount and it is evident that the decline in market value is not due to a mere temporary condition, the amount to be included as a current asset should not exceed the market value.... It is important that the amounts at which current assets are stated be supplemented by information which reveals, for temporary investments, their market value at the balance sheet date...

Statement of Financial Accounting Standards No. 12, Section I89 of *Accounting Standards—Current Text,* requires that marketable equity securities (as defined in the Statement) be carried at lower of aggregate cost or market value. *SFAS No. 12* also specifies information which the financial statements should disclose about marketable equity securities.

Table 2-4 shows the valuation bases at which marketable securities are included in the balance sheet. Examples of marketable security presentations follow.

TABLE 2-4: MARKETABLE SECURITIES—VALUATION BASES

	Number of Companies			
	1989	1988	1987	1986
Cost				
Approximates market	175	194	237	259
No reference to market	12	11	20	18
Market value disclosed	4	4	7	2
Lower of cost or market	42	40	51	43
Market value	2	1	—	3

Cost Which Approximates Market

AMETEK, INC. (DEC)

	1989	1988
	($000)	
Current assets:		
Cash and cash equivalents (Note 1)	$ 84,442	$ 9,492
Marketable securities (Note 1)	31,401	106,612
Receivables, less allowance for possible losses of $3,222 in 1989 and $1,163 in 1988	90,691	70,062
Inventories	105,580	59,808
Other current assets	4,111	4,757
Total current assets	316,225	250,731

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash Equivalents, Securities and Other Investments

All highly liquid investments with maturities of three months or less when purchased are cash equivalents. Marketable securities (primarily U.S. Government securities), cash equivalents and other fixed income investments are carried at cost plus accrued interest, which approximates market.

JLG INDUSTRIES, INC. (JUL)

	1989	1988
	(in thousands)	
Current Assets		
Cash and marketable securities	$ 2,090	$ 1,336
Accounts receivable, less allowance for doubtful accounts of $300 in 1989 and $181 in 1988	20,569	14,306
Inventories:		
Finished goods	7,134	5,635
Work in process	12,155	10,859
Raw materials	12,402	10,544
	31,691	27,038
Future income tax benefits	2,211	2,072
Other current assets	684	870
Total Current Assets	57,245	45,622

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

Summary of Significant Accounting Policies (In Part)

Cash and Marketable Securities: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents and classifies such amounts as cash. Marketable securities totalling $1,527 at July 31, 1989 and $450 at July 31, 1988 are valued at cost, which approximates their market value.

NEWELL CO. (DEC)

	1989	1988
	(In thousands)	
Current Assets		
Cash and cash equivalents	$15,162	$13,461
Marketable securities	23,623	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Marketable Securities: Marketable securities at December 31, 1989 represents common stock of Vermont American Corp., valued at cost, which was sold for $47,971,000 on January 4, 1990. Proceeds were applied to eliminate short-term borrowings.

ABBOTT LABORATORIES (DEC)

	1989	1988
	(dollars in thousands)	
Current Assets:		
Cash and cash equivalents	$ 13,608	$ 390,892
Investment securities, at cost	35,059	191,756
Trade receivables, less allowances of— 1989: $52,089; 1988: $50,416	892,685	781,764
Inventories—		
Finished products	343,367	306,874
Work in process	142,597	117,339
Materials	210,046	187,048
Total inventories	696,010	611,261
Prepaid income taxes	257,832	198,199
Other prepaid expenses and receivables	207,653	179,091
Total Current Assets	2,102,847	2,352,963

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Investment Securities

(dollars in thousands)

The following is a summary of investment securities at December 31:

Current Investment Securities	1989	1988	1987
Time and certificates of deposit	$ 33,406	$143,469	$190,700
Debt obligations issued or guaranteed by various governments or government agencies	1,653	13,312	69,590
Preferred and preference stock	—	30,000	9,489
Other	—	4,975	240
Total cost (which approximates market)	$35,059	$191,756	$270,019

Investment Securities Maturing after One Year	1989	1988	1987
Time and certificates of deposit	$120,500	$110,507	$ 73,000
Debt obligations issued or guaranteed by various governments or government agencies	127,279	132,827	145,208
Corporate debt obligations	52,225	42,325	42,425
Preferred and preference stock	—	—	32,234
Total cost (which approximates market)	$300,004	$285,659	$292,867

CHIQUITA BRANDS INTERNATIONAL, INC. (DEC)

	1989	1988
	(In thousands)	
Current assets		
Cash and equivalents	$207,913	$168,204
Marketable securities	81,000	25,000
Trade receivables, less allowances of $6,130 and $5,595, respectively	226,382	181,347
Other receivables	52,418	69,745
Inventories	280,511	273,131
Deferred income tax benefits	29,457	25,599
Other current assets	40,169	39,205
Total current assets	917,850	782,231

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Cash and Equivalents

Cash equivalents consist of highly liquid investments with an average maturity when purchased of three months or less.

Marketable Securities

Marketable securities consist principally of corporate bonds and are carried at cost which approximates market.

COLGATE-PALMOLIVE COMPANY (DEC)

	1989	1988
	(Dollars in Thousands)	
Current Assets		
Cash and cash equivalents	$ 397,876	$ 241,358
Marketable securities	126,315	124,180
Receivables (less allowance for doubtful accounts of $14,488 and $11,743)	600,870	589,253
Inventories	590,701	629,683
Other current assets	181,132	198,315
Total current assets	1,896,894	1,782,789

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents for purposes of the Consolidated Balance Sheet and the Consolidated Statement of Cash Flows. Investments in securities which do not meet the definition of cash equivalents are classified as marketable securities in the Consolidated Balance Sheet. Marketable securities are reported at cost, which approximates market.

GTI CORPORATION (DEC)

	1989	1988
	(thousands of dollars)	
Current assets:		
Cash and cash equivalents (Note 1)	$ 3,828	$ 1,582
Marketable securities, current	2,000	700
Receivables, less allowances of $121 and $127	5,133	5,414
Inventories	5,824	6,492
Prepaid expenses	242	284
Total current assets	17,027	14,472

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies:

Cash Equivalents—Cash equivalents consist of short-term highly liquid investments purchased with a maturity date of three months or less. Such investments, which amounted to $3,575,000 and $1,250,000 at December 31, 1989 and 1988, respectively, are valued at cost which approximates market.

Marketable Securities—All marketable securities are valued at cost which approximates market.

POTLATCH CORPORATION (DEC)

	1989	1988
	($000)	
Current assets:		
Cash	$ (13,014)	$ (8,866)
Short-term investments (Note 1)	234,077	93,421
Receivables, net of allowance for doubtful accounts of $1,338 ($1,271 in 1988)	117,311	103,297
Inventories	132,904	123,125
Prepaid expenses	44,884	33,958
Total current assets	516,162	344,935

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Short-Term Investments

Short-term investments include bank certificates of deposit, government securities, repurchase agreements, money market preferreds and various other investment grade securities which can be readily purchased or sold using established markets. Such short-term investments are stated at cost which approximates market.

SCHLUMBERGER LIMITED (DEC)

	1989	1988
	(Stated in thousands)	
Current Assets		
Cash	$ 53,913	$ 41,670
Short-term investments	1,299,560	1,407,446
Receivables less allowance for doubtful accounts (1989—$52,137; 1988—$65,873)	1,103,609	1,129,553
Inventories	509,919	583,282
Other current assets	63,781	60,614
	3,030,782	3,222,565

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part):

Short-Term Investments

Short-term investments are stated at cost plus accrued interest, which approximates market, and comprised mainly certificates of deposit and time deposits in U.S. dollars.

For purposes of the Consolidated Statement of Cash Flows, the Company does not consider short-term investments to be cash equivalents as they generally have original maturities in excess of three months.

SQUARE D COMPANY (DEC)

	1989	1988
	($000)	
Current Assets:		
Cash (including time deposits of: 1989—$9,865; 1988—$14,914)	$ 17,848	$ 29,910
Short-term investments	52,730	39,725
Receivables, less allowances (1989—$18,595; 1988—$15,836)	321,478	262,563
Inventories	158,031	183,346
Prepaid expenses	18,205	27,984
Deferred income tax benefit	26,459	5,448
Net assets of discontinued operation	117,116	—
Total Current Assets	711,867	548,976

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Short-Term Investments

Short-term investments consist of a variety of highly liquid short-term instruments with purchased maturities of generally less than three months. Short-term investments are carried at cost, which approximates market.

TEXAS INSTRUMENTS INCORPORATED (DEC)

	1989	1988
	($Millions)	
Current assets:		
Cash and cash equivalents	$ 418.2	$ 541.3
Short-term investments	219.2	239.1
Accounts receivable, less allowance for losses of $41.7 in 1989 and $49.0 in 1988	942.9	942.1
Inventories (net of progress billings)	806.4	769.7
Prepaid expenses	59.7	56.4
Total current assets	2,446.4	2,548.6

NOTES TO FINANCIAL STATEMENTS

Short-Term Investments

Short-term investments consist primarily of commercial paper, notes and short-term U.S. government securities with original maturities beyond three months stated at cost, which approximates market value. Similar items with original maturities of three months or less are considered cash equivalents.

WINN-DIXIE STORES, INC. (JUN)

	1989	1988
	Amounts in thousands	
Current assets:		
Cash and cash equivalents	$ 30,960	132,383
Short-term investments	97,193	—
	128,153	132,383
Receivables, less allowance for doubtful items of $815,000 ($884,000 in 1988)	65,393	57,848
Merchandise inventories at lower of cost or market less LIFO allowance of $189,900,000 ($167,428,000 in 1988)	784,670	753,267
Prepaid expenses	52,785	45,385
Total current assets	1,031,001	988,883

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies.

(c) Cash and Cash Equivalents: Cash equivalents consist of highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents are stated at cost plus accrued interest, which approximates market value.

(d) Short-Term Investments: Short-term investments consists of highly liquid direct obligations of the United States government with a maturity of more than three months when purchased. The Company uses these short-term investments in its cash management program. Short-term investments are stated at cost plus accrued interest, which approximates market value.

Lower Of Cost Or Market

ASTRO-MED, INC. (JAN)

	1989	1990
CURRENT ASSETS		
Cash and Cash Equivalents	$ 698,892	$ 1,106,409
Short-Term Investments (Note 2)	1,554,734	1,390,254
Accounts Receivable, Less Allowance of $90,000 in 1989 and $115,000 in 1990	4,696,417	4,966,564
Inventories	3,313,259	4,022,084
Prepaid Expenses and Other Current Assets	422,609	628,142
Total Current Assets	10,685,911	12,113,453

Note 2—Marketable Equity Securities

Current marketable equity securities are carried at the lower of their aggregate cost or market value. As of January 31, 1989, their cost was $936,378 and their market value was $866,868. As of January 31, 1990, their cost was $995,367 and their market value was $894,409. Changes in net unrealized losses are included in the determination of net income. Changes charged to expense have amounted to $39,787, $29,723 and $31,448 in fiscal 1988, 1989 and 1990, respectively. The current marketable equity securities are included in short-term investments.

Noncurrent marketable equity securities are carried at the lower of their aggregate cost or market value. As of January 31, 1989, their cost was $106,995 and their market value was $81,625. As of January 31, 1990, their cost was $86,995 and their market value was $45,750. Changes in net unrealized losses are included in stockholders' equity or, if a decline in market value is considered other than temporary, are included in the determination of net income. Changes recognized through adjustments to the valuation allowance included in stockholders' equity have been a charge of $103,995 in fiscal 1988, a credit of $18,625 in fiscal 1989 and a charge of $35,875 in fiscal 1990. Changes charged to expense amounted to $60,000 in fiscal 1989 and $20,000 in fiscal 1990. The noncurrent marketable equity securities are included in other assets.

There were no gross unrealized gains in either of the marketable equity securities portfolios as of January 31, 1990. There were no net realized gains or losses from sales of marketable equity securities in fiscal 1988, 1989 or 1990.

CURTISS-WRIGHT CORPORATION (DEC)

	1989	1988
	($000)	
Current assets:		
Cash and cash items	$ 2,012	$ 2,670
Short-term investments	149,867	133,692

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Short-Term Investments.

Marketable equity securities are carried at the lower of cost or market value; non-equity securities are carried at cost which approximates market value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Unrealized losses net of unrealized gains used in the determination of net earnings are the result of changes between aggregate cost and market values of items still held as equity securities at December 31 of the respective periods.

(In thousands)	1989	1988
Short-Term Investments:		
Equity Securities:		
Aggregate Cost	$85,842	$ 10,474
Unrealized gains	587	315
Unrealized losses	(12,906)	(844)
Aggregate market value	73,523	9,945
Non-equity securities:		
Aggregate cost	76,344	123,747
Total Short-Term Investments	$149,867	$133,692

Investment Income consists of:

(In thousands)	1989	1988	1987
Net realized gains (losses) on the sales of marketable securities	$14,854	$2,465	$ (515)
Interest and other income	5,949	6,984	6,653
Dividend Income	1,883	640	1,083
Net unrealized losses used in the determination of net earnings	(11,788)	(355)	(176)
Total Investment Income	$10,898	$9,734	$7,045

3. Subsequent Event.

Between December 31, 1989 and the close of business on February 12, 1990, the Corporation has experienced an additional decline of $5,767,000 or $1.16 per share in the aggregate market value of equity securities held by it. This decline in value is, in part, a result of the sharp declines in the month of January 1990 in major U.S. equity markets.

The impact of this situation on future earnings will depend on actual transactions by the Corporation and/or the market prices of equities which continue to be held.

During the month of January 1990, the Corporation recorded realized gains of approximately $444,000 on sales of equity securities.

DYNAMICS CORPORATION OF AMERICA (DEC)

	1989	1988
	($000)	
Current Assets:		
Cash and cash equivalents	$ 1,704	$ 7,234
Marketable securities, at lower of cost or market (cost $6,776 and $18,984)—Note 2	5,711	18,670
Accounts receivable, less allowances of $747 and $795	21,874	21,763
Inventories	22,442	27,890
Other current assets	2,281	11,559
Deferred income taxes	5,382	326
Total Current Assets	59,394	87,442

Note 2: Marketable Securities and Other Current Assets

At December 31, 1989, the excess of cost over market of current marketable securities ($1,065,000) consisted of unrealized gains of $568,000 and unrealized losses of $1,633,000. At February 28, 1990, the excess of cost over market ($1,177,000) consisted of unrealized gains of $636,000 and unrealized losses of $1,813,000.

Other Current Assets at December 31, 1988 included $7,662,000 of restricted cash held as collateral to cover short sales obligations in the amount of $7,718,000 which obligations were included in Accrued Expenses and Sundry Liabilities. The short sales were intended to limit risk on a portion of the current marketable securities portfolio. There were no restricted cash assets or short sales obligations at December 31, 1989.

Also included in Other Current Assets are amounts recoverable for Federal income taxes of $532,000 (1989) and $530,000 (1988).

JOSLYN CORPORATION (DEC)

	1989	1988
Current Assets:		
Cash	$ 2,184,000	$ 3,028,000
Marketable Securities	12,319,000	—
Receivables, Less Allowance ($899,000 in 1989 and $1,420,000 in 1988) for Doubtful Accounts	23,879,000	28,022,000
Inventories	41,588,000	46,037,000
Prepaid Expenses and Other Current Assets	15,339,000	12,722,000
Total Current Assets	$95,309,000	$89,809,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Marketable Securities: At December 31, 1989 marketable securities, principally short-term municipal bonds, are carried at the lower of cost or market. The aggregate market value of these securities equals their cost of $12,319,000.

There were no material realized or unrealized gains or losses in 1989, 1988 and 1987.

NATIONAL SERVICE INDUSTRIES, INC. (AUG)

	1989	1988
	(In thousands)	
Current Assets:		
Cash and cash equivalents	$100,524	$85,912
Short-term investments	28,497	48,130
Receivables, less allowances for doubtful accounts of $2,895,000 in 1989 and $2,933,000 in 1988	193,743	181,886
Inventories, at the lower of cost (on a first-in, first-out basis) or market	173,539	163,806
Linens in service, net of amortization	46,113	42,273
Prepaid income taxes	21,568	24,434
Prepayments, etc.	6,107	5,976
Total Current Assets	570,091	552,417

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Cash, Cash Equivalents, and Short-Term Investments

Cash in excess of daily requirements is invested in time deposits and marketable securities, consisting primarily of tax exempt variable rate demand notes, included in the balance sheet at the lower of cost or market value.

In conformity with the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," the company considers time deposits and marketable securities purchased with a maturity of three months or less to be cash equivalents. Investments purchased with a maturity of more than three months are considered short-term investments. The Consolidated Balance Sheet for 1988 and Consolidated Statements of Cash Flows for 1988 and 1987 have been restated to conform with this classification of investments.

PLENUM PUBLISHING CORPORATION (DEC)

	1989	1988
Current Assets:		
Cash and cash equivalents ($8,459,533 in 1989)	$ 8,860,283	$ 763,337
U.S. Government securities, at cost	47,000,000	45,231,860
Marketable securities at aggregate market value (1989) and at cost (1988)—Note K	50,712,060	48,713,463
Due from brokers		654,107
Receivables—substantially all trade, net of allowances for doubtful accounts ($189,000) and sales returns ($555,000) in 1989 and 1988	5,825,891	5,575,184
Inventories	4,137,967	4,179,774
Deferred income tax benefits	2,386,910	1,532,000
Total Current Assets	118,923,111	106,649,725

Note K—Marketable Securities

	December 31	
	1989	1988
Aggregate market value	$50,712,060	$48,815,188
Cost	53,924,397	48,713,463
Net Unrealized (Loss) Gain	$ (3,212,337)	$ 101,725

Net unrealized loss at December 31, 1989 has been provided for in the accompanying consolidated financial statements; such amount consisted of unrealized gains of $1,828,002 and unrealized losses of $5,040,339.

Net unrealized gain at December 31, 1988 has not been recognized in the accompanying consolidated financial statements; such amount consisted of unrealized gains of $663,489 and unrealized losses of $561,764.

Subsequent to December 31, 1989, the Company realized gains aggregating approximately $55,900 on sales of marketable securities. At March 12, 1990, the market value of marketable securities aggregated approximately $45,790,400 (cost $53,375,500).

CURRENT RECEIVABLES

Table 2-5 summarizes both the descriptive titles used in the balance sheet to describe trade receivables and the type of receivables, other than trade receivables, which the survey companies most frequently showed as current assets.

Not listed in Table 2-5 are 20 receivables relating to pension plan terminations, insurance claims, and other described transactions which occur less frequently than those listed in Table 2-5. Examples of receivables shown as current assets follow.

RECEIVABLES OTHER THAN TRADE RECEIVABLES

Income Tax Refund Claims

BOSTON DIGITAL CORPORATION (APR)

	1989	1988
Current Assets:		
Cash and cash equivalents	$ 1,991,011	$ 3,271,635
Marketable securities at lower of cost or market	379,500	1,788,000
Income taxes refundable (Note I)	80,600	—
Accounts receivable, less allowance of $40,000	3,040,783	2,638,231
Inventories:		
Raw materials	3,876,087	3,599,074
Work-in process	1,574,286	1,261,863
Finished goods	652,594	644,239
Total inventories	6,102,967	5,505,176
Prepaid expenses and other current assets	61,050	93,241
Deferred federal and state income taxes	266,900	296,900
Total current assets	11,922,811	13,593,183

TABLE 2-5: CURRENT RECEIVABLES

	1989	1988	1987	1986
Trade Receivable Captions				
Accounts receivable	239	224	228	237
Receivables	149	153	157	150
Accounts and notes receivable	109	95	108	102
Trade accounts receivable	103	128	107	111
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables		**Number of Companies**		
Contracts	56	54	45	51
Tax refund claims	50	50	68	67
Finance	28	12	6	5
Investees	25	26	33	27
Employees	10	6	9	7
Sale of assets	8	6	9	13
Installment notes or accounts	7	8	9	14

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. Credit (Provision) for Income Taxes

Refundable income taxes in 1989 arose primarily from the overpayment of estimated income taxes and in 1987 arose from the carryback to prior years of net operating losses and tax credits. No United States income taxes have been provided on unremitted earnings of the foreign subsidiary because the Company is reinvesting such earnings outside the United States and has no present intention of repatriating such funds. At April 30, 1989, the Company had approximately $134,000 in research and development credit carryforwards for income tax purposes, which expire beginning in 2003 and approximately $331,000 of net operating loss carryforwards which expire beginning in 2004 to offset future taxes. In addition, the Company has approximately $339,000 of capital loss carryforwards available to offset future capital gains.

BRIGGS & STRATTON CORPORATION (JUN)

	1989	1988
CURRENT ASSETS:		
Cash	$ 5,691,000	$ 4,998,000
Receivables, Less Allowances of $588,000 and $311,000, respectively	77,279,000	70,002,000
Inventories—		
Finished Products and Parts	60,369,000	54,925,000
Work in Process	35,069,000	45,198,000
Raw Materials	6,150,000	6,390,000
Total Inventories	101,588,000	106,513,000
Income Taxes Receivable	13,780,000	—
Future Income Tax Benefits	14,853,000	9,330,000
Prepaid Employee Health Care	2,533,000	5,820,000
Prepaid Expenses	8,138,000	13,770,000
Total Current Assets	223,862,000	210,433,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Income Taxes:

The provision (credit) for income taxes consists of the following (in thousands of dollars):

	1989	1988	1987
Current			
Federal	$(15,286)	$10,375	$12,392
State	—	1,365	913
Foreign	1,328	—	—
	(13,958)	11,740	13,305
Deferred	(22)	1,210	5,645
Total	$(13,980)	$12,950	$18,950

An income tax receivable of $13,780,000 was recorded due to the utilization of a net operating loss carryback. The Company recorded no state income tax provision because the applicable state income tax laws do not allow carrybacks. The provision for deferred income taxes includes $2,782,000 in 1989, $4,172,000 in 1988 and $5,881,000 in 1987 in recognition of the future income tax effect of tax depreciation in excess of that recorded for financial reporting purposes. Additional amounts are included because of prepaid employee health care expenses deducted for tax purposes and not recorded as expense in the financial statements. Offsetting these amounts are certain liabilities which are on a different basis for financial reporting purposes than for tax purposes.

Contracts

DOVER CORPORATION (DEC)

	1989	1988
Current Assets:		
Cash and cash equivalents	$135,398,768	$ 61,765,704
Marketable securities (at cost, which approximates market)	40,437,000	22,757,000
Receivables (less allowance for doubtful accounts of $7,705,130 in 1989 and $7,277,202 in 1988)	389,174,111	363,830,406
Inventories	236,533,021	272,395,238
Prepaid expenses	21,529,250	18,052,303
Total current assets	823,072,150	738,800,651

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Accounts Receivable:

Accounts receivable include retainage which has been billed, but which is not due pursuant to retainage provisions in elevator construction contracts until completion of performance and acceptance by the customer. This retainage aggregated $33,554,000 at December 31, 1989, $28,352,000 at December 31, 1988, and $22,839,000 at December 31, 1987. Substantially all retained balances are collectible within one year.

HERCULES INCORPORATED (DEC)

	1989	1988
	(Dollars in thousands)	
Current Assets		
Cash and cash equivalents	$ 69,818	$200,146
Accounts and notes receivable		
Trade	635,208	606,988
Other	281,016	230,140
	916,224	837,128
Less allowance for doubtful accounts	7,457	5,831
Total Accounts and Notes Receivable	908,767	831,297
Inventories		
Finished products	238,077	175,069
Materials, supplies and work in process	317,014	272,001
Total Inventories	555,091	447,070
Total Current Assets	1,533,676	1,478,513

NOTES TO FINANCIAL STATEMENTS

13. Accounts Receivable ($000)

Trade accounts receivable include amounts under long-term contracts and subcontracts (principally with the U.S. Government or U.S. Government contractors) of $268,215 at December 31, 1989 and $273,786 at December 31, 1988, net of progress payments of $251,488 and $170,860, respectively. Included in these amounts are unbilled accounts receivable (work in progress) of $160,822 (see Note 3) and $166,786, respectively, representing recoverable costs and accrued profits which will be billed in accordance with contract terms and delivery schedules. Receivables which will not be collected within one year are $34,716 at December 31, 1989 and $71,477 at December 31, 1988. Amounts included in accounts receivable representing retainages under contracts and amounts subject to further negotiations are not significant.

Long-term U.S. Government contracts and subcontracts are subject to termination by the Government; however, in these circumstances an equitable settlement of work performed is negotiated. Additionally, certain contracts are subject to renegotiation.

Accounts receivable "other" at December 31, 1989 and December 31, 1988 includes $169,396 and $160,437, respectively for third party financing transactions entered into by an export sales subsidiary.

VARIAN ASSOCIATES, INC. (SEP)

	1989	1988
	($000)	
Current Assets		
Cash and cash equivalents	$ —	$ 11,539
Accounts receivable, less allowances for doubtful accounts of $1,711 (1989) and $2,037 (1988)	263,738	252,469
Inventories	285,725	245,455
Other current assets	93,774	80,459
Total Current Assets	643,237	589,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Receivables from Long-Term Contracts

The following shows the component elements of receivables from long-term contracts included in accounts receivable:

(Dollars in millions)	1989	1988
U.S. Government:		
Billed	$11.2	$23.6
Recoverable costs and accrued profit on progress completed—not billed	5.7	8.1
Total U.S. Government	16.9	31.7
Commercial customers:		
Billed	9.4	4.7
Recoverable costs and accrued profit on progress completed-not billed	7.0	11.6
Total commercial customers	16.4	16.3
Total Receivables from Long-Term Contracts	$33.3	$48.0

Receivables from long-term contracts include amounts having production cycles longer than one year and therefore a portion will not be realized within one year. For fiscal 1989 and 1988 these amounts are $1.6 million and $14.8 million, respectively. Recoverable costs and accrued profit on progress completed but not billed for fiscal 1988 have been restated to conform with 1989 presentation.

The balances billed but not paid by customers pursuant to retainage provisions were not significant at fiscal year-end 1989 and 1988. Based on the Company's experience with similar contracts in recent years, the retention balances at fiscal year-end 1989 are expected to be collected in fiscal 1990.

Recoverable costs and accrued profit not billed comprise principally amounts of revenue recognized on contracts for which billings had not been presented to the customers because the amounts were not billable at the balance sheet date. It is anticipated such unbilled amounts receivable from the U.S. Government and commercial customers at fiscal year-end 1989 will be billed and collected in fiscal 1990.

No significant amounts were subject to future negotiation at fiscal year-end 1989 and 1988.

TRANSTECHNOLOGY CORPORATION (MAR)

	1989	1988
Current Assets:		
Cash	$ 3,441,000	$ 7,118,000
Accounts receivable:		
United States Government	22,835,000	23,809,000
Commercial (net of allowance for doubtful accounts of $955,000 and $1,526,000)	42,095,000	36,704,000
Inventories	64,986,000	66,545,000
Prepaid expenses and other current assets	4,129,000	4,524,000
Deferred income taxes	3,143,000	1,239,000
Business held for sale	2,976,000	—
Total current assets	143,605,000	139,939,000

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Principles

Accounting for Contracts

Substantially all of the Company's contracts are firm fixed-price. Sales and cost of sales on such contracts are recorded as deliveries are made. Estimates of cost to complete are reviewed and revised periodically throughout the lives of the contracts, and adjustments to profit resuiting from such revisions are recorded in the accounting period in which the revisions are made. Losses on contracts are recorded in full as they are identified.

Receivables From Investees/Affiliates

CLARK EQUIPMENT COMPANY (DEC)

	1989	1988
	($000)	
Current Assets:		
Cash and cash equivalents	$184,403	$161,783
Accounts and notes receivable, less allowances of $4.9 million and $3.9 million, respectively	126,249	112,954
Accounts receivable from associated companies	4,349	11,384
Inventories	180,025	152,136
Investment in discontinued operations	21,336	39,269
Prepaid income taxes	4,872	—
Other current assets	30,146	19,909
Total current assets	551,380	497,435

INCSTAR CORPORATION

	Dec. 31, 1989	Mar. 31, 1989
CURRENT ASSETS:		
Cash and cash equivalents	$ 275,600	$ 26,400
Notes receivable from employees and affiliates	26,890,600	—
Accounts receivable, net of allowance for doubtful accounts of $234,500 and $93,200, respectively	4,166,900	4,098,000
Other receivables	1,070,200	1,098,600
Inventories	6,428,500	5,232,500
Other current assets	289,700	405,300
TOTAL CURRENT ASSETS	39,121,500	10,860,800

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Notes Receivable From Employees and Affiliates

At December 31, 1989, a note receivable of $25,483,800 (including $114,600 of accrued interest thereon at 8.8125%) was due from FIAT, U.S.A., a company affiliated with the majority stockholder. Non-interest bearing notes receivable of $1,406,800 represented loans to employee-stockholders to exercise stock options prior to the merger discussed in Note 2. All amounts were due and collected by January 16, 1990.

INTERMEC CORPORATION (MAR)

	1989	1988
	(In thousands)	
Current assets:		
Cash and short-term investments	$ 1,255	$ 4,465
Trade accounts receivable, net of allowance for doubtful accounts ($747 and $716)	39,215	22,218
Trade accounts receivable from equity investees (Note 3)	794	1,142
Inventories		
Materials, parts and assemblies	15,399	7,880
Work-in-process	1,714	4,057
Finished goods	10,546	9,027
Total inventories	27,659	20,964
Deferred income tax benefit	2,152	1,406
Other current assets	693	556
Total current assets	71,768	50,751

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Equity Investments

The company has a 40% interest in Data Collection Systems, Inc. (DCSI). DCSI develops and markets software and hardware used for automatic indentification of bar code data, primarily in industrial environments. The company has the option to acquire the remaining 60% of DCSI for an amount based on DCSI's future performance.

The company also owns a 35% interest in its foreign distributor in the United Kingdom.

DRESSER INDUSTRIES, INC. (OCT)

	1989	1988
	(In Millions of Dollars)	
Current Assets		
Cash and cash equivalents	$454.9	$242.3
Notes and accounts receivable—public	712.7	666.0
Notes and accounts receivable from unconsolidated affiliates	72.3	254.5
Less allowance for doubtful receivables	35.3	37.0
	749.7	883.5
Inventories		
Finished products and work in process	355.5	385.5
Raw materials and supplies	81.1	82.4
	436.6	467.9
Investment in discontinued operations	—	—
Deferred income taxes	100.6	98.2
Prepaid expenses	24.3	14.9
Total Current Assets	1,766.1	1,706.8

TEXACO INC. (DEC)

	1989	1988
	Millions of dollars	
Current Assets		
Cash and cash equivalents	$2,149	$1,390
Short-term investments—at cost, which approximates market	171	95
Accounts and notes receivable (includes receivables from significant nonsubsidiary companies of $305 million in 1989 and $39 million in 1988), less allowance for doubtful accounts of $27 million in 1989 and $29 million in 1988	3,961	3,615
Inventories	1,353	1,559
Other current assets	96	111
Total current assets	7,730	6,770

Finance Receivables

CHRYSLER CORPORATION (DEC)

	1989	1988
	(In millions of dollars)	
Assets		
Cash and cash equivalents	$ 1,269	$ 1,643
Marketable securities	1,295	1,612
Finance and accounts receivables (Note 2)	27,780	27,466
Inventories	2,890	2,473
Property and equipment	6,623	6,519
Special tools	2,487	2,465
Intangible assets	4,416	2,123
Other assets	3,094	2,769
Net assets of discontinued operations	1,184	1,140
Total Assets	$51,038	$48,210

Note 2. Finance and Accounts Receivables

Finance and accounts receivables outstanding are as follows:

	December 31	
	1989	1988
	(In millions of dollars)	
Automotive retail financing	$13,618	$13,110
Consumer and other financing	4,667	5,149
Commercial financing	4,887	3,895
Accounts receivable*	4,999	5,685
Total finance and accounts receivables	28,171	27,839
Allowance for credit losses	(391)	(373)
Total	$27,780	$27,466

*Accounts receivable includes CFC's automotive wholesale finance receivables.

CFC purchases automotive retail installment contracts from dealers on a recourse and a nonrecourse basis. For contracts acquired with full or partial recourse provisions, the dealer agrees to repurchase the automotive retail installment contract upon the customer's default and return of the repossessed vehicle. A portion of the proceeds due to the dealer is withheld to provide CFC a reserve for the dealer's contingent liability. Contracts acquired with nonrecourse provisions represented approximately 74 percent, 68 percent and 61 percent of the contracts acquired in 1989, 1988 and 1987, respectively, and approximately 73 percent and 64 percent of finance receivables outstanding at December 31, 1989 and 1988, respectively.

THE COCA-COLA COMPANY (DEC)

	1989	1988
	($000)	
Current Assets:		
Cash and cash equivalents	$1,096,020	$1,145,346
Marketable securities, at cost (approximates market)	85,671	85,844
	1,181,691	1,231,190
Trade accounts receivable, less allowances of $14,347 in 1989 and $14,616 in 1988	768,335	627,248
Finance subsidiary—receivables	52,093	156,728
Inventories	789,077	778,816
Prepaid expenses and other assets	812,304	451,450
Total Current Assets	3,603,500	3,245,432

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Finance Subsidiary. Coca-Cola Financial Corporation (CCFC) provides loans and other forms of financing to Coca-Cola bottlers and customers for the acquisition of sales-related equipment and for other business purposes. The approximate contractual maturities of finance receivables for the five years succeeding December 31, 1989, are as follows (in thousands):

1990	$52,093
1991	31,936
1992	25,957
1993	14,190
1994	7,157

These amounts do not reflect possible prepayments or renewals. Finance receivables include amounts due from Johnston of $59 million and $167 million at December 31, 1989 and 1988, respectively. Johnston is an equity investment of the Company.

GENERAL DYNAMICS CORPORATION (DEC)

	1989	1988
	(Dollars in millions)	
Current Assets:		
Cash and equivalents	$ 14.4	$ 227.8
Accounts receivable:		
United States and other governments	246.7	232.6
Commercial customers	170.1	207.0
Contracts in process	2,811.1	2,361.3
Inventories	515.3	446.0
Notes and leases receivable—finance operations	128.1	108.4
Prepaid expenses	104.4	47.4
Total Current Assets	3,990.1	3,630.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in millions, except per share amounts

D. Notes and Leases Receivable—Finance Operations

The Company owns three liquefied natural gas (LNG) tankers which have been chartered under a bareboat arrangement to nonrelated companies through the year 2004. In addition, the Company holds notes and receivables for general aviation aircraft sold by Cessna Aircraft as well as notes and receivables for equipment sold by the Company's divested telecommunications businesses.

Contractual maturities of finance receivables are as follows:

1990	$155.7
1991	88.4
1992	81.8
1993	76.3
1994	67.9
Thereafter	393.9
Less:	
Unearned interest income	(269.8)
Allowance for doubtful accounts	(7.6)
	$586.6

Sale Of Assets

FROZEN FOOD EXPRESS INDUSTRIES, INC. (DEC)

	1989	1988
Current assets		
Cash	$ 1,653,000	$ 325,000
Accounts receivable, less allowance for doubtful accounts of $154,000 in 1989 and $226,000 in 1988	13,697,000	10,670,000
Notes receivable (Note 8)	413,000	—
Inventories	852,000	568,000
Tires on equipment in use	712,000	541,000
Prepaid expenses	1,422,000	951,000
Deferred federal income tax	166,000	337,000
Total current assets	18,915,000	13,392,000

NOTES TO FINANCIAL STATEMENTS

8 (In Part): Financing And Investing Activities Not Affecting Cash

During 1989, the Company recognized pre-tax gains of approximately $365,000 resulting from the sale of tractors to owner-operators who had previously been leasing the tractors from the Company. The sales resulted from the owner-operators exercising purchase options pursuant to the lease agreement. In connection with these sales, total assets at December 31, 1989 include notes receivable of $973,000 of which $413,000 were classified as a current asset.

THE LTV CORPORATION (DEC)

	1989	1988
	(in millions)	
Current Assets		
Cash and cash equivalents	$1,019.3	$1,008.6
Receivables, less allowance for doubtful accounts of $42.2 in 1989 and $40.0 in 1988	749.4	746.4
Inventories:		
Products	556.9	585.0
Contracts in progress, less progress payments received of $507.4 in 1989 and $479.2 in 1988	422.2	298.6
Materials, purchased parts and supplies	349.5	374.2
Total	1,328.6	1,257.8
Less—Amount to reduce certain inventories to LIFO value	(147.8)	(148.6)
Total inventories	1,180.8	1,109.2
Other current assets	58.8	64.2
Total Current Assets	3,008.3	2,928.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Current Assets (In Part)

Receivables

Approximately $225 million and $198 million of receivables at December 31, 1989 and 1988, respectively, relate to long-term contracts, substantially all of which are due or billable within one year. Included in these amounts are unbilled receivables of approximately $93 million and $63 million, respectively, representing recoverable costs and fees accrued which, pursuant to the provisions of the related contracts, are billable subsequent to the balance sheet date. There were no significant amounts included in receivables for claims subject to uncertainty as to realization.

Receivables at December 31, 1989 include a $35 million note receivable due December 31, 1990, which was received as part of the consideration for the sale in 1989 of the steel bar operations.

Refunds For Duty Payments

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

	1989	1988
Current assets:		
Cash and cash equivalents	$ 1,704,268	$ 3,862,652
Accounts receivable, net of allowance for doubtful accounts and discounts (1989, $647,330; 1988, $779,403) (Note 3)	12,840,959	12,214,591
Due from officers	44,258	39,007
Inventories	23,203,440	19,094,669
Deferred income taxes		822,000
Prepaid income taxes	492,125	1,128,106
Prepaid expenses and other current assets	354,859	492,401
Total current assets	38,639,909	37,653,426

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Accounts receivable:

The balance at December 31, 1989 includes amounts due from the United States Customs Service relating to refunds for duty payments made by the Company in prior years for imported footwear components. Subsequent Federal Court rulings indicate that these footwear components are subject to duty free entry into the United States. The amounts due approximate $560,000 and are due to be received in 1990.

Insurance

VALERO ENERGY CORPORATION (DEC)

	1989	1988
	($000)	
CURRENT ASSETS:		
Cash and temporary cash investments	$ 15,057	$ 20,860
Receivables, less allowance for doubtful accounts of $933 (1989) and $2,106 (1988)	81,512	47,242
Inventories	126,567	84,052
Prepaid expenses and other	23,971	13,414
	247,107	165,568

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Insurance Receivables

Refining records business interruption and other insurance claims during the periods in which the loss arising from such interruption or situation occurs and at such time as it determines that such claim or claims are valid and enforceable under its insurance contracts. At December 31, 1989, Refining has recorded $8.4 million in accounts receivable and $5.1 million in noncurrent other assets related to insurance claims.

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that the 1989 annual reports of 97 survey companies disclosed either the sale of receivables or the pledging of receivables as collateral. The reporting and disclosure requirements of *Statement of Financial Accounting Standards No. 77,* Section R20 of *FASB Accounting Standards—Current Text,* apply to receivables sold with recourse after December 31, 1983.

Examples of disclosures made in the reports of the survey companies financing receivables follow. Examples of receivables sold with recourse are also presented in connection with Table 1-11.

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1989	1988	1987	1986
Receivables sold to finance subsidiaries	27	46	50	56
Receivables sold to independent entities	48	47	47	47
Receivables used as collateral	39	44	40	35
Total References	**114**	**137**	**137**	**138**
Reference to receivable financing	97	134	129	132
No reference to receivable financing	503	466	471	468
Total Companies	**600**	**600**	**600**	**600**

Receivables Sold To Finance Subsidiaries

UNOCAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14—Consolidated Finance Subsidiary

The company's consolidated financial statements include the accounts of Union Oil Credit Corporation (UOCC), a wholly owned finance subsidiary. Business operations consist primarily of financing certain customer obligations of Union Oil resulting from retail sales of petroleum products, automotive accessories and other merchandise charged on credit cards. The financial position and results of operations of UOCC are shown below. Short-term notes payable consists of commercial paper issued by various banks under agreements with UOCC. Proceeds from the issuance of these short-term borrowings are used by Union Oil for working capital needs.

	December 31	
	1989	1988
Financial Position	Millions of Dollars	
Total assets, primarily accounts receivable	$174	$171
Short-term notes payable	$ 84	$ 84
Shareholder's equity	90	87
Total liabilities and shareholder's equity	$174	$171

	1989	1988	1987
Statement of Earnings	Millions of Dollars		
Service charge income from Union Oil	$11	$13	$11
Interest and administrative expense	7	9	7
Earnings before taxes on income	4	4	4
Provision for taxes on income	1	2	2
Net earnings	$ 3	$ 2	$ 2

GENESCO INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Receivables

Genesco sells a substantial portion of its accounts receivable to Genesco Financial Corporation (GFC), a wholly-owned consolidated subsidiary. The receivable amounts below include amounts sold to GFC as follows: 1990—$33,012,000; 1989—$31,817,000.

In Thousands	1990	1989
Trade accounts receivable	$61,476	$58,632
Miscellaneous receivables	305	2,599
Total receivables	61,781	61,231
Allowance for bad debts and cash discounts	(3,173)	(2,635)
Net Receivables	$58,608	$58,596

QUANTUM CHEMICAL CORPORATION (DEC)

	1989	1988
	($ Millions)	
Current assets		
Cash and short-term investments	$104.1	$ 218.9
Receivables—less allowance for doubtful accounts (Note 3)	361.2	427.7
Inventories	304.1	338.6
Prepaid expenses and other current assets	99.0	83.7
Net assets held for sale		270.0
Total current assets	868.4	1,338.9

Note 3. Receivables

	December 31	
	1989	1988
Trade receivables	$255.5	$421.8
Insurance and other receivables	116.8	16.3
	372.3	438.1
Less allowance for doubtful accounts	11.1	10.4
	$361.2	$427.7

In September 1989, Quantum Acceptance Corporation (QAC), a wholly owned consolidated financing subsidiary of the Company, entered into an agreement pursuant to which QAC purchases from the Company the majority of the domestic receivables of the Company's petrochemical segment. QAC, in turn, under a separate agreement, may sell up to an aggregate of $150.0 million of undivided percentage interests in such receivables. As of December 31, 1989, QAC had sold $90.0 million of interests in such receivables. QAC's assets included in the consolidated balance sheet consist primarily of its retained interest in receivables purchased from the Company, which at December 31, 1989, was $93.7 million. Creditors of QAC have a claim on QAC's assets, prior to that of creditors of the Company.

Receivables Sold To Independent Entities

FLEETWOOD ENTERPRISES, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Sale of Retail Sales Contracts, Servicing Income, and Finance Receivables

Pursuant to an agreement dated December 1, 1988, Fleetwood Credit Corp. sold $75,510,000 of its retail sales contracts in a public offering. In January 1988, the finance company sold $55,156,000 of its retail sales contracts to a private investor. There was no gain or loss recognized on either of these transactions. At April 30, 1989, the outstanding balance of these sold receivables was $71,386,000 and $44,390,000, respectively. The finance company continues to service these receivables for the benefit of the purchasers and receives a fee for these services.

Under the terms of the January 1988 agreement, the finance company is liable for credit losses in the sold portfolio up to a maximum of seven percent of the aggregate outstanding receivable balance. In connection with the December 1988 sale, a credit enhancer has issued a surety bond covering credit losses in the sold portfolio up to a maximum of 13 percent of the aggregate outstanding receivable balance. The finance company has a reimbursement agreement with the credit enhancer. In the opinion of management, the established allowance for potential credit losses is adequate to cover these obligations.

McKESSON CORPORATION (MAR)

FINANCIAL NOTES

5. Receivables

	March 31		
	1989	1988	1987
		(In millions)	
Customer accounts	$524.1	$519.1	$470.4
Notes and other	95.8	120.0	108.8
Total	619.9	639.1	579.2
Allowances	(22.5)	(24.3)	(18.8)
Net	$597.4	$614.8	$560.4

The allowances are for uncollectible accounts, discounts, returns and other adjustments.

At March 31, 1989, the Company was contingently liable for $35.5 million of customer financing notes receivable. These notes were sold to a bank by the Company's finance subsidiary with recourse to the Company for certain uncollectible amounts.

THE PITTSTON COMPANY (DEC)

	1989	1988
	(In thousands)	
Current assets:		
Cash	$ 16,129	9,090
Short-term investments	10,221	13,895
Accounts receivable:		
Trade (Note 3)	214,915	234,678
Other	19,357	17,321
	234,272	251,999
Less estimated amount uncollectible	17,566	18,337
	216,706	233,662
Inventories:		
Coal	19,950	25,572
Other	11,553	12,065
	31,503	37,637
Prepaid expenses	14,237	17,545
Total current assets	288,796	311,829

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Accounts Receivable—Trade

In June 1985, the Company entered into an agreement whereby it has the right to sell certain coal receivables, with limited recourse, to a financial institution from time to time until June 30, 1990. The maximum amount of outstanding receivables that may be owned by the financial institution at any one time is $35,000,000. The Company sold total coal receivables of approximately $7,155,000 in 1989, $38,000,000 in 1988 and $89,000,000 in 1987 under the agreement. As of December 31, 1989, receivables sold totaling $7,155,000 remained to be collected and as of December 31, 1988, there were no receivables sold which remained to be collected.

ROHR INDUSTRIES, INC. (JUL)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounts Receivable (In Part)

In July 1987, the company entered into a five-year agreement with a financial institution whereby the company can sell on an ongoing basis and without recourse up to $60 million of an undivided interest in designated receivables. At July 31, 1989 and 1988, the company had sold a $60 million and $40 million interest, respectively, in receivables under this agreement. An undivided fractional interest in new invoices is sold daily to maintain the participation interest at $60 million, which amount changes from time to time as collections reduce the previously sold participation interest. Under the agreement, the company also acts as an agent for the purchaser by performing record keeping and collection functions on the participation interest sold. The costs associated with the sale, which approximate the purchaser's cost of issuing commercial paper plus ½ of 1 percent, are accumulated on a daily basis and reflected as a reduction in sales value.

TANDEM COMPUTERS INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leasing program

The Company has a vendor leasing program whereby lease receivables may be financed by financial institutions either through limited recourse sales of the receivables or through direct borrowings. In the event of a default by a lessee, recourse by the financial institutions is limited to the collateralized computer equipment and a recourse amount, if any, from either a limited recourse pool established as a percentage of each associated group of financed lease transactions or limited recourse specified in the individual transaction agreement. The Company may also be required to remarket the computer equipment on a "best efforts" basis on behalf of the financial institutions. Collection of the lease receivables is performed by the financial institutions. In 1989, 1988, and 1987, the following amounts were received under the leasing program:

(In thousands)	1989	1988	1987
Sales of lease receivables	$27,652	$25,915	$4,912
Borrowings	30,243	14,147	2,550
Total financing	$57,895	$40,062	$7,462

At September 30, 1989 and 1988, allowances for recourse liabilities on sales of lease receivables were approximately $3.3 million and $1.7 million, respectively.

USX CORPORATION (DEC)

	1989	1988
	($ Millions)	
Current assets:		
Cash and cash equivalents	$ 786	$2,057
Receivables, less allowance for doubtful accounts of $13 and $17	914	1,536
Inventories	1,751	1,514
Other current assets	100	79
Total current assets	3,551	5,186

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Sales of Receivables

USX sells certain accounts receivable subject to limited recourse. USX collects proceeds from the sold accounts receivable and reinvests in new accounts receivable for the buyers in accordance with provisions of the agreements. Sales of accounts receivable averaged $325 million, $275 million and $276 million per month in 1989, 1988 and 1987, respectively. At December 31, 1989, and December 31, 1988, the balance of sold accounts receivable that had not been collected was $850 million and $275 million, respectively. In the event of a change in control of USX, as defined in one of the agreements, USX may be required to forward all proceeds collected to the buyers; the amount of uncollected accounts receivable subject to this provision was $500 million at December 31, 1989.

In 1988, USX Credit began selling certain of its loans receivable subject to limited recourse. USX Credit collects proceeds from the loans and transfers principal collected plus yield based on defined short-term market rates to the buyers. In 1989 and 1988, USX Credit sold $240 million and $575 million, respectively. At December 31, 1989, and December 31, 1988, the balance of sold loans receivable that had not been collected was $578 million and $546 million, respectively. In the event of a change in control of USX, as defined in the agreement, USX may be required to provide cash collateral in the amount of the uncollected loans receivable to assure compliance with the limited recourse provisions.

WESTERN DIGITAL CORPORATION (JUN)

	1989	1988
	($000)	
Current assets:		
Cash and cash equivalents of $18,112 in 1989 and $8,215 in 1988	$ 40,474	$ 28,531
Accounts receivable, less allowance of $2,472 in 1989 and $1,640 in 1988 (Note 2)	137,095	195,866
Inventories	197,050	152,292
Prepaid expenses	9,296	5,359
Total current assets	383,915	382,048

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share data)

2. Sale of Accounts Receivable

In August 1988, the Company entered into a three-year agreement with a financial institution whereby the Company agreed to sell undivided fractional interests in designated pools of domestic trade receivables, in an amount not to exceed $40,000. In order to maintain the balance in the designated pools of trade receivables sold, the Company sells participating interests in new receivables as existing receivables are collected. In March 1989, the Company entered into a similar two-year agreement with a financial institution to sell certain European trade receivables in an amount not to exceed $20,000. Under the terms of these agreements, the Company is obligated to pay fees which approximate the purchasers' cost of issuing a like amount of commercial paper plus certain administrative costs. The amount of such fees is included in selling, general and administrative expense and was $4,269 for 1989. The agreements contain certain covenants requiring the maintenance of various financial ratios. The Company is contingently liable for the collection of a percentage of the receivables sold; however, management believes that the allowance for doubtful accounts will be adequate and no additional liabilities will accrue. During 1989, proceeds of approximately $59,000 were received upon sale of receivables and as of June 30, 1989, approximately $51,000 in receivables were outstanding under the agreements and are therefore not reflected in the accounts receivable balance.

Receivables Assigned To Factor

ACCLAIM ENTERTAINMENT, INC. (AUG)

	1989	1988
Current Assets		
Cash	$ 2,410,860	$ 1,423,791
Marketable securities	410,750	—
Accounts receivable—net (Note 4)	14,141,630	8,249,238
Merchandise inventories	2,768,409	3,826,602
Prepaid expenses	3,915,360	490,588
Total Current Assets	23,647,009	13,990,219

Note 4. Accounts Receivable

Accounts receivable are comprised of the following:

	August 31, 1989	1988
Receivables assigned to factor	$21,892,862	$11,437,473
Less advances from factor	11,874,336	3,128,492
Due from factor	10,018,526	8,308,981
Accounts receivable	4,362,842	90,257
Other miscellaneous receivables	360,262	—
Allowances for uncollectible accounts	(600,000)	(150,000)
	$14,141,630	$ 8,249,238

Pursuant to the terms of a factoring and letter of credit agreement, the Company assigns substantially all of its accounts receivable to a factor on a pre-approved, nonrecourse basis. The factoring charge amounts to 0.8% of the receivables assigned. The Company is permitted to receive advances of up to 85% of uncollected amounts factored. Interest at prime plus 1% per annum is charged on such advances. Accordingly, in an effort to minimize interest expense, advances are requested as and when the Company has immediate working capital requirements. Prior to November 1988, the factoring charge amounted to 1% of receivables assigned with interest at prime plus 2% per annum charged on advances. The Company previously had been permitted to receive advances of up to 80% of uncollected amounts factored.

GUILFORD MILLS, INC. (JUN)

	1989	1988
CURRENT ASSETS:		
Cash and short-term investments	$ 40,151,000	$ 29,913,000
Receivables—		
Factors	82,651,000	75,471,000
Customers	51,934,000	54,994,000
	134,585,000	130,465,000
Less—Allowance for doubtful accounts	6,052,000	5,279,000
	128,533,000	125,186,000
Inventories—		
Finished goods	30,062,000	27,983,000
Raw materials and work in process	43,783,000	50,702,000
Manufacturing supplies	8,886,000	8,370,000
	82,731,000	87,055,000
Prepayments	3,794,000	4,897,000
Total current assets	255,209,000	247,051,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Description of Business and Summary of Significant Accounting Policies:

Accounts Receivable—The Company factors the majority of its domestic accounts receivable on a nonrecourse basis. The Company has the ability to borrow against such receivables, but has traditionally not done so as the related borrowing terms are less favorable than other available sources of financing.

Receivables Used As Collateral

SPEIZMAN INDUSTRIES, INC. (JUN)

	1989	1988
CURRENT ASSETS:		
Cash and cash equivalents	$ 77,013	$ 65,476
Accounts receivable (Notes 2 and 5)	2,287,945	1,172,371
Inventories	3,816,702	3,703,115
Prepaid expenses and other current assets	132,277	202,821
TOTAL CURRENT ASSETS	6,313,937	5,143,783

Note 2—Accounts Receivable

Accounts receivable are summarized as follows:

	July 1, 1989	July 2, 1988
Trade receivables	$2,226,747	$1,110,003
Advances to stockholders	84,884	73,574
	2,311,631	1,183,577
Less allowance for doubtful accounts	(23,686)	(11,206)
Total	$2,287,945	$1,172,371

Note 5—Revolving Credit Agreement

The Company is a party to a Security Agreement with Colonial Acceptance Corporation ("Colonial") providing for advances by Colonial to the Company. The advances are collateralized by the Company's domestic accounts receivable and are limited to $600,000. Interest is paid monthly at prime plus 6%. Borrowings of $590,049 and $466,285, were outstanding under this agreement at July 1, 1989 and July 2, 1988, respectively. Average borrowings under this agreement approximated $441,700 and $470,300, with average interest rates of 16.5% and 14.6% for fiscal years 1989 and 1988, respectively.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Table 2-7 summarizes the captions used by the survey companies to describe an allowance for doubtful accounts. *APB Opinion No. 12*, Section V18 of *FASB Accounting Standards—Current Text*, states that such allowances should be deducted from the related receivables and appropriately disclosed.

TABLE 2-7: DOUBTFUL ACCOUNT CAPTIONS

	1989	1988	1987	1986
Allowance for doubtful accounts	281	287	273	275
Allowance	145	145	160	151
Allowance for losses	26	26	26	27
Allowance for uncollectible accounts	13	11	9	7
Reserve	12	12	17	17
Reserve for doubtful accounts	7	9	7	10
Other caption titles	17	18	18	20
	501	508	510	507
Receivables show net	14	10	22	15
No reference to doubtful accounts	85	82	68	78
Total Companies	**600**	**600**	**600**	**600**

INVENTORIES

Chapter 4 of *ARB No. 43*, Section I78 of *FASB Accounting Standards—Current Text*, states that the "primary basis of accounting for inventories is cost..." and "a departure from the cost basis of pricing the inventory is required when the utility of the goods is no longer as great as its cost..." Approximately 90% of the survey companies use lower of cost or market, an acceptable basis for pricing inventories when circumstances require a departure from cost, to price all or a portion of their inventories.

Table 2-8 summarizes the methods used by the survey companies to determine inventory cost and indicates the portion of inventory cost determined by LIFO. During 1989, 2 survey companies adopted or extended the use of LIFO and 2 survey companies discontinued using LIFO for certain or all of their inventory. As indicated in Table 2-8, it is not uncommon for a company to use more than one method in determining the total cost of inventory. Methods of inventory cost determination classified as Other in Table 2-8 include specific identification, accumulated costs for contracts in process, and "current cost."

Table 2-9 shows by industry classification the number of companies using LIFO and the percentage relationship of those companies using LIFO to the total number of companies in a particular industry classification.

Fifty-eight companies disclosed that certain LIFO inventory levels were reduced with the result that net income was increased due to the matching of older historical cost with present sales dollars. Thirty-three companies disclosed the effect on income from using LIFO rather than FIFO or average cost to determine inventory cost.

Examples of disclosure and reporting practices for inventories follow.

LIFO

AMERICAN BILTRITE INC. (DEC)

	1989	1988
	($000)	
CURRENT ASSETS		
Cash and cash equivalents	$10,590	$ 9,540
Accounts receivable, less allowances of $2,082 in 1989 and $1,579 in 1988 for doubtful accounts and discounts	21,789	24,977
Inventories—Note B:		
Finished goods	16,733	12,840
Work in process	1,578	2,384
Raw materials and supplies	6,920	8,232
	25,231	23,456
Deferred income taxes	500	1,100
Prepaid expenses and other current assets	243	389
TOTAL CURRENT ASSETS	58,353	59,462

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Inventories: Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out ("LIFO") method for all of ABI's domestic inventories and the first-in, first-out ("FIFO") method for the Company's foreign inventories.

Note B. Inventories

At December 31, 1989, domestic inventories determined by the LIFO inventory method amounted to $16,945,000 ($16,263,000 at December 31, 1988). If the FIFO inventory method, which approximates replacement cost, had been used for these inventories, they would have been $4,748,000 and $4,413,000 greater at December 31, 1989 and 1988, respectively.

TABLE 2-8: INVENTORY COST DETERMINATION

	Number of Companies			
	1989	1988	1987	1986
Methods				
First-in first-out (fifo)	401	396	392	383
Last-in first-out (lifo)	366	379	393	393
Average cost	200	213	216	223
Other	48	50	49	53
Use of LIFO				
All inventories	26	20	18	23
50% or more of inventories	191	207	221	229
Less than 50% of inventories	99	90	86	74
Not determinable	50	62	68	67
Companies Using LIFO	**366**	**379**	**393**	**393**

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1989		1988	
	No.	%*	No.	%*
Foods:				
Meat products	4	57	5	71
Dairy products	1	50	1	50
Canning	2	50	2	50
Packaged and bulk	9	56	10	53
Baking	1	50	1	33
Sugar, confections	3	100	3	100
Beverages	7	100	7	100
Tobacco products	3	75	3	75
Textiles	14	67	16	70
Paper products	22	96	24	96
Printing, publishing	11	58	11	58
Chemicals	25	81	26	93
Drugs, cosmetics	14	56	17	57
Petroleum	26	90	27	90
Rubber products	7	88	8	80
Shoes—manufacturing, merchandising	6	75	6	86
Building:				
Cement	2	50	1	25
Roofing, wallboard	7	78	7	78
Heating, plumbing	—	—	1	33
Other	10	59	11	65
Steel and iron	15	75	15	75
Metal—nonferrous	11	65	11	69
Metal fabricating	19	90	18	95
Machinery, equipment and supplies	28	76	29	76
Electrical equipment, appliances	8	40	7	41
Electronic equipment	8	24	7	21
Business equipment and supplies	5	23	5	24
Containers	5	71	6	75
Autos and trucks (including parts, accessories)	18	69	20	74
Aircraft and equipment, aerospace	4	33	5	38
Railway equipment, shipbuilding	1	20	1	20
Controls, instruments, medical equipment, watches and clocks	14	56	12	52
Merchandising:				
Department stores	4	100	4	100
Mail order stores, variety stores	2	100	2	100
Grocery stores	10	83	11	92
Other	5	62	4	67
Motion pictures, broadcasting	—	—	—	—
Widely diversified, or not otherwise classified	35	43	35	45
Total Companies	**366**	**61**	**379**	**63**

*Percent of total number of companies for each industrial classification included in the survey.

AMERICAN GREETINGS CORPORATION (FEB)

	1989	1988
	($000)	
Current Assets		
Cash and equivalents	$ 94,292	$ 36,534
Trade accounts receivable, less allowances for sales returns of $44,732 ($56,147 in 1988) and for doubtful accounts of $5,134 ($7,566 in 1988)	242,582	278,559
Inventories:		
Raw material	48,478	56,122
Work in process	51,625	61,406
Finished products	197,618	245,801
	297,721	363,329
Less LIFO Allowance	83,017	77,274
	214,704	286,055
Display material and factory supplies	25,192	30,299
Total inventories	239,896	316,354
Deferred income taxes	49,542	39,935
Prepaid expenses and other	11,020	8,672
Total current assets	637,332	680,054

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Inventories:

Finished products, work in process and raw material inventories are carried at cost, principally last-in, first-out (LIFO), not in excess of market. Display material and factory supplies are carried at average cost.

BASSETT FURNITURE INDUSTRIES, INCORPORATED (NOV)

	1989	1988
CURRENT ASSETS		
Cash and cash equivalents	$ 45,248,965	$ 15,431,349
Marketable securities	31,165,045	53,518,461
Trade accounts receivable, less allowances for doubtful accounts (1989—$550,000; 1988—$715,000) and discounts	73,187,794	74,408,505
Inventories	60,309,410	65,961,451
Prepaid expenses	2,368,092	2,484,339
CURRENT ASSETS	212,279,306	211,804,105

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Inventories: Inventories are stated at lower of cost (last-in, first-out (LIFO) method) or market.

Note B—Inventories

	1989	1988
Finished goods	$34,309,743	$37,111,453
Work in process	14,266,622	13,854,851
Raw materials and supplies	29,457,540	31,380,698
	78,033,905	82,347,002
LIFO adjustment	17,724,495	16,385,551
	$60,309,410	$65,961,451

CLARCOR INC. (NOV)

	1989	1988
	($000)	
Current assets:		
Cash and short-term cash investments	$ 4,815	$19,190
Marketable securities, at cost which approximates market	—	1,662
Accounts receivable, les allowance for losses of $561 for 1989 and $501 for 1988	25,293	26,356
Inventories	23,715	20,629
Prepaid expenses	2,250	1,445
Deferred income taxes	1,946	746
Total current assets	58,019	70,028

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

B. Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out method (LIFO) for approximately 54% of the Company's inventories at November 30, 1989 and 1988, and by the first-in, first-out (FIFO) method for all other inventories. The FIFO method would approximate the current cost. The inventories are summarized as follows:

	1989	1988
Raw materials	$13,220	$12,777
Work in process	5,061	5,880
Finished products	11,172	8,591
Total at FIFO	29,453	27,248
Less excess of FIFO cost over LIFO values	5,738	6,619
	$23,715	$20,629

ILLINOIS TOOL WORKS INC. (DEC)

	1989	1988
	In thousands	
Current Assets:		
Cash and equivalents	$ 30,882	$ 26,696
Trade receivables	380,233	316,500
Inventories	365,194	315,624
Prepaid income taxes	23,349	17,565
Prepaid expenses and other current assets	24,582	37,260
Total current assets	824,240	713,645

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inventories at December 31, 1989 and 1988 were as follows:

In thousands	1989	1988
Raw material	$ 83,680	$ 65,156
Work-in-process	58,410	42,032
Finished goods	223,104	208,436
	$365,194	$315,624

Inventories are stated at the lower of cost or market and include material, labor and factory overhead. The last-in, first-out (LIFO) method is used to determine the cost of the inventories of most domestic operations. The first-in, first-out (FIFO) method is used for all other inventories. Inventories priced at LIFO as of December 31, 1989 and 1988, were 49% and 54% of total inventories, respectively. Under the FIFO method (which approximates current cost), total inventories would have been approximately $18,500,000 and $17,600,000 higher than reported at December 31, 1989 and 1988, respectively. During 1989, 1988 and 1987, certain inventories were reduced, resulting in the liquidation of LIFO inventory layers carried at lower costs prevailing in prior years as compared with the current cost of inventory. The effect of these inventory liquidations was to reduce operating costs by approximately $1,700,000, $1,000,000 and $3,000,000 in 1989, 1988 and 1987, respectively.

The LIFO inventory values of certain domestic subsidiaries of the Company differ from the LIFO inventory values for tax purposes because of the application of purchase accounting. Inventories for financial statement purposes exceeded inventories for tax purposes by approximately $21,400,000 and $16,100,000 at December 31, 1989 and 1988, respectively.

LUFKIN INDUSTRIES, INC. (DEC)

	1989	1988
	($000)	
Current assets:		
Cash	$ 310	$ 1,387
Temporary investments	27,257	20,053
Accounts receivable, less allowance of $225,000	23,313	23,342
Refundable income taxes	—	2,508
Installment notes and contracts receivable, less allowance of $650,000 in 1989 and $400,000 in 1988	37,205	35,194
Inventories	29,426	37,529
Total current assets	117,511	120,013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Major Accounting Policies

Inventories: The Company uses the last-in, first-out (LIFO) method of determining inventory cost, which does not exceed market, for substantially all inventories. Inventory costs include material, labor and factory overhead.

(4) Inventories

Inventories used in determining cost of sales were as follows:

(Thousands of dollars)	1989	1988	1987	1986
Finished goods	$12,470	$11,087	$ 7,091	$ 6,205
Work in process	7,330	11,528	7,720	7,864
Raw material	9,626	14,914	8,587	6,979
	$29,426	$37,529	$23,398	$21,048

Had the first-in, first-out method been used in determining inventory values, inventories would have been $27,825,000, $27,809,000, $23,353,000 and $27,347,000 higher at December 31, 1989, 1988, 1987 and 1986, respectively.

During 1989 and 1987 inventory quantities were reduced. These reductions resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The effect of these liquidations decreased the net loss in 1989 by approximately $79,000 or $.05 per share and increased net earnings in 1987 by $520,000 or $.30 per share.

OXFORD INDUSTRIES, INC. (MAY)

	1989	1988
	$ in thousands	
Current Assets:		
Cash and cash equivalents	$ 10,089	$ 1,720
Receivables, less allowance for doubtful accounts of $2,400 (1989) and $2,669 (1988)	71,991	75,764
Inventories (Notes A and B)	90,332	99,541
Prepaid expenses	5,552	7,400
Total Current Assets	177,964	184,425

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies:

6. Inventories—Inventories are principally stated at the lower of cost (last-in, first-out method, "LIFO") or market. The excess of replacement cost over the value of inventories based upon the last-in, first-out method was $34,500,000 at June 2, 1989 and $32,500,000 at June 3, 1988.

B. Inventories:

$ in thousands	June 2, 1989	June 3, 1988
Finished goods	$49,260	$57,025
Work in process	15,586	15,262
Fabric	19,502	20,344
Trim and supplies	5,984	6,910
	$90,332	$99,541

During fiscal 1989, inventory quantities were reduced resulting in a liquidation of certain LIFO inventory layers carried at costs which were lower than the costs of current purchases. The effect of these reductions in 1989 was to decrease cost of goods sold by approximately $1,400,000 and to increase net earnings by $870,000 or $.09 per share.

REYNOLDS METALS COMPANY (DEC)

	1989	1988
	(In millions)	
Current assets		
Cash and short-term investments	$ 70.5	$ 330.5
Receivables		
Customers, less allowances of $21.6 (1988—$22.6)	834.5	762.9
Other	52.3	42.5
Total receivables	886.8	805.4
Inventories	770.9	705.2
Prepaid expenses	34.9	22.4
Total current assets	1,763.1	1,863.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Inventories

Inventories are stated at the lower of cost or market. Cost of inventories of approximately $267 million in 1989, $283 million in 1988 and $321 million in 1987 is determined by the last-in, first-out method (LIFO). Remaining inventories of approximately $504 million in 1989, $422 million in 1988 and $385 million in 1987 are determined by the average or first-in, first-out (FIFO) methods. If the FIFO method was applied to LIFO inventories, the amount for inventories would increase by approximately $546 million at December 31, 1989, $576 million at December 31, 1988 and $498 million at December 31, 1987. As a result of LIFO, costs increased by $9 million in 1989, $78 million in 1988 and $29 million in 1987. Costs decreased $39 million in 1989 resulting from liquidation of certain LIFO inventories carried at lower costs prevailing in prior years as compared with current costs.

Since certain inventories of the Company may be sold at various stages of processing, no practical distinction can be made between finished products, in-process products and other materials, and therefore inventories are presented as a single classification.

VULCAN MATERIALS COMPANY (DEC)

	1989	1988
	Amounts in thousands	
Current assets		
Cash and cash equivalents	$ 84,265	$ 68,144
Short-term investments	—	21,283
Accounts and notes receivable:		
Customers, less allowance for doubtful accounts: 1989, $4,864; 1988, $5,289.	124,300	142,902
Other	12,594	6,348
Inventories (below estimated current cost by $36,292 for 1989 and $29,405 for 1988)	96,857	93,611
Current portion of deferred income taxes	11,606	15,536
Prepaid expenses	3,630	3,108
Total current assets	333,252	350,932

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Inventories

The Company uses the last-in, first-out (LIFO) method for most of its inventories because it results in a better matching of costs with revenues. Inventories, other than operating supplies, are stated at the lower of cost, as determined by the LIFO method, or market. Such cost includes raw materials, direct labor and production overhead. Substantially all operating supplies are carried at average cost, which does not exceed market.

3. Inventories

Inventories at December 31 are as follows (in thousands of dollars):

	1989	1988	1987
Finished products	$65,387	$63,161	$53,827
Raw materials	3,435	3,456	3,136
Products in process	690	904	500
Operating supplies and other	27,345	26,090	25,215
Total inventories	$96,857	$93,611	$82,678

The above amounts include inventories valued under the LIFO method totaling $69,369,000, $62,301,000 and $53,625,000 at December 31, 1989, 1988 and 1987, respectively. If all inventories valued at LIFO cost had been valued under the methods (substantially average cost) used prior to the adoption of the LIFO method, the approximate effect on net earnings would have been an increase of $4,123,000 ($.10 per share) in 1989, an increase of $1,455,000 ($.04 per share) in 1988 and a decrease of $773,000 ($.02 per share) in 1987.

FIFO

ALBERTO-CULVER COMPANY (SEP)

	1989	1988
Current assets:		
Cash and cash equivalents	$ 39,181,641	24,020,242
Short-term investments	115,191	10,108,010
Receivables, less allowance for doubtful accounts (1989—$2,488,000; 1988—$2,740,000)	88,073,998	73,939,031
Inventories:		
Finished goods	102,041,898	82,476,845
Work-in-process	3,345,433	3,672,054
Raw materials	19,388,556	18,132,075
Total inventories	124,775,887	104,280,974
Prepaid expenses	3,856,292	4,267,129
Total current assets	256,003,009	216,615,386

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value).

CHOCK FULL O'NUTS CORPORATION (JUL)

	1989	1988
Current Assets:		
Cash and cash equivalents	$ 8,387,760	$ 36,430,656
Short-term investments, at cost which approximates market, including in 1988 marketable equity securities, at the lower of cost or market	39,367,813	35,628,954
Receivables, principally trade, less allowances for doubtful accounts and discounts of $1,101,000 and $792,000	26,567,529	23,113,673
Inventories—Note 1	26,262,078	24,371,450
Prepaid expenses	1,125,419	1,427,741
Total Current Assets	101,710,599	120,972,474

Note 1 (In Part): Significant Accounting Policies

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market and consist of:

July 31,	1989	1988
Finished goods	$12,722,059	$10,685,846
Raw materials	9,904,476	10,516,045
Supplies	3,635,543	3,169,559
	$26,262,078	$24,371,450

As of July 31, 1989, the Company recorded a $3,000,000 charge to cost of sales for inventory write-downs and loss on purchase commitments due to the significant reduction in green coffee prices in July 1989 arising out of the elimination of export quotas by the International Coffee Organization, as well as a reduction of selling prices in August 1989. Income before extraordinary credit and net income have been reduced by approximately $1,900,000 ($.25 per share) for the above charge, net of related tax benefit.

DEAN FOODS COMPANY (MAY)

	1989	1988
	(In thousands)	
Current Assets:		
Cash and temporary cash investments	$ 70,009	$ 53,795
Accounts and notes receivable, less allowance for doubtful accounts of $1,439 and $5,515, respectively	121,365	111,178
Inventories	112,044	91,792
Other current assets	16,796	13,490
Total current assets	320,214	270,255

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands unless otherwise noted)

Summary of Accounting Policies (In Part)

Inventories Inventories are stated at the lower of cost or market. The majority of inventories are valued on the first-in, first-out (FIFO) method. Certain Dairy and Specialty Food Products inventories are valued on the last-in, first-out (LIFO) method.

Inventories

At May 28, 1989 and May 29, 1988, inventories comprised the following:

	1989	1988
Raw materials and supplies	$ 35,971	$ 30,539
Materials in process	20,916	12,762
Finished goods	70,598	61,159
	127,485	104,460
Less: Excess of current cost over stated value of last-in, first-out inventories	(15,441)	(12,668)
Total inventories	$112,044	$ 91,792

The percentage of costs of products sold determined on the basis of last-in, first-out cost approximated 32.5% and 31.1% for 1989 and 1988, respectively.

JOHN FLUKE MFG. CO., INC. (SEP)

	1989	1988
	(In thousands)	
Current Assets		
Cash and cash equivalents	$ 2,627	$ 12,351
Accounts receivable, (less allowances: 1989—$361; 1988—$331)	41,613	39,375
Inventories	47,717	47,570
Deferred income taxes	3,375	3,665
Prepaid expenses	1,793	3,246
Total Current Assets	97,125	106,207

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Inventories. Inventories are valued at the lower of cost or market with cost being currently adjusted standard cost which approximates cost on a first-in, first-out basis.

Note 4. Inventories

The components of inventories are as follows:

(In thousands)	1989	1988
Finished goods	$12,354	$13,038
Work-in-process	15,442	13,755
Purchased parts and materials	19,921	20,777
	$47,717	$47,570

JOHNSON PRODUCTS CO., INC. (AUG)

	1989	1988
Current assets:		
Cash	$ 1,097,000	$ 213,000
Receivables:		
Trade, less allowance for doubtful accounts of $580,000 in 1989 and $493,000 in 1988	8,337,000	7,060,000
Other	305,000	210,000
Inventories (Notes 1 and 2)	4,081,000	4,344,000
Asset held for sale	—	565,000
Prepaid expenses	575,000	437,000
Total current assets	14,395,000	12,829,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Inventories: Inventories are stated at the lower of cost (first-in, first-out basis) or market.

2. Inventories:

Inventories as of August 31, 1989 and 1988 are summarized as follows:

	1989	1988
Raw materials	$2,158,000	$2,176,000
Work in process	500,000	738,000
Finished goods	1,423,000	1,430,000
	$4,081,000	$4,344,000

Average Cost

BAKER-HUGHES INCORPORATED (SEP)

	1989	1988
	(In thousands of dollars)	
Current Assets:		
Cash and short-term investments, at cost, which approximates market value	$ 115,686	$ 67,823
Receivables—less allowance for doubtful accounts: 1989, $41,985; 1988, $44,557	488,825	480,815
Inventories:		
Finished goods	336,028	417,304
Work in process	62,568	79,367
Raw materials	135,703	120,996
Total inventories	534,299	617,667
Prepaid expenses and deferred income taxes	26,199	36,000
Total current assets	1,165,009	1,202,305

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Two (In Part): Summary of Significant Accounting Policies:

Inventories: Inventories are stated primarily at the lower of average cost or market.

CSP INC. (AUG)

	1989	1988
	(Dollars in thousands)	
Current assets:		
Cash	$ 6,875	$ 2,306
Marketable securities	6,566	9,047
Accounts receivable, net	1,774	2,237
Inventories (Note 4)	1,986	2,370
Deferred income taxes	81	88
Refundable income taxes	83	45
Prepaid expenses	76	76
Total current assets	17,441	16,169

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Inventories:

Inventories are stated at the lower of cost or market; cost being determined principally by use of the average-cost method.

4. Inventories:

Inventories consist of the following:

	1989	1988
	(In thousands)	
Raw materials	$ 912	$1,007
Work-in-process	889	1,249
On consignment	185	114
Total	$1,986	$2,370

McCORMICK & COMPANY, INCORPORATED (NOV)

	1989	1988
	(dollars in thousands)	
Current assets		
Cash and cash equivalents	$ 51,580	$ 11,265
Receivables		
Trade	107,310	120,422
Other	12,931	13,878
Allowance for losses	(1,927)	(1,775)
	118,314	132,525
Inventories (Note 1)		
Finished products and work-in-process	147,386	150,367
Raw materials and supplies	70,312	70,444
	217,698	220,811
Prepaid expenses	39,691	30,841
Total current assets	427,283	395,442

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per-share data)

1 (In Part): Summary of Accounting Policies:

Inventories

Inventories are stated principally at the lower of average cost or market. Products representing 5% of inventories in both 1989 and 1988 are stated at lower of last-in, first-out (LIFO) cost or market. If the average cost method, which approximates current cost, had been used for inventories valued at LIFO, the amounts would have been increased by $3,523 in 1989 and $4,804 in 1988.

SYNTEX CORPORATION (JUL)

	1989	1988
	($ in millions)	
Current assets:		
Cash and cash equivalents	$189.7	$383.9
Short-term investments	191.7	106.2
Trade receivables (less allowance for doubtful accounts: 1989, $4.3; 1988, $4.1)	163.3	166.3
Inventories	155.6	139.5
Other	66.1	58.9
Total current assets	766.4	854.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Inventories—Inventories are stated generally at the lower of standard cost, which approximates average cost, or market.

2. Inventories

Inventories consist of the following:

($ in millions)	1989	1988	1987
Finished goods	$ 44.8	$ 41.6	$ 37.6
In process	54.9	51.5	55.6
Raw materials and supplies	55.9	46.4	50.3
Total	$155.6	$139.5	$143.5

Production Cost

TALLEY INDUSTRIES, INC. (DEC)

	1989	1988
Cash	$ 4,035,000	$ 4,473,000
Marketable securities, at cost (approximates market)	1,951,000	2,001,000
Accounts receivable, net of allowance for doubtful accounts of $883,000 in 1989 and $941,000 in 1988	107,277,000	112,212,000
Inventories	198,027,000	185,273,000
Deferred income taxes	19,619,000	4,280,000
Prepaid expenses	4,640,000	4,824,000
Net current assets of discontinued operations	—	2,055,000
Total current assets	335,549,000	315,118,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Inventories:

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method for substantially all commercial inventories. Costs accumulated under government contracts are stated at actual cost, net of progress payments, not in excess of estimated realizable value.

Realty inventory consists of those parcels and developments which are expected to be sold within the operating cycle of the Realty segment. Realty inventory is stated at the lower of cost or estimated net realizable value and includes land held for sale and related development and carrying costs, and equity investments in realty joint ventures.

Inventories

Inventories are summarized as follows:

(balances in thousands)	1989	1988
Raw material and supplies	$ 15,049	$ 22,995
Work-in-process	13,176	14,648
Finished goods	39,030	35,000
Realty	115,539	99,781
Inventories substantially applicable to fixed-price government contracts in process, reduced by progress payments of $7,153,000 and $5,237,000 in 1989 and 1988, respectively	15,233	12,849
	$198,027	$185,273

Realty inventory at December 31, 1989 included the Company's $1,005,000 interest in a real estate venture which is jointly owned with a partnership whose members include certain stockholders and directors of the Company. At December 31, 1989 the Company also had loans at 2% over prime, to this partnership of $1,191,000.

In addition, at December 31, 1989, the Company had loans to officers and directors of the Company's subsidiaries or loans related to other ventures, whose principals include an officer and director of a subsidiary of the Company, of $2,147,000.

PREPAID EXPENSES

Table 2-10 summarizes the prepaid expense captions appearing in the current asset section of the survey companies' balance sheets. Rarely is the nature of a prepaid expense caption disclosed. Examples of companies disclosing the nature of a prepaid expense caption follow.

TABLE 2-10: PREPAID EXPENSES

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Prepaid expenses	193	195	200	224
Prepaid expenses and other current assets	131	132	117	104
Prepaid expenses and deferred taxes	16	11	16	18
Employee benefits	9	11	13	11
Prepaid expenses and other receivables	11	10	11	11
Prepaid expenses and advances	7	5	7	9
Prepaid expenses and supplies	2	2	2	7
Other captions indicating prepaid expenses	15	7	19	16

UNITED FOODS, INC. (FEB)

	1989	1988
CURRENT ASSETS		
Cash	$ 1,035,809	$ 890,319
Accounts and notes receivable, less allowance of $192,504 and $90,301 for possible losses	14,709,688	15,804,497
Inventories	25,413,978	37,066,402
Prepaid expenses and miscellaneous (Note 2)	5,061,566	1,918,484
TOTAL CURRENT ASSETS	46,221,041	55,679,702

SUMMARY OF ACCOUNTING POLICIES

Product Introduction and Marketing Costs

In connection with the introduction of a new product line and the expansion of its market position in the United States, the Company defers and amortizes product introduction and related costs over a twelve-month period.

NOTES TO FINANCIAL STATEMENTS

Note 2—Prepaid Expenses and Miscellaneous

Prepaid expenses and miscellaneous current assets consist of the following:

	February 28 or 29,	
	1989	1988
Product introduction costs	$2,625,971	$ —
Other	2,435,595	1,918,484
	$5,061,566	$1,918,484

In fiscal 1989, the Company incurred costs of approximately $7,138,000 in connection with the national introduction of a new microwavable frozen food line. Such costs are being amortized over a twelve-month period beginning with the date the cost is incurred. Approximately $4,512,000 of such costs were charged to operations for the year ended February 28, 1989.

The Company incurred certain costs in connection with expanding its market position in the United States. These costs, referred to in the industry as "slotting," are deferred and amortized over a twelve-month period. The Company incurred approximately $3,817,000 of slotting costs during fiscal 1989, of which approximately $2,797,000 was charged to operations. Approximately $1,020,000 of deferred slotting costs are included in other prepaid expenses at February 28, 1989. Slotting costs incurred prior to fiscal 1989 were not material.

WASTE MANAGEMENT, INC. (DEC)

	1988	1989
	($000's omitted)	
CURRENT ASSETS		
Short-term investments	$ 54,056	$ 106,841
Accounts receivable, less allowance of $15,698 in 1988 and $18,911 in 1989	570,179	738,291
Employee receivables	17,718	7,611
Parts and supplies	54,530	58,383
Prepaid expenses	130,043	174,965
Total Current Assets	$826,526	$1,086,091

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(000's omitted in all tables except per share amounts)

Note 1 (In Part): Summary of Accounting Policies

Prepaid Expenses

Preparation costs for individual secure land disposal cells are recorded as prepaid expenses and amortized as the airspace is filled. Unamortized prepaid cell construction cost at December 31, 1988 and 1989 was $46,220,000 and $78,780,000, respectively. This current component of cell construction cost has increased in 1989 because of larger expenditures caused by the greater complexities of landfill construction and anticipated Subtitle D regulations at an increased number of larger disposal sites.

OTHER CURRENT ASSET CAPTIONS

Table 2-11 summarizes the nature of accounts (other than cash, marketable securities, inventories, and prepaid expense) appearing in the current asset section of the balance sheets of the survey companies. Examples of such other current asset accounts follow.

TABLE 2-11: OTHER CURRENT ASSET CAPTIONS

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Nature of Asset				
Deferred income taxes	155	143	140	147
Property held for sale	52	49	53	52
Unbilled costs	29	28	34	31
Advances or deposits	7	7	8	11
Other—identified	28	35	25	29

Property Held For Sale

THE BLACK & DECKER CORPORATION (SEP)

	1989	1988
	(Thousands of Dollars)	
Cash and cash equivalents	$ 125,553	$ 74,356
Short-term investments	32,650	33,183
Trade receivables, less allowances of $43,478 (1988—$16,883)	900,080	553,373
Inventories	818,384	591,060
Businesses held for sale	1,020,965	—
Other current assets	207,807	50,234
TOTAL CURRENT ASSETS	3,105,439	1,302,206

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Dollars Except Per Share Data)

Note 2 (In Part): Acquisition of Emhart

Pursuant to a tender offer and subsequent merger, the Corporation acquired all of the outstanding shares of common stock of Emhart Corporation (Emhart) at a price of $40.00 per share in cash, with the aggregate purchase price for such shares and related costs totaling approximately $2,650,000. The acquisition was financed by borrowings under a credit agreement dated as of April 26, 1989.

The acquisition has been accounted for as a purchase transaction and, accordingly, the purchase price was allocated to assets and liabilities based on the estimated fair value as of the date of acquisition. The excess of the consideration paid over the estimated fair value of net assets acquired in the amount of $1,982,000 has been recorded as goodwill to be amortized on the straight-line basis over 40 years. The Consolidated Statement of Earnings includes the results of Emhart, exclusive of the operating results associated with businesses held for sale, from the purchase date of April 27, 1989.

In connection with the acquisition, the Corporation intends to dispose of several Emhart businesses including information and electronics systems, electronic component assembling machinery, capacitors manufacturing, and chemical adhesives. It is expected that such businesses will be sold within one year of the acquisition date. Accordingly, the valuation of businesses held for sale of $1,020,965 represents the Corporation's estimate of the after-tax sales proceeds for such businesses as adjusted for expected cash flows from the operation of these businesses and interest expense on the incremental debt incurred to finance the purchase of these businesses. Net income of $24,732 and allocated after-tax interest expense of $45,465 on such businesses has been excluded from consolidated results of operations for the year ended September 24, 1989.

THE INTERLAKE CORPORATION (DEC)

	1989	1988
	(in thousands)	
Current Assets:		
Cash and cash equivalents	$ 16,181	$ 50,454
Receivables, less allowances of $4,532,000 in 1989 and $3,999,000 in 1988	131,401	179,862
Inventories	103,267	126,044
Net assets held for sale	37,367	—
Other current assets	19,845	26,577
Total current assets	308,061	382,937

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Restructuring Program

The strategic operating plan identified certain businesses and Corporate assets that will be disposed of (the Designated Asset Sale Program) and implemented major Corporate cost reductions. The businesses to be divested under the Designated Asset Sale Program include (a) the metal powders' magnetic operation; (b) the Sumter, South Carolina strapping equipment manufacturing plant; (c) the Canadian handling operation; and (d) selected Dexion Group businesses, including handling operations in the United Kingdom, Ireland, and Austria and United Kingdom electronics. During 1989, these businesses had combined sales of $94,879,000 and combined losses of $5,236,000 (which were reported as part of unusual items). At the end of 1989, the assets held for sale of these businesses were $35,937,000 consisting of working capital items of $18,097,000 and long-term assets of $17,840,000. The Corporate cost reduction actions involved provisions for severances and relocations of $2,280,000 which were charged to unusual items during 1989. At the end of 1989, the Corporate aircraft (with a net book balue of $1,430,000) was included in assets held for sale. Management believes that the net recorded value of the assets designated for sale approximates realizable value. Unusual items in 1989 also included stock incentive costs of $2,372,000 associated with the significant increase in the Corporation's common stock price related to the restructuring program.

DESIGNCRAFT INDUSTRIES, INC. (FEB)

	1989	1988
CURRENT ASSETS:		
Cash	$ 358,486	$ 333,033
Accounts receivable—net of allowance of $83,000 and $247,000 for possible losses	1,323,306	6,598,417
Inventories	2,557,970	11,853,604
Prepaid and refundable income taxes	66,279	558,062
Prepaid expenses and other current assets	403,017	1,069,619
Net assets held for sale (Note 8)	8,169,762	—
TOTAL CURRENT ASSETS	12,878,820	20,412,735

Note 8 (In Part): Net Assets Held For Sale

During the fourth quarter of fiscal 1989, management decided to sell the net assets of certain operating subsidiaries. The following summarizes the net assets held for sale as of February 28, 1989:

Assets:	
Current assets	$10,881,859
Property, plant and equipment	2,293,372
Goodwill	337,404
Total	13,512,635
Less liabilities expected to be assumed	1,506,124
Net assets	12,006,511
Write-down of net assets held for sale to estimated net realizable value	(3,386,749)
Estimated losses to anticipated dates of sale	(450,000)
	$ 8,169,762

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The reduction of the net assets to their net realizable value considers (i) the completion of a sale at the book value of the net assets of one operating subsidiary for $3,700,000 where the Company has a signed letter of intent; (ii) the completion of a sale of the net assets of another operating subsidiary for approximately $3,400,000, resulting in the write-down of the net assets by approximately $3,400,000; (iii) the completed sale, subsequent to February 28, 1989, at the approximate book value of the net assets of a division of another subsidiary for $700,000 (iv) and the sale of the net assets of another subsidiary where no offer has been received, but no loss on sale is expected.

MUNSINGWEAR, INC. (DEC)

	Jan 6, 1990	Jan 7, 1989
	($000)	
Current assets:		
Cash and cash equivalents	$11,811	$ 1,319
Receivables:		
Trade, less allowances (1989—$1,308; 1988—$1,733)	12,111	18,315
Refundable income taxes	620	212
Other	1,110	1,954
Net receivables	13,841	20,481
Inventories	18,013	36,983
Prepaid expenses	1,492	2,136
Net assets related to discontinued operations	5,162	
Total current assets	50,319	60,919

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C (In Part): Discontinued Operations

On January 5, 1990, the Company sold certain real property, equipment, all trademarks and other intangibles, interests in and obligations under certain real and personal property leases and other contracts, stock in its Mexican subsidaries, and certain other assets of its Vassarette and Form-O-Uth divisions for $12,000,000, resulting in a gain of $2,244,000. Net proceeds to the Company after transaction expenses and required loan repayments were $4,898,000 on January 5, 1990. In addition, during 1989, the Company closed eleven related retail outlet stores, which carried primarily Vassarette products.

The assets and liabilities that remain after the sale and closing of these businesses are accounted for as net assets related to discontinued operations in the January 6, 1990 consolidated balance sheet. A summary of these net assets is as follows:

	(In thousands)
Accounts receivable	$4,196
Inventory	8,666
Property, plant and equipment (net)	1,439
Other assets	13
Accounts payable	(2,659)
Accrued payroll and employee benefits	(2,019)
Other liabilities	(4,474)
Total net assets related to discontinued operations	$5,162

Property, plant and equipment consists primarily of a fabric manufacturing facility in Hamilton, Alabama and sewing facilities in Guin, Alabama and Athens, Texas. Other liabilities consist primarily of employee severance, unrecoverable lease commitments, and expected costs prior to disposition of facilities.

The Company expects to complete the disposal of all net assets related to discontinued operations during 1990 and has classified all such net assets as current.

UNI-MARTS, INC. (SEP)

	1989	1988
Current assets:		
Cash	$ 4,068,635	$4,780,666
Marketable equity securities (at market, cost $1,203,000 in 1989 and $885,000 in 1988)	1,164,939	772,133
Accounts receivable—trade, less allowances of $50,000 and $88,000.	1,709,971	332,366
Accounts receivable—other	1,748,015	756,295
Inventories	11,392,251	6,954,868
Prepaid expenses and other	1,818,008	917,343
Property held for sale	1,549,150	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies:

(4) Property Held for Sale—Property held for sale is carried at cost, which approximates net realizable value. The properties have been classified as current assets because management expects the properties to be sold within the next fiscal year.

Unbilled Costs

HARRIS CORPORATION (JUN)

	1989	1988
	($000)	
Current Assets		
Cash (including time deposits of $29,177,000 in 1989 and $26,855,000 in 1988)	$ 100,742	$ 38,910
Short-term securities	87,826	53,793
Trade accounts and notes receivable:		
Accounts receivable	516,351	284,104
Notes receivable—net	108,283	47,186
	624,634	331,290
Less allowances for collection losses	41,830	14,351
Total Trade Accounts and Notes Receivable	582,804	316,939
Unbilled costs and accrued earnings on fixed-price contracts based on percentage-of-completion accounting (less progress payments of $351,522,000 in 1989 and $419,405,000 in 1988)	250,052	257,424
Inventories:		
Work in process and finished products	344,589	109,786
Raw materials and supplies	74,808	59,442
Total inventories	419,397	169,228
Deferred income taxes	92,738	—
Total Current Assets	1,533,559	836,294

HARMON INDUSTRIES, INC. (DEC)

	1989	1988
	($000)	
Current assets:		
Cash and cash equivalents	$ 362	$ 534
Trade receivables, less allowance for doubtful accounts of $245,000 in 1989 and $239,000 in 1988	11,730	9,008
Note receivable from affiliate	—	100
Costs and estimated earnings in excess of billings on uncompleted contracts (note 3)	942	341
Inventories:		
Work in process	4,605	3,911
Raw materials and supplies	9,307	8,869
	13,912	12,780
Federal and state income taxes receivable	555	(388)
Prepaid expenses and other current assets	371	365
Total current assets	27,872	22,740

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Contracts in Progress

Contract costs on uncompleted contracts are as follows:

(Thousands of dollars)	Costs and estimated earnings in excess of billings	Billings in excess of costs and estimated earnings	Total
December 31, 1989:			
Costs and estimated earnings	$6,625	$ 9,842	$16,467
Billings	5,683	10,521	16,204
	$ 942	$ (679)	$ 263
December 31, 1988:			
Costs and estimated earnings	$2,442	$ 8,080	$10,502
Billings	2,081	9,321	11,402
	$ 341	$ (1,241)	$ (900)

All receivables on contracts in progress are considered to be collectible within twelve months.

M/A-COM, INC. (SEP)

	1989	1988
	($000)	
Current assets:		
Cash and cash equivalents	$ 27,422	$ 82,958
Marketable securities	6,280	6,411
Accounts receivable, less allowances of $3,517 and $2,543, respectively	98,397	97,546
Unbilled revenue under customer contracts	45,552	33,172
Inventories	105,510	89,186
Other current assets	5,368	12,656
Total current assets	288,529	321,929

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized generally when a product is shipped and services are performed. Certain long-term contracts are accounted for using the percentage-of-completion method, whereby revenue and profit are recognized throughout the performance period of the contract. The effect of changes in estimates of contract costs are recorded currently. If estimates of cost, including general and administrative costs, indicate a loss, provision is made currently for the total loss anticipated.

Unbilled revenue under customer contracts represents revenue earned under the percentage-of-completion method but not yet billable under the terms of the contract. These amounts are billable based on the terms of the contract which include shipment of the product, achievement of milestones or completion of the contract.

UNC INCORPORATED (DEC)

	1989	1988
	($000)	
Current assets		
Cash and short-term investments	$ 2,341	$ 7,536
Accounts receivable, less allowance for doubtful accounts of $3,273 and $3,227, respectively	94,733	75,535
Unbilled costs and accrued profits on contracts in progress	22,440	42,867
Inventories	86,904	67,089
Other	4,816	6,916
Total current assets	211,234	199,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Contracts in Progress

Unbilled costs and accrued profits on contracts in progress consist of the following:

	December 31,	
(Dollars in thousands)	1989	1988
Costs incurred and accrued profits on contracts in progress	$404,342	$458,857
Less progress billings to date	381,902	415,990
Unbilled costs and accrued profits on contracts in progress	$ 22,440	$ 42,867

Substantially all of the amounts billed at December 31, 1989 and 1988 relate to contracts and subcontracts with the U.S. government, which has a security title in the components being fabricated.

Unbilled amounts are recorded on the percentage-of-completion method and are recoverable from the customer upon shipment of the product, presentation of bills or completion of the contract. Substantially all of these unbilled amounts are collectible during 1990.

At December 31, 1989, retainable receivable, included in accounts receivable, amounted to $12,747,000 which is anticipated to be collected as follows: 1990, $5,530,000; 1991 $2,433,000; and the balance thereafter.

Deferred Tax

EAGLE-PICHER INDUSTRIES, INC. (NOV)

	1989	1988
	($000)	
Current Assets		
Cash and cash equivalents	$ 11,357	$ 15,653
Receivables, less allowances of $981 in 1989 and $1,095 in 1988	112,386	119,585
Income tax refund receivable	—	57,300
Due from insurance carriers—current portion	10,000	7,500
Inventories	87,247	100,808
Deferred income taxes—Note F	25,069	25,890
Prepaid expenses	13,558	11,224
Total Current Assets	259,617	337,960

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F (In Part): Income Taxes

The following is a summary of the components of income taxes (benefit):

	(In thousands of dollars)		
	1989	1988	1987
Federal—current	$13,700	$(55,600)	$ 4,700
Federal—deferred	(12,900)	20,000	20,800
Foreign	1,200	2,500	500
State and local	500	1,000	1,000
	$ 2,500	$(32,100)	$27,000

As discussed in Summary of Significant Accounting Policies, the Company adopted SFAS No. 96 as of December 1, 1988. The Company has determined that the cumulative effect of this change in accounting for income taxes on net income for the year ended November 30, 1989 is insignificant. Under the provisions of SFAS No. 96 the financial statements for 1988 and 1987 have not been restated.

In 1989, the change in the deferred tax asset represents the effect of changes in the amounts of temporary differences from December 1, 1988 to November 30, 1989 and the effect of recognizing a portion of the deferred tax benefit which was not recoverable in prior years due to the Company's accounting loss carryforward position resulting from the 1988 provision for asbestos litigation. The types of temporary differences that give rise to significant portions of the deferred tax asset at November 30, 1989 and the tax effect of changes in those temporary differences during 1989 are presented below. For 1988 and 1987, the net deferred tax asset results from timing differences in the recognition of income and expense for tax and financial reporting purposes. The sources and tax effects of these timing differences for 1988 and 1987 also are presented below:

	(In thousands of dollars)		
	1989	1988	1987
Asbestos litigation	$ 5,500	$15,200	$19,300
Utilization of accounting loss carryforward	(16,400)	—	—
Prepaid pension cost	(200)	1,700	1,700
Excess tax gain on assets disposed	(3,700)	—	—
Other	1,900	3,100	(200)
Deferred tax expense (benefit)	$(12,900)	$20,000	$20,800

THE KROGER CO. (DEC)

	1989	1988
	($000)	
Current assets		
Cash and temporary cash investments	$ 115,475	$ 211,049
Receivables	280,491	258,268
Inventories:		
FIFO cost	1,753,563	1,569,974
Less LIFO allowance	(358,462)	(294,704)
	1,395,101	1,275,270
Property held for sale	23,376	98,585
Assets held for sale—restructuring	3,124	384,608
Deferred income taxes	5,150	37,300
Prepaid and other current assets	225,493	204,721
Total current assets	2,048,210	2,469,801

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All dollar amounts are in thousands except per share amounts.

Accounting Policies (In Part)

Deferred Income Taxes

Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting bases. The type of differences that give rise to significant portions of deferred income tax liabilities or assets relate to: property, plant and equipment, inventories, accruals for Restructuring and other charges and accruals for compensation-related costs. The tax consequences of these differences expected to occur in the subsequent year are classified as a current asset or liability. Prior to 1987, the Company used the deferred method.

Taxes Based On Income (In Part)

In 1987, the Company adopted the liability method of accounting for income taxes pursuant to Statement of Financial Accounting Standards (SFAS) No. 96, Accounting for Income Taxes. As a result, deferred income taxes recorded in years prior to 1987 were adjusted in accordance with SFAS No. 96 and the resulting reduction in deferred income taxes of $63,345 was reported as a cumulative effect adjustment in 1987. The adoption of SFAS No. 96 did not have a material effect on the tax provision for 1987. In addition, the deferred tax asset at December 30, 1989 and December 31, 1988, reflects the effect of carrying future years' net deductible amounts back three years and recording the asset at the enacted tax rate in the respective carryback year. Ultimate realization of these net deductible amounts at rates other than that in effect during the carryback year will result in adjustments to income tax expense in the year in which the amounts are actually utilized.

LANCER CORPORATION (DEC)

	1989	1988
Current assets:		
Cash	$ 313,138	$ 515,459
Receivables:		
Trade accounts and notes	5,618,924	6,251,654
Refundable Federal income taxes	1,777,543	—
Affiliates and others	106,205	297,185
	7,502,672	6,548,839
Less allowance for doubtful accounts	85,000	75,000
Net receivables	7,417,672	6,473,839
Inventories		
Finished goods	4,422,188	3,051,087
Work in process	11,331,753	12,644,507
Raw materials and supplies	1,675,923	1,083,019
Total inventories	17,429,864	16,778,613
Prepaid expenses	68,701	99,353
Deferred Federal income taxes (note 2)	248,445	196,618
Total current assets	25,477,820	24,063,882
• • • • • • •		
Total current liabilities	15,951,804	13,812,213
Deferred Federal income taxes (note 2)	1,718,345	1,238,317

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Federal Income Taxes

As discussed in note 1, the Company adopted Statement 96 as of January 1, 1988. The cumulative effect of this change in accounting for income taxes as of January 1, 1988 increased net earnings by $272,000 and is reported separately in the consolidated statement of operations for the year ended December 31, 1988. The effect of applying Statement 96 on earnings before cumulative effect of change in accounting for income taxes and on net earnings for the year ended December 31, 1988 was a decrease of $253,299. Prior years' financial statements have not been restated to apply the provisions of Statement 96.

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Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to significant portions of the deferred tax liability at December 31, 1989 and 1988 relate to the following:

	1989	1988
Plant and equipment, principally due to differences in depreciation	$1,482,053	$1,069,328
Inventories, principally due to additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986	(116,410)	(64,495)
Other, net	104,257	36,866
Net deferred Federal income tax liability	$1,469,900	$1,041,699

Advances/Deposits

SMITHFIELD FOODS, INC. (APR)

	1989	1988
	(Dollars in thousands)	
Current assets:		
Cash	$ 1,103	$ 1,170
Accounts receivable less allowances of $465 in each year	26,148	27,646
Inventories	35,559	38,524
Advances to joint venture	17,224	1,746
Prepaid expenses and other current assets	3,453	3,209
Total current assets	83,487	72,295

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Joint Venture Investment

The Company is a 50% investor in the Smithfield-Carroll's Joint Venture (the "Venture") that was established to produce hogs for the Company's meat packing plants. The Company accounts for its investment in the Venture using the equity method of accounting.

As of April 30, 1989, the Company had an investment of $7,929,000 in the Venture. In addition, the Company had $17,224,000 of working capital and construction loans outstanding to the Venture. These loans are expected to be repaid in the next fiscal year with the proceeds of long-term debt financings by the Venture. The Company intends to increase the size of the Venture and anticipates an additional investment of approximately $3,200,000 in fiscal 1990. The Company plans to fund the additional investment with funds from operations.

The Venture agreement includes a compulsory sales provision which requires the Company to purchase all of the hogs produced by the Venture at prices which are, in the opinion of management, equivalent to market prices. The Venture made aggregate sales of $12,329,000 to the Company during 1989. The Company and the other 50% investor share equally the profits and losses of the Venture. The Company's share of the operating loss incurred by the Venture in 1989 was $1,708,000. This loss resulted in increased raw material costs to the Company and is reflected in cost of goods sold on the consolidated statements of income. The Venture operated on a break-even basis in 1988.

WILLAMETTE INDUSTRIES, INC. (DEC)

	1989	1988
	($000)	
Current assets:		
Cash, including time deposits	$ 11,413	33,207
Notes and accounts receivable, less allowance for doubtful accounts of $1,979 (1988—$1,950)	159,501	154,383
Inventories	153,466	132,201
Deposits on timber cutting contracts	15,670	14,910
Prepaid expenses	8,721	8,910
Total current assets	348,771	343,611

Restricted Asset

EMERSON RADIO CORP. (MAR)

	1989	1988
Current Assets:		
Cash and cash equivalents	$ 9,366,000	$ 10,483,000
Accounts receivable (less allowances for doubtful accounts of $1,127,000 and $1,342,000 and for sales returns of $1,755,000 and $798,000)	68,526,000	67,887,000
Inventories	91,474,000	119,050,000
Prepaid expenses and other current assets	43,509,000	40,097,000
Total current assets	212,875,000	237,517,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C (In Part): Notes and Acceptances Payable:

At March 31, 1989, "prepaid expenses and other current assets" include a $6,000,000 certificate of deposit which is being maintained as collateral for a standby letter of credit agreement expiring September 15, 1989.

PROPERTY, PLANT, AND EQUIPMENT

Paragraph 5 of *APB Opinion No. 12*, Section D40 of *FASB Accounting Standards-Current Text*, states:

> Because of the significant effects on financial position and results of operations of the depreciation method or methods used, the following disclosures should be made in the financial statements or in notes thereto:
>
> a. Depreciation expense for the period,
> b. Balances of major classes of depreciable assets, by nature or function, at the balance-sheet date,
> c. Accumulated depreciation, either by major classes of depreciable assets or in total, at the balance sheet date, and
> d. A general description of the method or methods used in computing depreciation with respect to major classes of depreciable assets.

Tables 2-12 and 2-13 show the assets classified as Property, Plant, and Equipment by the survey companies. Examples of Property, Plant, and Equipment disclosures follow.

Table 2-14 summarizes the descriptive captions used to describe the accumulated allowance for depreciation.

TABLE 2-12: LAND CAPTIONS

	1989	1988	1987	1986
Land	367	375	385	393
Land and improvements	124	120	117	111
Land and buildings	33	34	29	29
Land combined with other identified assets	14	13	13	16
No captions with term land	25	22	19	14
	563	564	563	563
Lines of business classification	37	36	37	37
Total Companies	**600**	**600**	**600**	**600**

Classified By Nature Of Property

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

	1989	1988
	($000)	
Total current assets	$ 604,957	$ 532,369
Property and Equipment, at cost, less accumulated depreciation of $895,088 and $742,248	1,908,899	1,428,957

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies—

Depreciation and amortization. Depreciation for financial reporting purposes is provided on the straight-line method based upon the estimated useful lives of the assets generally estimated as follows: buildings, 20 to 40 years and vehicles and equipment, 3 to 12 years. Landfills, consisting of land and related airspace, are stated at cost. The cost of airspace is amortized as consumed during the landfill's useful life. Landfill preparation costs are amortized over the useful life of the landfill.

3. Property and Equipment

Property and equipment at September 30, 1989 and 1988, was as follows (in thousands):

	1989	1988
Land and improvements	$ 110,730	$ 89,886
Buildings	242,366	175,676
Landfills	857,353	583,961
Vehicles and equipment	1,497,287	1,244,127
Construction-in-progress	96,251	77,555
Total property and equipment	2,803,987	2,171,205
Less accumulated depreciation	895,088	742,248
	$1,908,899	$1,428,957

THE CLOROX COMPANY (JUN)

	1989	1988
	($000)	
Total current assets	$ 614,841	$ 465,786
Property, Plant and Equipment—Net	410,921	357,683
Brands, Trademarks, Patents and Other Intangibles	99,654	92,003
Other Assets Including Investments in Affiliates	87,673	76,182
Net Assets of Discontinued Operations	—	147,665
Total	$1,213,089	$1,139,319

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Property, Plant and Equipment

The major classes are (in thousands):

	1989	1988
Land and improvements	$ 35,525	$ 31,747
Buildings	183,785	167,404
Machinery and equipment	313,315	253,548
Construction in progress	39,466	40,789
Total	572,091	493,488
Less—accumulated depreciation	161,170	135,805
Net	$410,921	$357,683

Property, plant and equipment are stated at cost. Deprecia-

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1989	1988	1987	1986
Buildings				
Buildings	251	255	265	270
Buildings and improvements	204	203	202	204
Buildings and land or equipment	68	67	63	64
Buildings combined with other identified assets	8	8	11	6
No caption with term buildings	33	28	22	18
	564	561	563	562
Lines of business classification	36	39	37	38
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions		**Number of Companies**		
Machinery and/or equipment	452	447	448	440
Machinery and/or equipment combined with other assets	93	91	86	96
Construction in progress	250	255	259	256
Leasehold improvements	102	101	102	104
Automobiles, marine equipment, etc	74	80	72	74
Leased assets	73	62	72	85
Furniture, fixtures, etc	47	40	40	44
Assets leased to others	19	19	18	17

TABLE 2-14: ACCUMULATED DEPRECIATION

	1989	1988	1987	1986
Accumulated depreciation	303	301	309	309
Accumulated depreciation and amortization	169	162	162	167
Accumulated depreciation, amortization and depletion	38	39	31	33
Accumulated depreciation and depletion	16	23	27	23
Allowance for depreciation	36	34	33	30
Allowance for depreciation and amortization	16	19	23	18
Other captions	22	22	15	20
Total Companies	**600**	**600**	**600**	**600**

tion is calculated by the straight-line method over the estimated useful lives of the depreciable assets. Depreciation expense for continuing operations was $36,278,000 in 1989, $27,521,000 in 1988 and $24,536,000 in 1987.

COURIER CORPORATION (SEP)

	1989	1988
TOTAL CURRENT ASSETS	$32,188,000	$25,863,000
Property, plant and equipment (Note A):		
Land	2,238,000	2,238,000
Buildings and improvements	6,577,000	6,539,000
Favorable building lease/option	2,816,000	2,816,000
Machinery and equipment	49,828,000	46,682,000
Furniture and fixtures	1,174,000	1,147,000
Construction in progress	2,260,000	911,000
	64,893,000	60,333,000
Less-accumulated depreciation	(28,327,000)	(25,202,000)
	36,566,000	35,131,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment. Property, plant and equipment are recorded at cost, including interest on funds borrowed to finance the acquisition or construction of major capital additions. Such interest amounted to $99,000 in fiscal 1989 and $255,000 in fiscal 1988. No interest was capitalized in fiscal 1987. The Company provides for depreciation of plant and equipment on a straight-line basis over the following estimated useful lives:

Buildings and improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Furniture and fixtures	3 to 20 years

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. A favorable building lease is amortized over the life of the lease. Expenditures for maintenance and repairs are charged against income as incurred; betterments which increase the value or materially extend the life of the related assets are capitalized. When assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

CROWN CORK & SEAL COMPANY, INC. (DEC)

	1989	1988
	($000)	
Total current assets	$ 655,518	$ 503,754
Other receivables	49,074	57,023
Goodwill	186,840	16,516
Property, plant and equipment, at cost		
Buildings	171,679	131,222
Machinery and equipment	991,970	741,925
	1,163,649	873,147
Less accumulated depreciation	524,245	456,357
	639,404	416,790
Construction in progress	43,450	63,733
Land	80,809	15,336
	763,663	495,859
Total	$1,655,095	$1,073,152

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Property, plant and equipment and accumulated depreciation are relieved upon retirement or sale and the gain or loss is included in income. Renewals and replacements which extend the useful life of plant and equipment are treated as additions. Depreciation is provided by the straight-line method. Investment tax credits are considered a reduction of federal income tax expense in the year earned.

MATTEL, INC. (DEC)

	1989	1988
	($000)	
Total current assets	$603,257	$487,515
Property, Plant and Equipment		
Land	5,812	8,304
Buildings	46,490	13,191
Machinery and equipment	72,513	69,774
Capitalized leases	39,425	83,123
Leasehold improvements	19,068	32,565
	183,308	206,957
Less: Accumulated depreciation	55,496	56,426
	127,812	150,531
Tools, dies and molds, less amortization	37,053	24,556
Property, plant and equipment, net	164,865	175,087

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment—Property, plant and equipment on hand at December 26, 1987 was recorded at fair value as of that date. Subsequent additions are recorded at cost. These assets are depreciated on a straight-line basis over estimated useful lives of 15 to 40 years for buildings, 3 to 10 years for machinery and equipment, and 10 to 20 years (not to exceed the lease term) for leasehold improvements.

Capitalized leases are recorded at fair value determined at December 26, 1987 and are amortized over the lease terms.

Tools, dies and molds are amortized on a straight-line basis over their useful lives. In 1988, the Company revised the estimated life of tools, dies and molds to three years rather than periods not in excess of two years. This change stems from the Company's 1987 decision to emphasize its design, development and manufacture of product lines with longer life cycles and to reduce its dependence on new promotional toy lines with shorter life cycles. This revision reduced tooling expense by $9.0 million and increased net income by $8.6 million ($.18 per share) in 1988.

ROHM AND HAAS COMPANY (DEC)

	1989	1988
	($ Millions)	
Total current assets	$1,001	$1,032
Investments in and advances to unconsolidated subsidiaries and affiliates	107	100
Land, buildings and equipment, net	1,148	935
Other assets, net	189	175
	$2,455	$2,242

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Land, Buildings and Equipment and Related Depreciation

Land, buildings and equipment are carried at cost. Assets are depreciated over their estimated useful lives. Effective January 1, 1989, the company changed its method of depreciation for newly acquired buildings and equipment to the straight-line method. Buildings and equipment acquired before that date continue to be depreciated principally by accelerated methods. Maintenance and repairs are charged to earnings; replacements and betterments are capitalized.

The cost and related accumulated depreciation of buildings and equipment are removed from the accounts upon retirement or other disposition; any resulting profit or loss is reflected in earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Land, Buildings and Equipment, Net

(Millions of dollars)	1989	1988
Land	$ 16	$ 19
Buildings and improvements	403	365
Machinery and equipment	1,640	1,407
Capitalized interest cost	88	68
Construction	249	203
	2,396	2,062
Less accumulated depreciation	1,248	1,127
Total	$1,148	$ 935

The principal lives (in years) used in determining depreciation rates of various assets are: buildings and improvements (10-50); machinery and equipment (5-20); automobiles, trucks and tank cars (3-10); furniture and fixtures, laboratory equipment and other assets (5-10).

Effective January 1, 1989, the company changed its method of depreciation for newly acquired buildings and equipment to the straight-line method. The change had no cumulative effect on prior years' earnings but did increase net earnings by $9 million, or $.14 per share in 1989.

At December 31, 1989, the gross book values of assets depreciated by accelerated methods totaled $1,449 million and assets depreciated by the straight-line method totaled $682 million.

In 1989, 1988 and 1987, respectively, interest costs of $20 million, $16 million and $11 million were capitalized and added to the gross book value of land, buildings and equipment. Amortization of such capitalized costs included in depreciation expense was $8 million in 1989, $7 million in 1988 and $5 million in 1987.

THE STANDARD REGISTER COMPANY (DEC)

	1989	1988
	($000)	
Total current assets	$300,581	$299,206
Plant and Equipment (Note 3)		
Buildings and improvements	$ 58,828	$ 53,461
Machinery and equipment	137,594	121,353
Office and rental equipment	24,670	21,757
Total	$221,092	$196,571
Less accumulated depreciation	81,705	71,461
Depreciated cost	$139,387	$125,110
Plant and equipment under construction	13,348	13,446
Land	2,546	2,540
Total plant and equipment	$155,281	$141,096

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Plant and Equipment—Land, buildings and equipment, including significant improvements to existing facilities, are stated at cost. Maintenance and repairs are expensed as incurred.

Note 3—Plant and Equipment

Plant and equipment are carried at cost less accumulated depreciation. Depreciation, computed on the straight-line basis for financial reporting purposes, was $18,718,000 in 1989, $16,620,000 in 1988 and $16,380,000 in 1987. Depreciation rates are based on reasonable estimates of useful lives:

Classification	Annual Rate
Buiildings and improvements	2½ to 10%
Machinery and equipment	6⅔ to 20%
Office equipment	6⅔ to 20%
Rental equipment	25 to 33⅓%
Trucks and autos	25%
Leasehold improvements	Life of leases

When equipment is retired or has been fully depreciated, its cost and the related accumulated depreciation are eliminated from the respective accounts. Gains or losses arising from the dispositions are reported as income or expense.

Functional Classification

QUAKER STATE CORPORATION (DEC)

	1989	1988
	($000)	
Total current assets	$170,014	$177,558
Property, plant and equipment, net of accumulated depreciation and depletion	334,306	336,768

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

c. Property, plant and equipment, at cost: Costs of buildings and equipment, other than petroleum producing properties, are charged against income over their estimated useful lives, using the straight-line method of depreciation. Repairs and maintenance, which are not considered betterments and do not extend the useful life of property, are charged to expense as incurred. When property, plant and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in income.

Costs of petroleum producing properties are accounted for under the successful efforts method. Lease acquisition costs are capitalized and amortized by the unit of production method based on proved reserves, and equipment and intangible drilling costs are capitalized and amortized by the unit of production method based on proved developed reserves. An additional provision for depreciation and depletion is provided if the net capitalized costs of production properties exceed the discounted future net revenues for proved oil and gas reserves on a company-wide basis, using year-end prices and an annual discount rate of 10% (See Note 2).

Costs of individual oil and gas wells determined to be uneconomical are charged to the allowance for accumulated depreciation and depletion when abandoned, with no gain or loss being recognized until the property group is abandoned. Exploratory costs, associated with dry holes, geological and geophysical costs and annual delay rentals are charged to expense.

Coal mineral costs and mine development costs are capitalized and amortized by the unit of production method based on the mine's estimated developed recoverable reserves.

Estimated costs of future dismantlement, restoration, reclamation and abandonment of petroleum producing and mining properties are accrued through a charge to operations on a unit of production basis.

The company capitalizes interest cost as part of constructing major facilities. Interest cost capitalized in 1989, 1988 and 1987 was not material.

5. Property, plant and equipment:

Major classes of property, including land and construction work in progress of $50,754,000 in 1989 and $49,378,000 in 1988 are:

(in thousands)	1989	1988
Petroleum properties and equipment:		
Production—producing assets	$177,821	$180,840
Production—other	29,697	29,619
Refining	162,079	161,795
Fast Lube	115,101	105,153
Marketing	45,405	42,198
Transportation	10,566	10,282
Coal mining properties and equipment	147,253	144,054
Other	53,319	49,175
	741,241	723,116
Less accumulated depreciation and depletion	406,935	386,348
	$334,306	$336,768

INVESTMENTS

APB Opinion No. 18, Section I82 of *FASB Accounting Standards—Current Text*, stipulates that the equity method should be used to account for investments in corporate joint ventures *and* certain other companies when an investor has "the ability to exercise significant influence over operating and financial policies of an investee even though the investor holds 50% or less of the voting stock." *Opinion No. 18* considers an investor to have the ability to exercise significant influence when it owns 20% or more of the voting stock of an investee. *Opinion No. 18* also sets forth procedures to be followed and disclosures to be made by an investor in applying the equity method. *FASB Interpretation No. 35* was issued to clarify the criteria for applying the equity method of accounting to 50% or less owned companies.

In addition to investments accounted for by the equity method many of the survey companies disclosed investments in marketable equity securities and bonds. As mentioned in the Section on "Marketable Securities in Current Assets," *Statement of Financial Accounting Standards No. 12* stipulates that marketable equity securities, whether presented as a current or noncurrent asset, should be carried at lower of aggregate cost or market value.

Examples of investment presentations and disclosures follow.

TABLE 2-15: INVESTMENTS—VALUATION BASES

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Equity	236	267	308	316
Cost	83	102	93	118
Cost less allowances for losses	12	14	9	8
Lower of cost or market	26	24	24	19

Equity Method

ACTION INDUSTRIES, INC. (JUN)

Consolidated Balance Sheets

	1989	1988
Total Current Assets	$ 86,971,992	$ 76,951,180
INVESTMENTS IN AND ADVANCES TO AFFILIATES	11,359,254	11,768,631
PROPERTY, PLANT AND EQUIPMENT	11,551,130	12,048,605
OTHER ASSETS	2,666,317	2,623,749
	$112,548,693	$103,392,165

Consolidated Statements of Operations

	1989	1988	1987
EARNINGS FROM CONTINUING OPERATIONS before equity in net earnings of unconsolidated affiliates and cumulative effect on prior years of change in the method of inventory costing	$1,604,422	$3,177,549	$1,531,522
EQUITY IN NET EARNINGS OF UNCONSOLIDATED AFFILIATES	193,794	471,773	592,894
EARNINGS FROM CONTINUING OPERATIONS before cumulative effect on prior years of change in the method of inventory costing	1,798,216	3,649,322	2,124,416

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Investments in Affiliated Companies: Investments in unconsolidated affiliated companies are carried on the equity basis, which approximates the Company's equity in their underlying net book value.

Note B—Investments in Affiliated Companies

Action Tungsram, Inc.: The Company owns a 41% equity interest in Action Tungsram, Inc., a joint venture engaged in manufacturing in the United States, importing and marketing electric light bulbs and related products.

The Company retains the voting rights under an irrevocable proxy for a 10% interest which was sold to the president of the venture, and is required to repurchase that interest at the net book value upon the president's death or termination of employment. The Company recognizes 51% of the earnings of Action Tungsram in its investment and credits 10% to a liability to the president (included in other long-term obligations).

The Company and its joint venturer have equal voting control over all of the activities of Action Tungsram. Each is entitled to equal representation on the Board of Directors, and all matters presented to the Directors are subject to unanimous approval. Accordingly, the Company does not control Action Tungsram.

Action Nicholson Color Company: The Company owns a 50% equity interest in Action Nicholson Color Company, a joint venture which produces color separations. The Company has advanced $3,630,000 to Action Nicholson for the purchase of computerized color separation and graphics equipment, and a four-color printing press and other equipment. The advances are due in monthly installments through 1995, and bear interest at ½ percent over the Company's borrowing rate.

Pottery Factory Outlet: During fiscal 1988 the Company and a joint venturer opened POTTERY FACTORY OUTLET, a retail store operation selling tableware, giftware, and other general merchandise. The Company acquired a 50% equity interest in the common stock of the venture, at a cost of $164,000. During fiscal 1989 the Company sold its 50% interest to its joint venturer for $164,000.

Summarized financial information from the unaudited financial statements of these investees was as follows:

	May 1989	May 1988	
Current assets	$18,442,000	$18,735,000	
Noncurrent assets	13,036,000	14,071,000	
Current liabilities	7,496,000	8,625,000	
Noncurrent liabilities	8,399,000	8,718,000	
Shareholders' equity	15,583,000	15,463,000	
Action Industries, Inc. equity:			
Total	6,701,000	6,615,000	
Undistributed earnings	4,732,000	4,514,000	
	May 1989	May 1988	May 1987
Total revenues	$47,385,000	$51,317,000	$50,253,000
Revenues from shareholders	6,977,000	7,502,000	7,009,000
Gross profit on sales	8,741,000	10,242,000	10,031,000
Net earnings	448,000	1,086,000	1,433,000
Action Industries, Inc. net equity in earnings	193,794	471,773	592,894

THE MEAD CORPORATION (DEC)

Balance Sheets

	1989	1988
	(All dollar amounts in millions)	
Total current assets	$984.6	$959.9
Investments and other assets:		
Investments in and advances to jointly-owned companies (Note C)	104.7	95.4
Other assets	526.2	774.3
	630.9	869.7

Statements of Earnings

	1989	1988	1987
Earnings from continuing operations before equity in net earnings of jointly-owned companies	$176.2	$336.4	$160.9
Equity in net earnings of jointly-owned companies (Note C)	39.6	27.7	55.8
Earnings from continuing operations	215.8	364.1	216.7

NOTES TO FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Consolidation. The accompanying statements include the accounts of all significant wholly-owned subsidiaries excluding discontinued operations. Jointly-owned companies and partially-owned foreign operations are stated at cost plus the company's equity in their undistributed net earnings since acquisition. All significant intercompany transactions are eliminated.

C. Jointly-Owned Companies

The company's principal investment is the 50%-owned Northwood Forest Industries Ltd., which manufactures bleached softwood kraft pulp, lumber and plywood. Under an agreement with Northwood, Mead is entitled to purchase the pulp it requires.

In August 1988, Mead sold its 50% interest in Brunswick Pulp and Paper Company. An after-tax gain of $112.1 million ($1.67 per share) resulted from the sale.

Effective December 31, 1987, Mead and its partner dissolved their Georgia Kraft joint venture and sold certain assets resulting in an after-tax gain which contributed $27.6 million ($.44 per share) to Mead's net earnings.

Total investments in and advances to jointly-owned companies are comprised as follows:

December 31	1989	1988
(All dollar amounts in millions)		
Investments, at cost	$ 20.8	$22.6
Foreign currency translation adjustment	.6	(2.3)
Equity in undistributed net earnings	77.1	73.0
Total investments (equal to Mead's share of jointly-owned equity)	98.5	93.3
Advances	6.2	2.1
Total investments in and advances to jointly-owned companies	$104.7	$95.4

The summarized operating data for all of the jointly-owned companies are presented in the following table. These data include the operating results of Brunswick to its disposition date and Georgia Kraft to its dissolution date.

Year Ended December 31	1989	1988	1987
(All dollar amounts in millions)			
Revenues	$575.7	$710.4	$1,249.2
Gross profit	$185.6	$159.9	$ 216.5
Net earnings	$ 79.3	$ 67.7	$ 159.8
Sales to Mead included in these revenues	$ 73.9	$146.0	$ 461.7
Mead's share of net earnings, after elimination of inter-company transactions	$ 39.6	$ 27.7	$ 55.8
Dividends received	$ 39.9	$ 22.0	$ 7.5

The summarized balance sheet data for all jointly-owned companies are as follows:

December 31	1989	1988
(All dollar amounts in millions)		
Current assets	$153.4	$169.5
Noncurrent assets	645.7	650.8
Current liabilities	120.1	65.3
Long-term debt and deferred items	482.0	568.4
Shareholders' equity	$197.0	$186.6

TWIN DISC, INCORPORATED (JUN)

Consolidated Balance Sheets

	1989	1988
	(In thousands)	
Total current assets	$ 79,697	$ 75,647
Property, plant and equipment, net	32,946	29,361
Investment in affiliate	7,021	7,051
Other assets	2,297	3,169
	$121,961	$115,228

Consolidated Statements of Operations

	1989	1988	1987
Earnings from operations	$15,333	$11,828	$4,610
Other income (expense):			
Interest income	376	323	687
Interest expense	(572)	(294)	(823)
Equity in earnings of affiliate	689	310	2
Other, net	1,375	1,422	403
	1,868	1,761	269
Earnings before income taxes	17,201	13,589	4,879

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

INVESTMENT IN AFFILIATE—The Company's 25% ownership of Niigata Converter Company, Ltd. is stated at cost, adjusted for its equity in undistributed earnings since acquisition and the effects of foreign currency translation.

E. Investment in Affiliate

Undistributed earnings of the affiliate included in consolidated retained earnings approximated $3,311,000 and $2,928,000 at June 30, 1989 and 1988, respectively. Following is a summary of condensed unaudited financial information pertaining to Niigata Converter Company, Ltd.:

	March 31 (In thousands)	
	1989	1988
Current assets	$74,455	$68,633
Other assets	23,263	22,269
	$97,718	$90,902
Current liabilities	$66,390	$59,383
Other liabilities	3,244	3,317
Shareholders' equity	28,084	28,202
	$97,718	$90,902

	Year ended March 31		
	1989	1988	1987
Net sales	$124,464	$100,955	$74,874
Gross profit on sales	20,192	14,936	10,270
Net earnings	2,757	1,238	8

PENTAIR, INC. (DEC)

Consolidated Balance Sheet

	1989	1988
	($000)	
Property, plant and equipment—net	$282,664	$243,869
Investment in joint venture	24,334	15,975
Goodwill	99,139	95,925
Other assets	15,037	13,973

Consolidated Statement of Income

	1989	1988	1987
Net sales	$1,163,627	$823,281	$789,245
Operating costs			
Cost of goods sold	906,446	621,570	638,682
Selling, general and administrative	178,963	126,008	112,088
Other (income) expense	(2,523)	(1,486)	(4,119)
Total operating costs	1,082,886	746,092	746,651
	80,741	77,189	42,594
Equity in joint venture income	6,359	1,475	—
Operating income	87,100	78,664	42,594

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include Pentair, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The equity method of accounting is used for the 50/50 joint venture (see Note 3).

3. Joint Venture

Lake Superior Paper Industries (LSPI), a 50/50 joint venture formed by a wholly-owned subsidiary of the Company, began initial operations of its $400 million paper mill in Duluth, Minnesota in late 1987, and completed the start-up phase on February 29, 1988. While LSPI was in the development stage, all start-up costs (net of revenues) were deferred. For federal income tax purposes, one-half of LSPI taxable income and tax credits are included in the Company's consolidated tax return.

Under a leveraged lease financing, the Company, through its subsidiary, has committed to provide up to $95.0 million additional cash to LSPI if needed to meet its lease obligation. The Company has not been required to provide any cash to LSPI pursuant to this commitment, and long-term financial support is not expected to be substantial.

On December 31, 1989, the assets and liabilities of LSPI are summarized as follows: current assets, $38.2 million; property, plant and equipment, $78.4 million; other assets, $15.5 million; current liabilities, $45.1 million; long-term debt, $3.0 million; deferred gain, $39.3 million; joint venture contributions, $29.0 million (including Company contributions of $10.5 million cash and $4.0 million non-cash); and undistributed earnings, $15.7 million. On December 31, 1988, the assets and liabilities were as follows: current assets, $37.9 million; property, plant and equipment, $74.9 million; other assets, $6.2 million; current liabilities, $41.8 million; long-term debt, $4.2 million; deferred gain, $41.0 million; joint venture contributions, $29.0 million (including Company contributions of $10.5 million cash and $4.0 million non-cash); and undistributed earnings, $3.0 million.

The operations for the period January 1, 1989 to December 31, 1989 are summarized as follows: net sales, $160.8 million; cost of sales, $140.2 million; operating income, $13.7 million; and pre-tax income, $12.7 million. The operations for the period March 1, 1988 to December 31, 1988 were as follows: net sales, $111.1 million; cost of sales, $100.9 million; operating income, $3.4 million; and pre-tax income, $3.0 million.

Cost Method

AEL INDUSTRIES, INC. (FEB)

	1989	1988
	($000)	
Total current assets	$69,307	$56,929
Investment in foreign company	10,295	10,295

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Investment in Foreign Company

In December 1986, the Company exchanged its 58.7% interest in Elisra Electronic Systems Ltd. (Elisra) for redeemable shares representing a 6% interest in Tadiran Ltd. (Tadiran), an electronics company in Israel. The Company is accounting for its investment in Tadiran under the cost method of accounting. No gain was recognized on the exchange for financial reporting purposes. However, for income tax purposes, a gain was reported and an income tax payment of $3,941,000 is included in other assets.

The redeemable shares of Tadiran acquired by the Company are subject to an agreement which provides for rights and restrictions with regard to redemption, conversion, adjustment and transfer during certain periods through 1991. Beginning in 1990 and continuing through December 31, 1991, the Company may require Tadiran to redeem the shares for a minimum of $20,000,000, or a proportionate part thereof, plus interest. Prior to the redemption period, the Company may be required to sell its shares as part of a qualified public offering, at which the offering price would be at least equivalent to Tadiran's per share book value, as defined, or forfeit its redemption option. Tadiran's book value, as defined, at December 31, 1988 was approximately $209,000,000 and, on this basis, the Company's investment has an equivalent value of approximately $12,300,000.

CONTROL DATA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share data)

J (In Part): Investments and Divestitures

On September 29, 1989, the Company sold all of the outstanding capital stock of its wholly owned subsidiary, Imprimis Technology Incorporated to Seagate Technology, Inc. (Seagate). The aggregate consideration received by Control Data consisted of $250.0 in cash, 10,700,000 newly issued unregistered shares of Seagate common stock and a $50.0 subordinated promissory note payable by Seagate, due October 1, 1995, accruing interest at 12 percent per annum. The sale agreement also provided for certain post-closing adjustments to the sale price.

As a result of this transaction, Control Data owns approximately 17.6 percent of the issued and outstanding common stock of Seagate and is accounting for this investment by the cost method. The Seagate common stock is valued at $100.3 or $9.375 per share (which represents a 25 percent discount from the average trading value at closing), principally reflecting certain contractual restrictions on the Company's ability to dispose of those shares. The note is recorded at $42.5 with the discount of $7.5 due largely to its subordination to certain other Seagate debt and market interest rates. Both amounts are reported in investments and advances in the consolidated balance sheets.

The sale proceeds of $392.8 were reduced by $367.2, representing the carrying value of the net assets sold and estimated costs related to the sale, for a pretax gain of $25.6. In fourth quarter 1989, certain post-closing adjustments of $16.1 to the sale price reduced the gain to $9.5.

Certain additional adjustments to the selling price are still subject to final settlement or possible arbitration with Seagate. In the opinion of management, resolution of these matters will not have a material effect on consolidated financial position or results of operations.

GREIF BROS. CORPORATION (OCT)

	1989	1988
Total current assets	$148,962,048	$145,377,297
LONG TERM ASSETS		
Other notes and accounts receivable, etc.—less allowance of $697,000 for doubtful items	3,274,809	2,754,027
Cash surrender value of life insurance	1,297,843	1,190,460
Investments in preferred stocks (Notes 1 and 2)	13,563,981	13,563,981
Interest in and loan to partnership	7,091,040	7,091,040
	25,227,673	24,599,508

Note 1 (In Part): Summary of Significant Accounting Policies

Investments and Interest in Partnership

The 50% interest in partnership, in which the Company is a limited partner, and the investments in preferred stocks of Virginia Fibre Corporation are accounted for on the cost basis. The Company does not participate in the election of directors or officers or in the management of the limited partnership or Virginia Fibre Corporation.

Note 2—Long Term Assets

Interest in and Loan to Partnership

The partnership holds Class B common stock (1,200,000 shares) of the Company and common stock (280,174 shares) of Virginia Fibre Corporation.

During 1986, the Company loaned the partnership $6,000,000. The loan is secured by all of the partnership's holdings of the Company's Class B common stock (1,200,000 shares) and by all of the 280,174 shares of common stock of Virginia Fibre Corporation.

The loan is due October, 1994, and bears interest of 9.8%. Interest is due and payable quarterly.

As further consideration for the loan, the Company received an option exercisable at any time or times until 1994 to purchase all or part of the partnership's holdings of Virginia Fibre Corporation common stock at a price of $35 per share, with the right in the Company to apply the outstanding loan balance to the purchase price.

Investments in Preferred Stocks

At October 31, 1989 and 1988, the Company had the following investments in Virginia Fibre Corporation:

	Shares	Amount (000)
Series A 5% Participating Preferred Stock	123,924	$ 2,694
Series B 5% Participating Convertible Preferred Stock	462,281	9,870
Series D Preferred Stock	50,000	1,000
		$13,564

Virginia Fibre Corporation is an integrated pulp and paper mill in Virginia that produces semi-chemical corrugating medium, which is one of the major components used in the manufacture of corrugated containers. Net income for the fiscal year ended September 30, 1989 was $19,924,000 ($16,105,000 in 1988 and $10,448,000 in 1987).

In 1988 Virginia Fibre Corporation announced an expansion plan to increase the productive capacity of the mill to approximately 1,200 tons per day, from its present level of approximately 750 tons per day. It is anticipated that the total cost of this expansion, which will take place over a period of three to five years, will be $100,000,000. Given the present rate of earnings of Virginia Fibre Corporation, it is anticipated that cash flow will be sufficient to fund this expansion, and that no outside borrowings from any source will be necessary.

Both the Series A and Series B Participating Preferred Stocks of Virginia Fibre Corporation are entitled to participate in the earnings of Virginia Fibre Corporation. The Series D Preferred Stock is entitled to a 5% cumulative cash dividend, if declared.

In 1989 the Company received $2,846,346 in Preferred Stock cash dividends from Virginia Fibre Corporation ($2,846,109 in 1988 and $2,845,872 in 1987). The 1989 amount represented approximately 32% of Preferred Stock dividends that were in arrears (28% in 1988 and 24% in 1987).

The Series B Participating Convertible Preferred Stock is convertible into common stock at the option of the holder. If the Company should exercise all of its conversion rights, and should also exercise its entire option rights under the loan agreement, the Company would then be the record holder of approximately 90% of the voting stock of Virginia Fibre Corporation under its present capitalization.

INTEL CORPORATION (DEC)

	1989	1988
	($000)	
Property, plant and equipment, net	$1,284,050	$1,122,459
Long-term investments (at cost, which approximates market)	507,669	421,900
Other non-current assets	39,391	35,519

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investments

Investments consist of time deposits, certificates of deposit, Euro-time deposits, U.S. and foreign government obligations, U.S. Government Agencies' obligations, corporate bonds, fixed and floating rate notes, loan participations, municipal obligations, collateralized mortgage obligations and investments made under repurchase agreements. Investments denominated in foreign currencies are hedged by currency forward contracts and by currency interest rate swaps. Investments with maturities of greater than one fiscal year and restricted investments are classified as long-term. Investments are carried at cost which approximates market.

Investments consist primarily of AA or better quality bonds and investments with AA or better rated counterparties for long-term transactions and A1 or P1 or better rated counterparties for short-term transactions. Foreign government regulations imposed upon investment alternatives of foreign subsidiaries or the absence of AA rated financial institutions in some countries result in some exceptions. Collateral has been obtained and secured from counterparties against investments whenever deemed necessary. At December 30, 1989 investments were placed with over 40 different financial institutions, and no individual security or financial institution exceeded 10% of total investments.

The Company enters into currency forward contracts, currency options, interest rate swaps, and currency interest rate swaps to hedge its currency and interest rate exposures. At December 30, 1989, the outstanding net face amounts of these contracts totaled approximately $652 million of currency forward contracts (including $508 million which hedge foreign currency investments), $12 million of currency options, and $255 million of interest rate swaps.

UNIVERSAL CORPORATION (JUN)

	1989	1988
	($000)	
Total current assets	$638,645	$610,240
INVESTMENTS (Note 9)	164,433	151,704

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All dollar amounts are in thousands, except as otherwise noted)

Note 1 (In Part): Accounting Policies

INVESTMENTS

Investments held by the company's title insurance operations are valued as follows: bonds-amortized cost, mortgage loans—unpaid principal balances and stocks (marketable equity securities)—market. Unrealized gains and losses on stocks, net of taxes, are included as a component of shareholders' equity, and are not included in the determintion of net income. Provisions for permanent declines in market value and realized investment gains and losses, determined by use of the specific identification method, are reflected as a component of net income. Investments held by non-title insurance operations are valued at cost.

Note 9—Investments

An analysis of investments at June 30, 1989 and 1988 follows:

	Cost	Market	Carrying Value
1989			
Title insurance operations:			
Bonds	$113,927	$117,668	$113,927
Marketable equity securities	44,751	48,041	48,041
Mortgage loans	1,383	1,383	1,383
			163,351
Other investments	1,082	4,945	1,082
Total			164,433
1988			
Title insurance operations:			
Bonds	105,679	107,852	105,679
Marketable equity securities	44,198	43,227	43,227
Mortgage loans	1,330	1,330	1,330
			150,236
Other investments	$ 1,468	$ 4,959	1,468
Total			$151,704

Unrealized investment gains (losses) reflected in shareholders' equity at June 30, 1989 and 1988 are net of $1,051 and $(401) of deferred income taxes, respectively. Gross unrealized investment losses at June 30, 1989 were $441 and $2,318 in 1988.

The following were included in 'Income Before Income Taxes and Other Items':

	1989	1988	1987
Net gains on sale of investments...	$ 3,783	$ 3,264	$12,422
Investment income	$15,056	$14,786	$11,935

Lower Of Aggregate Cost Or Market Value

ICOT CORPORATION (JUL)

	1989	1988
	($000)	
Equipment and leasehold improvements, net.........	$1,581	$3,528
Investment in Securities................................	7,500	—
Other Assets, net of amortization of $4,739 in 1989 and $2,877 in 1988	1,313	9,798

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Sale of EFTPOS Assets

On June 15, 1989, pursuant to the "Agreement for the Purchase and Sale of Assets dated May 26, 1989, between VeriFone, Inc. and ICOT," the Company sold all of its EFTPOS assets to VeriFone, Inc. The EFTPOS business involved the design, manufacture and sale of terminals and software for the purpose of capture and communication of transactions on a real-time basis at the point of sale in commercial applications.

The book value of net assets sold was approximately $12,200,000. The Company has retained certain liabilities associated with the EFTPOS business and accrued certain costs related to the sale and discontinuance of EFTPOS business activities. As of July 29, 1989, such liabilities and accrued costs totalled $3,596,000 of which $2,706,000 is included in accrued expenses and $890,000 included in obligations under lease commitments in the accompanying balance sheets.

In consideration for the sale, VeriFone, Inc. paid $10,000,000 in cash and issued 1,500,000 shares of VeriFone, Inc. common stock to the Company. There was no significant gain or loss on the sale of these assets. As VeriFone, Inc. is privately held, no public market exists for the common stock; therefore, management and the Board of Directors have valued the common stock at $5.00 per share based on their knowledge of VeriFone, Inc. and its most recent private placement of securities. These securities are recorded at the lower of cost ($7,500,000) or market (where market is based on the Board of Directors and management's estimation).

The following table summarizes unaudited pro-forma net sales and cost of sales for the years ended July 29, 1989 and July 30, 1988 assuming that the EFTPOS assets were sold at the beginning of 1988 (in thousands).

	1989	1988
Net sales...	$17,913	$23,850
Cost of sales...	11,466	12,970
Gross margin	$ 6,447	$10,880

SCOPE INDUSTRIES (JUN)

	1989	1988
Marketable Securities, at lower of cost or market:		
(Market $24,213,725 in 1989 and Cost $19,017,544 in 1988—Note 3)........	$14,242,634	$18,075,460

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Marketable Securities:

The non-current portfolio of marketable securities is stated at the lower of aggregate cost or market at the balance sheet date and consists of common and preferred stocks, bonds and U.S. Treasury obligations. Dividend and interest income are accrued as earned.

Realized gains or losses are determined on the specific identification method and are reflected in income. Unrealized losses on non-current marketable securities are recorded directly in a separate shareowners' equity account except those unrealized losses that are deemed to be other than temporary, which losses are reflected in income.

Note 3: Marketable Securities

Included in Investment and Other Income (Loss) are recognized losses and gains on marketable securities. Net losses of $1,966,867 and $5,347,315 were recognized in 1989 and 1988, respectively. Net gains of $2,742,005 were recognized in 1987. The recognized losses and gains were from sales of marketable securities and from recognized but unrealized losses of $2,463,591 and $4,084,421 in 1989 and 1988, respectively, on securities whose decline in value was deemed to be other than temporary.

At June 30, 1989, gross unrealized gains and losses (other than the above mentioned unrealized losses) on marketable securities were as follows:

	Non-Current
Gross unrealized gains.......................................	$10,131,790
Gross unrealized losses......................................	$ (160,699)

Carrying Amount Is Zero

THE BFGOODRICH COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

Note C (In Part): Discontinued Operations

During 1989, BFGoodrich sold the elastomers business unit of its Specialty Chemicals segment and decided to sell the marine products and services business unit of its Aerospace Products segment.

In 1988, BFGoodrich sold its 50 percent interest in The Uniroyal Goodrich Tire Company ("UGTC") to UGTC Holding Corporation, a Delaware corporation formed by a group of investors organized by Clayton & Dubilier, Inc. UGTC had been formed on August 1, 1986, when BFGoodrich and Uniroyal Holdings, Inc. ("Uniroyal") combined their tire businesses (except aircraft tires) into a joint-venture partnership owned equally by subsidiaries of BFGoodrich and Uniroyal. In connection with the sale, BFGoodrich received $225.0 in cash, plus a warrant to purchase common stock of UGTC Holding Corporation representing 10 percent of its initial equity on a fully diluted basis, which effectively represents up to 7 percent of the equity of UGTC on a fully diluted basis. BFGoodrich has not recorded any value for the warrant. In September 1989, Groupe Michelin agreed to acquire UGTC, which agreement is subject to various conditions and government approvals. If the transaction is consummated as proposed, BFGoodrich expects to realize a pretax gain of approximately $30.0 from exercising or tendering the warrant.

OPTICAL COATING LABORATORY, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Gain from Sale of Equity in Affiliated Company

The Company executed a letter of intent in October 1988 to form a joint venture consisting of its Flex Products operation with ICI Americas Inc., the U.S. subsidiary of Imperial Chemical Industries PLC (ICI). The new joint venture, Flex Products, Inc., is 40% owned by the Company and 60% owned by ICI. The financial statements of the Company have been restated to reflect the net operating results of the former Flex Products operation as equity in loss of affiliated company. The pre-tax gain on this transaction of $9,971,000 in 1988 and $350,000 in 1989 was included as gain on sale of equity in affiliated company. Prior year net sales and costs and expenses presented in the Consolidated Statements of Earnings have been restated to exclude sales and costs and expenses of the former Flex Products operation.

The Flex Products, Inc. joint venture received an $18 million investment plus a $5 million working capital loan from ICI for ICI's 60% interest. In consideration for OCLI's contribution of the assets and business of its Flex Products operation and a covenant not to compete with the joint venture, Flex Products, Inc. assumed and paid $12 million of OCLI's bank term loan and paid OCLI $6 million cash for a total of $18 million. In addition, OCLI will receive $5 million over the next five years under a research and development contract, $1.8 million in technology fees over two years and royalties starting at 10% of joint venture sales and declining to 4% of sales over five years and continuing until a total of $13.7 million is received. The joint venture agreement also includes a buy out option of the Company's interest by ICI beginning after five years from the closing of the transaction.

The Company received proceeds in excess of the carrying amount of the assets contributed to the joint venture. Excess proceeds were allocated first to reduce the carrying amount of the Company's investment to zero, with the remaining excess proceeds reported as gain on sale of equity in affiliated company. Since the Company carries its investment in the joint venture at zero and is not obligated and does not intend to make further investment in the joint venture, it does not recognize losses attributable to its equity position in the joint venture.

In 1989, the Company received from Flex Products, Inc. $750,000 as technology fee and $336,000 as royalties on sales. In addition, Flex Products, Inc. paid the Company approximately $546,000 for facility rent, $1,604,000 in cost reimbursement for general and administrative support services and $643,000 under the research, development and engineering services contract. These amounts are reflected in the operating results of the Company.

NONCURRENT RECEIVABLES

Chapter 3A of *ARB No. 43*, Section B05 of *FASB Accounting Standards—Current Text*, states that the concept of current assets excludes "receivables arising from unusual transactions (such as the sale of capital assets, or loans or advances to affiliates, officers, or employees) which are not expected to be collected within twelve months." *APB Opinion No. 21*, Section I69 of *FASB Accounting Standards—Current Text*, requires the imputation of a realistic interest rate to most long-term receivables not bearing interest or bearing an interest rate lower than the prevailing rate. Exceptions to the aforementioned requirement are listed in paragraph 3 of *Opinion No. 21*. Table 2-16 summarizes the balance sheet captions used to describe noncurrent receivables. Examples of noncurrent receivables follow.

CATERPILLAR INC. (DEC)

	1989	1988
	($ Millions)	
Total current assets	$ 5,708	$5,317
Land, buildings, machinery, and equipment—net	3,505	2,909
Long-term receivables:		
Excluding financial subsidiaries	100	104
Financial subsidiaries	938	798
Investments in affiliated companies	302	288
Intangible assets	147	71
Other assets	226	199
Total assets	$10,926	$9,686

TABLE 2-16: NONCURRENT RECEIVABLES

	1989	1988	1987	1986
Caption Title				
Notes Receivable	33	33	38	40
Long-Term Receivables	39	39	35	31
Noncurrent Receivables	9	8	7	8
Other	38	32	30	34
Receivables combined with other investments, deposits, etc.	45	49	39	56
Total Presentations	**164**	**161**	**149**	**169**
Number of Companies				
Presenting noncurrent receivables	158	157	149	167
Not presenting noncurrent receivables	442	443	451	433
Total Companies	**600**	**600**	**600**	**600**

CHYRON CORPORATION (JUN)

	1989	1988
	($000)	
Total current assets	$48,207	$38,130
Marketable securities		9,501
Trade notes receivable	6,401	10,219
Property and equipment, net	5,097	5,086
Excess cost of investments over net assets acquired	7,079	3,177
Software development costs	3,919	2,759
Other assets	1,485	1,518
Total Assets	$72,188	$70,390

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Trade Notes Receivable

Trade notes receivable result from collateralized sales with extended payment terms ranging from one to six years (after an initial down payment) which provide interest at current rates ranging from 10% to 13% on the amount financed. The Company maintains a collateral interest in the equipment sold. The outstanding balance of trade notes receivable is as follows:

At June 30,	1989	1988
	(In thousands)	
Current	$ 4,465	$ 5,349
Long-term	6,401	10,219
	$10,866	$15,568

The current portion is included in accounts and notes receivable.

During June 1989 the Company entered into a master purchase agreement with a financial institution for the sale, with limited recourse, of certain trade notes receivable. The agreement provides for the sale of trade notes receivable at their discounted present value (using the prime rate plus 2%) and for the Company to service the collection of the notes. Future trade notes receivable may be sold utilizing the master puchase agreement. Proceeds from the sale of receivables in June 1989 amounted to approximately $7.7 million. The trade notes receivable balance at June 30, 1989 is net of this sale.

KAY JEWELERS, INC. (DEC)

	1989	1988
	(In thousands)	
Net property and equipment	$67,048	$52,619
Due from Balfour Maclaine (Note 4)	3,700	3,700
Value of leases acquired	1,155	1,753
Goodwill	17,136	14,146
Other	8,125	8,046

Note 4 (In Part): Income Taxes

The Company and Balfour Maclaine (the Company's former parent) have a tax sharing agreement which provides, among other things, that the Company's tax obligations will be determined on a separate company basis. Balfour Maclaine is required to pay the Company the benefit of the Company's tax net operating losses used in Balfour Maclaine's consolidated tax returns prior to the spin-off to the extent that the Company would be able to utilize such tax net operating losses on a separate return basis. In accordance with the tax sharing agreement, at December 31, 1989, the Company has recorded a receivable from Balfour Maclaine of $3,700,000 of which $3,169,000 is due in 1994 with interest at 12% and $531,000 is due in 1993 with interest at 10½%.

HERMAN MILLER, INC. (MAY)

	1989	1988
	($000)	
Net Property and Equipment	$195,139	$161,802
Goodwill	12,379	12,095
Notes Receivable, less allowance of $782,000 in 1989	54,957	44,413
Other Assets	7,440	7,872
Total Assets	$494,564	$433,918

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting and Reporting Policies (in Part)

Notes Receivable

The notes receivable are from certain contract office furniture dealers. The notes are collateralized by the assets of the dealers and bear interest based upon the prime rate. Interest income relating to these notes was $4.3 and $2.5 million in 1989 and 1988, respectively.

NCR CORPORATION (DEC)

	1989	1988
	(In millions)	
Total Current Assets	$2,707	$3,007
Long-term receivables, net	306	289
Rental equipment and service parts, net	185	207
Property, plant and equipment, net	919	907
Goodwill, net of amortization	116	115
Other assets	267	192
Total Assets	$4,500	$4,717

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

Note 3 (In Part): Financial Position Information

Components of selected captions in the Consolidated Statement of Financial Position are set forth below:

	December 31		
	1989	1988	1987
Long-term receivables			
Total long-term receivables	$501	$467	$465
Less unearned income	70	59	54
Less allowance for doubtful accounts	9	6	8
Less current portion	116	113	119
	$306	$289	$284
Range of interest rates on long-term receivables	4% to 22%	5% to 22%	5% to 22%

O'SULLIVAN CORPORATION (DEC)

	1989	1988
Total current assets	$53,670,911	$59,467,249
Investments, Long-Term Receivable and Other Assets		
Investment in real estate (Note 11)	2,348,674	2,360,379
Note receivable (Note 11)	1,500,000	—
Other	592,599	455,269
	4,441,273	2,815,648

Note 11. Sale of Real Estate Investments

The Corporation recognized an after-tax gain of $881,621 or $.05 per share during 1989 from the sale of various real estate investments.

A portion of the proceeds from the sale of these assets were received in the form of a long-term note receivable for $1,500,000. The note has an interest rate of 10% and is due to be paid $500,000 May, 1992, $500,000 May, 1993 and $500,000 May, 1994.

PALL CORPORATION (JUL)

	1989	1988
	(In thousands)	
Other Assets:		
Non-current receivables from officers and employees	$ 4,045	$ 2,748
Miscellaneous	14,066	12,436
Total Other Assets	18,111	15,184

TALLEY INDUSTRIES, INC. (DEC)

	1989	1988
Total current assets	$335,549,000	$315,118,000
Long-term receivables, net	69,248,000	72,616,000
Property, plant and equipment, at cost, net of accumulated depreciation of $58,148,000 in 1989 and $49,868,000 in 1988	70,088,000	88,956,000
Intangibles, at cost, net of accumulated amortization of $9,322,000 in 1989 and $7,317,000 in 1988	51,914,000	51,149,000
Deferred charges and other assets	4,680,000	5,461,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Receivables

Long-term receivables consist primarily of notes originated or purchased by the Company's Realty segment. A summary of amounts receivable is as follows:

(balances in thousands)	1989	1988
Notes receivable, including accrued interest	$109,333	$111,458
Amounts due within one year, included in accounts receivable	(40,085)	(38,842)
Long-term receivables	$ 69,248	$ 72,616

The notes range in length from one to twelve years and bear interest at December 31, 1989 at rates ranging from 9.0% to 17.4%. Payment terms vary by note, but generally require monthly, quarterly or annual interest and principal payments. Notes receivable is net of allowances of $8,865,000 and $208,000 at December 31, 1989 and 1988, respectively.

TRIBUNE COMPANY (DEC)

	1989	1988
	(In thousands of dollars)	
Other assets		
Broadcast rights	$ 308,794	$ 369,256
Intangible assets (less accumulated amortization of $98,226 and $83,113)	650,471	643,840
Mortgage notes receivable from affiliate	105,763	106,112
Other	93,417	75,279
Total other assets	1,158,445	1,194,487

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Transaction with Affiliate

The Company holds two mortgage notes resulting from the sale in 1982 of the New York Daily News building to a limited partnership in which the Company holds a 23 percent interest. The Company's interest resulted from its initial contribution of $20,000,000 to the partnership in the form of a 14 percent note due December 31, 1992. One of the mortgage notes receivable had an original principal amount of $87,500,000 and bears interest at 13 percent plus contingent interest based upon the building's cash flow and appreciation in value. The second mortgage note, in the amount of $20,000,000, has a 15-year maturity and an interest rate of 14 percent during the first ten years and 15 percent thereafter. The Company deferred a $23,600,000 gain on the sale of the building, which will be recognized in the event the Company's limited partnership interest is sold or the building is sold to a third party.

UNITED TECHNOLOGIES CORPORATION (DEC)

	1989	1988
	In Millions of Dollars	
Total Current Assets	$8,506.8	$7,988.6
Accounts, notes and leases receivable, due after one year	437.9	340.6
Other investments	343.9	334.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5.

Accounts, Notes and Leases Receivable: Allowances for doubtful accounts of $96.6 million and $106.5 million have been applied as a reduction of current accounts receivable at December 31, 1989 and 1988, respectively.

Current and long-term accounts receivable at December 31, 1989 and 1988 include approximately $289 million and $265 million, respectively, representing retainage under contract provisions and amounts which are not presently billable because of lack of funding or final prices or contractual documents under government contracts or for other reasons. These items are expected to be collected in the normal course of business. At December 31, 1988 the Corporation had sold $190.5 million of accounts receivable to third parties without recourse.

Accounts, notes and leases receivable, due after one year, consist of the following at December 31:

In Millions of Dollars	1989	1988
Accounts receivable	$247.5	$152.8
Notes receivable	131.0	121.4
Leases receivable:		
Financing leases, net of unearned income of $19.5 and $23.8, respectively	59.4	66.4
	$437.9	$340.6

Scheduled maturities, in millions of dollars, of the accounts, notes and leases receivable, due after one year for the next five years are $186.0 in 1991, $66.1 in 1992, $47.0 in 1993, $45.2 in 1994 and $113.1 in 1995 and thereafter.

WINNEBAGO INDUSTRIES, INC. (AUG)

	1989	1988
	($000)	
Long-Term Notes Receivable, less allowance for doubtful accounts ($1,490 in 1988)	$ 4,999	$ 5,560
Other Assets	15,324	12,196

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Long-Term Notes Receivable and Other Assets

Long-term notes receivable of $4,999,000 are primarily collateralized by real estate. The notes had a weighted average interest rate of 10.14% at August 26, 1989 and have various maturity dates ranging from June 1, 1991 through December 15, 1995.

Other assets include a parcel of real estate held for resale, which was acquired in settlement of notes receivable from a dealer.

INTANGIBLE ASSETS

APB Opinion No. 17, Section I60 of *FASB Accounting Standards—Current Text*, sets forth requirements as to accounting for intangible assets. *Opinion No. 17* stipulates that all intangible assets acquired after October 31, 1970 or recognized in business combinations initiated after October 31, 1970 be amortized over a period not to exceed 40 years and that "financial statements should disclose the method and period of amortization."

Table 2-17, which summarizes intangible assets by type and by accounting treatment, shows the prevalence of goodwill recognized in a business combination. Table 2-17 excludes certain assets often considered to be intangible which are classified as components of Property, Plant, and Equipment.

Table 2-18 summarizes the amortization periods used by the survey companies to amortize intangible assets. It is not uncommon for a company to use more than one period for one type of intangible. For instance, a company may disclose in the Summary of Accounting Policies that it amortizes goodwill over a period not exceeding 40 years and in a subsequent note disclose that it amortizes goodwill related to a certain acquisition over a specified number of years.

Examples of intangible asset disclosures follow.

Goodwill

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

	1989	1988
	(In millions)	
Total current assets	$1,276.9	$1,194.3
Investments and Other Assets:		
Investments in and advances to affiliated companies	87.4	82.3
Investment properties	141.1	34.9
Deferred charges and other non-current assets	312.2	225.7
Excess of cost over net assets of acquired businesses, net	536.8	104.9
	1,077.5	447.8

NOTES TO CONSOLDIATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Principles and Policies

Excess of Cost Over Net Assets of Acquired Businesses

The excess of the cost over the net assets of acquired businesses is being amortized on a straight-line basis over a period of 40 years. Accumulated amortization at December 31, 1989 and 1988 was $20.9 million and $17.0 million, respectively.

TABLE 2-17: INTANGIBLE ASSET VALUATION

	Number of Companies			
	1989	1988	1987	1986
Assets Being Amortized				
Goodwill recognized in a business combination	367	340	338	312
Patents, patent rights	62	67	59	63
Trademarks, brand names, copyrights	38	41	34	39
Software	27	23	27	18
Licenses, franchises, memberships	19	22	26	23
Other—described	52	47	20	27
Intangible assets (not otherwise described)	56	37	37	35
Assets Not Being Amortized				
Goodwill recognized in a business combination	44	60	76	84
Trademarks, brand names, copyrights	3	3	3	5
Other—described	2	5	2	1
Other Bases				
Nominal value	1	3	1	2
Basis not determinable	19	17	22	23

M. A. HANNA COMPANY (DEC)

	1989	1988
	(Dollars in thousands)	
Other Assets		
Working assets—interest in associated companies	$ 62,068	$ 70,157
Investments in other companies	42,992	45,568
Goodwill and other intangibles	409,240	366,692
Other	32,269	30,410
Total other assets	546,569	512,827

SUMMARY OF ACCOUNTING POLICIES

Goodwill and Other Intangibles

Goodwill recognized in business combinations accounted for as purchases ($375,387,000 at December 31, 1989, and $342,361,000 at December 31, 1988, before accumulated amortization of $20,372,000 and $11,351,000, respectively) is being amortized over 40 years. Certain purchase agreements provide that future payments may be made to former owners based on performance up to the year ending December 31, 1992. Such contingent amounts, representing additional purchase price, will be recorded at the end of the year in which they are earned as an addition to goodwill and will be subsequently amortized. During 1989 and 1988, $4,205,000 and $4,838,000 were recorded under the terms of these agreements. Amortization expense amounted to $9,023,000 for 1989, $7,718,000 for 1988 and $3,633,000 for 1987.

Other intangibles are being amortized on a straight-line basis over 4 to 40 years. Amortization expense amounted to $5,790,000 for 1989, $3,704,000 for 1988 and $1,135,000 for 1987.

DIXIE YARNS, INC. (DEC)

	1989	1988
Intangible Asset (less allowance for amortization of $2,873,926 in 1989 and $1,815,416 in 1988)	$39,466,431	$40,524,941
Other Assets	8,666,399	9,194,071

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Intangible Asset: The excess of the purchase price over the fair market value of identifiable net assets acquired in a business combination is being amortized using the straight-line method over 40 years.

FMC CORPORATION (DEC)

	1989	1988
	($000)	
Total current assets	$1,311,995	$1,316,601
Investments	111,479	90,009
Property, plant and equipment, net	1,334,918	1,268,060
Patents and deferred charges	40,676	52,956
Intangibles of acquired companies	19,899	21,125
Total assets	$2,818,967	$2,748,751

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Principal Accounting Policies

Intangibles of acquired companies. Intangibles represent the excess of the consideration paid for companies acquired in purchase transactions over the estimated fair value of the net assets of such companies. Intangibles acquired since October 31, 1970, are being amortized on a straight-line basis over periods normally not exceeding 15 years; intangibles acquired before that date ($8.6 million at December 31, 1989) are not being amortized, because management believes that their value has not diminished.

TABLE 2-18: AMORTIZATION PERIOD—1989

	Number of Companies				
	Goodwill	Patent	Trade mark	Software	License
Period					
40	181	—	5	1	—
"Not exceeding 40"	81	1	4	1	1
25-30	17	1	1	—	1
20	11	—	—	—	1
10-15	17	2	2	—	—
Legal/estimated life	27	45	17	12	9
Other	57	8	6	13	7

LAFARGE CORPORATION (DEC)

	1989	1988
	($000)	
Total current assets	$ 507,085	$ 401,506
Property, plant and equipment, net	870,215	693,712
Excess of cost over net assets of businesses acquired, net	56,057	40,507
Other assets	110,162	63,683
Total Assets	$1,543,519	$1,199,408

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting and Financing Reporting Policies (In Part)

Excess of Cost over Net Assets of Businesses Acquired

The excess of the cost over the fair value of net assets of businesses acquired is amortized on a straight-line basis over periods not exceeding 40 years. The amortization recorded for 1989, 1988 and 1987 was $3.9 million, $2.2 million and $2.0 million, respectively. Accumulated amortization at December 31, 1989 and 1988 was $16.6 million and $12.7 million, respectively. In 1987, as part of a major restructuring, the Company wrote off $6.0 million of the excess of the cost over the fair value of net assets of businesses acquired.

MEDIA GENERAL, INC. (DEC)

	1989	1988
	($000)	
Net property, plant and equipment	$421,741	$405,150
Excess of cost of businesses acquired over equity in net assets (less accumulated amortization 1989—$6,869; 1988—$8,157)	46,947	57,446

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Principles of Consolidation

The accompanying financial statements include the accounts of the Company and subsidiaries more than 50% owned. All significant intercompany balances and transactions have been eliminated. Certain items in 1988 and 1987 have been reclassified to conform with the current year's presentation.

Cost in excess of net assets acquired in connection with acquisitions through 1970 is not amortized unless there is evidence of diminution in value; such excess cost incurred after 1970 is being amortized by the straight-line method over periods not exceeding forty years. Net excess cost was reduced by $9.7 million in 1989 as a result of the reclassification, to current assets, of the Company's investment in its West Coast newspapers to be sold and, in 1988, by an aggregate of $27.6 million associated with Media General Broadcast Services and the aforementioned newspapers (notes 2 and 5).

Note 11 (In Part): Other

Depreciation and Amortization

Plant and equipment are depreciated over their estimated useful lives primarily by use of the straight-line method. Depreciation deductions are computed by accelerated methods for income tax purposes.

Amortization of excess cost of businesses acquired was $773,000, $1,619,000 and $1,586,000 in 1989, 1988 and 1987, respectively.

TYSON FOODS, INC. (SEP)

Consolidated Balance Sheets

	1989	1988
	($000)	
Net Property, Plant and Equipment	$1,020,756	$430,025
Excess of Investments over Net Assets Acquired	745,778	5,258
Investments and Other Assets	69,894	18,292

Consolidated Statements of Income

	1989	1988	1987
Sales	$2,538,244	$1,935,960	$1,785,969
Cost of Sales	2,056,085	1,627,598	1,483,004
	482,159	308,362	302,965
Operating Expenses:			
Selling	194,983	138,239	107,920
General and administrative	72,614	45,537	48,654
Amortization of excess of investments over net assets acquired	3,899	209	199
	271,496	183,985	156,773
Operating Income	210,663	124,377	146,192

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Excess of Investments over Net Assets Acquired

Costs in excess of net assets of businesses purchased are being amortized straight-line over periods from 20 to 40 years.

UNISYS CORPORATION (DEC)

	1989	1988
	(Millions)	
Properties, net	$1,855.3	$2,003.0
Cost in excess of net assets acquired	1,579.5	1,599.9
Investments at equity	249.9	192.2
Other assets	833.7	787.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

H. Cost in excess of net assets acquired

Cost in excess of net assets acquired represents the excess of cost over fair value of the net assets of Sperry Corporation and Convergent, Inc. (Convergent), which is being amortized on the straight-line method over 40 years and 12 years, respectively. Accumulated amortization at December 31, 1989 and 1988 was $129.1 million and $69.9 million, respectively.

Patents

BIOGEN, INC. (DEC)

	1989	1988
	($000)	
Property and equipment, net	$15,299	$14,464
Other Assets		
Investment in joint venture	5,008	4,645
Patents, net of amortization (1989—$2,467, 1988—$1,690)	4,471	3,838
Other	818	335
Total other assets	10,297	8,818

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Other Assets

The excess of cost over fair value of net assets related to an investment in a joint venture is being amortized on the straight-line basis over a period of 20 years.

The costs of patents and patent applications are amortized on the straight-line basis over their estimated useful lives, up to 15 years.

SUPPLEMENTARY INCOME STATEMENT INFORMATION

The amounts shown below are included in costs and expenses in the consolidated statements of operations.

(in thousands)	1989	1988	1987
Maintenance and repairs	$ 836	$825	$899
Taxes, other than payroll and income taxes	448	276	271
Patent amortization	1,020	847	817
Royalties	986	870	97

There were no material charges for advertising for the periods noted above.

CIPHER DATA PRODUCTS, INC. (JUN)

	1989	1988
	($000)	
Property and equipment, net	$24,730	$20,551
Other assets (Notes 2 and 6):		
Goodwill	19,227	
Patents	18,998	
Other intangible assets	17,606	4,191
Total other assets	55,831	4,191

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Other Assets

Other assets include patents and goodwill as well as other long-term intangible assets. The patents were valued based on preliminary independent appraisal reports prepared in connection with the Irwin acquisition (Note 2). Goodwill represents the excess of cost over the fair value of net assets acquired. These assets are being amortized using the straight-line method over their respective estimated useful lives as follows:

Thousands of dollars	Estimated Useful Life	Accumulated Amortization	Fiscal 1989 Amortization
Patents	12 to 17 years	$345	$345
Goodwill	25 years	194	194

In addition, the Compoany has other intangibles which are being amortized over 7 to 40 years.

PURITAN-BENNETT CORPORATION (DEC)

	1989	1988
	($000)	
Plant and Equipment, Net	$49,066	$45,764
Other Assets—Note A:		
Patents—at cost, less accumulated amortization (1989—$396; 1988—$322)	1,136	1,123
Cost in excess of amounts assigned to net assets of businesses acquired, less accumulated amortization (1989—$780; 1988—$622)	11,672	2,935
Other assets	6,002	4,437
Total Other Assets	18,810	8,495

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Other Assets: The cost of patents is being amortized on a straight-line basis over their approximate useful lives, not to exceed seventeen years. The cost in excess of amounts assigned to net assets of businesses acquired is being amortized on a straight-line basis over a period of forty years. Other assets include capitalized software development costs of $2,489,000 and $1,768,000 at December 31, 1989 and 1988, respectively. Amortization of $252,000 and $41,000 was recorded in 1989 and 1988, respectively.

Trademarks

ALFIN, INC. (JUL)

	1989	1988
Property & equipment, net	$1,316,122	$1,473,737
OTHER ASSETS:		
License agreement and trademarks, net of accumulated amortization of $272,011 and $203,620 at July 31, 1989 and 1988, respectively	1,237,463	1,376,409

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. License Agreement and Trademarks:

During the year ended July 31, 1985, the Company acquired various rights under a license agreement and trademark relating to the "ROBERT PIGUET" fragrance. These rights were recoded at cost and are being amortized on a straight line basis over their estimated lives of 20 and 35 years.

GENERAL CINEMA CORPORATION (OCT)

	1989	1988
	(Dollar amounts in thousands)	
Total investments	$442,520	$540,645
Other assets	49,215	33,973
Intangibles	174,877	67,192

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Intangibles

Intangibles consist of trademarks ($71,479,000), goodwill ($87,750,000), and other intangible assets ($15,648,000) at October 31, 1989, and of goodwill ($67,192,000) at October 31, 1988.

Intangibles are being amortized on a straight-line basis over their estimated useful lives, not exceeding 40 years. Amortization expense was $5,286,000 and $1,879,000 in 1989 and 1988, respectively. There was no amortization expense in 1987.

License Agreements

SPECTRAN CORPORATION (DEC)

	1989	1988
Other Assets:		
Assets Held for Sale	$ —	$ 351,137
License Agreements, net of accumulated amortization of $638,137 ($545,717 in 1988) (Notes 1 and 4)	470,905	563,325
Other	272,277	263,450
	743,182	1,177,912

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

License Agreements and Other Assets

The total cost of license agreements is being amortized and charged to expense based on a twelve year life. Amortization expense amounted to $92,420 in each of 1989, 1988 and 1987. Deferred financing costs related to the issuance of the industrial revenue bond, the revolving credit agreement and the Allen & Company Incorporated loan are being amortized and charged to expense over the lives of the related debt. Patents are being amortized over a seventeen year life.

4—License Agreements

In February, 1983, the Company obtained from Corning a limited, non-assignable, non-exclusive royalty bearing license to make, use and sell optical fiber under certain of Corning's United States patents owned or filed for on or before January 1, 1988. The Company granted to Corning a non-exclusive royalty-free license for any United States patents filed for on or before January 1, 1988 related to the subject matter of the Corning or Company patents licensed under the agreement.

At December 31, 1989, the Company had, from two additional companies, limited, non-assignable, non-exclusive royalty bearing licenses and from another company a limited, assignable, exclusive license to make, use and sell optical fibers under certain patents owned by those companies. No Company payments are required under these licenses other than royalty payments.

Total royalties expensed during the years ended December 31, 1989, 1988 and 1987 were $472,433, $376,131 and $377,837, respectively.

Software Development Costs

DSC COMMUNICATIONS CORPORATION (DEC)

	1989	1988
	($000)	
Net property and equipment	$146,510	$124,668
Noncurrent receivables	16,331	32,458
Capitalized software development costs	29,574	21,115
Net assets of discontinued operations	3,914	6,224
Other	10,147	9,675

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Research and Development Expenditures

Certain software development costs are capitalized when incurred. Capitalization of software development costs begins upon the establishment of technological feasibility. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological feasibility, anticipated future gross revenues, estimated economic life and changes in software and hardware technologies.

Amortization of capitalized software development costs is provided on a product-by-product basis at the greater of the amount computed using (a) the ratio of current gross revenues for a product to the total of current and anticipated future gross revenues or (b) the straight-line method over the remaining estimated economic life of the product. Generally, an original estimated economic life of two years is assigned to capitalized software development costs. During 1989, 1988 and 1987, the Company capitalized $20,115,000, $16,873,000 and $15,231,000, respectively, of software development costs and $11,656,000, $11,709,000 and $5,740,000, respectively, of such costs were amortized to cost of revenue.

All other research and development expenditures are charged to research and development expense in the period incurred.

SBE, INC. (OCT)

	1989	1988
Total current assets	$5,253,894	$5,241,042
Property, plant and equipment, net of accumulated depreciation and amortization	1,685,493	1,618,220
Software costs, net of accumulated amortization	1,021,631	749,554
Other	41,967	50,375
Total assets	$8,002,985	$7,659,191

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Capitalized Software Costs:

Capitalized software costs consist of costs to purchase software and to internally develop software. Capitalization of internally developed software begins upon the establishment of technological feasibility. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological feasibility, anticipated future gross revenue, estimated economic life and changes in software and hardware technologies.

All capitalized software costs are amortized over related sales on a per-unit basis with a minimum amortization based on a straight-line method over a three to five year useful life.

5. Software Costs:

Software costs comprise the following at October 31:

	1989	1988
Purchased software	$1,506,449	$1,001,767
Internally developed software	484,505	—
	1,990,954	1,001,767
Less accumulated amortization	969,323	252,213
	$1,021,631	$ 749,554

During fiscal 1989, the Company capitalized $484,505 of internally developed software costs.

Additionally, the Company capitalized purchased software costs aggregating $504,682, $763,611, and $32,399 in fiscal years 1989, 1988, and 1987. Amortization of software costs totaled $717,110, $199,611, and $33,115 for the years ending October 31, 1989, 1988, and 1987, respectively, which in fiscal 1989, included $314,958 of writedowns to net realizable value.

Intangible Pension Asset

FEDERAL SCREW WORKS (JUN)

	1989	1988
TOTAL CURRENT ASSETS	$21,818,397	$19,282,847
Other Assets		
Intangible pension asset—Note F	3,590,779	
Cash value of life insurance	3,151,273	2,659,983
Miscellaneous	494,145	506,649
	7,236,197	3,166,632

Note F (In Part): Employee Benefits

In accounting for pension plans in fiscal 1989 and fiscal 1988 the Company used a discount rate of 8%, a 5% rate of increase in compensation, and an 8% expected rate of return on assets. The following table sets forth the plans' funded status at the March 31, 1989 and 1988 measurement dates:

	Plans for Which Accumulated Benefits Exceed Assets	
	1989	1988
Actuarial present value of vested benefit obligations	$ 8,368,000	$ 8,534,000
Actuarial present value of accumulated benefit obligations	$ 8,513,000	$ 8,636,000
Plan assets at fair value	$ 4,261,000	$ 3,976,000
Projected benefit obligations	8,513,000	8,636,000
Excess (deficiency) of assets over projected benefit obligations	(4,252,000)	(4,660,000)
Unrecognized net gain	(146,000)	(63,000)
Unrecognized net obligation (asset) at July 1, 1987, net of amortization	3,737,000	4,032,000
Additional liability recognized under the minimum liability provisions	(3,591,000)	
Net pension asset (liability)	$(4,252,000)	$ (691,000)

KERR GLASS MANUFACTURING CORPORATION (DEC)

	1989	1988
	(in thousands)	
Net property, plant and equipment	$77,594	$76,085
Certificates of deposit	6,300	6,300
Goodwill, net of amortization of $288 in 1989 and $158 in 1988	4,531	4,661
Intangible pension asset	3,432	—
Other intangibles, net of amortization of $2,206 in 1989 and $1,521 in 1988	3,612	3,281
Other assets	5,274	4,548

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Retirement Benefits

The Company has several defined benefit pension plans and a defined contribution pension plan covering substantially all employees. The defined benefit plans provide benefits based on years of service and average final pay. The defined contribution plan provides benefits based on a fixed percent of pay for each year of service. The Company's policy is to fund amounts sufficient to satisfy the funding requirements of the Employee Retirement Income Security Act of 1974. During 1989, the Company funded $965,000 more than the accrued pension expense for the 1988 plan year.

The minimum liability provisions of FASB Statement No. 87, Employers' Accounting for Pensions, were adopted in fiscal 1989. Pursuant to such provisions, an additional minimum liability of $3,432,000 and an offsetting intangible pension asset was recorded as of December 31, 1989. The other provisions of the statement were previously adopted January 1, 1987.

Covenants Not To Compete

HUNT MANUFACTURING CO. (NOV)

	1989	1988
	($000)	
Total current assets	$ 76,839	$ 65,557
Property, plant and equipment, at cost, less accumulated depreciation and amortization	33,592	30,616
Excess of acquisition cost over net assets acquired, less accumulated amortization	5,815	5,920
Intangible assets, at cost, less accumulated amortization	10,569	9,746
Other assets	1,132	1,131
Total assets	$127,947	$112,970

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands except share and per share amounts)

1 (In Part): Summary of Significant Accounting Policies:

Depreciation and Amortization:

Depreciation for financial reporting purposes is computed by the straight-line method. Depreciation for tax purposes is computed principally using accelerated methods. The excess of acquisition cost over net assets acquired is amortized on a straight-line basis over thirty or forty years. The costs of all other intangible assets, comprised primarily of covenants not to compete, customer lists, licensing agreements and patents, are amortized on a straight-line basis over their respective estimated useful lives, ranging from three to thirty years. Amortization of assets under capital leases which contain purchase options is provided over the assets' useful lives. Other capital leases are amortized over the terms of the related leases or asset lives, if shorter.

5. Intangible Assets:

Intangible assets at the end of fiscal years 1989 and 1988 are as follows:

	1989	1988
Covenants not to compete	$ 9,197	$ 8,037
Customer lists	1,510	1,510
Licensing agreements	1,633	1,154
Patents	1,293	1,289
Other	342	80
	13,975	12,070
Less accumulated amortization	3,406	2,324
	$10,569	$ 9,746

Intangible assets were increased by approximately $1.9 million during fiscal 1989 as a result of the acquisition discussed in Note 2.

PULITZER PUBLISHING COMPANY (DEC)

	1989	1988
	($000)	
Properties—net	$88,719	$72,323
INTANGIBLE AND OTHER ASSETS:		
Intangible assets—net of applicable amortization (Note 5)	79,537	50,763
Film contract rights, long-term portion	4,741	8,109
Other	2,119	2,539
Total intangible and other assets	86,397	61,411

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Sale and Acquisition of Broadcasting Properties

In a related transaction, the Company entered into a non-compete agreement with the former owners of WDSU-TV which calls for the Company to pay a total of $11,600,000 in consideration for the former owners' promise not to compete for a period of five years. This amount is payable in five equal annual installments commencing on December 14, 1990. This liability (and related intangible asset) has been recorded in the consolidated financial statements at its net present value of $8,794,000.

5. Intangible Assets

Intangible assets consist of:

Description	December 31, 1989	1988
	(in thousands)	
Television licenses and network affiliations	$ 36,774	$30,342
Goodwill	24,801	24,702
Intangibles relating to:		
Additional minimum pension liability (Note 11)	5,451	—
WDSU-TV noncompete agreement (Note 4)	8,794	—
Other	26,504	15,873
Total	102,324	70,917
Less: Accumulated Amortization	22,787	20,154
Total intangible assets—net	$ 79,537	$50,763

Customer Lists

ECOLAB INC. (DEC)

	1989	1988
	($000)	
Current Assets	$ 400,346	$286,369
Property, Plant and Equipment, Net	274,050	268,674
Intangible and Other Assets, Net	368,483	388,255
Total Assets	$1,042,879	$943,298

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Intangible Assets

Patents and trade names, customer lists and other identifiable intangible assets arise principally from business acquisitions. The assets are amortized on a straight-line basis over their estimated economic lives or over 40 years for trade names. The excess of cost over the fair value of acquired tangible and identifiable intangible assets relates principally to 1987 business acquisitions. Such excess costs are amortized on a straight-line basis over various periods not exceeding 40 years.

2 (In Part): Balance Sheet Information

December 31 (thousands)	1989	1988
Intangible and Other Assets, Net		
Patents and trade names	$ 55,587	$ 55,243
Customer lists	51,334	50,451
Other identifiable intangibles	22,311	22,403
Excess of cost over acquired assets	264,673	270,012
	393,905	398,109
Accumulated amortization	(57,573)	(39,903)
	336,332	358,206
Investments in securities	13,076	12,125
Other	19,075	17,924
Total	$368,483	$388,255

Data Files

TRW INC. (DEC)

	1989	1988
	In millions	
Intangible assets		
Intangibles arising from acquisitions	$534	$328
Capitalized data files	301	71
Other	18	13
	853	412
Less accumulated amortization	94	55
	759	357
Other assets	251	187

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Intangible assets—Intangible assets are stated on the basis of cost. Intangibles arising from acquisitions prior to 1971 ($75 million) are not being amortized because there is no indication of diminished value. Intangibles arising from acquisitions after 1970 are being amortized by the straight-line method principally over 40-year periods. Capitalized data files are amortized by the straight-line method over periods not exceeding 15 years.

Management Contracts

MARRIOTT CORPORATION (DEC)

	1989	1988
	(in millions)	
Property and Equipment	$2,348	$2,575
Assets Held for Sale	1,504	1,046
Investments in Affiliates	436	427
Notes Receivable	389	160
Intangible Assets	524	504
Other Assets	358	279

NOTES TO FINANCIAL STATEMENTS

Intangible Assets

	1989	1988
	(in millions)	
Food and services management contracts	$342	$308
Hotel management and franchise agreements	107	107
Goodwill	147	120
Other	40	58
	636	593
Less accumulated amortization	(112)	(89)
	$524	$504

Intangible assets primarily result from business combinations and are being amortized on a straight-line basis over periods of 10 to 40 years. Amortization expense totaled $36 million in 1989, $32 million in 1988 and $24 million in 1987.

Product Technology

LEXICON CORPORATION (AUG)

	1989	1988
Cost in excess of net assets acquired	$4,087,961	$4,200,557
Investments, net	728,177	2,560,000
Capitalized Technology, net of accumulated amortization	513,943	545,679
Other assets	29,686	23,695

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Capitalized Technology:

The Company has purchased various technologies including an interactive microcomputer-based video-disc system, an advanced, computer-driven video production, duplication and editing system designed specifically for sports applications and a computerized real-time statistical system for accumulating sports data. Such technology is stated at cost and is being amortized on a straight-line basis over 5 years. Related amortization expense was $120,165 and $40,139 for the years ended August 31, 1989 and 1988, respectively. Accumulated amortization totalled $160,304 and $40,139, as of August 31, 1989 and August 31, 1988, respectively.

In addition to the above, during fiscal 1989 Sports-Tech internally developed technology and capitalizable software related to sports applications. Total expenditures related to technology and software development were $64,510 and $25,215, respectively. These items are being amortized on a straight-line basis over their estimated economic life of three years. Related amortization expense totalled $15,784 and $2,101, respectively, for the year ended August 31, 1989.

Cable Television Franchises

TIME WARNER INC. (DEC)

	1989	1988
	($ Millions)	
Property, plant and equipment, net	$2,944	$1,399
Excess of cost over net assets acquired	9,044	821
Cable television franchises	3,281	174
Music copyrights, record catalogues and other assets	1,922	50

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Intangible Assets

The costs to acquire cable television franchises, music copyrights, recording artist contracts, record catalogues and other identifiable intangible assets, and the excess of cost over net assets acquired are being amortized over periods up to forty years using the straight-line method. Accumulated amortization of intangible assets at December 31, 1989 and 1988 amounted to $320 million and $172 milllion, respectively.

Publishing Rights

HARCOURT BRACE JOVANOVICH, INC. (DEC)

	1989	1988
Other Assets:		
Publishing rights	$150,498,839	$179,435,373
Other intangibles	270,823,038	279,279,598
Debt issuance costs	40,648,282	95,014,977
Other	33,310,799	79,871,578
	495,280,958	633,601,526

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Publishing rights are amortized over thirteen years on a straight-line basis. Other intangibles primarily include the excess of the purchase price over the fair value of the net assets of businesses acquired and are amortized on a straight-line basis over a forty-year period. Acquired insurance in force is amortized in relation to the present value of expected future profits of the acquired policies.

Accumulated amortization as of December 31, 1989 and 1988 was as follows:

	1989	1988
Publishing rights	$44,427,576	$32,201,267
Acquired insurance in force (Note 3)	34,606,487	28,630,650
Other intangibles	25,465,113	21,401,759

Dealer Network

COLLINS INDUSTRIES, INC. (OCT)

	1989	1988
Intangibles—dealer network (Note 1)	$773,509	$ 912,109
Other assets	3,534,489	1,800,713

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

(e) Intangibie Assets—dealer network—Intangible assets have been recorded at acquisition cost and are being amortized over their estimated useful lives. Amortization amounted to $138,600, $926,709 and $230,716 in 1989, 1988 and 1987, respectively. The amount for 1988 includes the write-off of intangibles of discontinued operations (Note 7). Accumulated amortization was $615,848 and $477,248 at October 31, 1989 and 1988, respectively. Following is an analysis of intangible assets at October 31, 1989 and 1988:

Description	Life (Years)	1989	1988
Dealer network	Contractual, not to exceed 20 years	$773,509	$912,109

Purchased Routes

WESTERN WASTE INDUSTRIES (JUN)

	1989	1988
Total current assets	$ 27,348,000	$ 34,292,000
Property and equipment, at cost less accumulated depreciation and amortization	86,588,000	93,235,000
Purchased routes, net	13,020,000	13,969,000
Goodwill, net	6,203,000	8,834,000
Other assets	6,264,000	10,029,000
	$139,423,000	$160,359,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies:

Purchased routes—Purchased routes are amortized on a straight-line basis over the contract periods or estimated service periods, generally 10 years. Accumulated amortization at June 30, 1988 and 1989 was $6,298,000 and $7,536,000, respectively.

OTHER NONCURRENT ASSET CAPTIONS

Table 2-19 summarizes the nature of assets (other than property, investments, noncurrent receivables, and intangible assets) classified as noncurrent assets on the balance sheets of the survey companies. Examples of other noncurrent asset presentations and disclosures, except assets leased to others, follow. Examples of assets leased to others are presented in connection with Table 2-28.

TABLE 2-19: OTHER NONCURRENT ASSETS

	Number of Companies			
	1989	1988	1987	1986
Property held for sale	69	49	56	58
Prepaid pension costs	55	49	51	23
Segregated cash or securities	33	36	52	46
Debt issue costs	32	26	22	20
Assets leased to others	29	34	18	21
Assets of nonhomogeneous operations	25	11	—	—
Deferred income taxes	17	12	16	16
Cash surrender value of life insurance	15	10	11	10
Start up costs	5	7	4	7
Prepaid expenses	3	9	2	6
Other identified noncurrent assets	66	56	44	62

Property Held For Sale

ARDEN GROUP, INC. (DEC)

	1989	1988
	(In thousands)	
Total current assets	$ 85,649	$ 77,029
Notes and contracts receivable	7,282	12,533
Net investment in direct financing and sales type leases	499	1,458
Property for resale or sublease, at lower of cost or market	2,689	3,083
Property, plant and equipment, at cost, less accumulated depreciation and amortization	40,807	41,967
Other assets	3,724	3,194
Total assets	$140,650	$139,264

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Accounting Policies:

Property for Resale or Sublease:

It is the Company's policy to make available for sale or sublease property considered by management as excess and no longer necessary for the operations of the Company. The aggregate carrying values of such owned property and property and equipment under capital leases are periodically reviewed and adjusted downward to market, when appropriate.

HARRIS CORPORATION (JUN)

	1989	1988
	($000)	
Total Plant and Equipment	$616,156	$415,875
Other Assets		
Notes receivable—net	144,501	73,821
Net assets of discontinued operations	46,462	159,024
Equity in joint ventures	—	72,230
Investments and sundry receivables	59,618	32,813
Intangibles resulting from acquisitions	120,187	15,418
Prepaid items and unamortized debt expense	37,335	12,642
Total Other Assets	408,103	365,948

NOTES TO FINANCIAL STATEMENTS

Discontinued Operations (In Part)

On August 9, 1989, the Corporation decided to exit a significant portion of its data-communications and computer-based office systems businesses. Accordingly, the results of operations and the net assets of these businesses have been reclassified to reflect this decision. Net assets of these businesses are held for sale.

CALMAT CO. (DEC)

	1989	1988
	($000)	
Property, plant and equipment, net	$486,540	$484,820
Net assets held for sale	52,641	48,757

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Net Assets Held for Sale

During 1988, the Company announced it's intention to dispose of a substantial portion of its developed properties. Condensed financial information relating to net assets held for sale is as follows:

	December 31,	
(Amounts in thousands)	1989	1988
Financial Position		
Property and improvements	$105,468	$104,646
Other assets	4,888	7,602
Total assets	110,356	112,248
Bonds and trust deed notes payable	17,161	32,235
Construction loans	29,076	22,260
Other liabilities	11,478	8,996
Total liabilities	57,715	63,491
Net assets held for sale	$ 52,641	$ 48,757
Results of operations		
Gains on sale of assets	$ 39,217	
Rental income and other	8,464	$ 5,804
	47,681	5,804
Costs and expenses	(10,984)	(8,777)
Loss from operations and gains from disposal	$ 36,697	$ (2,973)

GENCORP INC. (NOV)

	1989	1988
	(Dollars in millions)	
Total Current Assets	$584	$566
Investments and other assets	108	114
Discontinued operations, net (Note C)	37	47

Note C (In Part): Discontinued Operations

The net assets of discontinued operations consist of the following items:

(Dollars in millions)		
At November 30	1989	1988
Net Current Assets (Liabilities)		
Accounts receivable, net	$ 5	$37
Other current assets	1	58
Accounts payable and accrued expenses	(53)	(62)
	$(47)	$33
Net Noncurrent Assets		
Property, plant and equipment, net	$ 7	$17
Other noncurrent assets	34	44
Noncurrent liabilities	(4)	(14)
	$ 37	$47

NATIONAL TECHNICAL SYSTEMS, INC. (JAN)

	1990	1989
Net property, plant and equipment	$13,461,000	$12,779,000
Intangible assets, net	840,000	936,000
Property held for sale	544,000	544,000
Other assets	276,000	231,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property Held for Sale

The Company owns a parcel of land in San Diego County, California, which was placed for sale in the fourth quarter of fiscal 1988. The property was originally acquired for approximately $544,000. The Company anticipates that sales proceeds will exceed the net book value of the property.

WALBRO CORPORATION (DEC)

	1989	1988
	(In Thousands)	
Net Plant and Equipment	$54,155	$49,308
Other Assets:		
Investments in joint ventures	$ 2,634	$ 2,067
Goodwill	10,105	10,314
Plant and equipment held for resale	900	—
Notes receivable	2,192	1,860
Other	5,382	5,670
Total Other Assets	$21,213	$19,911

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Restructuring.

During December, 1989, the Company implemented a restructuring program for a significant cost-reduction and improved efficiency effort throughout the Company. The restructuring program will result, among other things, in a reduction in the number of employees corporate-wide and the disposition of certain non-performing assets. The Company recorded a $2.36 million pretax charge in December, 1989, in connection with its restructuring program. The charge includes $815,000 for severance, early retirement and other employee-related benefits and $1.54 million for the write-down of fixed assets to net realizable value and other related charges.

Prepaid Pension Costs

CTS CORPORATION (DEC)

	1989	1988
	($000)	
Other Assets		
Goodwill, less accumulated amortization (1989—$3,437; 1988—$2,819)	$ 8,642	$ 9,260
Prepaid pension expense—Note G	13,706	9,349
Other	4,805	5,430
Total other assets	27,153	24,039

Note G (In Part): Employee Retirement Plans

Defined Benefit Plans

The Company has a number of noncontributory defined benefit pension plans (Plans) covering approximately 40% of its employees. Plans covering salaried employees provide pension benefits that are based on the employees' compensation prior to retirement. Plans covering hourly employees generally provide benefits of stated amounts for each year of service.

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The following table details the funded status of the Plans at December 31, 1989, and January 1, 1989.

	(In thousands) 1989	1988
Actuarial present value of benefit obligations:		
Vested benefits	$43,318	$37,934
Nonvested benefits	3,103	1,514
Accumulated benefit obligation	$46,421	$39,448
Plan assets at fair value	$90,671	$79,504
Projected benefit obligation	52,325	43,470
Plan assets in excess of the projected benefit obligation	38,346	36,034
Prior year service cost not previously recognized	666	
Unrecognized net (gain)	(3,738)	(3,532)
Unrecognized net asset	(21,568)	(23,153)
Prepaid pension expense	$13,706	$ 9,349

THE EASTERN COMPANY (DEC)

	1989	1988
Other Assets		
Goodwill less accumulated amortization ($112,316 in 1989 and $94,153 in 1988)	$ 91,129	$ 109,292
Patents, licenses and trademarks, less accumulated amortization ($377,672 in 1989 and $324,535 in 1988)	432,500	402,416
Prepaid pension cost—Note J	1,275,177	1,123,124
Sundry	56,304	113,539
	1,846,110	1,748,371

Note J (In Part): Employee Benefit Plans

Based on the latest actuarial information available, the following table sets forth the funded status of the Company's defined benefit plans at December 30, 1989 and December 31, 1988:

	1989	1988
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(16,825,350)	$(16,010,662)
Accumulated benefit obligation	$(17,168,408)	$(16,501,590)
Projected benefit obligation	$(18,211,635)	$(17,434,313)
Plan assets at fair value	25,863,783	22,967,882
Excess of plan assets over projected benefit obligation	7,652,148	5,533,569
Prior service cost not yet recognized in net periodic pension cost	110,837	48,494
Unrecognized net (gain)	(2,983,326)	(733,070)
Unrecognized net assets in excess of obligations	(3,504,482)	(3,725,869)
Net pension asset included in other assets in the balance sheet	$ 1,275,177	$ 1,123,124

All of the plans' assets at December 30, 1989 are invested in listed stocks and bonds and pooled investment funds, including Common Stock of the Company having a market value of $3,351,250 at that date.

Segregated Funds

BEMIS COMPANY, INC. (DEC)

	1989	1988
	($000)	
Other assets:		
Funds held for construction	$ 4,084	$
Long-term receivables	1,450	1,280
Deferred charges and other investments	11,140	4,051
Excess of cost of investments in subsidiaries over net assets acquired	4,887	4,888
	21,561	10,219

CAMERON IRON WORKS, INC. (JUN)

	1989	1988
	($000)	
Net Property, Plant and Equipment	$277,230	$298,074
OTHER ASSETS (Note 5)	21,502	14,428

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Long-Term Debt

Approximately 67 percent of the long-term debt of the foreign subsidiaries is in local currency. At June 30, 1989 and 1988, respectively, $14,916,000 and $16,021,000 of this debt was guaranteed by the domestic oil tool subsidiary. Included in other assets at June 30, 1989, was a restricted deposit of $4,583,000 collateralizing a portion of the long-term debt of the Venezuelan subsidiaries.

HAWKINS CHEMICAL, INC. (SEP)

	1989	1988
Property—net	$6,295,518	$5,617,218
Other Assets:		
Intangible assets—less accumulated amortization: 1989, $221,468; 1988, $197,437	202,697	226,728
Insurance trust	1,183,590	1,122,796
Other	101,220	89,287
Total other assets	1,487,507	1,438,811

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Insurance Trust

Due to the high costs of insurance coverage, the Company had been self-insured for the risks of losses from product liability claims since December 1, 1985. The Company has deposited amounts in a self-insurance trust account to fund any losses incurred through September 30, 1989 (none have been incurred since 1985). As of October 1, 1989 the Company has obtained insurance coverage for product liability.

PUERTO RICAN CEMENT COMPANY, INC. (DEC)

	1989	1988
Total current assets	$ 55,442,789	$ 40,469,354
Property, plant and equipment—net	81,061,275	66,938,032
Other assets:		
Cash restricted for use in the dry process conversion project	13,809,540	26,311,160
Goodwill	697,770	697,770
Investment in real estate	803,389	804,363
Other long-term assets	455,414	589,508
Total other assets	15,766,113	28,402,801
	$152,270,177	$135,810,187

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Reporting Entity and Summary of Accounting Policies:

Restricted Cash

Unused proceeds of loans and other funds earmarked primarily for financing the conversion of the company's largest kiln to the dry manufacturing process are presented as a long-term asset. These funds have been invested in interest bearing deposits, U.S. Treasury bills and Farm Credit Notes with maturities of not more than one year. The market value of the securities included in restricted cash approximates cost.

RORER GROUP INC. (DEC)

	1989	1988
	(Dollars in thousands)	
Total current assets	$ 746,399	$ 571,554
Property, plant and equipment, net	348,800	281,526
Restricted investments	179,790	—
Goodwill, net	333,423	335,468
Intangibles, net	147,136	159,319
Other assets	36,168	40,145
Total assets	$1,791,716	$1,388,012

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Restricted Investments

At December 31, 1989, restricted investments in the amount of $179.8 million consisted principally of corporate obligations having various stated rates of interest with maturities not exceeding three months. These investments are recorded at cost which approximates their market value. The investments are restricted for the purpose of constructing a new research and development center and corporate headquarters.

Cash Surrender Value

AFFILIATED PUBLICATIONS, INC. (DEC)

	1989	1988
Other Assets:		
Cost of purchased businesses in excess of net tangible assets acquired, net	$170,802,000	$139,142,000
Cash surrender value of life insurance policies, net (Note 4)	6,914,000	5,910,000
Other	5,111,000	7,722,000
Total other assets	182,827,000	152,774,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Employee Benefits

The Company and its subsidiaries have a number of company-administered non-contributory defined benefit plans covering certain union and most non-union employees. These plans provide benefits that are based on the employee's compensation during various times before retirement. The funding policy for these plans is to contribute annually at least the minimum contribution required by ERISA. Assets of the plans are invested primarily in equity and fixed income securities. The plans have no significant non-benefit liabilities.

In addition, the Company has a supplemental retirement plan covering certain officers and key employees providing for deferred compensation benefits to be paid after retirement. Provisions for these benefits are charged to operations ratably over the employees' expected term of employment. The Company is the beneficiary of life insurance policies with a face value of $53,720,000 that have been purchased as a method of partially financing benefits under this plan. The Company also contributes to certain union-administered negotiated plans covering union employees. The funding policy for these plans is to make annual contributions in accordance with applicable agreements.

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

	1989	1988
Other assets:		
Cash surrender value of life insurance, net of policy loans (1989 and 1988, $34,085 and $32,915)	$ 7,345	$ 4,997
Deferred charges, net of accumulated amortization (1989, $566,825; 1988, $435,074)	176,819	305,625
Deposits	9,600	13,083
Investment in limited partnership, at cost	753,433	753,433
	947,197	1,077,138

Assets Of Nonhomogeneous Operations

PACCAR INC. (DEC)

	1989	1988
	($000)	
Total Manufacturing Assets	$1,343,963	$1,197,397
Financial Services:		
Cash and equivalents	27,756	20,124
Notes, contracts and other receivables, net of allowance for losses (1989—$18,982 and 1988—$14,688)	1,804,759	1,679,691
Less unearned interest	(197,173)	(172,611)
	1,607,586	1,507,080
Equipment on operating leases, net	53,704	91,947
Other assets	34,126	14,966
Total Financial Services Assets	1,723,172	1,634,117
	$3,067,135	$2,831,514

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Notes, Contracts and Other Receivables

The Company's notes, contracts and other receivables at

December 31, 1989 and 1988 are as follows:

	1989	1988
Retail notes and contracts	$ 928,932	$ 911,040
Wholesale financing	189,843	184,254
Direct financing leases	696,461	587,748
Interest and other receivables	8,505	11,337
	1,823,741	1,694,379
Less allowance for losses	(18,982)	(14,688)
	1,804,759	1,679,691
Unearned interest:		
Retail notes and contracts	(83,576)	(76,753)
Direct financing leases	(113,597)	(95,858)
	(197,173)	(172,611)
	$1,607,586	$1,507,080

Terms for substantially all retail notes, contracts, and direct financing leases range up to 60 months. Wholesale financing receivables are generally due within 12 months. Repayment experience indicates some receivables will be paid prior to contracted maturity while others will be extended or renewed.

Annual payments due on retail notes and contracts for the five years beginning January 1, 1990 are $356,092, $269,051, $189,878, $88,461 and $17,993, respectively.

The Company's net investments in direct financing leases of transportation equipment at December 31, 1989 and 1988 are as follows:

	1989	1988
Minimum lease payments receivable	$678,267	$574,691
Estimated residual values of leased equipment	18,194	13,057
	696,461	587,748
Less unearned interest	(113,597)	(95,858)
Net investment in direct financing leases	$582,864	$491,890

Annual minimum lease payments due on direct financing leases for the five years beginning January 1, 1990, are $205,530, $177,674,306, $93,466 and $39,423, respectively.

Note D—Equipment on Operating Leases

Equipment on operating leases is recorded at cost and is depreciated on the straight-line basis to its estimated residual value.

	1989	1988
Trucks and other	$74,552	$ 82,988
Railcars		47,520
	74,552	130,508
Less allowance for depreciation	(20,848)	(38,561)
	$53,704	$ 91,947

Estimated useful lives are three to five years for trucks and were 30 years for railcars prior to their sale.

Terms of operating leases generally range up to 48 months. Annual minimum lease payments due on operating leases for the five years beginning January 1, 1990, are $16,436, $12,634, $3,103, $1,207 and $30, respectively.

Timberlands

WILLAMETTE INDUSTRIES, INC. (DEC)

	1989	1988
	($000)	
Total current assets	$ 348,771	$ 343,611
Timber, timberlands and related facilities, at cost less stumpage and amortization (note 1)	352,341	359,484
Property, plant and equipment, at cost less accumulated depreciation of $615,915 (1988—$547,665)	871,388	694,518
Other assets	31,752	32,622
	$1,604,252	1,430,235

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(d) Timber, Timberlands and Related Facilities

These accounts are stated at their cost less stumpage and amortization of logging roads. Stumpage is the cost of standing timber charged to expense as the timber is harvested. Amortization of logging roads is charged to expense as timber is harvested. Both stumpage and amortization rates are determined with reference to costs and the related existing volume of timber estimated to be recoverable.

The Company obtains a portion of its timber requirements from various public and private sources under timber-harvesting contracts. The Company does not incur a direct liability for, or ownership of, this timber until it has been harvested, and therefore the timber is not recorded until cut.

CURRENT LIABILITIES

Paragraphs 7 and 8 of Chapter 3A of *ARB No. 43*, as amended by *Statement of Financial Accounting Standards No. 6* and *Statement of Financial Accounting Standards No. 78*, discuss the nature of current liabilities. Examples of the various types of current liabilities follow:

TABLE 2-20: SHORT-TERM DEBT

	1989	1988	1987	1986
Description				
Notes or loans				
Payee indicated	86	84	88	112
Payee not indicated	163	154	177	165
Short-term debt or borrowings	131	128	125	118
Commercial paper	50	51	31	46
Other	30	36	29	28
Total Presentations	**460**	**453**	**450**	**469**
Number of Companies				
Showing short-term debt	405	390	411	405
Not showing short-term debt	195	210	189	195
Total Companies	**600**	**600**	**600**	**600**

SHORT-TERM DEBT

THE BARDEN CORPORATION (OCT)

	1989	1988
Current Liabilities:		
Current maturities of 6.5% bonds	$	$ 555,552
Loans payable—banks	2,391,046	
Accounts payable and accrued expenses	9,524,509	8,569,870
U.S. and foreign income taxes	885,614	1,112,336
Total Current Liabilities	12,801,169	10,237,758

NOTES TO FINANCIAL STATEMENTS

Note C—

The Company has a $2,500,000 unsecured line of credit with a bank at the bank's prime rate (10.5% at October 29, 1989). At October 29, 1989, the Company had borrowed $150,000 under this line of credit. The Company's foreign subsidiaries which have a September fiscal year have available unsecured overdraft facilities with banks up to a limit of $6,000,000 at rates ranging from 9% to 15.25% at September 30, 1989. At September 30, 1989, the Company's foreign subsidiaries had borrowed $2,241,046 under these facilities.

COLLINS INDUSTRIES, INC. (OCT)

	1989	1988
Current liabilities:		
Current maturities of long-term debt and capitalized leases	$ 853,997	$ 4,672,181
Notes payable (Note 2)	10,239,798	8,040,343
Chassis floor plan notes payable (Note 4)	4,377,189	1,185,718
Accounts payable	13,206,194	9,713,938
Accrued expenses	2,943,612	2,507,093
Total current liabilities	$31,620,790	$26,119,273

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Notes Payable:

The Company has an $8,000,000 revolving credit agreement with a bank which may be renewed annually upon bank approval. The loan is collateralized by all company assets, other than those subject to lease financing and other loan agreements. The interest rate on this loan is 1% over the bank's prime rate (effective rate of 11½% at October 31, 1989). The amount of unused revolving credit borrowings available under this agreement at October 31, 1989 is $842,428.

The Company has a $2,000,000 standby letter of credit agreement which provides that the bank will issue letters of credit on the Company's behalf for the benefit of major vehicle manufacturers to facilitate the consignment of chassis inventories. The amount of unused credit available under this agreement at October 31, 1989 is $1,400,000.

The Company's wholly owned subsidiary, Wheeled Coach Industries, Inc., has a financing and term loan agreement with a bank under which it may borrow up to $11,200,000 in the form of a term loan and a revolving loan, subject to certain conditions as discussed below. Loans under the agreement are collateralized by all the receivables, inventories, equipment and real property of Wheeled Coach and have been guaranteed by the Company. The interest rate on all such loans is 1.4% over the bank's prime rate (effective rate of 11.9% at October 31, 1989).

The agreement also provides that the bank will issue letters of credit on Wheeled Coach's behalf for the benefit of major vehicle manufacturers to facilitate the consignment of chassis inventories. None were outstanding at October 31, 1989.

The amount of the Wheeled Coach revolving loan cannot exceed $7,700,000 less the amount of credit available under the letters of credit and unpaid reimbursement obligations with respect to letters of credit discussed above and the amount by which the total of the term loan exceeds $3,650,000. The amount of unused revolving line of credit at October 31, 1989 was $3,510,202. Borrowings available to Wheeled Coach at October 31, 1989, based on borrowing availability, was approximately $3,385,345.

Under the terms of the aforementioned loan agreements, insofar as they pertain to accounting matters, the Company is required to maintain certain financial ratios and other financial conditions. The agreements do not allow the Company to incur certain additional indebtedness, pay dividends, make certain investments, advances or loans. They also limit the Company's annual capital expenditures. The Company received a waiver from a bank on the industrial revenue bond financing for the facility at Newton, Kansas, and was in compliance with all other requirements at October 31, 1989.

Maximum and average borrowings and weighted average interest rates on short-term borrowings during each of the two years ended October 31, follows:

	1989	1988
Maximum borrowings outstanding at month-end	$13,070,523	$11,984,053
Average borrowings outstanding	$10,997,122	$ 9,570,053
Weighted average interest rate	12.01%	10.22%

4. Chassis Floorplan Notes Payable:

Chassis floorplan notes are payable to a financing subsidiary of a chassis manufacturer. These notes are secured by the related chassis and are payable upon the earlier of the date the Company sells the chassis or 180 days from the date of the note. These notes bear interest at 1½% over the prime rate (effective rate of 12% at October 31, 1989). Maximum and average borrowings and weighted average interest rates during each of the two years ended October 31, 1989 are as follows:

	1989	1988
Maximum borrowings outstanding	$4,377,189	$1,255,363
Average borrowings outstanding	1,915,689	719,218
Weighted average interest rate	12.34%	10.56%

GENERAL MILLS, INC. (MAY)

	1989	1988
	(In Millions)	
Current Liabilities:		
Accounts payable	$ 436.8	$ 460.8
Current portion of long-term debt	7.0	1.5
Notes payable	126.8	370.1
Accrued taxes	145.7	77.1
Accrued payroll	127.7	110.1
Other current liabilities	194.4	166.6
Total Current Liabilities	1,038.4	1,186.2

NOTES TO FINANCIAL STATEMENTS

Note Five: Notes Payable

The components of notes payable are as follows:

In Millions	May 28, 1989	May 29, 1988
U.S. commercial paper	$221.0	$285.1
Banks	55.8	85.0
Amount reclassified to long-term debt	(150.0)	—
Total notes payable	$126.8	$370.1

To ensure availability of funds, we maintain domestic bank credit lines sufficient to cover our outstanding commercial paper. As of May 28, 1989, we had $150.0 million fee-paid lines and $150.0 million uncommitted, no-fee lines available. Foreign subsidiaries had $36.7 million of unused credit lines.

We have a revolving credit agreement expiring in fiscal 1992 (extendable to fiscal 1994 at our option) that provides for the fee-paid credit lines. This agreement provides us with the ability to refinance short-term borrowings on a long-term basis and therefore, we have reclassified a portion of our notes payable as long-term.

In fiscal 1989, we entered into agreements ranging from 18 months to 60 months that convert the variable interest rates on an aggregate notional amount of $174.0 million to fixed interest rates ranging from 9.383% to 9.785%.

JOHNSON CONTROLS, INC. (SEP)

	1989	1988
	(in millions)	
Short-term debt	$185.0	$108.7
Current portion of long-term debt	9.8	10.6
Accounts payable	351.3	279.9
Accrued compensation and benefits	96.6	93.0
Accrued income taxes	30.9	33.7
Billings in excess of costs and earnings on uncompleted contracts	57.6	58.7
Other current liabilities	106.7	111.1
Current liabilities	837.9	695.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5—Short-Term Debt and Credit Agreements

SEPTEMBER 30,	1989	1988
(in millions)		
Commercial paper	$163.3	$ 78.2
Foreign bank borrowings	21.7	30.5
	$185.0	$108.7

The company issued $54 million of commercial paper in 1989 to finance its purchase of an equity interest in a German manufacturer, E.A.H. Naue GmbH & Co. KG. The company has effectively changed its interest rate exposure on this debt by entering into a cross-currency interest rate swap agreement. Under the agreement, the company receives a floating commercial paper rate on $54 million and pays a fixed rate of 6.55% on 100,000,000 Deutschemarks through March 1994.

At September 30, 1989, the company had unsecured lines of credit available from banks totalling $306 million. The lines of credit are subject to the usual terms and conditions applied by banks. Domestic lines of credit totalling $235 million are available for support of outstanding commercial paper. The average short-term debt outstanding during 1989 and 1988 was $129 million and $86 million, respectively. Total interest paid on both long-term and short-term debt was $42 million, $32 million and $18 million in 1989, 1988 and 1987, respectively.

SiMETCO, INC. (DEC)

	1989	1988
	(In Thousands)	
Current Liabilities		
Bank overdrafts	$ 414	$ 289
Notes payable	4,822	2,826
Accounts payable and accrued expenses	2,912	2,835
Dividends on redeemable preferred stock	94	957
Federal taxes on income	0	35
Prepetition liabilities	29	287
Current maturities of long-term debt	823	637
Total Current Liabilities	9,094	7,866

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I—Short-Term Borrowings

In August, 1989, SiMETCO entered into a loan agreement with The Central Trust Company of Northeastern Ohio, N.A., Canton, Ohio ("Central Trust.") Under this agreement, SiMETCO may request loan advances equal to the lesser of $5,000,000 or after-formula collateral (85% of accounts receivable and other receivables plus 50% of inventories, inventories collateral not to exceed $800,000). Prior to that time, SiMETCO had a similar agreement with Fidelcor Business Credit Corporation. The interest was 1⅛% above the prime rate of Central Trust as of December 31, 1989 and 2⅛% above the prime rate of The Fidelity Bank, Philadelphia, Pennsylvania as of December 31, 1988. Substantially all of SiMETCO's personal property, including its accounts receivable and inventory, secures borrowing under this agreement. As of December 31, 1989, all financial requirements of the loan agreement are considered to be met by Central Trust.

The short-term borrowings at month end during the years ended December 31, 1989 and 1988 were a maximum of $4,498,000 and $2,963,000, respectively and averaged $2,997,000 and $2,193,000, respectively. The weighted average interest rates of 12.93% in 1989, 13.72% in 1988 and 13.43% in 1987 were calculated by dividing the interest expense during the year for such borrowings by the average short-term borrowings. The interest rate on year-end borrowings was 11.625% as of December 31, 1989 and 12.625% as of December 31, 1988. Unused lines of credit for short-term borrowings totaled $502,000 as of December 31, 1989 and $1,174,000 as of December 31, 1988.

Short-term borrowings also include $324,000 of Harrison's demand notes payable to banks collateralized by substantially all their assets, with interest at 1% to 1½% above the banks' prime lending rate (11½% to 12% at December 31, 1989).

TULTEX CORPORATION (NOV)

	1989	1988
	($000)	
Current liabilities:		
Notes payable to banks (Note 4)	$42,000	$35,000
Current maturities of long-term debt	2,268	2,263
Accounts payable—trade	7,532	14,048
Accrued liabilities—other	13,255	14,673
Dividends payable	4,984	2,488
Income taxes payable	1,733	7,754
Total current liabilities	71,772	76,226

Note 4—Notes Payable to Banks

The Company has formal short-term lines of credit with lending banks aggregating $59,000,000, with interest payable at or below the prime rate. At December 30, 1989, December 2, 1988 and November 27, 1987, the weighted average interest rates on borrowings outstanding of $42,000,000, $35,000,000 and $6,600,000 were 10.2%, 9.0% and 7.2%, respectively. The use of these lines is restricted to the extent that the Company is required to liquidate its indebtedness to individual banks for a 30-day period each year. At times, the Company borrows amounts in excess of the lines on a short-term negotiated basis.

As part of the borrowing arrangements, the Company is expected to maintain average compensating cash balances, which are based on a percentage of the available credit line by bank and the percentages vary by bank. The amount of compensating balances required for credit lines in effect at December 30, 1989 was an average of $1,200,000. The compensating balances are held under agreements which do not legally restrict the use of such funds, and therefore the funds are not segregated on the face of the balance sheet. The compensating cash balances are determined daily by the lending banks based upon balances shown by the bank, adjusted for average uncollected funds and Federal Reserve requirements. During the period ended December 30, 1989, the Company was in substantial compliance with the compensating balance requirements. Funds on deposit with the lending banks and considered in the compensating balances are subject to withdrawal; however, the availability of the short-term lines of credit is dependent upon the maintenance of sufficient average compensating balances.

TRADE ACCOUNTS PAYABLE

All the survey companies disclosed the existence of amounts owed to trade creditors. As shown in Table 2-21, such amounts were usually described as *Accounts Payable* or *Trade Accounts Payable*.

CERTAINTEED CORPORATION (DEC)

	1989	1988
	($000)	
Current Liabilities:		
Trade accounts payable	$111,638	$106,281
Accrued compensation and employee benefit costs	35,652	33,605
Other accrued liabilities	30,907	29,890
Accrued federal income taxes	3,257	4,254
Deferred income taxes	6,200	7,209
Short-term borrowings	13,748	0
Current portion of long-term debt	10,271	17,126
Total Current Liabilities	211,673	198,365

TABLE 2-21: TRADE ACCOUNTS PAYABLE

	1989	1988	1987	1986
Accounts payable	399	405	411	405
Trade accounts payable	103	127	126	125
Accounts payable combined with accrued liabilities or accrued expenses	83	50	47	53
Other captions	15	18	16	17
Total Companies	**600**	**600**	**600**	**600**

THE DOW CHEMICAL COMPANY (DEC)

	1989	1988
	(In Millions)	
Current liabilities		
Notes payable	$2,206	$ 328
Long-term debt due within one year	80	104
Accounts payable:		
Trade	1,767	1,320
Other	507	553
United States and foreign taxes on income	263	605
Accrued and other current liabilities	1,661	1,265
Total current liabilities	6,484	4,175

DRESSER INDUSTRIES, INC. (OCT)

	1989	1988
	(In Millions of Dollars)	
Current Liabilities		
Short-term debt	$ 22.5	$ 26.9
Accounts payable—public	240.4	205.4
Accounts payable to unconsolidated affiliates	18.2	44.6
Advances from customers on contracts	161.1	145.8
Accrued compensation and benefits	169.4	165.1
Accrued warranty costs	34.1	40.2
Accrued taxes other than income taxes	21.9	25.3
Accrued interest	28.3	25.2
Other accrued liabilities	151.0	167.3
Income taxes	112.2	69.6
Current portion of long-term debt	12.4	10.6
Total Current Liabilities	971.5	926.0

EMPLOYEE RELATED LIABILITIES

Table 2-22 shows the nature of employee related liabilities disclosed by the survey companies as current liabilities. Examples of captions describing employee related liabilities follow.

AMERICAN GREETINGS CORPORATION (FEB)

	1989	1988
	($000)	
Current Liabilities		
Notes payable to banks	$ 17,201	$ 13,956
Accounts payable	79,591	98,270
Payrolls and payroll taxes	38,839	33,759
Retirement plans	8,573	4,148
Dividends payable	5,311	5,338
Income taxes	6,693	13,782
Sales returns	24,543	28,273
Current maturities of long-term debt	3,740	54,150
Total current liabilities	184,491	251,676

TABLE 2-22: EMPLOYEE RELATED LIABILITIES

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Description				
Salaries, wages, payrolls, commission	300	306	310	318
Compensation and/or Benefits	190	187	194	166
Pension or profit-sharing contributions	91	97	98	100
Compensated absences	15	19	16	19
Other	41	32	43	41
Number of Companies				
Disclosing employee related liabilities	487	484	496	489
Not disclosing	113	116	104	111
Total Companies	**600**	**600**	**600**	**600**

BMC INDUSTRIES, INC. (DEC)

	1989	1988
	(In thousands)	
Current Liabilities		
Short-term borrowings	$ 2,979	
Current portion of long-term debt	4,968	$ 5,872
Accounts payable	8,896	8,919
Accrued salaries and commissions	1,869	2,515
Accrued profit sharing contributions	1,741	1,543
Accrued interest	1,269	1,433
Income taxes payable	684	1,057
Other accrued expenses	6,278	5,303
Total Current Liabilities	28,684	26,642

BETZ LABORATORIES, INC. (DEC)

	1989	1988
CURRENT LIABILITIES		
Notes payable to bank	$ —	$ 8,950,000
Trade accounts payable	18,907,629	19,067,128
Payroll and related taxes	19,066,067	17,324,136
Contributions due retirement plans	3,767,714	66,366
Accrued expenses	7,778,194	6,360,259
Income taxes	85,148	1,360,643
Dividends payable	6,687,832	6,486,528
Current portion of ESOP debt	500,000	—
TOTAL CURRENT LIABILITIES	56,792,584	59,615,060

CLARCOR INC. (NOV)

	1989	1988
	($000)	
Current liabilities:		
Current portion of long-term debt	$ 2,997	$ 311
Accounts payable and accrued liabilities	16,452	13,537
Dividends payable	1,956	—
Income taxes	—	396
Total current liabilities	21,405	14,244

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

D. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at November 30, 1989 and 1988 were as follows:

	1989	1988
Accounts payable	$ 6,308	$ 4,759
Accrued salaries, wages and commissions	2,278	3,402
Compensated absences	2,271	2,278
Accrued pension liabilities	1,023	1,512
Other accrued liabilities	4,572	1,586
	$16,452	$13,537

INTERNATIONAL FLAVORS & FRAGRANCES INC. (DEC)

	1989	1988
	(Dollars in thousands)	
Current Liabilities:		
Bank loans	$ 18,547	$ 12,704
Accounts payable	29,840	34,576
Accrued payrolls and bonuses	5,403	4,242
Dividends payable	20,557	18,201
Income taxes	29,539	22,844
Other current liabilities	36,280	33,886
Total Current Liabilities	140,166	126,453

KAMAN CORPORATION (DEC)

	1989	1988
	(In thousands)	
Current liabilities:		
Notes payable	$ 20,164	$ 7,585
Current portion of long-term debt	2,937	2,846
Accounts payable—trade	45,468	56,718
Accrued salaries and wages	7,424	8,270
Accrued vacations	6,103	5,668
Other accruals and payables	33,410	24,177
Income taxes payable	3,099	4,412
Total current liabilities	118,605	109,676

PALL CORPORATION (JUL)

	1989	1988
	(In thousands)	
Current Liabilities:		
Notes payable to banks	$161,056	$ 96,504
Accounts payable—trade	35,059	30,484
Accrued liabilities:		
Salaries and commissions	10,922	9,633
Payroll taxes	4,702	3,182
Income taxes	27,309	23,800
Interest	2,496	1,777
Pension and profit sharing plans	3,520	2,343
Other	10,728	8,556
	59,677	49,291
Current portion of long-term debt	8,509	7,457
Dividends payable	4,627	3,715
Total Current Liabilities	268,928	187,451

WANG LABORATORIES, INC. (JUN)

	1989	1988
	(Dollar amounts in millions)	
Current Liabilities		
Notes payable to banks	$ 83.6	$ 12.8
Commercial paper	125.5	56.5
Accounts payable, other payables and accruals	458.2	389.6
Unearned service revenue	162.1	164.4
Income taxes	3.2	6.7
Dividends payable to stockholders	6.5	6.5
Portion of long-term debt due within one year	128.4	52.2
Total Current Liabilities	967.5	688.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G—Accounts Payable, Other Payables and Accruals

Accounts payable, other payables and accruals at June 30, 1989 and 1988 consisted of:

Dollar amounts in millions	1989	1988
Accounts payable	$326.9	$291.4
Compensation and amounts withheld therefrom	90.8	91.0
Accrued severance	27.0	
Taxes, other than income taxes	13.5	7.2
	$458.2	$389.6

INCOME TAX LIABILITY

Table 2-23 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

AMERICAN HOME PRODUCTS CORPORATION (DEC)

	1989	1988
	($000)	
Loans payable to banks	$ 24,511	$ 23,237
Trade accounts payable	246,704	243,710
Accrued expenses	684,808	667,827
Accrued federal and foreign taxes on income	152,872	132,825
Total Current Liabilities	1,108,895	1,067,599

AMERICAN PETROFINA, INCORPORATED (DEC)

	1989	1988
	($000)	
Current liabilities:		
Short-term obligations	$150,000	$245,100
Current installments of long-term debt and lease obligations	11,046	8,525
Accounts payable	324,551	280,268
Accrued liabilities	58,113	60,181
Federal income taxes	1,076	22,101
Total current liabilities	544,786	616,175

BRENCO, INCORPORATED (DEC)

	1989	1988
Current Liabilities:		
Accounts payable	$3,417,839	$2,654,555
Dividends payable	483,448	291,345
Other accrued liabilities	748,198	361,774
Income taxes payable	389,294	48,372
TOTAL CURRENT LIABILITIES	5,038,779	3,356,046

DENNISON MANUFACTURING COMPANY (DEC)

	1989	1988
	($000)	
Current Liabilities:		
Notes payable to banks	$ 33,242	$ 41,426
Accounts payable	50,329	45,258
Accrued compensation and amounts withheld	25,560	26,248
Federal state and foreign income taxes	2,452	6,274
Deferred income taxes	1,725	1,843
Other accrued expenses	32,729	25,498
Current maturities of long-term debt	5,000	2,714
Total Current Liabilities	151,037	149,261

TABLE 2-23: CURRENT INCOME TAX LIABILITY

	1989	1988	1987	1986
Income taxes	358	360	350	358
Taxes—type not specified	43	44	44	43
Federal income taxes	22	15	12	17
U.S. and foreign income taxes	15	14	15	14
Federal and state income taxes	13	18	25	25
Federal, state, and foreign income taxes	8	14	17	13
Federal and foreign income taxes	7	6	7	10
Other captions	18	22	22	29
No current income tax liability	116	107	108	91
Total Companies	**600**	**600**	**600**	**600**

FIELDCREST CANNON, INC. (DEC)

	1989	1988
	($000)	
Current liabilities		
Accounts and drafts payable	$ 92,030	$ 66,874
Federal and state income taxes	3,253	1,630
Accrued liabilities	78,407	80,867
Current portion of long-term debt	3,595	3,551
Total current liabilities	177,285	152,922

THE STANDARD PRODUCTS COMPANY (JUN)

	1989	1988
	($000)	
Current Liabilities:		
Short-term notes payable	$ 4,234	$ 7,403
Current maturities of long-term debt	2,739	2,184
Accounts payable	53,400	41,253
Accrued payrolls	10,753	9,401
Accrued expenses	15,337	15,417
Dividend payable	2,387	2,127
Accrued taxes on income	38	4,341
Total current liabilities	88,888	82,126

CURRENT AMOUNT OF LONG-TERM DEBT

Table 2-24 summarizes the descriptive balance sheet captions used to describe the amount of long-term debt payable during the next year.

E. I. DU PONT DE NEMOURS AND COMPANY (DEC)

	1989	1988
	($ millions)	
Current Liabilities		
Accounts Payable	$2,889	$2,540
Short-Term Borrowings and Capital Lease Obligations (Note 12)	3,839	2,075
Income Taxes	387	209
Other Accrued Liabilities	2,233	1,872
Total Current Liabilities	9,348	6,696

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)

Note 12. Short-Term Borrowings and Capital Lease Obligations

December 31	1989	1988
Bank borrowings:		
U.S. dollars	$ 54	$ 38
Other currencies	80	308
Commercial paper[1]	2,466	1,275
Master Note	74	—
Long-term borrowings payable within one year[2]	1,056	344
Industrial development bonds payable on demand	96	96
Capital lease obligations payable within one year	13	14
	$3,839	$2,075

[1]At December 31, 1989, the company had outstanding interest rate swap agreements that effectively converted $750 of floating rate commercial paper borrowings to fixed rate borrowings with interest rates ranging from 8.6 percent to 10.2 percent.

[2]At December 31, 1989, the company had outstanding an interest rate swap agreement that effectively converted $300 of 9.95 percent fixed rate borrowings to a floating rate obligation with an effective interest rate less than that generally available for the company's commercial paper.

Unused short-term bank credit lines amounted to approximately $3.5 billion at December 31, 1989. These lines support short-term industrial development bonds, and a portion of the company's commercial paper program and other borrowings.

MAYTAG CORPORATION (DEC)

	1989	1988
	($000)	
Current Liabilities		
Notes payable	$ 68,713	$ 7,700
Accounts payable	179,496	101,379
Compensation to employees	60,312	31,649
Accrued liabilities	158,198	77,621
Income taxes payable	5,486	21,491
Current maturities of long-term debt	16,592	6,649
Total current liabilities	488,797	246,489

TABLE 2-24: CURRENT AMOUNT OF LONG-TERM DEBT

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Current portion of long-term debt	202	212	207	213
Current maturities of long-term debt	193	187	202	193
Long-term debt due or payable within one year	52	61	58	65
Current installment of long-term debt	37	35	36	46
Current amount of long-term leases	48	46	51	42
Other captions	13	11	16	12

HARMON INDUSTRIES, INC. (DEC)

	1989	1988
	($000)	
Current liabilities:		
Notes payable	$ 1,262	$ 1,772
Current installments of long-term debt	2,179	2,111
Accounts payable	5,177	6,201
Accrued payroll, bonus and employee benefit plan contributions	3,497	2,927
Billings in excess of costs and estimated earnings on uncompleted contracts	679	1,241
Other accrued liabilities	634	1,451
Total current liabilities	13,428	15,703

NEWELL CO. (DEC)

	1989	1988
	($000)	
Current Liabilities		
Notes payable	$ 39,300	$ —
Accounts payable	29,174	39,499
Accrued compensation	26,831	21,960
Accrued liabilities	115,175	121,563
Income taxes	9,620	6,057
Current portion of long-term debt	10,680	3,144
Total Current Liabilities	230,780	192,223

OTHER CURRENT LIABILITIES

Table 2-25 summarizes other identified current liabilities. The most common types of other current liabilities are taxes not combined with federal income taxes, accrued interest payable, and dividends payable. Unidentified other current liabilities, generally described as *accrued expenses, accrued liabilities,* or *other current liabilities* are not included in Table 2-25.

TABLE 2-25: OTHER CURRENT LIABILITIES

	Number of Companies			
	1989	1988	1987	1986
Taxes other than Federal income taxes	146	148	168	186
Interest	132	125	125	128
Dividends payable	97	94	89	86
Estimated costs related to discontinued operations	72	80	84	85
Insurance	64	50	50	49
Customer advances, deposits	53	53	59	60
Deferred taxes	43	48	49	50
Warranties	41	47	46	40
Deferred revenue	40	33	24	37
Advertising	30	26	32	28
Billings on uncompleted contracts	29	30	28	31
Due to affiliated companies	16	15	15	15
Other—Described	98	99	98	84

Taxes Other Than Federal Income Taxes

AMERICAN BRANDS, INC. (DEC)

	1989	1988
	(In Millions)	
Current liabilities		
Notes payable to banks	$ 149.4	$ 433.9
Commercial paper	434.9	289.2
Accounts payable	361.9	378.1
Accrued excise and other taxes	824.6	911.9
Accrued expenses and other liabilities	628.7	606.0
Current portion of long-term debt	155.7	106.2
Total current liabilities	2,555.2	2,725.3

BOWATER INCORPORATED (DEC)

	1989	1988
	($000)	
Current liabilities:		
Current instalments of long-term debt	$ 28,770	$ 19,275
Accounts payable and accrued liabilities	165,976	158,943
Income taxes payable	38,652	30,260
Dividends payable	12,218	11,575
Total current liabilities	245,616	220,053

NOTES TO FINANCIAL STATEMENTS

Accounts Payable and Accrued Liabilities

(In thousands)	1989	1988
Trade accounts payable	$109,895	$114,834
Accrued interest	20,312	9,900
Property and franchise taxes payable	11,869	10,551
Other	23,900	23,658
	$165,976	$158,943

IPCO CORPORATION (JUN)

	1989	1988
	($000)	
Current Liabilities		
Current maturities of long-term debt	$ 2,161	$ 1,131
Short-term debt	6,063	9,000
Accounts payable—trade	8,081	4,255
Accrued payroll and other compensation	3,872	3,235
Federal income taxes	280	759
Taxes other than Federal income taxes	2,106	1,430
Other current liabilities	5,685	4,424
Total Current Liabilities	28,248	24,234

STANDARD MOTOR PRODUCTS, INC. (DEC)

	1989	1988
	($000)	
Current liabilities:		
Notes payable—banks	$ 97,900	$ 84,300
Current portion of long-term debt	4,888	2,823
Accounts payable	25,556	25,648
Sundry payables and accrued expenses	13,883	14,143
Taxes based on earnings	387	818
Deferred income taxes		1,389
Taxes (other than based on earnings)	654	827
Payroll and commissions	5,494	5,796
Total current liabilities	148,762	135,744

Costs/Liabilities Related To Discontinued Operations

ACTION INDUSTRIES, INC. (JUN)

	1989	1988
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 1,317,201	$ 1,434,507
Notes and acceptances payable	34,300,000	22,350,000
Accounts payable	8,218,290	10,703,302
Payable to related parties	138,457	356,916
Other accrued liabilities	3,255,795	3,800,125
Estimated future costs of discontinued operation	937,665	1,361,755
Total Current Liabilities	48,167,408	40,006,605

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I—Discontinued Operation

On August 26, 1987 the Board of Directors adopted a formal plan to dispose of the Company's Mt. Clemens, Michigan manufacturing facility. The facility manufactured ceramic dinnerware and decorated glassware items. In order to meet existing customer commitments and to provide for the orderly shutdown of the operation, the phase-out period ran through December of 1987. Provision was made for estimated losses during the phase-out period and to write down the assets of the discontinued business to estimated realizable value.

Net sales of the discontinued business were $9,348,900 in fiscal 1988, and $7,812,200 in fiscal 1987.

ANACOMP, INC. (SEP)

	1989	1988
	($000)	
Current liabilities:		
Current portion of long-term debt	$578,536	$ 78,300
Accounts payable	45,874	41,205
Accrued compensation, benefits and withholdings	32,732	38,482
Accrued income taxes	26,896	29,799
Accrued costs related to discontinued operations	24,358	—
Other accrued liabilities	63,180	49,804
Total current liabilities	771,576	237,590

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part):

In December, 1989, Anacomp reached an agreement in principle to sell the Flex manufacturing and marketing operations, including fixed assets and inventories, to Hanny Magnetics, Ltd. Since the flexible disk business was the largest business to be included in Dysan, the spin-off transaction was cancelled and Anacomp will now retain certain other businesses which would have been included in Dysan. The Rigid operations are now expected to be phased out by the end of fiscal year 1990. Operating results of these divisions are included in the Consolidated Statements of Operations under the caption "Loss from discontinued operations," and their net tangible assets (principally inventory, property and equipment, and real estate) have been segregated in the accompanying Consolidated Balance Sheets under the caption "Net assets held for disposition." In addition, "accrued costs related to discontinued operations" includes estimated future losses and operating expenses to be incurred prior to final disposition of these businesses. The loss from discontinued operations consists of the following:

(In thousands) Year ended September 30,	1989	1988
Revenues	$ 57,187	$ 32,555
Loss before income taxes	$ (6,746)	$ (2,091)
Income tax benefit	1,796	431
Loss from discontinued operations	$ (4,950)	$ (1,660)

GOULDS PUMPS, INCORPORATED (DEC)

	1989	1988
	($000)	
Current liabilities:		
Current maturities of debt	$ 28,072	$28,417
Trade payables	33,865	33,256
Compensation and commissions	16,485	16,270
Income taxes payable	2,837	2,686
Dividends payable	3,898	3,869
Net liabilities of discontinued operations (Note 10)	10,445	—
Other	14,223	13,438
Total current liabilities	109,825	97,936

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Discontinued Operations

In early 1990, the Company announced its intention to dispose of its investment in the Raytec Watergroup Company, L.P. ("Raytec"). A formal plan of disposal has been approved by the Board of Directors and it is anticipated that the disposal will be completed during 1990. The expected manner of disposal is the sale of Raytec's assets.

The disposal of Raytec is being accounted for as a discontinued operation and, accordingly, its operating results are reported in this manner in all years presented in the accompanying consolidated statements of income and other related income statement data. Losses from the Raytec investment were $5,256,000 in 1989, $1,409,000 in 1988 and $94,000 in 1987. The loss on disposal of discontinued operations in 1989 includes the write-off of the Raytec investment and a provision of $10,445,000 for future operating losses and disposition costs which may be incurred through the date of disposal. Deferred tax benefits and recoverable income taxes classified as current assets include the effect of $14,575,000 of tax benefits attributable to Raytec related losses; $1,585,000 in tax benefits were realized prior to the end of 1989. The investment in and advances to Raytec at December 31, 1988 totalling $25,020,000 have been reclassified as net assets of discontinued operations.

UNC INCORPORATED (DEC)

	1989	1988
	($000)	
Current liabilities		
Short-term debt	$ 2,200	$ 4,000
Current portion of long-term debt	949	1,028
Accounts payable	24,226	27,307
Income taxes	142	1,337
Accruals and other current liabilities	55,499	44,389
Total current liabilities	83,016	78,061

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Other Liabilities

Accruals and other current liabilities consist of the following:

(Dollars in thousands)	December 31, 1989	1988
Pension plans	$ 5,044	$ 3,787
Payroll and related expenses	14,267	10,142
Accruals for additional payments related to acquisitions	9,169	1,500
Accrual for plant consolidation	4,109	—
Accruals related to discontinued operations	3,770	8,595
Other	19,140	20,365
	$55,499	$44,389

In the fourth quarter of 1989, the Company accrued $4.4 million for the consolidation and transfer of its Norwich, Connecticut facilities into its aerospace components fabrication facilities in Terre Haute, Indiana. The charge represents the adjustment to net realizable value of certain fixed assets and for anticipated plant closing, moving and employee related expenses. As of December 31, 1989 $0.3 million of expenses related to these actions had been incurred.

At December 31, 1989 and 1988, other noncurrent liabilities include approximately $26.1 million and $27.7 million, respectively, of accruals related to discontinued operations.

Current Advances/Deposits

THE FOXBORO COMPANY (DEC)

	1989	1988
	($000)	
Current liabilities:		
Bank loans	$ 13,134	$ 84,624
Long-term debt payable within one year	100	100
Accounts payable	26,627	32,531
Accrued expenses	39,144	45,798
Accrued taxes	656	2,754
Advances on sales contracts	41,641	51,774
Total current liabilities	121,302	217,581

HARSCO CORPORATION (DEC)

	1989	1988
	($000)	
Current liabilities:		
Short-term borrowings—banks	$ 19,999	$ 59,047
Current maturities of long-term debt	3,831	3,427
Accounts payable	80,262	78,742
Accrued expenses:		
Compensation	25,515	24,322
Long-term contract costs	93,159	36,470
Other	49,184	47,754
Advances on long-term contracts	100,585	49,051
Income taxes	7,067	4,829
Dividends payable	7,863	7,931
Total current liabilities	387,465	311,573

HONEYWELL INC. (DEC)

	1989	1988
	($ millions)	
Current Liabilities		
Short-term debt	$ 145.6	$ 314.8
Accounts payable	286.5	261.3
Customer advances	84.4	56.7
Income taxes	491.7	316.9
Accrued compensation and benefit costs	419.1	363.6
Accrued interest	154.5	153.3
Other accrued liabilities	834.0	820.3
	2,415.8	2,286.9

JOSTENS, INC. (JUN)

	1989	1988
	($000)	
Current Liabilities		
Accounts payable	$ 19,196	$ 16,022
Salaries, wages and commissions	21,858	17,824
Customer deposits	32,221	28,253
Other accrued liabilities	34,643	31,089
Dividends payable	6,311	4,997
Income taxes	20,081	29,522
Current maturities on long-term debt	19,224	17,847
Total Current Liabilities	153,534	145,554

STANHOME INC. (DEC)

	1989	1988
CURRENT LIABILITIES:		
Notes and loans payable	$ 20,369,757	$ 4,613,649
Accounts payable	48,718,671	39,333,879
Customer deposits	4,241,481	1,493,295
Federal, state and foreign taxes on income	22,489,295	14,014,746
Unredeemed coupons and certificates	932,823	1,017,740
Accrued expenses—		
Payroll and commissions	11,736,468	9,452,172
Pensions and profit sharing	7,809,380	7,279,069
Vacation, sick leave and retirement insurance	7,668,911	7,271,535
Payroll taxes	2,343,858	2,312,525
Other	19,978,163	14,252,069
Dividends payable	3,872,911	3,398,281
Total current liabilities	150,161,718	104,438,960

Insurance

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

	1989	1988
	($000)	
CURRENT LIABILITIES:		
Accounts payable	$19,066	$16,615
Dividends payable	—	2,327
Federal and State income taxes	4,837	6,444
Accrued liabilities:		
Payroll	2,539	2,670
Insurance	3,845	2,253
Other	1,666	1,023
Deferred income taxes	2,126	3,417
Total current liabilities	34,079	34,749

SEQUA CORPORATION (DEC)

	1989	1988
	($000)	
Current liabilities		
Bank loans and notes payable	$ 1,432	$ 43,113
Current maturities of long-term debt	44,562	37,916
Accounts payable	169,387	142,170
Taxes on income	17,606	597
Accrued expenses (Note 15)	217,525	202,604
Total current liabilities	450,512	426,400

Note 15. Accrued Expenses

The Company's accrued expenses consisted of the following items:

(Amounts in thousands)		
At December 31,	1989	1988
Salaries and wages	$ 50,405	$ 47,314
Pension	7,151	9,289
Taxes—other than income	4,882	6,060
Interest	19,463	14,230
Insurance	17,128	9,730
Billings in excess of revenue recognized	20,692	16,584
Other	97,804	99,397
	$217,525	$202,604

Product Warranties

HURCO COMPANIES, INC. (OCT)

	1989	1988
	($000)	
Current liabilities:		
Notes payable, banks	$ —	$ 2,824
Accounts payable	12,071	6,854
Accounts payable, related parties	1,444	2,012
Accrued expenses	6,447	5,362
Accrued warranty expenses	1,539	1,568
Current portion of long-term debt	177	2,913
Total current liabilities	21,678	21,533

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Product Warranty. Expected future product warranty expense is recorded when the product is sold.

INTERMEC CORPORATION (MAR)

	1989	1988
	($000)	
Current liabilities:		
Accounts payable	$11,204	$ 7,048
Notes payable to bank	16,985	3,265
Accrued compensation	4,775	4,248
Accrued and withheld payroll taxes	884	626
Income taxes payable	269	3,320
Accrued warranty expense	1,650	1,395
Other current liabilities	2,290	1,634
Total current liabilities	38,057	21,536

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Warranties—The company's commercial products are generally under warranty against defects in material and workmanship for a period of one year. The company has established an accrual for these anticipated future warranty costs.

THE TORO COMPANY (JUL)

	1989	1988
	(Dollars in thousands)	
Current liabilities:		
Current portion of long-term debt	$ 15,000	$ 10,000
Short-term debt	2,668	405
Accounts payable	29,495	42,427
Accrued warranty	16,843	16,741
Accrued marketing programs	17,512	16,585
Other accrued liabilities	35,653	33,290
Accrued and deferred income taxes	6,206	7,348
Total current liabilities	123,377	126,796

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies and Related Data

Accrued Warranty—The company provides an accrual for future warranty costs based upon the relationship of prior years' sales to actual warranty costs.

Deferred Revenue

ADVANCED MICRO DEVICES, INC. (DEC)

	1989	1988
	($000)	
Current liabilities:		
Notes payable to banks	$ 48,169	$ 55,965
Accounts payable	67,745	63,022
Accrued compensation and benefits	36,219	34,699
Other accrued liabilities	46,675	41,563
Deferred income on shipments to distributors	66,751	64,976
Income taxes payable	6,051	121
Long-term debt due within one year	4,195	5,807
Total current liabilities	275,805	266,153

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Deferred income on shipments to distributors. A portion of sales is made to distributors under agreements allowing certain rights of return and price protection on unsold merchandise held by the distributors. These agreements can be canceled by either party upon written notice, at which time the company generally is obligated to repurchase unsold inventory. Accordingly, recognition of sales to distributors and related gross profit are deferred until the merchandise is resold by the distributors.

AFFILIATED PUBLICATIONS, INC. (DEC)

	1989	1988
Current Liabilities:		
Current maturities of long-term debt	$ 2,379,000	$ 342,000
Dividends payable	4,198,000	3,804,000
Accounts payable	36,728,000	31,157,000
Deferred subscription revenues (Note D)	10,780,000	9,446,000
Accrued expenses:		
Payroll and vacation	10,825,000	10,130,000
Federal income taxes	8,393,000	—
Taxes other than federal income taxes	1,099,000	1,036,000
Other	13,327,000	13,014,000
Total current liabilities	87,729,000	68,929,000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Deferred Subscription Revenue

Amounts received from magazine and newspaper subscriptions, less commissions paid, are deferred and amortized to revenue over the life of the subscriptions.

HARRIS CORPORATION (JUN)

	1989	1988
	($000)	
Current Liabilities		
Short-term debt	$ 470,969	$ 25,648
Trade accounts payable	169,454	88,526
Compensation and benefits	156,490	89,582
Other accrued items	213,696	67,549
Advance payments by customers	50,772	65,832
Unearned leasing and service income	85,035	24,529
Income taxes	68,006	75,401
Current portion of long-term debt	23,383	6,584
Total Current Liabilities	1,237,805	443,651

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (In Part):

Revenue Recognition—Revenue is recognized from sales other than on long-term contracts when a product is shipped, from rentals as they accrue, and from services when performed. Revenue on long-term contracts is accounted for principally by the percentage-of-completion method whereby income is recognized based on the estimated stage of completion of individual contracts. Unearned income on service contracts is amortized by the straight-line method over the term of the contracts.

MCA INC. (DEC)

	1989	1988
	($000)	
Current Liabilities		
Notes payable	$ 22,000	$ 25,000
Accounts payable and accrued liabilities	437,315	409,687
Accrued compensation, royalties and participations	372,327	335,769
Deferred film revenues	62,888	77,569
Income taxes	22,742	19,747
	917,272	867,772

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Film Revenues and Costs

Generally, theatrical films have been first distributed in the theatrical, home video and pay television markets. Subsequently, theatrical films are made available for worldwide television network exhibition and/or television syndication. Generally, television films are first licensed for network exhibition and foreign syndication or home video, and subsequently for domestic syndication or cable television. Certain films are produced and/or distributed directly for initial exhibition by local television stations, advertiser-supported cable television, pay television and/or home video.

Revenues from the theatrical distribution of films are recognized as the films are exhibited. Revenues from television and pay television licensing agreements are recognized in the year that the films are available for telecast. Revenues from the sale of home video product, net of provision for estimated returns and allowances, are recognized upon shipment of the merchandise.

Costs of completed theatrical and television film productions (including applicable capitalized interest and exploitation costs) are amortized and participation expenses are accrued in the proportion that revenue recognized by the Company during the year for each production bears to the estimated total revenue to be received from all sources, under the individual film forecast method. Estimated total revenues are reviewed quarterly and revisions to amortization rates or write-downs to net realizable value may occur.

Film costs, net of amortization, classified as current assets include the portion of unamortized costs of completed theatrical films allocated to theatrical, home video and pay television distribution; television films in production which are under contract of sale; and a portion of costs of completed television films. The allocated portion of released film costs expected to be realized from secondary television or other exploitation is reported as a noncurrent asset and amortized as revenues are recorded. Other costs relating to film production, including the purchase price of literary properties and related film development costs, are classified as non-current assets. Abandoned story and development costs are charged to film production overhead. Film costs are stated at the lower of unamortized cost or estimated net realizable value as periodically determined on a film-by-film basis.

Billings In Excess Of Costs

FISCHBACH CORPORATION (SEP)

	1989	1988
Current Liabilities:		
Current portion of long-term debt	$ 5,438	$ 5,247
Short-term borrowings	95,183	109,904
Accounts payable	76,433	90,150
Accrued payrolls	5,642	6,112
Other accrued and miscellaneous liabilities	59,275	23,956
Billings in excess of costs and estimated earnings on uncompleted contracts	27,828	37,542
Total current liabilities	269,799	272,911

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Principles

Revenue Recognition

The Company follows the percentage of completion method of accounting for all significant long-term contracts. The percentage of completion method of reporting income from contracts takes into account the cost, estimated earnings, and revenue to date on contracts not yet completed. The amount of revenue recognized is the portion of the total contract price that the cost expended to date bears to the anticipated final total cost, based on current estimates of cost to complete. It is not related to the progress billings to customers. Contract cost includes all labor and benefits, materials unique to or installed in the project, subcontract costs, and allocations of indirect construction cost.

As long-term contracts extend over one or more years, revisions in estimates of cost and earnings during the course of the work are reflected in the accounting period in which the facts which require the revision become known. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is recognized in the financial statements. Contracts which are substantially complete are considered closed for financial statement purposes. Revenue earned on contracts in progress in excess of billings is classified as a current asset. Amounts billed in excess of revenue earned is classified as a current liability.

2. Construction Contracts

The consolidated balance sheets include the following amounts:

(In thousands)	1989	1988
Cost incurred on uncompleted contracts	$ 355,222	$ 431,881
Estimated earnings	13,412	23,470
	368,634	455,351
Less: Billings to date	378,002	476,882
	$ (9,368)	$ (21,531)

Included in the balance sheets:

Costs and estimated earnings in excess of billings on uncompleted contracts	$ 18,460	$ 16,011
Billings in excess of costs and estimated earnings on uncompleted contracts	(27,828)	(37,542)
	$ (9,368)	$ (21,531)

Receivables include amounts aggregating $38,342,000 and $47,027,000 at September 30, 1989 and 1988, respectively, billed under the retainage provisions of construction contracts. Retainage balances approximating $7,469,000 as of September 30, 1989 are expected to be collected after September 30, 1990. In addition, receivables at September 30, 1989 and 1988 include contract claims of approximately $33,000,000 and $37,200,000, respectively.

EMERSON ELECTRIC CO. (SEP)

	1989	1988
	(Dollars in millions)	
Current liabilities		
Short-term borrowings and current maturities of long-term debt	$ 323.8	372.5
Accounts payable	424.6	407.3
Advance payments on long-term contracts, less costs incurred of $12.4 in 1989 and $20.3 in 1988	37.2	31.3
Accrued expenses	588.5	551.7
Income taxes	159.1	109.9
Total current liabilities	1,533.2	1,472.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Long-Term Contracts

Income on long-term contracts, principally government and defense contracts, is recognized on the percentage-of-completion or unit-of-delivery basis. Concerning contracts for which the percentage-of-completion method is used, costs and estimated earnings in excess of progress billings are shown as a current assets. Unbilled costs on unit-of-delivery contracts are included in inventory. Payments received in excess of costs incurred on long-term contracts are shown as a current liability.

Advertising

GEO. A HORMEL & COMPANY (OCT)

	1989	1988
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable	$ 85,553	$ 81,341
Accrued expenses	21,233	20,988
Accrued advertising	10,219	15,266
Employee compensation	36,901	33,186
Taxes other than federal income taxes	11,078	14,116
Dividends payable	4,216	3,449
Federal income taxes	17,625	24,869
Current maturities of long-term debt	1,163	26,289
TOTAL CURRENT LIABILITIES	187,988	219,504

KELLOGG COMPANY (DEC)

	1989	1988
	(Millions)	
Current Liabilities		
Current maturities of long-term debt	$ 102.1	$ 133.1
Notes payable	376.1	307.1
Accounts payable	250.9	365.3
Accrued liabilities:		
Income taxes	2.1	78.2
Salaries and wages	68.7	61.1
Promotion	133.9	131.7
Interest	38.2	38.2
Other	65.2	68.8
Total current liabilities	1,037.2	1,183.5

Accrued Loss On Leases

DRAVO CORPORATION (DEC)

	1989	1988
	(In thousands)	
Current liabilities:		
Short-term notes	$ 25,500	$ 9,500
Current portion of long-term notes	4,421	3,507
Accounts payable—trade	28,395	24,722
Income taxes	2,619	3,353
Accrued insurance	4,202	6,560
Accrued retirement contribution	3,812	6,027
Accrued loss on leases—discontinued operations (Note 2)	1,623	6,694
Net liabilities of discontinued operations	—	2,683
Other current liabilities	8,957	10,536
Total current liabilities	79,529	73,582

Note 2 (In Part): Discontinued Operations

In December, 1987, Dravo's Board of Directors approved a major restructuring program which concentrated the company's future direction exclusively on opportunities involving its natural resources business. The plan included the sale or other disposition of the former Engineering and Construction segment. During 1989, the Dravo Wellman division was sold to Trelleborg AB and Dravo Energy, Inc. was sold to Centennial Energy, Inc., ERC International, and certain of their affiliates. The remaining assets and liabilities at December 31, 1989 and 1988 of the discontinued operations relate to certain remaining unresolved or uncompleted construction contracts and accrued losses on leases associated with exiting the engineering and construction business, and are presented below:

(In thousands)	1989	1988
Current assets	$33,597	$57,532
Non-current assets	—	1,181
Total assets	$33,597	$58,713
Current liabilities	$30,502	$60,215
Current portion of accrued loss on leases	1,623	6,694
Total current liabilities	32,125	66,909
Non-current liabilities	—	3,075
Long-term portion of accrued loss on leases	10,274	10,389
Total liabilities	$42,399	$80,373
Net liabilities and accrued losses on leases of discontinued operations	$ 8,802	$21,660

Contracts Payable For Broadcast Rights

TRIBUNE COMPANY (DEC)

	1989	1988
	($000)	
Current liabilities		
Long-term debt due within one year	$ 10,780	$ 2,173
Employee compensation	100,375	118,112
Accounts payable	131,064	118,154
Contracts payable for broadcast rights	141,064	169,468
Accrued liabilities	140,300	148,611
Income taxes	107,767	68,277
Total current liabilities	631,350	624,795

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Broadcast Rights

Broadcast rights consist principally of rights to broadcast feature films, sports and syndicated programs, and are stated at the lower of cost or estimated net realizable value. The total cost of these rights is recorded as an asset and a liability when the program becomes available for broadcast. Broadcast rights that have limited showings are generally amortized using an accelerated method as programs are aired. Those with unlimited showings are amortized on a straight-line basis over the contract period. The current portion of broadcast rights represents those rights available for broadcast which will be amortized in the succeeding year.

Recapitalization

USG CORPORATION (DEC)

	1989	1988
	(All dollar amounts in millions)	
Current Liabilities:		
Accounts payable	$127	$125
Accrued expenses		
Interest	70	73
Payrolls	23	26
Taxes other than taxes on income	14	16
Recapitalization and restructuring	12	30
Other	124	112
Notes payable	1	1
Long-term debt maturing within one year	168	260
Taxes on income	7	23
Dividends payable	5	16
Total current liabilities	551	682

SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Recapitalization and Restructuring. On July 8, 1988, holders of USG common stock approved the Corporation's plan of recapitalization and restructuring which was previously approved by the Board of Directors.

The recapitalization became effective on July 13, 1988. Stockholders of record on that date became entitled to receive $37 in cash, a $5 face amount 16.0% junior subordinated pay-in-kind debenture and one new common share in exchange for each share of old USG common stock. This distribution to stockholders was recorded as a dividend, resulting in a deficit balance in stockholders' equity as of December 31, 1989 and 1988 in the accompanying financial statements. To finance the recapitalization, approximately $2.5 billion in new debt was incurred.

The majority of the costs incurred to secure financing for the recapitalization were capitalized and these costs are being amortized over the life of the related borrowings. Certain fees and expenses to develop and implement the recapitalization were charged directly to stockholders' equity in 1988.

While no recapitalization and restructing expenses were recorded in 1989, pre-tax charges totaling $20 million were incurred in 1988, reflecting $11 million for the buyout of stock options, $6 million for transaction costs and $3 million for costs associated with a salaried workforce reduction program.

During 1987, the Corporation recorded pre-tax charges totaling $53 million related to the restructuring and write-down of certain operations and the implementation of early retirement and salaried workforce reduction programs.

LONG-TERM DEBT

Table 2-26 summarizes the types of long-term debt most frequently disclosed by the survey companies.

Paragraph 10b of *Statement of Financial Accounting Standards No. 47,* Section C32 of *FASB Accounting Standards—Current Text,* requires that financial statements disclose for each of the five years following the date of the latest balance sheet presented the "aggregate amount of maturities and sinking fund requirements for all long-term borrowings."

Ten companies disclosed information about debt considered extinguished because assets were placed in trust for paying the interest and principal of the debt. *Statement of Financial Accounting Standards No. 76,* Section D14 of *FASB Accounting Standards—Current Text,* "provides guidance to debtors as to when debt should be considered to be extinguished for financial reporting purposes."

Examples of long-term debt presentations and disclosures follow. Examples of long-term lease presentations and disclosures are presented in connection with Table 2-28.

AVON PRODUCTS INC. (DEC)

	1989	1988
	($ millions)	
Total current liabilities	$963.4	$1,029.4
Long-term debt	674.1	918.7
Other liabilities (including minority interest of $33.9 and $35.4)	179.3	177.0
Deferred income taxes	52.9	96.0

5. Debt

Debt consisted of the following at:

	(In millions)	
December 31	1989	1988
Maturing Within One Year		
Notes payable	$ 83.3	$ 34.1
Current portion of long-term debt	80.7	173.9
Total	$164.0	$208.0
Long-Term		
8¾% Euronotes, due 1989	$ —	$100.0
6¾% Euroyen Notes, due 1991	100.0	100.0
10¼% Euronotes, due 1992	99.8	99.8
10.10% Notes, due 1993	35.0	35.0
5⅝% Swiss Franc Bonds, due 1994	50.0	50.0
Bank term loan, due 1990 to 1993	150.0	327.0
10.42% Notes, due 1995	50.5	50.5
10.60% Notes, due 1997	88.0	88.0
6⅛% Deutsche Mark Notes, due 1998	100.0	100.0
8.8% Yen Notes, due 1990	10.4	36.6
7½% Deutsche Mark Bonds, due 1990 to 1993	22.2	27.8
9% Euronotes, due 1993	10.0	15.0
Other, payable to 1992 with interest from 7.0% to 11.0%	38.9	62.9
Less current portion	(80.7)	(173.9)
Total	$674.1	$918.7

Annual maturities for each of the next five years are (in millions): 1990—$80.7; 1991—$164.0; 1992—$160.4; 1993—$60.7; 1994—$50.1.

TABLE 2-26: LONG-TERM DEBT

	Number of Companies			
	1989	1988	1987	1986
Unsecured				
Notes	415	417	426	418
Debentures	245	245	255	265
Loans	90	86	77	56
Commercial paper	70	60	66	61
Collateralized				
Capitalized leases	344	407	412	448
Mortgages	131	153	140	155
Notes for loans	87	89	93	90
Convertible				
Debentures	131	129	130	130
Notes	12	13	22	21

In 1988, Avon completed the private placement of $173.5 million of medium-term notes. The notes are due in 1993, 1995 and 1997 at interest rates of 10.10%, 10.42% and 10.60%, respectively, and are subject to certain restrictions and covenants related, among others, to limitations on debt and dividends on Avon capital stock. The note agreement also includes a prepayment penalty, based on current interest rates and the remaining time to maturity of the notes, should prepayment be required as a result of the occurrence of certain events.

In 1988, Avon entered into a credit agreement with a group of banks which provides financing of up to $726.5 million consisting of a $426.5 million term loan commitment, a $200.0 million revolving credit facility and a $100.0 million bridge loan commitment.

The agreement subjects Avon to certain restrictions and covenants related to, among others, dividends, tangible net worth and cash flow. Under the most restrictive of the covenants, cash payments for dividends and the purchase of treasury stock may not exceed $23.6 million per quarter.

During 1989, payments of $177.0 million were made on the $327.0 million borrowed under the term loan commitment. The remaining balance of $150.0 million at December 31, 1989 was repaid in January 1990, using proceeds from the sale of Parfums Stern, and the commitment was canceled.

The revolving credit facility, expiring in 1993, is used to finance working capital and to provide support for the issuance of commercial paper. At December 31, 1989, $45.0 million, which was repaid in January 1990 using proceeds from the sale of Parfums Stern, was outstanding under this facility.

The bridge loan commitment provided financing in connection with Avon's health care businesses. Cash proceeds from the disposition of these businesses were used to repay advances under the bridge loan, and the commitment was terminated during 1989.

Borrowing rates are based on LIBOR, certificate of deposit, prime rates and money market auction rates. At December 31, 1989, the rate on the term loan was 10.06%. There is a facility fee on the entire amount of the facility and a commitment fee on the unused portion which will vary with Avon's debt rating. These fees can aggregate $750,000 per year.

In addition to the above, Avon has unused lines of credit of approximately $210 million and $365 million related to domestic and international operations, respectively. The domestic lines have facility and commitment fees that can aggregate $788,000 per year and the international lines have no material compensating balances or commitment fees.

ALUMINUM COMPANY OF AMERICA (DEC)

	1989	1988
	(In millions)	
Total current liabilities	$2,142.6	$1,884.1
Long-term debt, less amount due within one year (F)	1,316.3	1,524.7
Noncurrent liabilities and deferred credits	429.6	478.2
Future taxes on income	852.1	770.1
Total liabilities	4,740.6	4,657.1

NOTES TO FINANCIAL STATEMENTS

(dollars in millions, except share amounts)

F. Long-term Debt

December 31	1989	1988
Sinking fund debentures:		
6% due 1992	$ 9.7	$ 10.1
9% due 1995	41.5	50.2
7.45% due 1996	41.6	44.6
9.45% due 2000	85.0	107.3
Notes:		
8¼% due 1990	97.5	105.0
9¾% due 1990	40.0	46.6
Convertible subordinated debentures:		
6¼%, due 2002, exchangeable @ $62/share	150.0	150.0
Discount debentures:		
7%, $300 face amount, due 1996 (14.7% effective yield)	202.1	194.3
7%, $225 face amount, due 2011 (14.7% effective yield)	113.0	124.6
Tax exempt revenue bonds ranging from 5¾% to 12¾%, due 1993-2012	122.1	122.1
Other	114.3	72.7
Alcoa Aluminio:		
Variable rate note due 1990-1997 (11.3% average rate)	263.6	298.1
Alcoa of Australia (AA):		
10% note due 1989	—	47.4
11% note due 1992	80.0	80.0
14.25% note due 1990-1994	20.3	27.0
Revolving credit agreements:		
Variable rate, due 1992 (17.5% and 12.7% average rate)	52.1	11.2
Variable rate, due 1991-1992 (8.6% and 7.9% average rate)	79.9	138.0
Variable rate, due 1990 (7.9% average rate)	—	10.0
	1,512.7	1,639.2
Less, amount due within one year	196.4	114.5
	$1,316.3	$1,524.7

The amount of long-term debt maturing in each of the next five years is $196.4 in 1990, $63.8 in 1991, $288.8 in 1992, $84.3 in 1993, and $86.2 in 1994. AA has deposited with banks sufficient funds to retire at maturity the 11% notes due

1992. The banks have assumed liability for all future principal payments. Aluminio has interest-bearing funds on deposit with a bank which will satisfy debt maturing in 1990 and 1991 of $21.8 and $17.4, respectively. The deposits protect Aluminio from adverse foreign exchange exposure.

BAUSCH & LOMB INCORPORATED (DEC)

	1989	1988
	($000)	
Long-Term Debt	$219,082	$152,514
Deferred Income Taxes	43,440	31,068
Minority Interest	8,886	9,279

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Debt

Long-term debt at year end consisted of:

Dollar Amounts in Thousands	1989	1988
Notes payable:		
Promissory notes	$100,000	$ 45,313
8% notes due in 1996	75,195	77,464
9.47% due semi-annually through 1994	23,208	—
Other	5,395	5,207
Mortgages payable:		
5¼% due annually through 1991	427	3,251
7¼% due monthly through 1992	798	1,083
7¼% due annually through 1992	680	908
Other	283	113
Capitalized lease obligations:		
Industrial Development bonds due in 2015	8,500	8,500
Industrial Revenue bonds due in 2005	1,434	2,541
Industrial Revenue bonds due in 1992	—	1,068
7% due monthly through 2004	4,606	4,792
5% due monthly through 2004	2,204	2,310
Variable rate due monthly through 1993	1,691	1,833
Variable rate due monthly through 1999	1,450	1,274
Other	429	250
	226,300	155,907
Less: Current portion	7,218	3,393
	$219,082	$152,514

The terms of a revolving credit and term loan agreement provide for a 365-day revolving credit under which the company may borrow up to $100,000,000. A commitment fee at a rate of .05% is charged on the unused portion. For any six-month period during the year the agreement includes a provision which allows the company to increase its borrowings up to an additional $150,000,000. A commitment fee of $62,500 per year is paid under this provision. The interest rate for total borrowings under the agreement is the prime rate or, at the company's option, a mutually acceptable market rate. At December 30, 1989, this revolving credit and term loan agreement supported $100,000,000 of unsecured promissory notes which have been classified as long-term debt. While the company intends to refinance these obligations, the level of the outstanding debt may fluctuate from time to time.

The company repurchased $2,330,000 and $7,600,000 during 1989 and 1988, respectively, of the $100,000,000 in 8% notes due in April 1996, which were issued in April 1986.

The Industrial Development bonds due in 2015 were used to finance the construction of a warehouse and office complex to house the company's sports optics business in San Dimas, California. The interest rate is adjusted weekly as a percentage of prime rate; however, it may be converted to a fixed rate at the company's option.

The Industrial Revenue bonds due in 1992 and 2005 relate to the headquarters facility of Bausch & Lomb Pharmaceuticals, Inc. in Clearwater, Florida. The 7% capitalized lease obligation relates to the company's principal manufacturing facility in Rochester, New York. After 1988, the company may purchase the facility for $600,000 plus the remaining unamortized lease obligation. The variable rate capital lease due monthly through 1993 relates to an office and manufacturing facility in Rio de Janeiro, Brazil. The variable rate capitalized lease obligation due monthly through 1999 relates to a new office building and warehousing facility in Madrid, Spain.

In January 1987, the company entered into a capitalized lease with the New York Urban Development Corporation for $2,500,000 at 5% interest due monthly through 2004. The funds were used to finance part of the construction of an office and laboratory building to house research and development operations at the company's principal manufacturing facility in Rochester, New York.

Long-term borrowing maturities during the next five years are $7,218,000 in 1990; $8,406,000 in 1991; $7,135,000 in 1992; $6,459,000 in 1993; and $5,788,000 in 1994.

ECHLIN INC. (AUG)

	1989	1988
	($000)	
Total current liabilities	$244,908	$301,378
Long-term debt	107,609	114,938
Deferred income taxes	41,114	35,985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Long-Term Debt and Other Borrowing Arrangements

Long-term debt was comprised of the following:

	August 31,	
(Dollars in thousands)	1989	1988
Commercial paper	$ 77,000	$ 92,400
8.69%-8.74% Domestic notes payable	11,000	—
8.45% Senior notes payable at $1,000 per year through 1997	8,001	9,001
Foreign (interest 6.25%-7.00%) payable in varying installments to 1993	2,218	3,574
2.82%-8.25% Obligations under terms of lease agreements with five municipalities, payable in varying installments to 1999	10,431	10,978
Capitalized lease obligations, net of interest of $302 (interest 5.33%-13.50%) payable in varying installments to 1993	1,664	2,425
Other (interest 8.00%) payable in varying installments to 1996	83	146
Total debt	110,397	118,524
Less—Current portion	2,788	3,586
Total long-term debt	$107,609	$114,938

The weighted average interest rates on commercial paper outstanding at August 31, 1989 and 1988 were 8.80% and 8.03%, respectively. The commercial paper and domestic notes payable amounts have been classified as long-term debt because of the Company's intent to refinance this debt on a long-term basis and the availability of such financing under the terms of a revolving credit agreement (RCA).

The Company has a RCA which provides for the availability through September 1, 1991, of maximum borrowings of $330,000,000. Borrowings are repayable in six semiannual payments beginning March 1, 1992 with interest approximating market rates. The Company also has a credit agreement with a United Kingdom bank enabling the Company to borrow up to $20,000,000 through December 11, 1991. At August 31, 1989 and 1988, there were no borrowings under these agreements. Both agreements require nominal commitment fees to be paid on the unused portion of the credit.

The Company has a $16,000,000 Industrial Revenue Bond, which was repurchased by the Company at face value and has been offset by the investment on the balance sheet.

Minimum annual principal repayments of long-term debt, including capitalized lease obligations, in each of the next five fiscal years are as follows: 1990—$2,788,000; 1991—$2,637,000; 1992—$2,340,000; 1993—$1,793,000; and 1994—$1,459,000.

Notes payable to banks at August 31, 1989 are comprised of borrowings by the Company's foreign subsidiaries, due within ninety days, at interest rates between 6.25% and 18.00%.

For the years ended August 31, 1989, 1988, and 1987, interest paid was $24,650,000, $13,159,000, and $11,386,000, respectively.

The Company's RCA and senior note agreements contain restrictive covenants regarding the payment of cash dividends, the maintenance of working capital, shareholders' equity, and the issuance of new debt. Regarding cash dividends, amounts paid cannot exceed 60% of cumulative net income, as defined, earned after August 31, 1986, plus $35,000,000. As of August 31, 1989, there were $126,275,000 of accumulated funds available for the payment of future dividends. In addition, the aggregate amount of dividends paid during any one fiscal year cannot exceed the average net income for the three preceding years.

Under various credit lines, the Company could have borrowed at August 31, 1989 and 1988, a maximum of $9,000,000 from U.S. banks, mainly at the prime interest rate, and a maximum of $27,334,000 and $27,000,000, respectively, from foreign banks, mostly at their equivalent of the prime rate. In connection with the U.S. credit lines, Echlin has complied with informal agreements with the lending banks to maintain compensating balances, the amounts of which are insignificant.

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

	1989	1988
	($000)	
Total current liabilities	$978,109	$882,953
Long-term debt	254,312	168,255
Obligations under capital leases	252,618	225,695
Deferred income taxes	57,167	33,541
Other non-current liabilities	127,321	81,420

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Indebtedness

Debt consists of:

(Dollars in thousands)	Feb. 25, 1989	Feb. 27, 1988
9.5% Senior Notes, due in annual installments of $10,000 through October 1, 1992	$ 40,000	$ 50,000
Mortgages and Other Notes due 1989 through 2011 (average interest rates of 9.9% and 9.7%, respectively)	107,604	116,119
Bank Borrowings at 9.7% and 6.6%, respectively	67,225	42,500
Commercial paper at 9.4% and 8.5%, respectively	100,102	17,222
	314,931	225,841
Less current portion	(60,619)	(57,586)
Long-term debt	$254,312	$168,255

The net book value of real estate pledged as collateral for all mortgage loans amounted to approximately $146 million as of February 25, 1989. Bank and commercial paper borrowings of $130 million as of February 25, 1989 and bank borrowings of $26.6 million as of February 27, 1988 are classified as noncurrent as it is the Company's intent to refinance these borrowings on a long-term basis.

The Company has a $100 million revolving credit/term loan agreement with banks enabling the Company to borrow funds on a revolving basis until June 1, 1990. Thereafter, the Company may convert any outstanding borrowings into a 4-year term loan, repayable in equal semi-annual installments. In addition, the Company maintains lines of credit with banks in excess of $300 million. Borrowings under lines of credit were $67.2 million and $42.5 million at February 25, 1989 and February 27, 1988, respectively.

The Company's Canadian subsidiary has an $83 million commercial paper program and a bank credit agreement whereby, at its option, may refinance it commercial paper borrowings with loans having maturities of up to 5 years. There were no outstanding Canadian commercial paper borrowings as of February 25, 1989.

Pursuant to a prospectus dated June 5, 1987, the Company may offer up to $300 million of debt securities at terms determined by market conditions of the time of sale. In addition, during fiscal 1987 the Company established a $200 million U.S. commercial paper program. The Company had approximately $100 million of commercial paper borrowings as of February 25, 1989. There were no U.S. commercial paper borrowings as of February 27, 1988. The Company is required to maintain available bank credit facilities sufficient to refinance borrowings under the commercial paper program.

Interest payments for fiscal 1988, 1987 and 1986 were approximately $19 million, $22 million and $20 million, respectively.

The Company's loan agreements contain certain financial covenants including limitations on the payment of cash dividends, the maintenance of minimum levels of working capital and limitations on the incurrence of additional indebtedness and lease commitments. At February 25, 1989 approximately $335 million of retained earnings were free of dividend restrictions.

Maturities for the next five fiscal years are: 1989—$61 million; 1990—$51 million; 1991—$49 million; 1992—$48 million; 1993—$38 million.

LOCKHEED CORPORATION (DEC)

	1989	1988
	($ millions)	
Total current liabilities	$2,895	$3,474
Long-term debt	1,835	693

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Long-Term Debt

Long-term debt consisted of the following components:

In millions	1989	1988
Commercial paper	$ 361	
Bank notes		$ 50
7¼% notes due 1989		150
7⅞% notes due 1993	300	300
8½% notes due 1996	200	200
9⅜% notes due 1999	300	
Obligations under long-term capital leases (see Note 9)	13	13
Other obligations	23	27
	1,197	740
Guarantee of ESOP obligations	490	
Lockheed Finance Corporation notes payable (see Note 13)	170	162
	1,857	902
Less portion due within one year	22	209
	$1,835	$693

The company has the ability to replace commercial paper borrowings with long-term borrowings under its 1986 Credit Agreement and its Euronote placement and standby credit facility (Euronote Facility), both discussed below. The company therefore classified its commercial paper borrowings at December 31, 1989 as long-term debt.

At December 31, 1989, the company utilized an interest rate swap agreement to establish a fixed rate of interest on $50 million of variable rate debt. The swap agreement matures in August 1991.

The 9⅜% notes due in 1999 (the Notes) contain a provision that, in the event of both a "designated event" and a "rating decline" (as defined in the Officers' Certificate), each holder of the Notes may require Lockheed to redeem the holder's Notes at 100 percent of the principal amount, plus accrued interest, within a specified period of time.

A "designated event" occurs when any one of the following takes place: a person or group other than Lockheed or one of its employee benefit plans acquires more than 20 percent of the total voting power of all outstanding stock; one of Lockheed's employee benefit plans uses debt to accumulate voting shares, and the remaining unallocated (to the employees) voting shares are in excess of 25 percent of the total shares outstanding; during any two-year period, the individuals who constituted the board of directors at the beginning of the period cease to constitute a majority of the directors; Lockheed consolidates with, merges with, or transfers substantially all of its assets to another entity in which a reclassification, conversion, cancellation, or exchange of outstanding shares occurs, unless the sole purpose of such an act is to form a holding company or change the jurisdiction of incorporation; Lockheed or any subsidiary directly or indirectly acquires beneficial ownership of over 30 percent of its outstanding stock within a 12-month period (measured against the outstanding stock at the start of the period); or, Lockheed acquires its outstanding stock or distributes, directly or indirectly, cash, property or securities (other than Lockheed stock or the right to acquire Lockheed stock), such that the aggregate total of these acquisitions and/or distributions during the preceding 12-month period exceeds 30 percent of the fair market value of its outstanding stock.

A "rating decline" occurs when a "designated event" has occurred and one of the following takes place within a specified time interval; if, after Standard & Poor's Corporation and/or Moody's Investors Service have rated the Notes as investment grade, the agencies then change the rating so that the Notes are either rated as not investment grade, or not rated, by both agencies; or, if both agencies have rated the Notes below investment grade, the agencies then change the rating so that the Notes are either rated one full rating category lower, or not rated, or reduced to ratings of "D" (Standard & Poor's) or "C" (Moody's) or their equivalent. At their date of issue, the Notes were rated "A" by Standard & Poor's and "A3" by Moody's Investors Service.

The company has two committed credit line facilities: the 1986 Credit Agreement, as amended, provides for a total commitment through June 30, 1993 of $400 million, and the Euronote Facility, as amended, provides for a total commitment through June 30, 1993 of $350 million. Generally, these facilities are maintained to back up the company's commercial paper borrowings. The company does not intend to borrow under these facilities while other credit sources are available, although there is no prohibition against doing so.

Borrowings under the 1986 Credit Agreement would be unsecured and bear interest, at the company's option, at the bank prime rate, rates based on the London Interbank Offered Rate (LIBOR), or a "CD Rate" (as defined). Borrowings under the Euronote Facility would be unsecured and bear interest at rates based on the LIBOR. The 1986 Credit Agreement contains financial covenants relating to equity and debt. At December 31, 1989, there were no borrowings outstanding under the 1986 Credit Agreement or the Euronote Facility.

During the second quarter of 1989, the company established an ESOP (see Note 8). On April 4, 1989, the ESOP borrowed $500 million through a private placement of debt. These borrowings bear interest at fixed rates ranging from 8.34% to 8.49%, and are to be repaid in varying quarterly installments over terms up to fifteen years. Although the obligations are owed by the ESOP, they are guaranteed by Lockheed, and therefore required to be added to debt, and deducted from shareholders' equity (see Note 12), on its consolidated financial statements. As the ESOP obligations are repaid, the amount guaranteed will decrease and Lockheed's reported debt will be reduced accordingly.

Lockheed Finance Corporation (LFC) has committed credit line facilities providing total commitments of $130 million through March 1995. At December 31, 1989, there were no borrowings under these facilities. LFC has the ability to replace its borrowings under uncommitted bank lines of credit with long-term borrowings under its committed credit line. As a result, LFC uncommitted bank borrowings totaling $127 million and $130 million were classified as long-term debt at December 31, 1989 and December 25, 1988, respectively. Long-term borrowings consisted of notes payable to banks which have varying maturity dates through May 1992 and bear interest at an average rate of 9.9 percent. LFC used interest rate swap agreements to establish an effective long-term interest rate of 9.4 percent on $102 million of variable rate debt at December 31, 1989. The swap agreements have maturity dates ranging from 1990 through 1994.

The company's long-term debt maturities, including those of LFC and the guaranteed ESOP obligations, for the five years following December 31, 1989, are: $22 million in 1990; $42 million in 1991; $49 million in 1992; $325 million in 1993; and $26 million in 1994.

MOTOROLA, INC. (DEC)

	1989	1988
	($ millions)	
Total current liabilities	$2,751	$2,691
Long-term debt	755	343
Deferred income taxes	183	155
Other liabilities	194	146

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions, except as noted)

3. Long-term Debt and Credit Facilities

December 31	1989	1988
12% eurodollar notes due 1994	$ 68	$ 68
11½% eurodollar notes due 1997	93	93
8⅝% ECU notes due 1992	60	59
8% sinking fund debentures due 2007 (callable at 104.0% reducing to 100.0% of the principal amount)	62	62
6½% industrial revenue bonds due 2014	15	20
Zero coupon notes due 2009	413	—
Capitalized lease obligations	45	46
Other long-term debt	16	30
	772	378
Less current maturities	17	35
Long-term debt	$755	$343

On September 7, 1989 Motorola issued $1.32 billion of zero coupon notes referred to as Liquid Yield Option™ Notes (LYON™), due September 7, 2009, for cash proceeds of $405 million. The LYONs are zero coupon subordinated notes convertible into 4.567 shares of Motorola common stock and have no periodic interest payments. Each note was priced to yield 6% to maturity.

Aggregate maturities and sinking fund requirements for long-term debt, in millions, during the next five years are as follows: 1990, $17; 1991, $16; 1992, $76; 1993, $6; 1994, $69.

The Company has domestic and international credit arrangements for short-term borrowings, generally with banks. On its domestic credit arrangements, it pays commitment fees of approximately 1/10% of the domestic lines of credit. Short-term credit lines totalled $1.95 billion at December 31, 1989, of which $1.11 billion remain unused. Domestic credit arrangements primarily back up the issuance of commercial paper.

Outstanding letters of credit aggregated approximately $99 million at December 31, 1989.

THE MEAD CORPORATION (DEC)

	1989	1988
	($ millions)	
Total current liabilities	$699.9	$673.6
Long-term debt (Note E)	949.8	924.3
Deferred items:		
Income taxes	330.2	291.2
Other	89.3	138.9
	419.5	430.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

E. Long-Term Debt

December 31	1989	1988
(All dollar amounts in millions)		
Capitalized lease obligations:		
Industrial Development Revenue Bonds and Notes, average effective rate approximately 7%	$114.8	$120.7
Other, principally 8½%	20.1	23.3
Total	134.9	144.0
6¾% convertible subordinated debentures	200.0	200.0
Purchase Note, due in 1998, interest at LIBOR plus ½% (9.3% at December 31, 1989)	165.5	165.5
9% debentures, due in annual installments of $7.5 million from 1998 through 2017	150.0	150.0
Variable-rate Escanaba tax-exempt bonds, $10.0 million due in 2013 and $83.5 million due in 2023	93.5	93.5
Short-term borrowings to be refinanced	42.3	
8½% notes, due in annual installments of $5.0 million through 1998	40.0	45.0
Variable-rate Industrial Development Revenue Bonds, due from 2001 through 2016	39.4	39.4
9⅞% sinking fund debentures, due in annual installments of $5.0 million from 1993 through 1998	29.4	40.0
8½% debentures, due in annual installments of $3.0 million from 1992 through 1995	11.8	17.2
Other	43.0	29.7
	$949.8	$924.3

The 6¾% convertible subordinated debentures are convertible into common shares at any time at a conversion price of $52.85 per share. The debentures are due in annual installments of $10 million from 1998 through 2011 and $60 million in 2012, and are callable by the company at 105% after September 1990.

The Purchase Note, the variable-rate Industrial Development Revenue Bonds and the Escanaba tax-exempt bonds are supported by letters of credit. The floating interest rates on the bonds, which averaged 6.3% in 1989, closely follow the tax-exempt commercial paper rate.

The short-term debt to be refinanced is classified as long-term debt based on the company's ability to refinance on a long-term basis under the existing $650 million credit agreement. This agreement has a daily renewable term of four years. After reduction for these financings, the company has unused long-term lines of credit of $608 million. This agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. In addition, $19 million of unused short-term bank lines exist.

The company has a policy aimed at managing interest rate risk associated with its current and future anticipated borrowings. This policy enables the company to use any combination of interest rate swaps, futures, options, caps and similar arrangements. The cost of any options and caps and gains and losses on any futures contracts is deferred anc amortized over appropriate future periods.

Maturities of long-term debt for the next five years are $12.6 million in 1990, $14.5 million in 1991, $21.6 million in 1992, $21.6 million in 1993 and $65.0 million in 1994.

Property, plant and equipment carried at $70.5 million (principally capitalized leases) and $18.8 million of funds restricted for construction are pledged as collateral under the above debt.

The company has guaranteed borrowings of certain affiliated operations and others totalling approximately $28.2 million at December 31, 1989.

The company has a 50% interest in a partnership with Scott Paper Company which has borrowed $300 million under a 10-year loan agreement with The Sumitomo Bank, Limited, New York Branch. The loan, one-half of which has been guaranteed by the company, is prepayable at any time either in cash or by delivery of notes receivable from Georgia-Pacific Corporation held by the partnership as part of the consideration for the sale of Brunswick.

OLIN CORPORATION (DEC)

	1989	1988
	($ millions)	
Total Current Liabilities	$ 585	$ 617
Long-Term Senior Debt	376	349
Long-Term Subordinated Debt	125	125
Deferred Income Taxes	60	60
Other Noncurrent Liabilities	93	106
Total Liabilities	1,239	1,257

NOTES TO FINANCIAL STATEMENTS

(In millions, except share data)

Long-Term Debt

Due		1989	1988
	Note agreements:		
90-02	7.97% notes	$ 81	$ 88
90-96	8.125% notes	35	41
12/91	7.95% note	10	10
90-95	Note payable to affiliated company at interest rate varying with LIBOR	—	12
92-93	Revolving credit agreement	20	86
92-93	Commercial paper	20	—
	Industrial development and environmental improvement obligations:		
12/12	payable at interest rates which vary with short-term tax exempt rates	29	29
90-08	payable at interest rates ranging from 6% to rates varying with prime	53	54
5/91	9.75% note	10	10
6/96	Note payable at interest rate varying with LIBOR	40	—
97-09	Guarantee of ESOP variable rate debt	60	—
93-98	10% note	12	12
90-03	Mortgage, capitalized leases and other indebtedness	6	7
	Total long-term senior debt	376	349
6/97	9.5% subordinated notes	125	125
	Total long-term debt	$501	$474

Among the provisions of the note agreements are restrictions relating to payment of dividends and acquisition of the company's capital stock. At December 31, 1989, retained earnings of approximately $342 million were not so restricted under the provisions.

The ESOP's purchase of preferred stock was financed by $60 million of notes (guaranteed by the company) and $40 million of borrowings from the company. The loan from the company to the ESOP was financed through a long-term credit facility.

In December 1988, the company entered into an unsecured revolving credit agreement with a group of banks providing up to $120 million. The company may select various borrowing options at varying rates and the amount outstanding at December 31, 1991 may be converted into a two-year term loan, to be repaid in equal quarterly installments through December 1993.

Annual maturities of long-term debt for the next five years are $15 million in 1990, $35 million in 1991, $36 million in 1992, $35 million in 1993 and $14 million in 1994. Included in the annual maturities in 1992 and 1993 is $20 million of term-loan repayments under the provisions of the revolving credit agreement.

VISHAY INTERTECHNOLOGY, INC. (DEC)

	1989	1988
Total Current Liabilities	$ 85,682,706	$ 79,211,657
Long-term Debt—less current portion	186,182,228	202,550,758
Deferred Taxes and Other Liabilities	13,088,552	7,885,430
Accrued Pension Costs	17,020,477	15,351,431

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E—Long-Term Debt

Long-term debt consisted of the following:

	December 31	
	1989	1988
Revolving and Term Credit Agreement	$ 53,000,000	$121,000,000
Deutsche Mark Revolving and Term Credit Agreement	75,205,671	18,756,750
Convertible Subordinated Debentures	50,000,000	50,000,000
Industrial Development Revenue Bonds	5,910,052	6,365,528
French Bonds	10,366,275	9,900,990
French Industrial Bonds	3,851,396	4,462,207
Other Debt and Capital Leases Obligations	3,685,301	4,368,752
	202,018,695	214,854,227
Less current portion	15,836,467	12,303,469
	$186,182,228	$202,550,758

On July 21, 1989, Vishay revised its Revolving and Term Credit and Deutsche Mark Term Credit agreements that were in effect at December 31, 1988 by transferring $55,000,000 of U.S. dollar denominated debt to Deutsche Mark denominated debt. The agreements provide for two U.S. dollar denominated loan facilities in an aggregate amount of $75,000,000. The first such facility is a $45,000,000 multicurrency revolving credit and term loan. Interest is payable at prime or at other interest rate options (9.70% at December 31, 1989) which approximate prime. The Company is required to pay a commitment fee equal to ½% per annum on the average unused line. This facility is available on a revolving basis until December 31, 1991, at which time it will convert into a three-year, fully amortizing term loan. The second facility is a $30,000,000 term loan which will mature on December 31, 1994. Interest is payable at prime or other interest rate options (9.96% at December 31, 1989) which approximate prime. The loan agreements provide a German subsidiary of the Company with two facilities in an aggregate amount of DM 146,941,000. The first facility provides for a DM 42,375,000 revolving credit and term loan which is available on a revolving basis until December 31, 1991, at which time it will convert into a three-year, fully amortizing term loan. Interest is based on DM market rates plus ⅞% (9.63% at December 31, 1989). The Company is required to pay a commitment fee equal to ½% per annum on the average unused line. The remaining DM 104,566,000 facility is an amortizing term loan. Principal of DM 4,753,000 and interest at DM market rates plus 1% (9.25% at December 31, 1989) is due quarterly with final payment on December 31, 1994.

Under the loan agreements, the Company is restricted from paying cash dividends and must comply with other covenants, including the maintenance of specific ratios. The Company has complied with the restrictions and limitations under the terms of loan agreements. All of the Company's U.S. assets and the stock of certain European subsidiaries are pledged as collateral under loan agreements.

On July 28, 1988, Vishay issued $50,000,000 of 4¾% convertible subordinated debentures in Europe bearing an effective interest rate of 9.28% and maturing on July 28, 2003. The bonds are convertible into shares of the Company's Common Stock at a conversion price of $22.83 at December 31, 1989. The Debentures are subordinated in right of payment to all existing and future Senior Indebtedness of the Company. The Debentures are redeemable at the option of the Company under certain circumstances. Each Debenture is redeemable at the option of the holder on July 28, 1995 at a redemption price guaranteeing the holder a return of 9.28% per annum.

The industrial development revenue bonds are at various interest rates ranging from 7% to 10% and mature at various dates from 1992 through 1997. The French Bonds are payable in French francs and bear interest at 8% and are due 1990 through 1993. The French industrial bonds are payable in French francs and bear interest at rates ranging from zero to 11.5% and require periodic payments through the maturity dates of 1990 and 1999.

Aggregate annual maturities of long-term debt are as follows: 1990—$15,836,467; 1991—$34,538,814; 1992—$24,958,254; 1993—$22,417,983; 1994—$50,980,549; thereafter—$53,286,628.

The Company has short-term credit lines with various banks aggregating $34,841,000 which are subject to annual confirmation by the banks. $18,639,000 was unused at December 31, 1989.

The Company paid interest of $17,837,822 for the year ended December 31, 1989 and $7,507,678 for the six-month period ended December 31, 1988. For the years ended June 30, 1988 and 1987, interest paid was substantially the same as amounts charged to operations.

STONE CONTAINER CORPORATION (DEC)

	1989	1988
	(in millions)	
Total current liabilities	$1,072.6	$408.3
Senior long-term debt	2,598.0	318.1
Subordinated debt	671.7	447.0
Non-recourse debt of consolidated affiliates	267.2	—
Other long-term liabilities	78.6	17.4
Deferred taxes	185.6	140.3
Redeemable preferred stock of consolidated affiliate	22.7	—
Minority interest	9.7	.3

Note 9—Long-term Debt

Long-term debt consists of the following:

(in millions)	December 31, 1989	1988
Senior debt:		
Term loans (11.6% weighted average rate) payable in semiannual installments of $88.7 on March 31, 1990, $174.7 thereafter through September 30, 1996 and $108.7 on March 1, 1997	$2,468.9	$ —
Revolving credit agreements (11.8% weighted average rate)	95.0	—
4.0%-7.96% term loans payable in Deutsche Marks in varying amounts through 1996	76.0	—
5.90%-11.625% fixed rate pollution control and revenue bonds, payable in varying amounts through the year 2012 (less unamortized debt discount of $2.1 and $2.2)	53.2	50.2
Floating rate revenue bonds (7.0% and 6.3% weighted average rates), payable in varying amounts through the year 2016 (less unamortized debt discount of $3.1 and $3.2)	41.6	42.8
5.6%-6.0% utility system revenue bonds, $.2 payable in 1990, with additional lump sum payments of $17.5 in the year 1998 and $31 in the year 2007 (less unamortized debt discount of $8.2 and $8.9 and fund balance of $5.7)	34.8	35.7
10.75% timber notes payable in annual payments of $1.2, maturing with an additional lump sum payment of $36.1 in the year 2000	49.3	50.5
Obligations under capitalized leases	62.1	9.0
Bid loans (9.4% and 8.7% weighted average rates)	—	90.0
Commercial paper (9.5% and 8.7% weighted average rates)	—	42.5
Other	3.1	3.2
	2,884.0	323.9
Less: Current maturities	(286.0)	(5.8)
Total senior long-term debt	2,598.0	318.1
Subordinated debt:		
13.625% notes, payable in three annual sinking fund payments of $59.5 commencing on June 1, 1992, and maturing on June 1, 1995 with a lump sum payment of $171.5 (less unamortized debt discount of $1.5 and $1.7)	348.5	348.3
12.125% debentures with annual sinking fund payments of $14 commencing on September 15, 1996 and maturing in the year 2001 with a lump sum payment of $70 (including unamortized debt premium of $3.2 and $3.7 and net of $50.1 and $45 repurchased by the Company)	93.2	98.7
11.5% notes, payable in two annual sinking fund payments of $57.5 commencing on September 1, 1997 and maturing on September 1, 1999 with a lump sum payment of $115	230.0	—
Total subordinated debt	671.7	447.0
Non-recourse debt of consolidated affiliates:		
11.75% senior extendible notes maturing on October 1, 1999 (less unamortized debt discount of $.1)	69.9	—
Obligations under $355 senior credit facility (11.6% weighted average rate) payable in varying amounts through 1998	20.0	—
13.5% and 14.125% subordinated notes payable in annual sinking fund payments of varying amounts from 1993 through 2000 (less unamortized debt discount of $1.5)	164.5	—
Other	12.8	—
Total non-recourse debt of affiliates	267.2	—
Total long-term debt	$3,536.9	$765.1

In March 1989, the Company replaced its borrowings outstanding under bid loans and commercial paper with a new $3.4 billion bank credit facility ("Credit Facility") consisting of two eight-year term loan facilities totalling $2.9 billion and two five-year revolving credit facilities aggregating $400 million. Concurrently, the Company cancelled a $540 million revolving credit facility established in 1988. The Credit Facility also provides for an $80 million letter of credit facility which replaced a previously existing letter of credit. The Company borrowed $2.774 billion under the term loans and cancelled the remaining $126 million originally available. The proceeds from these borrowings were primarily used to provide funds to finance the Stone-Consolidated acquisition, pay related transaction costs and refinance certain existing indebtedness of both the Company and Stone-Consolidated.

The Credit Facility permits the Company to choose between various interest rate options, to specify the portion of the borrowings to be covered by specific interest rate options and to specify the interest rate period to which the interest rate options are to apply, subject to certain parameters. At December 31, 1989, the interest rate options available to the Company were (i) U.S. or Canadian prime rate plus a borrowing margin of ¾ percent, (ii) CD rate plus a borrowing margin of 1⅞ percent, (iii) Eurodollar rate plus a borrowing margin of 1¾ percent and (iv) bankers' acceptance rate plus a borrowing margin of 1¾ percent. Upon achievement of specified indebtedness ratios and interest coverage ratios, the borrowing margins will be reduced. Additionally, the Company pays a ⅜ percent commitment fee on the unused portions of the revolving credit facilities.

The Credit Facility required that the Company hedge a portion of the United States based borrowings to protect against increases in market interest rates. Pursuant to that requirement, at December 31, 1989 the Company had various interest rate cap, collar and swap contracts related to $1.25 billion of such borrowings. The effect of these contracts is to: (i) limit the interest rate the Company would pay to no more than approximately 13 percent (including applicable Eurodollar borrowing margin) on $900 million and (ii) fix the interest rate at approximately 12.4 percent (including applicable Eurodollar borrowing margin) on $350 million. Additionally, in November 1989, the Company entered into cross currency swaps related to $699 million of Credit Facility borrowings of Stone-Consolidated that are U.S. dollar denominated, fixing the exchange rate on such borrowings at $1 U.S. = $1.1710 Canadian and resulting in a Canadian dollar equivalent borrowing of $818.5 million of which $653 million was fixed at interest rates of approximately 12.82 percent (including applicable Eurodollar borrowing margin). The expiration dates of the various contracts are tied to scheduled principal payment dates and extend through the third quarter of 1996.

During 1989, the Company repaid $305 million of the outstanding term loans, $181 million of which were prepayments made from proceeds from the sale of assets and the issuance of subordinated notes. Of such prepayments, $86 million was applied to the March 31, 1990 scheduled payment.

In September 1989, the Company completed a $230 million public offering of 11½ percent Senior Subordinated Notes ("the Notes") due September 1, 1999. The Notes are redeemable after September 1, 1994, at the option of the Company, in whole or in part from time to time, at certain prices declining annually to 100 percent of the principal amount on or after September 1, 1997, plus accrued interest. Approximately $200 million of the proceeds from the offering was used to finance the October acquisition of Stone Forest and to purchase or redeem existing indebtedness of that company. The remaining proceeds were used to repay other debt.

As a result of the consolidation of Seminole and Stone Savannah River (See Note 2) the Company's Consolidated Balance Sheet includes the debt of these subsidiaries. Such debt is solely the obligation of the respective subsidiaries and is without recourse to Stone Container.

At December 31, 1989, the $2.56 billion of borrowings outstanding under the Credit Facility were secured by property, plant and equipment of $68 million and by common stock of various subsidiaries of the Company representing net assets of approximately $2.5 billion. Additionally, other loan agreements aggregating $160.4 million were collateralized by approximately $134 million of timberlands, property, plant and equipment.

The Credit Facility contains covenants that include requirements to maintain certain financial tests and ratios (including minimum current ratio, indebtedness ratio, interest coverage ratio and tangible net worth) and restrictions and limitations on capital expenditures, sale of assets, lease payments, investments, additional borrowings, mergers and purchases of stock and assets. None of these covenants nor those related to other loan agreements are expected to significantly affect operations. Furthermore, based on the Company's present dividend policy, there is no material restriction on the payment of dividends.

The amounts of long-term debt outstanding at December 31, 1989 maturing during the next five years are as follows:

(in millions)	
1990	$ 272.9
1991	364.6
1992	419.3
1993	448.8
1994	520.8
Thereafter	1,734.4

Amounts payable under capitalized lease agreements are excluded from the above tabulation. See Note 10 for capitalized lease maturities.

CREDIT AGREEMENTS

As shown in Table 2-27, many of the survey companies disclosed the existence of loan commitments from banks or insurance companies for future loans. Examples of such loan commitment disclosures follow.

AMERICAN BILTRITE INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F. Credit Arrangements

ABI maintains line of credit arrangements with several banks. Under the arrangements in effect at December 31, 1989, ABI had aggregate lines of credit of approximately $13,000,000. The credit arrangement with one of the banks requires the maintenance of compensating balances. At December 31, 1989, ABI was required to maintain a compensating balance of approximately $350,000.

BELDING HEMINWAY COMPANY, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note B

The Company has oral understandings with several banks (which can be withdrawn at the banks' option) for unsecured lines of short-term borrowings aggregating $15,000,000, of which $6,900,000 was outstanding at December 31, 1989. No amount was outstanding at December 31, 1988.

Borrowings under such lines generally bear interest at the prime rate and are payable on demand. The Company is required to maintain compensating balances at banks equal to 5% of the outstanding borrowings to support the available lines of credit. The Company was in substantial compliance with these compensating balance arrangements during the year.

TABLE 2-27: CREDIT AGREEMENTS

	1989	1988	1987	1986
Disclosing credit agreements	533	537	531	530
Not disclosing credit agreement	67	63	69	70
Total Companies	**600**	**600**	**600**	**600**

BADGER METER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Long-term Debt and Credit Lines

Long-term debt at December 31, 1989 and 1988, consisted of:

	1989	1988
Revolving credit line	$5,000,000	$5,000,000
Guaranteed debt of the Employee Stock Ownership Plan (See Note 7)	83,333	166,667
Other	100,000	100,000
	$5,183,333	$5,266,667

The Company has a revolving credit lines totaling $10,000,000 ($5,000,000 used at December 31, 1989), at negotiated interest rates (9.57% at December 31, 1989), which the Company may prepay at any time prior to April 30, 1992. The Company is required to pay a commitment fee of ⅜ of 1% on any unused portion of this line.

Aggregate maturities of long-term debt are as follows: 1992—$5,100,000.

The Company has $6,000,000 of short-term credit line with domestic banks of which $4,600,000 was used at December 31, 1989. The Company has an informal arrangement under which it attempts to maintain a compensating balance of $300,000 and has a formal agreement with another bank under which it is required to maintain a compensating balance of $200,000. Neither arrangement legally restricts the use of cash balances and the Company generally meets such arrangements through its cash balance float. In addition, the Company and its foreign subsidiary have short-term credit lines of approximately $1,480,000 of which $887,000 were used at December 31, 1989.

All interest incurred in 1989, 1988 and 1987 was charged to expense.

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Revolving Credit Agreements

The company has two unsecured committed revolving credit facility agreements, a $200 million agreement with a group of sixteen international banks and a $30 million agreement with Shawmut Bank of Boston, N. A. Both facilities expire in October 1990. The agreements provide for borrowings in Eurodollars or other currencies freely convertible into U.S. dollars, at an interest rate of ⅜ to ½ percent per annum above the London Interbank Offered Rate (LIBOR). The $200 million agreement may be accessed immediately through the use of a swingline option. The $30 million agreement has an option for Prime Rate or CD Rate Advances. The company is required to pay a commitment fee of 3/16 of 1 percent per annum on the average unused amount of the $200 million facility and ¼ of 1 percent per annum on the average unused amount of the $30 million facility. Both agreements contain certain covenants which include maintenance of a minimum consolidated net worth, as defined in the agreements, maintenance of certain minimum or maximum financial ratios, and certain limitations on the incurrence of liens or encumbrances on the company's assets. As of September 30, 1989, there have been no borrowings under these agreements.

GENERAL INSTRUMENT CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Debt

The Company has a $120 million committed revolving credit agreement with a group of domestic banks which expires in 1994 with a ratable quarterly reduction of the commitment commencing August 31, 1991. The agreement provides for an interest rate approximating the prime lending rate. Under the agreement, the Company is required to pay a commitment fee of ¼ of 1% per annum on the average daily unused amount of the commitment. The Company also has a $160 million committed revolving credit facility with a consortium of foreign banks which expires in 1991 and provides for advances and the issuance of short-term Euronotes having an interest rate based on the London Interbank Offered Rate. Under the agreement, the Company is required to pay a commitment fee of .15 of 1% per annum. No borrowings were made under either facility during 1989.

HUNT MANUFACTURING CO. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Debt

Credit Arrangements and Lines of Credit:

At December 3, 1989, the Company had $29 million available under revolving credit agreements with several banks. Of that amount, $10 million was available with an expiration date of January 19, 1990. Subsequent to December 3, 1989, this $10 million revolving line of credit was replaced with another $10 million revolving line of credit expiring in January 1991. Amounts borrowed under this agreement may be converted into a four-year term loan. In addition, $10 million is available through February 25, 1990, which may also be converted into a four-year term loan, and $9 million is available until cancellation by the Company or the bank upon a thirteen-month notice. Interest on any borrowings under these agreements is at varying rates based, at the Company's option, on the banks' prime rate or certificate of deposit rate, the London Interbank Offering Rate, the Federal Funds rate or a fixed rate available from time to time on a best-efforts basis. None of these agreements have compensating balance requirements. Commitment fees of ⅛ of 1% are payable for these facilities. At December 3, 1989, there were no borrowings under these revolving credit facilities.

The Company also has available a line of credit with a bank under which it may borrow up to $1 million with no compensating balance requirements. Interest on this line is at the bank's floating prime rate or rates mutually agreed upon at the time of borrowing. There were no borrowings outstanding under this line at December 3, 1989.

PHELPS DODGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Long-term Debt and Other Financing

The Corporation has a revolving credit agreement which permits borrowings of up to $200 million from time to time until December 1992. Unless further extended at the request of the Corporation, and with the consent of the banks involved, the maximum amount available under this agreement will decrease by $20 million on December 31, 1992, and will continue to decrease by that amount at the end of each quarter through September 30, 1993. Beginning on December 31, 1993, the amount available will decrease by $30 million at the end of each quarter until September 30, 1994. Interest is payable at a fluctuating rate based on the agent bank's prime rate or a fixed rate, based on the U.S. certificate of deposit rate or the Eurodollar interbank offered rate, for maturities of one to six months. This agreement provides for a commitment fee at an annual rate of ⅛ of 1 percent on the unused portion of the banks' commitments and a facility fee of ⅛ of 1 percent of total commitments. There were $47 million in 60- and 90-day borrowings outstanding under this agreement at December 31, 1989, compared with no outstanding borrowings at December 31, 1988.

The Corporation has other lines of credit totaling $190 million which are subject to agreement as to availability, terms and amount. The Corporation pays compensation for $25 million of these lines by either paying a fee of ⅜ of 1 percent or maintaining unrestricted balances averaging 3 percent to 5 percent of such lines. At December 31, 1989, there were $16.8 million in borrowings under these lines of credit; there were none at December 31, 1988.

UNION TEXAS PETROLEUM HOLDINGS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Debt, Capitalized Lease Obligations and Other Liabilities

Unsecured Credit Agreement

As of December, 1989 the Company has replaced its credit facility with a new unsecured credit facility (the "Credit Agreement") providing a $350 million revolving line of credit. Amounts outstanding under the revolving line of credit and reductions in future credit commitments will be mandatorily reduced by $50 million beginning June 30, 1993. This repayment and reduction schedule increases to $75 million on January 1, 1994 with further reductions semi-annually in equal amounts with full maturity of the facility on May 30, 1995. The revolving line of credit bears interest, at the Company's option, at fixed money market rates, LIBOR plus .375%, a certificate of deposit rate plus .50%, or the higher of the bank's corporate rate plus .125% and the Federal Funds rate plus .625%. As of January 30, 1990, $350 million was available under the Credit Agreement.

The Credit Agreement restricts the Company from having senior indebtedness exceeding $750 million or total indebtedness exceeding $1,050 million, excluding existing nonrecourse debt and nonrecourse debt on new assets as defined in the Credit Agreement, as adjusted for 50% of amounts of common stockholders' equity that exceed or are less than $260 million, respectively, excluding the effect of noncash writedowns. The Credit Agreement restricts the Company from having new subsidiary debt exceeding $300 million. The Credit Agreement provides that dividends on the common stock may not be paid if after their payment common stockholders' equity would be less than zero. The Credit Agreement further requires that the Company maintain a certain ratio of funds provided by operations to interest expense.

LONG-TERM LEASES

Effective for leasing transactions entered into on or after January 1, 1977, *Statement of Financial Accounting Standards No. 13,* Section L10 of *FASB Accounting Standards—Current Text,* is the authoritative pronouncement on the reporting of leases in the financial statements of lessees and lessors.

Table 2-28, in addition to showing the number of survey companies reporting capitalized and/or noncapitalized lessee leases, shows the nature of information most frequently disclosed by the survey companies for capitalized and noncapitalized lessee leases. Seventy survey companies reported lessor leases.

Examples of long-term lease presentations and disclosures follow.

TABLE 2-28: LONG-TERM LEASES

	Number of Companies			
	1989	1988	1987	1986
Information Disclosed as to Noncapitalized Leases				
Rental expense				
Basic	472	471	467	469
Contingent	67	67	76	79
Sublease	71	73	81	90
Minimum rental payments				
Schedule of	467	463	457	455
Classified by major categories of property	26	29	30	28
Information Disclosed as to Capitalized Leases				
Minimum lease payments	169	171	201	210
Imputed interest	156	168	185	198
Leased assets by major classifications	80	85	84	109
Executory costs	35	37	37	43
Number of Companies				
Capitalized and noncapitalized leases	308	348	359	373
Noncapitalized leases only	187	139	122	107
Capitalized leases only	36	59	53	75
No leases disclosed	69	54	66	45
Total Companies	**600**	**600**	**600**	**600**

Lessee—Capital Leases

ALBERTSON'S, INC. (JAN)

	1990	1989
	($000)	
CURRENT LIABILITIES:		
Accounts payable	$429,822	$375,786
Salaries and related liabilities	68,122	64,458
Taxes other than income taxes	26,698	23,570
Income taxes	2,768	
Other current liabilities	16,443	13,492
Current maturities of long-term debt	6,008	5,655
Current obligations under capital leases	5,122	5,429
TOTAL CURRENT LIABILITIES	554,983	488,390
LONG-TERM DEBT	111,503	64,041
OBLIGATIONS UNDER CAPITAL LEASES	106,949	113,046

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Capitalization, Depreciation and Amortization

Land, buildings and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful life of the asset.

The costs of major remodeling and improvements on leased stores are capitalized as leasehold improvements. Leasehold improvements are amortized over the shorter of the life of the applicable lease or the useful life of the asset. Capital leases are recorded at the lower of fair market value or the present value of future lease payments. These leases are amortized over their primary term.

Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated earnings.

Leases and Commitments

The Company leases a portion of its real estate. The typical lease period is 25 to 30 years and most leases contain renewal options. Exercise of such options is dependent on the level of business conducted at the location. In addition, the Company leases certain equipment. Some leases contain contingent rental provisions based on sales volume at retail units or miles traveled for trucks.

Assets under capital leases are capitalized using interest rates appropriate at the inception of each lease. Contingent rents associated with capital leases were $3,115,000 in 1989, $3,036,000 in 1988 and $2,417,000 in 1987. Following is an analysis of the Company's assets under capital leases (in thousands):

	February 1, 1990	February 2, 1989	January 28, 1988
Real estate	$141,980	$144,523	$140,466
Equipment	1,745	3,614	3,684
	$143,725	$148,137	$144,150
Accumulated amortization	$ 66,113	$ 63,717	$ 57,910

Future minimum lease payments for assets under capital leases at February 1, 1990 are as follows (in thousands):

	Real Estate	Equipment	Total
1990	$ 16,422	$501	$ 16,923
1991	16,216	344	16,560
1992	16,041	100	16,141
1993	15,778	36	15,814
1994	15,591	7	15,598
Remainder	141,113		141,113
Total minimum obligations	221,161	988	222,149
Less executory costs	(128)		(128)
Net minimum obligations	221,033	988	222,021
Less interest	(109,760)	(190)	(109,950)
Present value of net minimum obligations	111,273	798	112,071
Less current portion	(4,740)	(382)	(5,122)
Long-term obligations at February 1, 1990	$106,533	$ 416	$106,949

Capital lease obligations terminated in 1989 amounted to $3,296,000. Capital lease obligations incurred amounted to $3,482,000 in 1989, $5,094,000 in 1988 and $7,494,000 in 1987. These transactions are considered noncash items and, accordingly, are not reflected in the consolidated cash flows.

Minimum obligations have not been reduced by minimum capital sublease rentals of $8,129,000 receivable in the future under noncancellable capital subleases. Executory costs include such items as property taxes and insurance.

Rent expense under operating leases was as follows (in thousands):

	1989	1988	1987
Minimum rent	$55,653	$52,333	$48,545
Contingent rent	3,889	4,387	3,869
	59,542	56,720	52,414
Less sublease rent	(12,050)	(10,844)	(8,978)
	$47,492	$45,876	$43,436

Future minimum lease payments for all noncancellable operating leases and related subleases having a remaining term in excess of one year at February 1, 1990 are as follows (in thousands):

	Real Estate	Subleases
1990	$ 46,803	$ (4,919)
1991	47,526	(4,789)
1992	47,161	(4,280)
1993	46,623	(3,751)
1994	46,483	(3,353)
Remainder	651,116	(23,438)
Total minimum obligations (receivables)	$885,712	$(44,530)

The present value of minimum rent payments under operating leases, calculated using the incremental interest rates at the inception of the leases, is approximately $341,000,000 at February 1, 1990.

At February 1, 1990 the Company was committed under contracts and purchase orders in the amount of $61,147,000 for inventory and land, buildings and equipment.

THE AMERICAN SHIP BUILDING COMPANY (SEP)

	1989	1988
	(Amounts in Thousands)	
CURRENT LIABILITIES:		
Note payable	$10,800	$10,800
Current maturities of capital lease obligations (Note 6)	565	551
Accounts payable	4,362	10,819
Accrued salaries, wages and employee benefits	3,222	3,170
Other accrued liabilities	3,089	3,262
Total current liabilities	22,038	28,602
LONG-TERM LIABILITIES:		
Long-term capital lease obligations (Note 6)	15,957	16,522
Deferred income taxes	6,370	12,353
Other long-term liabilities	3,044	4,798
Total long-term liabilities	25,371	33,673

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Leases:

Capitalized Leases

Tampa Shipyards, Incorporated, a wholly owned subsidiary, is a party to a long-term lease agreement which involves dry dock facilities constructed in 1978. The construction of these facilities was financed by $23.0 million of Special Purpose Revenue Bonds issued by the Tampa Port Authority. The bonds and related interest costs are payable through rental payments by Tampa Shipyards to the Tampa Port Authority, as lessor. The rental payments are unconditionally guaranteed by The American Ship Building Company. All assets acquired under the long-term lease agreement have been capitalized and the related obligations are reflected in the accompanying financial statements based upon the present value of the future minimum lease payments.

Following is a summary of the assets capitalized under the long-term lease:

	(Amounts in Thousands)	
September 30	1989	1988
Buildings and improvements	$ 21	$ 21
Other manufacturing facilities	18,395	18,395
Machinery and equipment	1,908	1,908
	20,324	20,324
Less—Accumulated amortization	6,837	6,249
	$13,487	$14,075

The future minimum lease payments under the capitalized lease and the present value of the net minimum lease payments as of September 30, 1989 are as follows:

Fiscal Year	(Amounts in Thousands)
1990	$ 2,030
1991	2,031
1992	2,034
1993	2,035
1994	2,036
Later Years	22,077
Total minimum lease payments	32,243
Less—Amount representing interest	15,721
Present value of net minimum lease payments including current maturities of $565,000, with interest rates ranging from 7.0% to 8.0%	$16,522

GENUINE PARTS COMPANY (DEC)

	1989	1988
	($000)	
Current Liabilities		
Trade accounts payable	$176,314	$167,819
Current maturities on long-term debt and capital lease obligations	1,000	963
Accrued compensation	23,713	23,754
Accrued expenses	5,349	5,712
Dividends payable	23,240	20,113
Income taxes payable	10,059	4,757
Deferred income taxes	5,339	8,362
Total Current Liabilities	245,014	231,480
Long-Term Debt, less current maturities	35,796	10,146
Capital Lease Obligations, less current maturities—Note C	7,300	8,075
Deferred Income Taxes	20,194	18,172
Minority Interest in Subsidiary	11,783	10,223

Note C—Leased Properties

The Company leases land, buildings and equipment. Certain land and building leases have renewal options generally for periods ranging from two to ten years.

Property, plant and equipment include the following amounts for leases which have been capitalized:

	December 31	
	1989	1988
	(in thousands)	
Land	$ 1,024	$ 1,024
Buildings and improvements	13,832	13,832
Machinery and equipment	3,626	3,626
	18,482	18,482
Less accumulated amortization	7,558	6,753
	$10,924	$11,729

Lease amortization is included in depreciation expense.

Capitalized leases consist principally of leases for distribution centers and equipment and were primarily entered into in connection with industrial revenue bonds issued by local governmental units. Future minimum payments, by year and in the aggregate, under the capital leases and noncancellable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 1989:

	Capital Leases	Operating Leases
	(in thousands)	
1990	$ 1,269	$ 32,449
1991	989	26,412
1992	3,182	20,028
1993	597	15,692
1994	504	11,453
Subsequent to 1994	4,229	30,718
Total minimum lease payments	10,770	$136,752
Amounts representing interest	2,695	
Present value of future minimum lease payments	8,075	
Less amounts due in one year	775	
	$ 7,300	

Rental expense for operating leases was $33,477,000 in 1989, $30,638,000 in 1988 and $29,527,000 in 1987.

THE KROGER CO. (DEC)

	1989	1988
	($000)	
Current liabilities		
Current portion of long-term debt	$ 165,706	$ 334,975
Current portion of obligations under capital leases	5,615	6,164
Notes payable	12,976	6,010
Accounts payable	1,131,810	1,095,060
Accrual for restructuring and other charges	30,015	45,809
Other current liabilities	723,120	677,052
Total current liabilities	2,069,242	2,165,070
Long-term debt	4,579,327	4,532,393
Obligations under capital leases	145,090	192,068
Deferred income taxes	293,825	302,294
Other long-term liabilities	120,046	100,683
Total Liabilities	7,207,530	7,292,508

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All dollar amounts are in thousands except per share amounts.

Accounting Policies (In Part)

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization, which includes the amortization of assets recorded under capital leases, are computed principally using the straight-line method over the estimated useful lives of individual assets, composite group lives or the initial or remaining terms of leases. Buildings and land improvements are depreciated based on lives varying from 10 to 40 years and equipment depreciation is based on lives varying from three to 15 years. Leasehold improvements are amortized over their useful lives which vary from four to 25 years.

Leases

The Company operates primarily in leased facilities. Lease terms generally range from 10 to 25 years with options to renew at varying terms. Certain of the leases provide for contingent payments based upon a percent of sales.

Rent expense (under operating leases) consists of:

	1989	1988	1987
Minimum rentals	$229,255	$246,688	$222,263
Contingent payments	13,151	11,459	14,430
Total	$242,406	$258,147	$236,693

Assets recorded under capital leases consists of:

	1989	1988
Distribution and manufacturing facilities	$ 53,395	$ 71,480
Store facilities	155,276	187,301
Less accumulated amortization	(87,083)	(94,243)
	$121,588	$164,538

Minimum annual rentals for the five years subsequent to 1989 and in the aggregate are:

	Capital Leases	Operating Leases
1990	$ 24,504	$ 244,177
1991	24,156	236,680
1992	23,978	228,193
1993	23,899	220,263
1994	23,455	212,706
Thereafter	242,077	1,892,769
	362,069	$3,034,788
Less estimated executory costs included in capital leases	(36,801)	
Net minimum lease payments under capital leases	325,268	
Less amount representing interest	(174,563)	
Present value of net minimum lease payments under capital leases	$150,705	

VULCAN MATERIALS COMPANY (DEC)

	1989	1988
	($000)	
Current liabilities		
Current maturities:		
Long-term debt	$ 5,573	$ 3,303
Capitalized lease obligations	438	395
Notes payable	5,000	400
Trade payables and accruals	71,186	66,726
Accrued income taxes	9,650	10,110
Accrued salaries and wages	21,705	21,504
Accrued interest	1,675	1,566
Other accrued liabilities	25,689	14,027
Total current liabilities	140,916	118,031
Long-term debt	50,175	56,613
Long-term capitalized lease obligations	4,979	5,418

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Depreciation, Depletion and Amortization

Depreciation is computed by the straight-line method at rates based upon the estimated service lives of the various classes of assets, which include machinery and equipment, buildings and land improvements. Amortization of capitalized leases is included with depreciation expense.

Cost depletion on depletable quarry land is computed by the unit of production method based upon estimated recoverable units.

Leaseholds are amortized over varying periods not in excess of applicable lease terms.

4 (In Part): Property, Plant and Equipment

Balances referable to capitalized leases, which are included in property, plant and equipment, at December 31 are as follows (in thousands of dollars):

	1989	1988	1987
Land and land improvements	$ 16	$ 16	$ 16
Buildings	59	59	59
Machinery and equipment	10,359	10,359	10,364
Total	10,434	10,434	10,439
Less allowance for amortization	8,323	8,023	7,726
Property, plant and equipment, net	$ 2,111	$ 2,411	$ 2,713

Amortization of capitalized leases amounted to $300,000 in 1989, $302,000 in 1988 and $325,000 in 1987.

6. Leases

Total rental expense of nonmineral leases, exclusive of rental payments made under leases of one month or less, is summarized as follows (in thousands of dollars):

	1989	1988	1987
Minimum rentals	$ 5,260	$4,202	$4,399
Contingent rentals (based principally on usage)	4,896	4,764	1,643
Total	$10,156	$8,966	$6,042

Future minimum lease payments under all leases with initial or remaining noncancellable lease terms in excess of one year, exclusive of mineral leases, at December 31, 1989 are as follows (in thousands of dollars):

Year Ending December 31	Capital Leases	Operating Leases
1990	$ 929	$ 6,031
1991	924	5,641
1992	2,219	5,117
1993	838	4,558
1994	833	3,955
Remaining years	1,641	10,691
Total minimum lease payments	7,384	$35,993
Less: Amount representing interest	1,967	
Present value of net minimum lease payments (including long-term obligations of $4,979)	$5,417	

Lease agreements frequently include renewal options and require that the Company pay for utilities, taxes, insurance and maintenance expense. Options to purchase are also included in some lease agreements, particularly capital leases.

Loan agreements with insurance companies include covenants with regard to annual rentals on leases with a remaining term of more than five years, excluding capitalized leases and leases of mineral properties, office space and data processing equipment. For the Company and its subsidiaries which are restricted under the loan agreements, those annual rentals may not exceed 10% of consolidated net worth, determined as of the end of the preceding year.

Lessee—Operating Leases

AMERICAN BUILDING MAINTENANCE INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Lease Commitments and Rental Expense

The Company is obligated under noncancelable operating leases for various facilities and equipment. Assets held under these leases consist of office, warehouse, vehicles and parking facilities.

As of October 31, 1989, future minimum lease commitments under noncancelable operating leases are as follows:

Years ending (in thousands of dollars)	
1990	$14,428
1991	10,224
1992	7,516
1993	3,973
1994	2,343
Thereafter through 2000	5,773
Total minimum lease commitments	$44,257

Rental expense for the years ended October 31, is summarized as follows:

(in thousands of dollars)	1989	1988	1987
Minimum rentals under noncancelable leases	$23,423	$20,767	$17,192
Contingent rentals	4,873	1,662	2,301
Short-term rental agreements	1,313	1,456	2,111
	$29,609	$23,885	$21,604

Contingent rentals are applicable to leases of parking lots and garages and are based on percentages of the gross receipts attributable to the related facilities.

BRISTOL-MYERS SQUIBB COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Leases

Minimum rental commitments under all noncancellable operating leases, primarily real estate, in effect at December 31, 1989 were:

Years Ending December 31, (in millions of dollars)	
1990	$ 99
1991	78
1992	56
1993	42
1994	39
Later years	205
Total minimum payments	519
Less total minimum sublease rentals	151
Net minimum rental commitments	$368

Operating lease rental expense (net of sublease rental income of $18 million in 1989, $19 million in 1988 and $17 million in 1987) was $121 million in 1989, $112 million in 1988 and $99 million in 1987.

FLOWERS INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Leases

Description of Operating Lease Arrangements

The Company leases certain property and equipment, including warehouses, certain distribution and other equipment, under operating leases which expire over the next twenty years. Most of these operating leases provide the Company with the option after the initial lease term either to purchase the property at the then fair value or renew its lease at the then fair rental value for periods of one month to ten years. Generally, management expects that leases will be renewed or replaced by other leases in the normal course of business. Payments for certain truck rentals are based on a minimum rental plus additional rent based on mileage.

Minimum payments for operating leases having initial or remaining noncancelable terms in excess of one year are as follows (Amounts in Thousands):

Fiscal Year(s)	
1990	$ 9,045
1991	8,492
1992	7,207
1993	5,883
1994	3,846
1995 to termination (aggregate)	8,552
Total minimum lease payments	$43,025

Total rent expense for all operating leases amounted to $28,504,000 for 1989, $18,513,000 for 1988 and $19,914,000 for 1987, including $5,425,000, $4,612,000 and $5,046,000, respectively, for contingent truck rental based on mileage.

GTI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6—Commitments and Contingencies:

The Company leases machinery and equipment and conducts certain operations in leased facilities which expire on various dates through 1994. Under the terms of most of the leases, the Company is required to pay all taxes, insurance and maintenance.

The total future minimum annual lease payments under the operating lease agreements are as follows (in thousands of dollars):

Year ending December 31,	
1990	$ 496
1991	453
1992	402
1993	347
1994	141
Thereafter	—
Total lease commitments	$1,839

Total rental expense was $446,000 in 1989, $347,000 in 1988 and $179,000 in 1987.

In the ordinary course of business the Company and its subsidiaries are subject to claims and from time-to-time are named as defendants in legal proceedings. In the opinion of management, the amount of liability with respect to these actions will not materially affect the financial position of the Company.

ICOT CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Lease Commitments

At July 29, 1989, approximate future minimum rental commitments for all noncancellable operating leases are as follows:

Fiscal Year	(in thousands)
1990	$2,065
1991	1,112
1992	722
1993	613
1994	570
Thereafter	1,597
	6,679
Subleases	(262)
	$6,417

Total rent expense for all operating leases amounted to approximately $2,402,000, $2,232,000 and $1,822,000 in 1989, 1988 and 1987, respectively.

The Company has been granted free rent periods under the lease on its facility in San Jose, California. The accompanying consolidated statements of operations reflect rent expense on a straight-line basis over the term of the lease. An obligation of $85,000 representing prorata future payments is reflected in the accompanying consolidated balance sheet at July 29, 1989.

REPUBLIC GYPSUM COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Commitments

The Company operates certain transportation equipment under operating leases. Rent expense, including short-term rentals, during the years ended 1989, 1988 and 1987 were:

	1989	1988	1987
Base rentals	$1,513,000	$1,454,000	$1,418,000
Rentals based on mileage	1,377,000	1,584,000	1,456,000
Total	$2,890,000	$3,038,000	$2,874,000

Payments for taxes, licenses, maintenance and other costs under certain lease arrangements are considered basic rental.

Rental payments for transportation equipment leases are based on mileage and on the passage of time. Basic and variable rental rates on transportation equipment may be adjusted quarterly for fluctuations in the Consumer Price Index.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 1989.

Years ending June 30:	
1990	$1,269,000
1991	1,269,000
1992	557,000
1993	201,000
1994	201,000
Thereafter	368,000
	$3,865,000

Lessor Leases

AMERICAN TELEPHONE AND TELEGRAPH COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in millions (except per share amounts)

H (In Part): Leases

As Lessor: The Company leases equipment to others through operating leases; the majority of these are cancelable. The minimum future rentals on noncancelable leases are $301 in 1990, $151 in 1991, $57 in 1992, $9 in 1993, $3 in 1994 and $7 in later years. AT&T's net investment in equipment used to support leasing operations, included in property, plant and equipment, was as follows:

At December 31	1989	1988
Machinery, electronic and other equipment	$2,978	$2,839
Less: Accumulated depreciation	1,875	1,666
Net investment	$1,103	$1,173

AT&T also provides direct financing and other leasing programs for its products and those of other companies and leases its products to others under sales-type leases. The Company's net investment in finance assets arising from these leasing arrangements amounted to $2,145 and $1,393, including residual values of $306 and $144 and is reflected net of unearned income of $656 and $387, in 1989 and 1988, respectively. Finance service revenues are recognized over the life of the respective leases using the interest method and are included in sales of services. The future maturities of these finance assets are $836 in 1990, $641 in 1991, $441 in 1992, $248 in 1993, $99 in 1994 and $79 in later years.

ILLINOIS TOOL WORKS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment in Leveraged Leases— The Company, through its wholly-owned subsidiary, Cumberland Leasing Co. (Cumberland), has investments in leveraged leases of equipment used primarily in the transportation, mining and paper processing industries.

The components of Cumberland's investment in leveraged leases at December 31, 1989 and 1988 are set forth below:

In thousands	1989	1988
Lease contracts receivable (net of principal and interest on nonrecourse financing)	$66,503	$67,047
Estimated residual value of leased assets	24,075	24,087
Unearned and deferred income	(17,135)	(18,079)
Investment in leveraged leases	73,443	73,055
Deferred taxes arising from leveraged leases	(61,697)	(58,717)
Net investment in leveraged leases	$11,746	$14,338

The components of income from leveraged leases for the years ended December 31, 1989, 1988 and 1987 are shown below:

In thousands	1989	1988	1987
Lease income (expense), before income taxes	$(109)	$ 334	$ 995
Investment tax credits recognized	707	1,239	2,410
Net income tax benefit	250	177	300
	$ 848	$1,750	$3,705

McDONNELL DOUGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except share data

Finance Receivables and Property on Lease

The net investment in finance and lease receivables and property on lease consists of the following:

December 31	1989	1988
Sales type and direct financing leases:		
Minimum lease payments	$2,748	$2,174
Residual values ($83 guaranteed at December 31, 1989)	340	300
Unearned income	(1,025)	(786)
	2,063	1,688
Notes receivable	664	529
	2,727	2,217
Allowances for doubtful receivables	(47)	(44)
	2,680	2,173
Investment in operating leases, net of accumulated depreciation of $296 in 1989, $285 in 1988	589	522
	3,269	2,695
Property held for sale or lease	4	18
	$3,273	$2,713

The aggregate amount of scheduled principal payments and installments to be received on notes and lease receivables and minimum rentals to be received under noncancelable operating leases consist of the following at December 31, 1989:

	Principal Payments and Installments	Minimum Rentals
1990	$ 588	$116
1991	479	98
1992	479	69
1993	466	49
1994	316	32
After 1994	1,084	52

SUN COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Long-Term Receivables and Investments

	December 31	
	1989	1988
	Millions of Dollars)	
Investment in:		
Leveraged leases	$ 70	$ 81
Direct financing and sales-type leases	303*	273
	373	354
Accounts and notes receivable	199	108
Investments in and advances to affiliated companies	41	26
Other investments, at cost	10	12
	$623	$500

*Includes $94 million used with $26 million of other assets as collateral for $67 million of recourse long-term debt—leasing notes—other associated with sales-type leases (Note 12).

Sun, as lessor, has entered into leveraged, direct financing and sales-type leases of a wide variety of equipment including ocean-going vessels, aircraft, mining equipment, railroad rolling stock and various other transportation and manufacturing equipment. The components of Sun's investment in these leases at December 31, 1989 and 1988 are set forth below (in millions of dollars):

	Leveraged Leases		Direct Financing and Sales-Type Leases	
December 31	1989	1988	1989	1988
Minimum rentals receivable	$50*	$55*	$479	$383
Estimated unguaranteed residual value of leased assets	48	59	62	63
Unearned and deferred income	(28)	(33)	(238)	(173)
Investment in leases	70	81	$303	$273
Deferred taxes arising from leveraged leases	(53)	(60)		
Net investment in leveraged leases	$17	$21		

*Net of principal of and interest on related nonrecourse financing aggregating $148 and $189 million in 1989 and 1988, respectively.

The following is a schedule of minimum rentals receivable by years at December 31, 1989 (in millions of dollars):

	Leveraged Leases	Direct Financing and Sales-Type Leases
Year ending December 31:		
1990	$ 4	$ 61
1991	3	58
1992	6	50
1993	4	41
1994	4	40
Later years	29	229
	$50	$479

Dividends received from affiliated companies amounted to $12, $13 and $15 million in 1989, 1988 and 1987, respectively. Earnings employed in the business at December 31, 1989 include $12 million of undistributed earnings of affiliated companies.

OTHER NONCURRENT LIABILITIES

In addition to long-term debt, many of the survey companies presented captions for deferred taxes, minority interests, employee related liabilities, estimated losses or expenses, and deferred credits. Table 2-29 summarizes the nature of such noncurrent liabilities and deferred credits.

TABLE 2-29: OTHER NONCURRENT LIABILITIES

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Deferred income taxes	494	497	494	491
Minority interest	130	132	132	122
Production payments	4	5	8	11
Liabilities of nonhomogeneous operations	25	13	—	—
Employee Liabilities				
Minimum pension liability	89	12	—	—
Other pension accruals	62	74	101	89
Deferred compensation, bonus, etc.	50	44	54	50
Other—described	36	30	37	34
Estimated losses or expenses				
Discontinued operations	24	23	36	39
Insurance	14	11	6	8
Warranties	5	8	10	7
Other—described	61	52	60	58
Deferred credits				
Deferred profit on sales	13	15	19	26
Payments received prior to rendering service	9	12	9	11
Excess of acquired net assets over cost	2	3	5	2
Other—described	14	20	13	16

Deferred Income Taxes

McCORMICK & COMPANY, INCORPORATED (NOV)

	1989	1988
	($000)	
Total current liabilities	$245,267	$277,810
Long-term debt (Note 3)	210,540	229,401
Deferred income taxes (Notes 1 and 5)	49,394	35,039
Other liabilities	13,117	9,901
Total liabilities	518,318	552,151

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per-share data)

1 (In Part): Summary of Accounting Policies:

Income Taxes

Effective December 1, 1987, the Company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," which requires that deferred income taxes be accounted for using the liability method. Deferred income taxes arise under this method from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The effect of this change was that the Company reduced its deferred tax liability account and recorded a corresponding one-time benefit to net income in the first quarter of 1988, representing the cumulative effect on prior years, of $6,400 or $.14 per share. This cumulative effect on prior years was $2,244 for continuing operations and $4,156 for discontinued real estate operations.

Income taxes are provided at rates applicable in the countries in which the income is earned. Provision for United States income taxes is not made for unremitted earnings of foreign subsidiaries and affiliates until it becomes apparent that such earnings are to be distributed or otherwise become subject to United States income taxes. Unremitted earnings of such entities were $23,542 at November 30, 1989.

5 (In Part): Income Taxes:

The deferred income tax liability is composed primarily of tax over book depreciation and book over tax gain on the sale of discontinued real estate operations.

PENNZOIL COMPANY (DEC)

	1989	1988
	($000)	
TOTAL CURRENT LIABILITIES	$ 389,175	$ 302,942
LONG-TERM DEBT, less current maturities	1,785,976	1,407,009
DEFERRED INCOME TAX	1,040,256	979,082
OTHER LIABILITIES	127,509	142,901
TOTAL LIABILITIES	3,342,916	2,831,934

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Federal, State and Foreign Income Tax—

Deferred tax liabilities have been reduced by a $215 million alternative minimum tax credit carryover which is indefinitely available to reduce future regular tax liability to the extent it exceeds the alternative minimum tax otherwise due. Future utilization of the credit carryover will result in the reinstatement of deferred taxes. This credit carryover amount is subject to examination by the tax authorities.

In December 1987, the Financial Accounting Standards Board issued a new standard on accounting for income taxes which significantly changes the accounting for deferred income taxes. Adoption of the standard (as amended in December 1989 by SFAS No. 103) by Pennzoil is currently required no later than the year ending December 31, 1992, although earlier implementation is permitted. A catch-up adjustment may be reported in the year the standard is implemented or in an earlier year if the company elects retroactive application.

Pennzoil currently expects to adopt the new standard effective January 1, 1992 and does not plan to restate prior periods. Based on existing conditions and a preliminary review, management believes adoption of the new standard will significantly increase shareholders' equity and reduce previously recorded deferred taxes.

Minority Interest

BEMIS COMPANY, INC. (DEC)

	1989	1988
	($000)	
Total current liabilities	$171,295	$166,264
Long-term debt, less current portion	109,631	119,562
Deferred taxes	47,978	45,864
Other liabilities and deferred credits	18,535	9,311
Total liabilities	347,439	341,001
Minority interest	18,169	16,648

CAESARS WORLD, INC. (JUL)

	1989	1988
	($000)	
Total current liabilities	$166,817	$168,752
Long-term debt, net of current maturities	394,085	407,956
Obligations under capital leases, net of current maturities	21,304	22,594
Other liabilities, including deferred income taxes of $27,806 and $25,473	49,911	39,104
Minority interest in consolidated subsidiary	25,112	20,299

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Caesars World, Inc. (the Company) and its subsidiaries, including Caesars New Jersey, Inc., an 86.6-percent-owned subsidiary. All significant intercompany balances and transactions have been eliminated.

The excess cost of investments over net assets acquired subsequent to 1969 is being amortized over 40 years. The excess cost over net assets acquired includes $43,971,000 relating to the purchase of Caesars Palace in 1969 which is believed to have continuing value and, accordingly, is not being amortized.

BERGEN BRUNSWIG CORPORATION (AUG)

	1989	1988
	($000)	
Total current liabilities	$508,523	$451,892
Long-term obligations:		
Convertible subordinated debentures	—	134,995
Exchangeable subordinated debentures	43,000	43,000
Other	32,574	30,175
Total long-term obligations	75,574	208,170
Commitments and contingent liabilities		
Minority interest in equity of subsidiary	10,715	9,174

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Minority interest in equity of subsidiary represents the minority shareowners' proportionate share of the equity of Commtron Corporation ("Commtron"). At August 31, 1989, the Corporation owned approximately 80% of Commtron.

LITTON INDUSTRIES, INC. (JUL)

	1989	1988
	($000)	
Total Current Liabilities	$1,774,297	$1,707,894
Long-term Obligations	182,128	198,503
Deferred Taxes on Income and Other Deferred Items	521,028	490,852
Subordinated Notes and Debentures	1,311,305	1,311,305
Minority Interest in Consolidated Subsidiary (Note B)	201,266	190,559

Note B: Business Combinations

On April 30, 1987, the Company and Dresser Industries, Inc. ("Dresser") formed Western Atlas International, Inc. ("Western Atlas") in which they combined the operations and net assets of the Company's Resource Exploration Services group and Dresser's Atlas Oilfield Services division ("Atlas"). The Company and Dresser, in exchange for their contributions of assets, liabilities and stock of certain of their respective subsidiaries to Western Atlas, each received 50 percent of the common stock of Western Atlas. In addition, the Company received convertible preferred stock of Western Atlas which gave the Company 70 percent of the total equity (on a fully converted basis) in Western Atlas. The historical cost of the net assets of Atlas transferred to Western Atlas at date of amalgamation consisted of property, plant and equipment of $106.5 million, operating working capital of $55 million and other assets and liabilities of $15.1 million, net. The accounts of Western Atlas, based on the historical cost of the underlying net assets transferred, have been included in the Company's consolidated financial statements since April 30, 1987 and the minority interest of Dresser in Western Atlas has been separately stated.

Several acquisitions were made, primarily in the Industrial Systems and Services segment, during the three years ended July 31, 1989, which were integral to the Company's long range plan though not financially material to the operations of the Company. The acquisitions were accounted for by the purchase method.

Employee Related Liabilities

ADDSCO INDUSTRIES, INC. (JUN)

	1989	1988
Total current liabilities	$4,275,556	$15,276,510
Other Liabilities		
Deferred compensation	287,255	377,227
Accrued workers' compensation claims	4,252,666	2,808,341
Unfunded accrued pension cost	47,320	16,492
Other	40,333	43,646
	4,627,574	3,245,706

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred Compensation

The Company has deferred compensation agreements with certain of its retired officers. The charges to expense for these plans were $-0-, $367,494, and $83,269 for 1989, 1988 and 1987, respectively.

Accrued Workers' Compensation Claims

The Company purchased insurance in May, 1988, which covers workers' compensation claims which may be filed from injuries occurring subsequent to the policy date. Prior to that date the Company chose not to purchase insurance against risk of loss that may result from workers' compensation claims. The current and non-current provision for those claims which have been estimated are as follows:

	June 30, 1989	June 30, 1988
Current workers' compensation claims	$ 693,346	$ 468,018
Non-current workers' compensation claims	4,252,666	2,808,341
	$4,946,012	$3,276,359

The Company purchased insurance in May, 1988, which covers workers' compensation claims which may be filed for pensation claims during the years ended June 30, 1989, 1988 and 1987, respectively. See "Notes to Financial Statements Contingencies" for claims for which information is not available to reasonably estimate potential liability.

The provisions of the U.S. Longshoremen and Harbor Workers Compensation Act require that the Company restrict certain assets for payments of workers' compensation claims. These restricted assets, all of which are on deposit with the Federal Reserve Bank of Atlanta, Georgia, are included in the Company's financial statements as restricted cash and investments with an aggregate cost of $838,620 and $663,958 on June 30, 1989 and 1988, respectively.

BETHLEHEM STEEL CORPORATION (DEC)

	1989	1988
	($ Millions)	
Total Current Liabilities	$838.0	$870.1
Pension Liability (Note I)	878.6	680.1
Long-term Debt	446.6	530.8
Capital Lease Obligations	208.9	243.7
Other Long-term Liabilities	418.3	333.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I (In Part): Postretirement Benefit Plans

We have noncontributory defined benefit pension plans which provide benefits for substantially all employees. In May 1989, the defined benefit pension plan for salaried employees, which had been frozen in December 1985, was reinstated and our defined contribution plan is being terminated. As a result, salaried employees have retroactively accrued additional defined benefits and the assets of the defined contribution plan have been applied to the defined benefit plan. These assets will be transferred to the Pension Plan after approval by the Internal Revenue Service. Defined benefits are based on years of service and the five highest consecutive years of pensionable earnings during the last ten years prior to retirement or a minimum amount based on years of service. We fund annually the amount required under ERISA minimum funding standards plus additional amounts as appropriate.

The following sets forth the plans' actuarial assumptions and funded status at year end together with amounts recognized in Bethlehem's consolidated balance sheets:

	December 31	
(dollars in millions)	1989	1988
Assumptions:		
Discount rate	9.0%	9.5%
Average rate of compensation increase	4.9%	4.0%
Actuarial present value of benefit obligations:		
Vested benefit obligation	$4,029.2	$3,741.4
Accumulated benefit obligation	$4,159.6	$3,833.2
Projected benefit obligation	$4,453.5	$3,968.7
Plan assets at fair value:		
Fixed income securities	1,988.4	1,628.6
Equity securities	1,048.6	801.1
Cash and marketable securities	244.0	382.2
Total plan assets	3,281.0	2,811.9
Projected benefit obligations in excess of plan assets	$1,172.5	$1,156.8
Unrecognized net gain	191.0	150.7
Unrecognized net obligation at January 1, 1987 being amortized over 15 years	(556.0)	(627.4)
Unrecognized prior service cost from plan amendments	(272.0)	—
Adjustment required to recognize minimum liability*	343.1	—
Pension liability	$ 878.6	$ 680.1

*During 1989, Statement of Financial Accounting Standards No. 87 (SFAS No. 87) *Employers' Accounting for Pensions* required us to record an additional pension liability and an offsetting intangible asset for the excess of the accumulated benefit obligation over the total of plan assets and the accrued pension liability. Recording this additional liability and intangible asset did not affect our net income, stockholders' equity or cash requirements to fund the pension plan. In accordance with SFAS No. 87, our 1988 consolidated balance sheet has not been restated for this intangible asset.

GUILFORD MILLS, INC. (JUN)

	1989	1988
NONCURRENT LIABILITIES:		
Long-term debt		
Convertible subordinated debentures	$ 75,000,000	$ 75,000,000
Other long-term debt	20,888,000	25,427,000
	95,888,000	100,427,000
Deferred income taxes	15,440,000	11,188,000
Other deferred liabilities (Note 6)	14,135,000	12,857,000
	125,463,000	124,472,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Benefit Plans:

The Company also maintains a profit sharing plan and deferred compensation plans for certain officers and salaried employees. Contributions under these plans are determined by the Board of Directors. The deferred compensation plans are funded through life insurance and are being provided for currently. The annual provisions under all of these plans were $4,879,000 in 1989, $4,393,000 in 1988 and $3,533,000 in 1987. The liability for deferred compensation was $11,594,000 at July 2, 1989 and $10,349,000 at July 3, 1988 and is included in other deferred liabilities in the accompanying balance sheets.

Estimated Losses Or Expenses

FEDDERS CORPORATION (DEC)

	1989	1988
	($000	
Total current liabilities	$108,229	$41,976
Long-term debt	81,627	22,410
Deferred income taxes	4,150	—
Other long-term liabilities:		
Warranty (note 1)	1,813	1,299
Other	2,840	985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Warranty and return policy

The Company's warranty policy provides five-year coverage for compressors and one-year coverage on all parts and labor related to room air conditioners sold in the United States and Canada. The policy with respect to sales returns generally provides that a customer may not return inventory except at the Company's option.

GENERAL DYNAMICS CORPORATION (DEC)

	1989	1988
	($ Millions)	
Noncurrent Liabilities:		
Long-term debt	$623.8	$ 623.7
Long-term debt—finance operations	281.7	351.2
General aviation product liability	258.2	248.5
Deferred income taxes	639.9	592.5
Other	541.7	528.3
Total Noncurrent Liabilities	2,345.3	2,344.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in millions, except per share amounts

A (In Part): Summary of Significant Accounting Policies

General Aviation Product Liability

The present value of estimated future claims and settlements for general aviation aircraft is recorded when sales are recognized.

KEY TRONIC CORPORATION (JUN)

	1989	1988
	(in thousands)	
Total current liabilities	$20,048	$18,708
Long-Term Liabilities:		
Long-term obligations, less current portion	1,102	2,573
Toxic waste settlement—long-term portion (Note 11)	2,900	3,550
Total long-term liabilities	4,002	6,123

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Commitments & Contingencies

Litigation

The Company has been designated as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended by the Superfund Amendments and Reauthorization Act of 1986. Governmental agencies have alleged that the Company contributed to contamination problems in the acquifers located under the Spokane County Colbert landfill. The Colbert landfill site consent decree was entered by the Federal District Court for the Eastern District of Washington on February 28, 1989. The consent decree established the Company liability at $4.2 million toward the cost of remedial action at the Colbert site.

The Company is required to make future payments each September 30 as follows:

1989	$ 650,000
1990	950,000
1991	950,000
1992	1,000,000

The Company is named as a defendant in suits brought by Colbert area landowners. The suits claim, among other things, that the Company contributed to the contamination of their well water supplies, the reduction of the value of their property, and the infliction of physical and mental hardship and duress. The Company has funded a portion of the cost to construct an addition to the local water system to provide service to the affected area.

In 1975, Spokane County officials requested that the Company discontinue its use of a Spokane area landfill ("area landfill") and commence using the Colbert landfill. The area landfill is on the National Priority List. Spokane County has signed a consent decree obligating it to undertake a remedial investigation at the site. The results of this study may determine the extent, if any, of the Company's involvement at the site. The site's two PRPs have contacted the Company and expressed their belief that the Company should also be a PRP. The agencies have not named the Company as a PRP at this site. The Company, however, has made provision for its estimate of all costs to be associated with this matter.

Management of the Company believes it is not likely the ultimate outcome of the above matters will have a material adverse effect on the Company's financial position beyond the amounts for which the Company has provided.

PHILLIPS PETROLEUM COMPANY (DEC)

	1989	1988
	Millions of Dollars	
Total Current Liabilities	$2,706	$2,468
Long-term debt	3,939	4,761
Accrued dismantlement, removal and restoration costs	346	323
Deferred income taxes	1,721	1,874
Other liabilities and deferred credits	412	429
Total Liabilities	9,124	9,855

ACCOUNTING POLICIES

Dismantlement, Removal and Restoration Costs—The estimated costs, net of salvage values, of dismantling and removing major facilities, including necessary site restoration, are accrued using either the unit-of-production or the straight-line method.

TEXAS INDUSTRIES, INC. (MAY)

	1989	1988
	($000)	
Total Current Liabilities	$112,810	$123,854
Long-Term Debt	260,154	311,327
Net Liabilities (Assets) of Discontinued Operations	7,559	(4,301)
Deferred Federal Income Taxes and Other Credits	64,101	58,530
Minority Interest	32,418	—

NOTES TO FINANCIAL STATEMENTS

Discontinued Operations

The Company has adopted a plan to dispose of Brookhollow's rental and remaining hotel properties. It is anticipated that these assets, which include six commercial office buildings, a hotel, and related land and other assets, will be disposed by sale as soon as practical. These properties, attendant liabilities and the results of operations for all years presented have not been consolidated with the other business assets and operations of the Company except on the balance sheet as net liability (asset) of discontinued operations and on the income statement as discontinued operations. Due to market conditions, a $9 million liability (net of $4.6 million income tax benefit) has been recorded at May 31, 1989, to anticipate estimated losses on the disposal of these discontinued operations. This estimate includes anticipated operating losses and net losses on final disposition of assets. The notes payable are secured by the discontinued properties and in some cases are further collateralized by Brookhollow Corporation, but do not represent obligations of the Company. Condensed financial information relating to the unconsolidated properties to be disposed is as follows:

In thousands	1989	1988	1987
Financial position:			
Land	$ 7,323	$ 7,323	$ 7,320
Buildings & improvements (net of depreciation)	50,198	51,856	51,655
Other assets	6,237	6,274	3,577
Total assets	63,758	65,453	62,552
Notes payable	58,140	57,372	51,612
Accrued expenses and other liabilities	13,177	3,780	4,297
Total liabilities	71,317	61,152	55,909
Net asset (liability) for disposal	$ (7,559)	$ 4,301	$ 6,643
Results of operations:			
Hotel and rental revenues	$ 8,156	$ 6,193	$ 3,554
Hotel and rental expenses	(4,070)	(3,256)	(1,893)
Depreciation	(3,198)	(2,889)	(1,675)
Interest	(7,287)	(5,164)	(2,953)
Other	(2,651)	(2,396)	(1,737)
Loss before income tax benefit	(9,050)	(7,512)	(4,704)
Income tax benefit	3,077	2,629	1,404
Net loss from discontinued operations	$ (5,973)	$ (4,883)	$ (3,300)

VF CORPORATION (DEC)

	1989	1988
	($000)	
Total current liabilities	$325,057	$231,024
Long-term Debt	637,549	302,348
Other Liabilities	107,381	131,107

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F—Other Liabilities

In thousands	1989	1988
Deferred income taxes	$ 77,488	$ 70,276
Long-term tax liability	18,686	53,490
Other	11,207	7,341
	$107,381	$131,107

The long-term tax liability represents taxes and interest accrued for proposed adjustments resulting from tax examinations of an acquired company.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1989	1988
	(in millions)	
Total current liabilities	$5,585	$5,248
Long-term debt	744	892
Other noncurrent liabilities (note 16)	1,018	521
Total liabilities	7,347	6,661

Note 16 (In Part): Other Liabilities

Other Noncurrent Liabilities (in millions)	1989	1988
Minimum pension liability (note 2)	$ 504	$ —
Restructuring costs (note 20)	109	14
Estimated future costs of uranium settlements (note 19)	18	53
Deferred income taxes	—	66
Other	387	388
Other noncurrent liabilities	$1,018	$521

Note 20 (In Part): Acquisitions, Divestitures and Restructurings

In January 1989, the Corporation completed the sale of most of the assets of its elevator business to Schindler Corporation.

The transmission and distribution equipment and elevator divestitures resulted in gains totalling $399 million in 1989.

In a related July 1989 transaction, Westinghouse Canada's transmission and distribution business was sold to ABB. Sales and segment operating profit for the businesses sold to ABB in 1989 totalled $1,149 million and $65 million.

In 1988, the Corporation acquired a naval torpedo business for $101 million; sold WFSI's fixed asset lending business for $608 million; and combined the transportation business into a joint venture with that of AEG, AG.

In 1987, the Corporation acquired Challenger Electrical Equipment Corporation for $250 million and WEGS for $60 million.

During 1989, 1988 and 1987, the Corporation acquired and divested other businesses and invested in several joint ventures not described above. The effect of those transactions was not material. All acquisitions during 1989, 1988 and 1987 were accounted for under the purchase method. Investments in all businesses, including joint ventures, are accounted for as described in note 1.

During 1989 and 1988, $384 million and $80 million of restructuring provisions were recorded for business restructuring programs, primarily for product line relocations and the sale or closedown of businesses and facilities. As of December 31, 1989, $255 million of restructuring accruals remain.

Common Stock Subject To Repurchase

GENERAL MOTORS CORPORATION (DEC)

	1989	1988
	($ millions)	
Total Liabilities	$136,664.6	$128,391.4
Common Stock Subject to Repurchase (Note 1)	1,650.0	—

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Acquisitions and Intangible Assets

Effective December 31, 1985, the Corporation acquired Hughes Aircraft Company (Hughes) and its subsidiaries for $2.7 billion in cash and cash equivalents and 100 million shares of General Motors Class H common stock having an estimated total value of $2,561.9 million and which carried certain guarantees. On February 28, 1989, the Corporation and the Howard Hughes Medical Institute (Institute) reached agreement to terminate the Corporation's then-existing guarantee obligations with respect to the Institute's holding of Class H common stock. Under terms of the agreement: (i) the Corporation purchased 35 million shares of Class H common stock from the Institute on February 28, 1989; (ii) the Institute received put options exercisable under most circumstances at $30 per share on March 1, 1991, 1992, 1993, and 1995 for 20 million, 10 million, 10 million, and 15 million shares, respectively; (iii) the Corporation will have the option to call the Institute's shares from March 1, 1989 until February 28, 1991, 1992, 1993, and 1995 for 20 million, 10 million, 10 million, and 15 million shares, respectively, at a call price of $35 per share for all shares except for the 15 million shares callable until February 28, 1995, for which the call price is $37.50 per share; and (iv) the Corporation paid to the Institute $675 million in cash and approximately $300 million in notes (the aggregate value of the cash and notes was charged to additional paid-in capital).

Common Stock Price Guarantee

NU-MED, INC. (APR)

	1989	1988
Total current liabilities	$ 60,776,000	$ 51,023,000
Long-term debt	173,229,000	183,895,000
Senior subordinated sinking fund debentures	105,366,000	123,468,000
Deferred gain on sale	13,923,000	15,684,000
Deferred income taxes		3,647,000
Series C redeemable convertible preferred stock		192,000
Common stock price guarantee	14,972,000	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Common Stock Price Guarantees

The Company is contingently liable under stock price guarantee agreements covering shares of Nu-Med Common Stock issued in connection with an acquisition in 1985. The agreement provides for the Company to pay in cash any shortfall between the amount realized by the holder upon sale of the shares (or the market value thereof if the Company elects to repurchase the shares) and the guaranteed value of the shares at specified measurement dates. Total shares issued subject to this agreement, as amended, aggregated 1,583,462 shares. This total includes the effect of a July 1986 modification whereby certain per share guarantees were reduced in consideration for $1,800,000 in cash, issuance of additional shares of the Company's Common Stock subject to a price guarantee, and warrants to purchase an aggregate of 110,000 shares of Nu-Med Common Stock. The warrants are exercisable at $9.70 per share through April 30, 1994.

In March 1988, the Company negotiated a second modification to the terms of the stock price guarantee agreement related to the U.S. Health Acquisition. The effect of the new agreement was to defer the amounts due under the guarantees from one to four years in exchange for a fee equal to 12% of the outstanding net guarantee, payable monthly. Such fee will be recognized as additional interest expense as incurred.

As of April 30, 1989, stock price guarantees on 817,031 shares subject to this agreement had either been exercised or had lapsed, and payments aggregating $11,127,000 had been charged to additional paid-in capital. Of these shares, the Company purchased 491,143 shares for approximately $11,216,000 in fiscal 1988 and 3,091 shares for approximately $220,000 in 1989.

As a result of the cumulative amounts paid under the guarantee and the relative market value of the Company's Common Stock, the Company has concluded it is more appropriate to reclassify a portion of the stock price guarantee amount from additional paid-in capital. This amount represents the excess of the present value of the total potential obligation over the market value of the related Common Stock, at April 30, 1989.

Such amount will be adjusted for changes in the present value, changes in the market value of Nu-Med Common Stock and payments under the guarantees, which will be charged to additional paid-in capital to the extent of the amount remaining from the original transaction. Any charges in excess of this amount will be charged to retained earnings.

At April 30, 1989, the contingent liability and related value of the Common Stock price guarantee were as follows:

Year Ending April 30	Number of Shares Subject to Stock Price Guarantee	Guarantee Amount
1990	135,766	$ 4,996,000
1991	141,905	5,222,000
1992	169,682	6,302,000
1993	319,078	10,043,000
	766,431	26,563,000
Present value of guarantee amount		19,762,000
Less market value of shares		4,790,000
Common Stock price guarantee		$14,972,000

The value of the Common Stock price guarantee at April 30, 1988 was $17,373,000. In addition, the Company was contingently liable under stock price guarantee agreements covering 268,750 shares of Nu-Med Common Stock issued in connection with acquisitions. Payments totalling $450,000 were made under these agreements during fiscal 1988 covering 156,250 shares, and the balance was settled in fiscal 1989 at the aggregate guarantee value of $968,000.

Deferred Credits

CHYRON CORPORATION (JUN)

	1989	1988
	($000)	
Total current liabilities	$39,532	$11,541
Long-term debt	109	25,063
Deferred income from joint venture	793	418
Deferred income taxes and other liabilities	1,291	519
Minority interest in subsidiaries		1,289
Total liabilities	41,725	38,830

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sales to Joint Venture

In June 1988, CMX entered into a joint venture with an unaffiliated company to form CMX Laser Systems, Inc., (CLSI) which is 49% owned by CMX. The joint venture is in the business of renting CMX 6000 film editing equipment to the film industry. In 1988, intercompany profits on sales to the joint venture were recorded as deferred income to be recognized over a five year period, in which CLSI will depreciate the equipment. In 1989 the Company changed its method of accounting for income on sales to the joint venture to a preferable method whereby all income on sales is deferred. This change was made to conform to recent accounting guidance for such transactions. The effect of this change on 1989 operations is not significant. The cumulative effect of this change in accounting resulted in a deferral of $350,000 and is reflected as a separate item in the 1989 income statement.

After intercompany eliminations, sales to the joint venture amounted to $800,000 in 1989 and $1,114,000 in 1988 and are included in net sales. Deferred income amortized in 1989 amounted to approximately $220,000. At June 30, 1989 and 1988 the Company had notes receivable from CLSI amounting to $2,659,000 and $2,185,000, respectively.

SCOPE INDUSTRIES (JUN)

	1989	1988
Total current liabilities	$7,250,424	$7,356,617
Deferred Income Taxes	1,244,076	474,895
Deferred Gain (Note 2)	6,804,507	6,813,592

Note 2: Discontinued Operation

In May, 1988, the Company sold its Vocational School Group business, Scope Beauty Enterprises, Inc., a wholly owned subsidiary for $500,000 cash and a $7,500,000 interest-bearing note collateralized by all the stock of the former subsidiary corporation. Annual principal payments on the note begin in 1990 and continue through 1998. Earlier payments may occur at the option of the debtor. Certain additional payments may be due the Company in the future, contingent on cash flows of the Vocational School Group business.

The Company, realizing that a significant portion of the sales consideration is in the form of a note to be collected in the future, has elected to recognize the gain on the transaction as payments under the sales agreement are received. As the payments are received, a portion of the amount will be allocated to the gain on the sale in the ratio that the overall gain bears to overall consideration to be received.

SPECTRUM CONTROL, INC. (NOV)

	1989	1988
Other liabilities		
Long-term debt	$13,536,000	21,417,000
Deferred revenue (Note 16)	256,000	341,000
Deferred income taxes	1,850,000	2,126,000
Total other liabilities	15,642,000	23,884,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Operating Leases

On November 30, 1988, the Company entered into sale and lease back agreements in connection with its Western Electromagnetic Division office and production facility. Under the sale agreement, the Company sold the facility at an aggregate selling price of $2,765,000. In addition, the Company entered into an agreement to lease back the facility for a five year period at an average annual rental of approximately $187,000. The gain realized on the sale of the facility of $461,000, representing the excess of net sales price over the cost basis of the facility, has been deferred and will be amortized to income in proportion to the related gross rental charged to expense over the five year operating lease term.

TIME WARNER INC. (DEC)

	1989	1988
	($ millions)	
Total current liabilities	$ 3,270	$ 905
Long-term debt	10,838	1,485
Deferred income taxes	2,546	563
Unearned portion of paid subscriptions	449	424
Other liabilities	932	238

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Unearned Portion of Paid Subscriptions

Revenues from paid magazine subscriptions are deferred until the magazines are delivered to subscribers. Upon each delivery, a proportionate share of the gross subscription price is included in revenues.

RESERVES—USE OF THE TERM "RESERVE"

Accounting Terminology Bulletin No. 1 recommends that the term reserve be used only to indicate, as an appropriation of retained earnings, that "an undivided portion of the assets is being held or retained for general or specific purposes..." Table 2-30 shows that the term *Reserve* appeared occasionally in the 1989 annual reports of the survey companies.

TABLE 2-30: USE OF TERM "RESERVE"

	Number of Companies			
	1989	1988	1987	1986
To describe deductions from assets for				
Reducing inventories to LIFO cost	33	36	40	38
Doubtful accounts	19	21	24	27
Accumulated depreciation	4	4	3	5
Other—described	10	6	3	8
To describe accruals for				
Estimated expenses relating to property abandonments or discontinued operations	15	12	11	16
Insurance	14	13	6	7
Employee benefits or compensation	5	6	10	10
Other—described	22	17	18	15
Other—not described	5	7	7	6

TITLE OF STOCKHOLDERS' EQUITY SECTION

Table 2-31 summarizes the titles used by the survey companies to identify the stockholders equity section of the balance sheet.

TABLE 2-31: TITLE OF STOCKHOLDERS' EQUITY SECTION

	1989	1988	1987	1986
Shareholders' Equity	254	239	249	247
Stockholders' Equity	238	237	228	217
Shareowners' Equity	20	18	22	20
Common Shareholders' Equity	11	16	18	20
Common Stockholders' Equity	18	17	20	18
Shareholders' Investment	9	11	14	19
Stockholders' Investment	12	15	14	13
Other or no title	38	47	35	46
Total Companies	**600**	**600**	**600**	**600**

CAPITAL STRUCTURES

Table 2-32 summarizes the various classes and combinations of capital stock outstanding disclosed in the balance sheets of the survey companies. The need for disclosure in connection with complex capital structures is stated in Paragraph 19 of *APB Opinion No. 15,* Section E09 of *FASB Accounting Standards—Current Text.* Paragraph 19 states:

> The use of complex securities complicates earnings per share computations and makes additional disclosures necessary. The Board has concluded that financial statements should include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding. Examples of information which should be disclosed are dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices or rates and pertinent dates, sinking fund requirements, unusual voting rights, etc.

TABLE 2-32: CAPITAL STRUCTURES

	1989	1988	1987	1986
Common stock with:				
No preferred stock	438	440	430	427
One class of preferred stock	117	117	128	117
Two classes of preferred stock	36	38	36	48
Three or more classes of preferred stock	9	5	6	8
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock	58	60	52	43

COMMON STOCK

Table 2-33 summarizes the valuation bases of common stock. As in prior years, the majority of the survey companies show common stock at par value.

TABLE 2-33: COMMON STOCK

	1989	1988	1987	1986
Bases				
Par value stock shown at:				
Par value	564	560	560	537
Amount in excess of par	21	34	26	27
Assigned per share amount	16	11	15	18
No par value stock shown at:				
Assigned per share amount	11	12	10	13
No assigned per share amount	48	45	43	48
Issues Outstanding	**660**	**662**	**654**	**643**

PREFERRED STOCK

Table 2-34 summarizes the valuation bases of preferred stock. As with common stock, many of the survey companies show preferred stock at par value.

APB Opinion No. 10, Section C16 of *FASB Accounting Standards—Current Text,* recommends that a liquidation preference (excess of involuntary liquidation value over par or stated value) be disclosed in the equity section of the balance sheet in the aggregate.

SEC *Accounting Series Release No. 268* (Section 211 of *Financial Reporting Release No. 1*) requires that preferred stock with mandatory redemption requirements not be shown as part of equity. *ASR No. 268* does not discuss the valuation basis for such securities. A *Staff Accounting Bulletin* issued by the SEC staff states that preferred stock with mandatory redemption requirements should be stated on the balance sheet at either fair value at date of issue or, if fair value is less than redemption value, at fair value increased by periodic accretions of the difference between fair value and redemption value.

Paragraph 10C of *Statement of Financial Accounting Standards No. 47,* Section C32 of *FASB Accounting Standards—Current Text,* requires that financial statements disclose for each of the five years following the date of the latest balance sheet presented the redemption requirements of redeemable capital stock.

Examples of preferred stock presentations follow.

TABLE 2-34: PREFERRED STOCK

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Bases				
Par value stock shown at:				
Par value	72	82	81	82
Liquidation or redemption value	27	29	20	19
Assigned per share amount	15	9	13	11
Fair value at issuance date	11	10	11	9
Other	7	4	9	6
No par value stock shown at:				
Liquidation or redemption value	28	19	20	24
Assigned per share amount	17	23	16	28
Fair value at issuance date	4	4	4	7
No assigned per share amount	14	14	12	26
Number of Companies				
Preferred stock outstanding	170	165	170	173
No preferred stock outstanding	430	435	430	427
Total Companies	**600**	**600**	**600**	**600**

Preferred Stock Extended At Par Value

BIRD INCORPORATED (DEC)

	1989	1988
Stockholders' Equity:		
5% cumulative preferred stock, par value $100. Authorized and issued—15,000 shares (liquidating preference $110 per share, aggregating $1,650,000)	$ 1,500,000	$ 1,500,000
Preference stock, par value $1. Authorized 1,500,000 shares; issued 814,300 shares of $1.85 cumulative convertible preference stock (liquidating preference $20 per share, aggregating $16,286,000)	814,000	814,000
Common stock, par value $4. Authorized 15,000,000 shares; issued 4,607,355 in 1989 and 4,587,755 in 1988	18,429,000	18,351,000
Other capital	14,883,000	15,430,000
Retained earnings	33,609,000	15,465,000
	69,235,000	51,560,000
Less—		
Treasury stock at cost:		
5% preferred—9,090 shares in 1989 and 4,603 in 1988	(514,000)	(270,000)
Common—894,621 shares in 1989 and 88,207 in 1988	(10,938,000)	(668,000)
Unearned compensation	(2,373,000)	(1,120,000)
Cumulative foreign currency translation adjustment	—	(373,000)
	55,410,000	49,129,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Stockholders' Equity

The $1.85 cumulative convertible preference stock is redeemable, in whole or in part, at the option of the Company, at redemption prices declining to $20.00 on and after May 15, 1993. The convertible preference stock has a liquidation value of $20 per share and is convertible at the option of the holder into common stock of the Company at a conversion price of $22.25 per share, subject to adjustment in certain events. Dividends are cumulative from the date of issue and are payable quarterly. The Company's 5% cumulative preferred stock ranks senior to the convertible preference stock as to dividends and upon liquidation.

In June 1989, the Company purchased 1,018,960 shares of its common stock at a price of $11.75 per share and 4,266 shares of its 5% cumulative preferred stock at a price of $51 per share in connection with the Company's invitation to its shareholders to tender their shares of common and preferred stock under a procedure commonly referred to as a "Dutch Auction."

Under the 1982 stock option plan described in Note 8, 721,425 shares of common stock are reserved for issuance upon exercise of options and stock appreciation rights.

Under the terms of the revolving credit agreement described in Note 5, annual cash dividends and redemptions on the Company's common stock are limited to $1,000,000 and annual cash dividends on the Company's preference stock, par value $1, are limited to $1,550,000. Redemptions of preference stock is prohibited without the bank's consent. Cash dividends and redemptions with respect to the Company's 5% cumulative preferred stock are limited to $350,000 annually in the aggregate.

NATIONAL SEMICONDUCTOR CORPORATION (MAY)

	1989	1988
	($ millions)	
Shareholders' equity:		
Preferred stock of $0.50 par value. Authorized 1,000,000 shares. Issued and outstanding 250,000 shares in 1989 and 1988 (liquidation preference of $125.0 million)	$ 0.1	$ 0.1
Common stock of $0.50 par value. Authorized 200,000,000 shares. Issued and outstanding 102,509,976 in 1989; 107,760,737 in 1988	51.3	53.9
Additional paid-in capital	688.2	817.5
Retained earnings	108.9	142.1
Total shareholders' equity	848.5	1,013.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Shareholders' Equity

As of May 28, 1989, National had 250,000 shares of $40.00 Convertible Exchangeable Preferred Shares, $0.50 par value (the "Preferred Shares") issued and outstanding. The liquidation value of each Preferred Share is $500 plus unpaid dividends. The Preferred Shares are convertible at any time at the option of the holder into common stock at the rate of 33 shares of common stock for each Preferred Share. The Preferred Shares are exchangeable at the option of the Company, in whole but not in part, on any dividend payment date for 8% Convertible Subordinated Debentures due 2010 at the rate of $500 principal amount of Debentures for each Preferred Share. Commencing in 1996, the Company is required to make annual payments into a sinking fund to provide for the redemption of these debentures. The Preferred Shares are redeemable for cash at any time at the option of the Company, in whole or in part, at prices declining to $500 per share on or after September 1, 1995, plus unpaid dividends. Dividends on the Preferred Shares at an annual rate of $40 per share are cumulative and payable quarterly in arrears, when and as declared by the Company's Board of Directors. Holders of Preferred Shares are entitled to limited voting rights.

THE NEW YORK TIMES COMPANY (DEC)

	1989	1988
	($000)	
STOCKHOLDERS' EQUITY		
5½% Cumulative prior preference stock of $100 par value—authorized 110,000 shares; outstanding: 1989, 26,507 shares; 1988, 26,517 shares	$ 2,651	$ 2,652
Serial preferred stock of $1 par value—authorized 200,000 shares—none issued	—	—
Common stock of $.10 par value		
Class A—authorized 95,000,000 shares; issued: 1989, 87,367,218 shares; 1988, 87,170,818 shares (including treasury shares: 1989, 9,736,233; 1988, 8,364,792)	8,737	8,717
Class B, convertible—authorized 600,000 shares; issued: 1989 and 1988, 581,319 shares (including treasury shares: 1989 and 1988, 139,943)	58	58
Additional capital	173,230	156,050
Earnings reinvested in the business	1,133,705	902,493
Common stock held in treasury, at cost	(251,284)	(194,381)
Total stockholders' equity	1,067,097	875,589

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Capital Stock

The 5½ percent cumulative prior preference stock, which is redeemable at the option of the Company on 30-day's notice at par plus accrued dividends, is entitled to an annual dividend of $5.50 payable quarterly.

The serial preferred stock is subordinate to the 5½ percent cumulative prior preference stock. The Board of Directors is authorized to set the distinguishing characteristics of each series prior to issuance, including the granting of limited or full voting rights; however, the consideration received must be at least $100 per share. No shares of serial preferred stock have been issued.

The Class A and Class B Common Stock are entitled to equal participation in the event of liquidation and in dividend declarations. The Class B Common Stock is convertible at the holders' option on a share-for-share basis into Class A shares. As provided for in the certificate of incorporation, the Class A Common Stock has limited voting rights, including the right to elect 30 percent of the Board of Directors, and the Class A and Class B Common Stock have the right to vote together on reservations of Company stock for stock options, on the ratification of the selection of independent certified public accountants and, in certain circumstances, on acquisitions of the stock or assets of other companies. Otherwise, except as provided by the laws of the State of New York, all voting power is vested solely and exclusively in the holders of the Class B Common Stock.

During 1989 and 1988 the Company repurchased approximately 2,200,000 and 4,200,000 shares of its Class A Common Stock, respectively, at average prices of $28.08 per share in 1989 and $26.99 per share in 1988. In December 1989 the Company announced a continuation of its stock repurchase program up to an additional $50 million.

In 1988 the Company changed its method of accounting to record treasury stock at cost as a separate component of stockholders' equity.

TALLEY INDUSTRIES, INC. (DEC)

	1989	1988
Stockholders' equity:		
Preferred stock, $1 par value, authorized 5,000,000 shares; issued:		
75,000 shares of Series A (78,000 in 1988) ($1,875,000 involuntary liquidation preference)	$ 75,000	$ 78,000
1,565,000 shares of Series B (1,644,000 in 1988) ($31,300,000 involuntary liquidation preference)	1,565,000	1,644,000
109,000 shares of Series D (100,000 in 1988) ($16,350,000 involuntary liquidation preference)	109,000	100,000
Common stock, $1 par value, authorized 20,000,000 shares; issued 8,760,000 shares (9,286,000 in 1988)	8,760,000	9,286,000
Capital in excess of par value	79,272,000	83,175,000
Foreign currency translation adjustments	1,750,000	2,026,000
Retained earnings	61,521,000	45,624,000
Total stockholders' equity	153,052,000	141,933,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capital Stock

Each share of Series A Convertible Preferred stock entitles its holder to receive an annual cash dividend of $1.10 per share; to convert it into .95 of a share of Common stock, as adjusted in the event of future dilution; to receive up to $25.00 per share in the event of involuntary or voluntary liquidation; and, subject to certain conditions in loan agreements, may be redeemed at the option of the Company at a price of $25.00 per share.

Each share of Series B $1.00 Cumulative Convertible Preferred stock entitles its holder to receive an annual cash dividend of $1.00 per share; to convert it into 1.31 shares of Common stock, as adjusted in the event of future dilution; to receive up to $20.00 per share in the event of involuntary or voluntary liquidation; and, subject to certain conditions in loan agreements, may be redeemed at the option of the Company at a price of $52.50 per share.

Each share of Common stock has a preferred stock purchase Right attached, allowing the holder, upon the occurrence of a change in control, as defined in a Rights agreement, to buy one one-hundredth of a share of Series C Junior Participating Preferred stock at an exercise price of $70. The Series C stock purchasable upon exercise of the Rights are nonredeemable and junior to other series of the Company's preferred stock. No shares of Series C stock have been issued as of December 31, 1989.

Each share of Series D Convertible Preferred stock entitles its holder to receive an annual cash dividend of $4.50 per share ($15.75 after February 28, 1998); to convert it into 10 shares of Common stock, as adjusted in the event of future dilution; to receive $150 ($175 after February 28, 1998) per share in the event of involuntary or voluntary liquidation; and subject to certain conditions in loan agreements, may be redeemed at the option of the Company at the higher of $150 per share ($175 after February 28, 1998) or the average of the conversion value per share for the last ten trading days prior to redemption (not to exceed $200 per share).

Dividends on the shares of Series A, Series B and Series D Preferred stock are cumulative and must be paid in the event of liquidation and before any distribution to holders of Common stock.

In 1989, the Company's Board of Directors approved a buyback of 1,000,000 shares of its stock. During the year, the Company repurchased 534,800 shares of its Common stock, and 78,500 shares of its Preferred Series B stock.

At December 31, 1989 there were 6,794,000 shares of Common stock reserved for conversion of the Series A, Series B, and Series D Preferred stock, the 9% convertible subordinated debentures, for exercise of stock options, for the Long-Term Incentive and Restricted Stock Plans and for the Employee Stock Purchase Plan.

On July 8, 1987, a five-for-four stock split was distributed. The par value of additional shares of Common stock was credited to Common stock and a like amount charged to retained earnings. All Common shares and per share amounts have been restated to reflect the stock split.

Preferred Stock Extended At Stated Value

AMERICAN BRANDS, INC. (DEC)

	1989	1988
	($ millions)	
Redeemable preferred stock		
$2.75 Preferred stock, without par value, stated value and mandatory redemption price $30.50 per share	$ 135.6	$ 137.5
Convertible preferred stock—redeemable at Company's option		
$2.67 Convertible Preferred stock, without par value, stated value $30.50 per share	27.8	30.8
Common stockholders' equity		
Common stock, par value $3.125 per share, 114.8 shares issued	358.7	358.7
Paid-in capital	87.6	51.2
Unrealized depreciation on marketable equity securities	(1.7)	(6.0)
Foreign currency adjustments	(130.5)	(89.4)
Retained earnings	3,438.2	3,060.2
Treasury stock, at cost	(814.2)	(882.3)
Total Common stockholders' equity	2,938.1	2,492.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Redeemable Preferred Stock

Shares of the $2.75 Preferred stock issued and outstanding at December 31, 1989 were 4,444,528 shares and at December 31, 1988 and 1987 were 4,507,528 shares. Reacquired or redeemed shares are required to be retired or restored to the status of authorized but unissued shares of preferred stock without series designation. The holders of the $2.75 Preferred stock are entitled to cumulative dividends, to one-quarter of a vote per share (in certain events, to the exclusion of the Common shares and other preferred stock issues) and to preference in liquidation over holders of Common stock of $30.50 per share plus accrued dividends. Whenever six quarterly dividend payments on such Preferred stock are in default and until all such dividends have been paid, such holders (in addition to the right to vote with the Common stock and other preferred stock for the election of directors) may vote separately as a class to elect two of the directors then being elected. The Company is required on each March 10 to redeem 3%, and has the noncumulative option to redeem an additional 3%, of the number of shares of original issue at a price of $30.50 per share, plus accrued dividends. The 3% annual mandatory redemption amounts to 165,226 shares, or $5 million. During 1989, 63,000 shares were reacquired by the Company at an aggregate cost of approximately $1.7 million. Reacquired shares, which totaled 236,870 at December 31, 1989, are available to cover mandatory redemptions. The Company may also redeem such Preferred stock on or after March 10, 1990, at prices beginning at $31.74 per share and declining to $30.50 per share on March 10, 1999, plus accrued dividends. There are also certain restrictions against the declaration or payment of dividends on Common stock or the acquisition of Common stock by the Company if it is in default on any dividends on the $2.75 Preferred, and the Company may not pay any dividends on Common stock or purchase or redeem any shares of Common stock or shares of any present series of preferred stock if the Company is in default on redemption payments on the $2.75 Preferred.

A cash dividend of $2.75 per share in the aggregate amount of $12.3 million was paid in the year ended December 31, 1989 and $12.4 million was paid in the years ended December 31, 1988 and 1987.

Convertible Preferred Stock—Redeemable at Company's Option

Shares of the $2.67 Convertible Preferred stock issued and outstanding at December 31, 1989, 1988 and 1987 were 910,845 shares, 1,010,061 shares and 1,097,339 shares, respectively. Reacquired, redeemed or converted authorized shares that are not outstanding are required to be retired or restored to the status of authorized but unissued shares of preferred stock without series designation. The holders of $2.67 Convertible Preferred stock are entitled to cumulative dividends, to three-tenths of a vote per share (in certain events, to the exclusion of the Common shares), to preference in liquidation over holders of Common stock of $30.50 per share plus accrued dividends and to convert each share of such stock into 2.04 shares of Common stock. Authorized but unissued Common shares are reserved for issuance upon such conversions, but treasury shares may be and are delivered. During 1989, 1988 and 1987, 99,216 shares, 87,278 shares and 135,010 shares, respectively, were converted. The Company may redeem such Preferred stock at a price of $30.50 per share plus accrued dividends.

A cash dividend of $2.67 per share in the aggregate amounts of $2.5 million, $2.8 million and $3.1 million was paid in each of the years ended December 31, 1989, 1988 and 1987, respectively.

Capital Stock

The Company has 300 million authorized shares of Common stock and 60 million authorized shares of preferred stock. At the Annual Meeting of stockholders to be held on May 8, 1990 a proposal to increase the authorized number of shares of Common stock from 300 million to 750 million will be considered and voted on.

There were 95,768,927 Common shares outstanding at December 31, 1989.

The cash dividends paid on the Common stock for the years ended December 31, 1989, 1988 and 1987 aggregated $238 million, $221.9 million and $232.4 million, respectively.

Treasury shares purchased and received as consideration for stock options exercised amounted to 1,062,687 shares in 1989, 17,190,312 shares in 1988 and 387,665 shares in 1987. Treasury shares delivered in connection with conversion of $2.67 Convertible Preferred stock, 7¾% Convertible Debentures, 5⅜% Convertible Debentures and exercise of stock options amounted to 3,432,105 shares in 1989, 500,937 shares in 1988 and 623,456 shares in 1987. Treasury stock purchases in 1988 included 7.1 million shares of the Company's Common stock acquired in connection with the acquisition of E-II, and 10 million additional shares acquired in connection with the Company's Common stock purchase program.

TESORO PETROLEUM CORPORATION (SEP)

	1989	1988
	($000)	
Common Stock and Other Stockholders' Equity (Notes G, H and K):		
Preferred stock, no par value; authorized 5,000,000 shares including redeemable preferred shares:		
$2.16 Cumulative convertible preferred stock; $1 stated value; 1,319,576 shares issued and outstanding (1,322,376 in 1988); liquidation preference of $34,652 ($34,726 in 1988)	$ 1,320	$ 1,322
Common stock, par value $.16⅔; authorized 50,000,000 shares; 14,061,839 shares issued and outstanding (14,010,553 in 1988)	2,343	2,335
Additional paid-in capital	86,630	86,207
Retained earnings	35,542	75,269
	125,835	165,133
Less deferred compensation	433	560
	125,402	164,573

Note K (In Part): Common Stock and Other Stockholders' Equity

Preferred Stock

The Company has designated a class of preferred stock, of which there were 1,319,576 and 1,322,376 shares outstanding at September 30, 1989 and 1988, respectively, and 200,000 shares reserved for the granting of options under a stock option plan of the Company. This class, designated the $2.16 Cumulative Convertible Preferred Stock, has voting rights, is convertible into common stock at the rate of 1.7241 shares of common stock for each share of preferred stock, has a stated value of $1 per share and a liquidation value of $25 per share, and is repurchasable at the option of the Company at liquidation value plus accrued dividends.

During 1989, the Company obtained a waiver of the restriction under the Company's previous revolving credit agreement to allow the payment of dividends on preferred stocks for all dividends then in arrears and currently payable as of March 15, 1989. These dividend payments amounted to approximately $2.9 million for the $2.16 Cumulative Convertible Preferred Stock. During the remainder of 1989, the Company's Board of Directors deferred the payment of dividends on preferred stocks. As of September 30, 1989, preferred dividends in arrears amounted to $1,425,000, or $1.08 per share, on the $2.16 Cumulative Convertible Preferred Stock. For information regarding restrictions on dividend payments, see Notes G and H.

Preferred Stock Extended At Redemption Or Liquidating Value

CABOT CORPORATION (SEP)

	1989	1988
	($000)	
Stockholders' Equity		
Preferred stock:		
Authorized: 2,000,000 shares of $1 par value		
Series A Junior Participating Preferred Stock		
Issued and Outstanding: none		
Series B ESOP Convertible Preferred Stock 7.75% Cumulative		
Issued and Outstanding: 75,336 shares (aggregate liquidation value $75,336)	$ 75,336	$ —
Less cost of 175 shares of preferred treasury stock	(184)	—
Common stock:		
Authorized: 80,000,000 shares of $1 par value:		
Issued: 33,887,484 shares	33,887	33,887
Additional paid-in capital	26,805	26,031
Retained earnings	701,020	712,959
Less cost of 9,236,292 and 6,949,774 shares, respectively, of common treasury stock	(272,551)	(169,744)
Deferred employee benefits	(73,290)	—
Foreign currency translation adjustments	(1,841)	4,209
Total stockholders' equity	489,182	607,342

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I (In Part): Stockholders' Equity

On November 18, 1988, the Company placed 75,336 shares of its Series B ESOP Convertible Preferred Stock with the Company's Employee Stock Ownership Plan (ESOP) for cash at a price of $1,000.00 per share.

Each share of the Series B ESOP Convertible Preferred Stock is convertible into 21.8675 shares of the Company's common stock subject to certain events and anti-dilution adjustment provisions, and carries voting rights on an "as converted" basis. The trustee for the ESOP has the right to cause the Company to redeem shares sufficient to provide for periodic distributions to plan participants. Such shares shall be redeemed at their fair market value, and may be redeemed by the Company for cash, shares of the Company's common stock, or a combination thereof at the Company's option. Each share is also redeemable, in whole or in part, under certain circumstances at the option of the Company at a price of $1,077.50. The redemption price declines annually until it becomes $1,054.25 on November 19, 1991, on or after which date each share is redeemable at any time at the option of the Company. The redemption price declines annually thereafter until it becomes $1,000.00 on and after November 19, 1998, plus accrued but unpaid dividends to the redemption date.

The issued shares of Series B ESOP Convertible Preferred Stock are entitled to receive preferential and cumulative quarterly dividends, and rank as to dividends and liquidation prior to the Company's Series A Junior Participating Preferred Stock and common stock.

At September 30, 1989, 1,643,587 shares of the Company's common stock were reserved for conversion of the Series B ESOP Convertible Preferred Stock.

In April, 1989, the Company's Board of Directors authorized the purchase of up to one million of the Company's common shares and retired the balance of all previous authorizations. At September 30, 1989, a balance of 582,000 shares remained under this new authorization.

THE GILLETTE COMPANY (DEC)

	1989	1988
	($ millions)	
Redeemable Preferred Stock		
8.75% Cumulative Series B Convertible Preferred, without par value; 600,000 shares issued and redeemable at $1,000 per share	$ 600.0	$ —
Stockholders' Equity		
Common stock, par value $1 per share		
Authorized 290,000,000 shares		
Issued: 1989, 137,714,292 shares; 1988, 137,481,591 shares	137.7	137.5
Additional paid-in capital	169.4	165.5
Earnings reinvested in the business	1,430.0	1,261.6
Cumulative foreign currency translation adjustments	(183.9)	(166.0)
Treasury stock, at cost: 1989, 40,864,775 shares; 1988, 40,864,485 shares	(1,483.2)	(1,483.2)
Total Stockholders' Equity	70.0	(84.6)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Redeemable Preferred Stock

On July 20, 1989, the Company issued 600,000 shares of 8¾% Series B cumulative convertible preferred stock, without par value, at $1,000 per share, or $600 million in total, to insurance subsidiaries of Berkshire Hathaway Inc. No other stock ranks senior to the Series B shares. Dividends are cumulative and payable quarterly. The Series B shares also are entitled, as if converted to common stock, to all extraordinary dividends paid on common stock (i.e., dividends in excess of annual net income from continuing operations before extraordinary items, other than those paid in common stock). Cash dividends cannot be paid on stock junior to the Series B shares until dividends on the Series B shares are current.

Each Series B share is convertible at the option of the holder into 20 shares of common stock, or a total of 12,000,000 shares, at a conversion price of $50 per share, subject to antidilution adjustments, (a) after two years from the issue date, (b) at any time in the event of a change in control, (c) if called for redemption, (d) upon a tender offer approved by the Company or (e) upon a prospective merger.

The Company must redeem the Series B stock, unless it is converted, at the purchase price plus accrued dividends on July 20, 1999. The Series B shares also are subject to redemption prior to July 20, 1999, upon the occurrence of certain events, in particular change in control events, at the option of either the Company or the holders, depending on the event, at varying prices not less than the purchase price plus accrued dividends.

The Series B stock votes with the common stock as if converted. It represents approximately 11% of total outstanding voting shares. The purchaser is entitled to one representative on the Board of Directors. If quarterly dividends are not current for three quarters, or there is a default in payment of any extraordinary dividends or in any redemption, the Series B shares, voting separately as a class, may elect two additional directors.

The Series B shares place certain restrictions on the repurchase of common stock by the Company. There also are certain restrictions on the purchaser regarding the sale and transfer of preferred and common stock.

Each preferred share carries rights under the Company's preferred stock purchase rights plan and currently is entitled to 10 rights.

Cumulative cash dividends of $23.5 million were paid during 1989.

KERR GLASS MANUFACTURING CORPORATION (DEC)

	1989	1988
	(in thousands)	
Stockholders' equity		
Preferred Stock, 487 shares authorized and issued, at liquidation value of $20 per share	9,748	9,748
Common Stock, $.50 par value per share, 20,000 shares authorized; 4,209 shares issued in 1989 and 4,199 shares issued in 1988	2,104	2,099
Additional paid-in capital	26,723	26,434
Retained earnings	22,109	24,270
Treasury Stock, 535 shares at cost	(12,737)	(12,737)
Notes receivable from ESOP Trusts	(6,572)	(8,036)
Total stockholders' equity	41,375	41,778

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Preferred Stock

Class B Preferred Stock

At December 31, 1989 and 1988, the Company was authorized to issue 1,302,300 shares of Class B Preferred Stock, par value $.50 per share, which may be issued in series from time to time at the discretion of the Board of Directors. Holders of all series of Class B Preferred Stock share ratably as to rights to payment of dividends and to amounts payable in event of liquidation, dissolution or winding up of the Company. No dividends or payments in liquidation may be made with respect to Common Stock or any other stock ranking junior as to dividends or assets to the Class B Preferred Stock unless all accumulated dividends and sinking fund payments on the Class B Preferred Stock have been paid in full and, in the event of liquidation, unless the accumulated dividends and the liquidation preference of the Class B Preferred Stock have been paid.

Series D

At December 31, 1989 and 1988, the Company had 487,400 shares of Class B Cumulative Convertible Preferred Stock, Series D (Preferred Stock), issued and outstanding. Holders of the Preferred Stock are entitled to a cumulative dividend, payable quarterly, at the annual rate of 8½% ($1.70 per share). The Preferred Stock is redeemable at the option of the Company at any time, in whole or in part, at a price of $20.00 per share. No purchases or redemptions of or dividends on Common Stock may occur unless all accumulated dividends have been paid on the Preferred Stock.

Each share of Preferred Stock has a liquidating value of $20.00 per share and is convertible into Common Stock at the rate of 1.4545 shares of Common Stock for each share of Preferred Stock (equivalent to a conversion price of $13.75 per common share), subject to adjustment under certain conditions. At December 31, 1989, a total of 708,923 shares of Common Stock was reserved for issuance upon conversion of the Preferred Stock.

If six quarterly dividends on the Preferred Stock are unpaid, the holders of Preferred Stock shall have the right, voting as a class, to elect two additional persons to the Board of Directors of the Company until all such dividends have been paid.

TEXAS INSTRUMENTS INCORPORATED (DEC)

	1989	1988
	($ millions)	
Stockholders' equity:		
Preferred stock, $25 par value. Authorized—10,000,000 shares.		
Market auction preferred (stated at liquidation value).		
Shares issued and outstanding: 1989 and 1988—3,000	$ 300.0	$ 300.0
Convertible money market preferred (stated at liquidation value).		
Shares issued and outstanding: 1989 and 1988—2,208	220.8	220.8
Participating cumulative preferred. None issued	—	—
Common stock, $1 par value. Authorized—300,000,000 shares.		
Shares Issued: 1989—81,606,649; 1988—80,746,272	81.6	80.8
Paid-in capital	483.1	437.1
Retained earnings	1,403.9	1,209.4
Less treasury common stock at cost.		
Shares: 1989—102,754; 1988—100,182	(4.5)	(4.5)
Total stockholders' equity	2,484.9	2,243.6

NOTES TO FINANCIAL STATEMENTS

Stockholders' Equity

The company is authorized to issue 10,000,000 shares of preferred stock. The following series of preferred stock have been issued:

Market auction preferred stock: Issued in four 750-share series with an aggregate liquidation value of $300 million. Dividends, which are cumulative, are set every 49 days through auction procedures. The dividend rates (per annum) averaged 7.4%, 6.3% and 5.2% in 1989, 1988 and 1987. Dividends declared per share averaged $6,986, $6,618 and $5,058 in 1989, 1988 and 1987. The shares may be redeemed, at the company's option, at specified prices.

Convertible money market preferred stock: Issued in three 750-share series with an aggregate liquidation value of $225 million. The subsequent reduction of outstanding shares was due to conversions into TI common stock. The remaining shares are convertible, at the holder's option, into an aggregate 3,098,947 shares of TI common stock at common stock conversion prices of approximately $63, $73 and $78, depending on the preferred stock series. Dividends, which are cumulative, are set every 49 days through auction procedures. The dividend rates (per annum) averaged 7.5%, 5.2% and 2.6% in 1989, 1988 and 1987. Dividends declared per share averaged $8,041, $4,771 and $2,338 in 1989, 1988 and 1987. The shares may be redeemed, at the company's option, at specified prices.

Each outstanding share of the company's common stock carries a stock purchase right. Under certain circumstances, each right may be exercised to purchase one one-hundredth of a share of the company's participating cumulative preferred stock for $200. Under certain circumstances following the acquisition of 20% of more of the company's outstanding common stock by an acquiring person (as defined in the rights agreement), each right (other than rights held by an acquiring person) may be exercised to purchase common stock of the company or a successor company with a market value of twice the $200 exercise price. The rights, which are redeemable by the company at 1 cent per right, expire in June 1998.

Fair Value

ATHLONE INDUSTRIES, INC. (DEC)

	1989	1988
	($000)	
Series A first preferred stock—subject to mandatory redemption ($4,062,500 liquidation value in 1989 and 1988); $1.00 par value; authorized 100,000 shares; issued 40,625 shares in 1989 and 1988 (note 6)	$ 3,473	$ 3,425
Common stockholders' equity:		
Common stock, $.10 par value; authorized 20,000,000 shares; issued 5,522,602 shares in 1989 and 5,280,602 in 1988	552	528
Additional paid-in capital	10,463	6,014
Valuation allowance for investments	(675)	(1,773)
Retained earnings	25,286	17,110
Common stockholders' equity	35,626	21,879

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Redeemable Preferred Stock:

The Company's preferred stock consists of 250,000 authorized shares of $1.00 par value First Preferred Stock of which 40,625 shares of Series A First Preferred Stock were outstanding at December 31, 1989. The Series A First Preferred Stock, which is not convertible, has a carrying value of $80.00 per share representing fair value at date of issuance based upon an independent appraisal and sales to third parties, plus accumulated accretion. The shares are entitled to cumulative dividends of $12.70 annually ($3.175 per quarter) per share and must be redeemed at 10% per year commencing on December 31, 1992 at $100.00 per share plus accrued and unpaid dividends. The Company, at its option, may redeem at that price in each year in which mandatory redemption is required an additional number of shares not exceeding the mandatory redemption and may redeem all or any part of the shares at that price plus a premium amounting to $3.55 in 1990 and declining proportionately thereafter through 1998 after which there will be no premium.

The carrying value of the preferred stock has been increased by periodic accretions, based on the interest method, of the difference between the fair value at date of issuance and redemption value until the redemption dates at which time both amounts shall be equivalent. The Company has been advised by independent counsel that the excess of the involuntary liquidation value of the preferred stock over its stated or par value does not create any restrictions on retained earnings. No dividends on or purchases of the Company's common stock may be made if any arrearages in the preferred stock dividends exist or in the event of the failure to make mandatory redemptions. The holders of the preferred stock have the right to elect two directors if a default in six quarterly dividends occurs.

ADDITIONAL PAID-IN CAPITAL

Table 2-35 summarizes captions used to describe additional paid-in capital and indicates a continuing gradual decline in the use of the term *surplus* to describe additional paid-in capital. This trend is in accord with a recommendation expressed by the AICPA's Committee on Terminology, a predecessor of the Accounting Principles Board, that use of the term *surplus*, either alone or combined, be discontinued in the balance sheet presentation of stockholders' equity.

Examples of descriptive captions used for additional paid-in capital are shown in this section in connection with discussions of the other components of stockholders' equity.

TABLE 2-35: ADDITIONAL PAID-IN CAPITAL—CAPTION TITLE

	1989	1988	1987	1986
Additional paid-in capital	234	230	227	214
Capital in excess of par or stated value	149	147	160	157
Paid-in capital or other paid-in capital	43	44	39	41
Additional capital, or other capital	40	41	39	41
Capital surplus	36	38	42	47
Paid-in surplus	4	6	5	8
Other captions	18	18	19	18
	524	524	531	526
No additional paid-in capital account	76	76	69	74
Total Companies	**600**	**600**	**600**	**600**

RETAINED EARNINGS

Accounting Terminology Bulletin No. 1 recommends:

> The term *earned surplus* be replaced by terms which will indicate source, such as *retained income, retained earnings, accumulated earnings,* or *earnings retained for use in the business.* In the case of a deficit, the amount should be shown as a deduction from contributed capital with appropriate description.

Table 2-36 indicates that most of the survey companies use the term *retained earnings*.

Examples of descriptive captions used for retained earnings are shown below and in connection with discussions of the other components of stockholders' equity in this section.

TABLE 2-36: RETAINED EARNINGS—CAPTION TITLE

	1989	1988	1987	1986
Retained Earnings	479	469	464	470
Retained Earnings with additional words	11	14	17	20
Earnings with additional words	41	43	45	50
Income with additional words	12	14	14	12
Earned Surplus	2	2	1	2
Retained Earnings (Deficit)	25	36	31	24
Accumulated Deficit	30	22	28	22
Total Companies	**600**	**600**	**600**	**600**

ARMADA CORPORATION (DEC)

	1989	1988
SHAREHOLDERS' EQUITY		
Preferred stock, $1 par:		
Authorized: 1,000,000 shares		
Outstanding: None		
Common stock, $1 par:		
Authorized: 4,000,000 shares		
Outstanding: 842,482 shares	$ 842,000	$ 1,001,000
Additional paid-in capital	5,991,000	7,119,000
Earnings retained for use in the business	1,964,000	4,065,000
Cumulative foreign currency adjustment	(41,000)	(55,000)
Total shareholders' equity	8,756,000	12,130,000

FRUIT OF THE LOOM, INC. (DEC)

	1989	1988
	($000)	
Common Stockholders' Equity		
Common stock and capital in excess of par value, $.01 par value; authorized, Class A, 100,000,000 shares, Class B, 30,000,000 shares; issued and outstanding:		
Class A Common Stock, 46,447,902 and 46,344,988 shares, respectively	$267,500	$267,230
Class B Common Stock, 15,205,012 shares	10,000	9,970
Retained earnings (accumulated deficit)	46,100	(25,900)
Currency translation adjustments	2,900	6,300
Total common stockholders' equity	326,500	257,600

PLASMA-THERM, INC. (NOV)

	1989	1988
Shareholders' equity		
Common stock: $.01 par value		
Authorized: 12,000,000 shares		
Issues and outstanding:		
7,845,561 shares, 1989 and		
7,800,461 shares, 1988	$ 78,455	$ 78,005
Additional paid-in capital	8,610,087	8,457,147
Retained earnings (deficit)	290,751	(1,188,074)
Cumulative translation adjustment	(320,077)	(373,124)
	8,659,216	6,973,954

STOCK OPTION AND STOCK PURCHASE PLANS

Chapter 13B of *ARB No. 43*, Section C47 of *FASB Accounting Standards—Current Text*, discusses stock option and stock purchase plans and states in paragraph 15:

> In connection with financial statements, disclosure should be made as to the status of the option or plan at the end of the period of report, including the number of shares under option, the option price, and the number of shares as to which options were exercisable. As to options exercised during the period, disclosure should be made of the number of shares involved and the option price thereof.

APB Opinion No. 25, issued in October 1972 and applying "to all stock option, purchase, award, and bonus rights granted by an employer corporation to an individual employee after December 31, 1972," reaffirms the disclosure requirements of paragraph 15.

Recently, it has become common for companies to either grant stock options in tandem with stock appreciation rights or to convert stock options into incentive stock options. *FASB Interpretation No. 28* discusses stock appreciation rights while *FASB Technical Bulletin 82-2* discusses the conversion of stock options into incentive stock options.

Five hundred fifty-six companies disclose the existence of stock option plans. Examples of stock option and stock purchase plans follow.

STOCK OPTION PLANS

AMERICAN HOME PRODUCTS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Stock Options:

The Company has three Stock Option Plans—1985, 1980 and 1978 ("the Plans"). Under the 1985 and 1980 Plans, a maximum of 8,000,000 and 7,000,000 options, respectively, may be granted at prices not less than 100 percent of the fair market value at the date of option grant. No further grants may be made under the 1978 Plan.

The Plans provide for the granting of incentive stock options as defined under the Internal Revenue Code. Under the Plans, grants may be made to selected officers and employees of non-qualified options with a ten-year term or incentive stock options with a term not exceeding ten years.

The Plans provide for the granting of Stock Appreciation Rights (SAR) subject to certain conditions and limitations to holders of options under the Plans. SARs permit the optionee to surrender an exercisable option for an amount equal to the excess of the market price of the common stock over the option price when the right is exercised. Transactions involving the Plans are summarized as follows:

Option Shares	1989	1988
Outstanding January 1	4,768,219	4,770,380
Granted	3,772,760	982,950
Canceled	(292,374)	(323,171)
Exercised and surrendered for SARs (1989—$27.25 to $89.25 per share)	(1,917,748)	(661,940)
Outstanding December 31	6,330,857	4,768,219
Exercisable December 31 (1989—$27.75 to $89.25 per share)	2,686,647	3,796,019
Stock Appreciation Rights	**1989**	**1988**
Outstanding January 1	929,350	746,350
Granted	270,200	352,000
Canceled	(23,600)	—
Exercised (1989—$38.00 to $86.8125 per share)	(448,950)	(169,000)
Outstanding December 31	727,000	929,350
Exercisable December 31 (1989—$29.875 to $86,8125 per share)	456,800	577,350

At December 31, 1989, 2,066,859 shares were available for future grants under the Plans.

Prior to December 15, 1989, Robins had two stock option plans for officers and certain key employees. All options were exercised by the option holders or canceled prior to the merger. The Robins option plans were subsequently terminated.

CONTROL DATA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F. Stock Option Plans

Under the 1980 Stock Option Plan, as amended in 1982 and 1985, options to purchase up to 1,600,000 shares of common stock could be issued to key employees. Although no further grants may be made under that Plan, the Company expects to ask its stockholders to approve a new restricted stock and stock option plan in 1990. Under the existing plan, the exercise price for stock options may not be less than the fair market value of the optioned stock at the date of grant. Options become exercisable as to 25 percent of the grant one year after the grant date and as to an additional 25 percent each year thereafter. An option expires not later than ten years after grant. Generally, if an optionee's employment is terminated for various reasons within two years of a change of control of the Company, all of the optionee's options become immediately exercisable.

Proceeds from exercise of stock options are credited to common stock for the amount of par value and any excess is credited to additional paid-in capital.

On January 11, 1989, the Company acquired the minority ownership interests in its ETA Systems, Incorporated subsidiary. In connection with that transaction, the Company assumed three pre-existing ETA employee stock option plans ("ETA Plans"), and converted all options then outstanding under the ETA Plans into options to acquire shares of the Company's common stock. No further options will be granted under the ETA Plans.

Stock Options	Option Price Per Share	Outstanding	Exercisable	Available for Grant
At December 31, 1986	$10.28-$52.81	933,711	297,082	775,892
Granted	18.81- 36.94	692,560		(692,560)
Became exercisable	18.94- 46.81		170,706	
Exercised	10.47- 28.44	(108,254)	(108,254)	
Canceled	16.66- 38.19	(77,872)	(33,524)	72,502
Expired	10.28	(300)	(300)	
At December 31, 1987	$15.06-$52.81	1,439,845	325,710	155,834
Granted	19.56- 27.32	155,500		(155,500)
Became exercisable	18.81- 46.81		301,282	
Exercised	15.06- 24.50	(34,336)	(34,336)	
Canceled	18.81- 46.81	(87,320)	(19,110)	85,195
Expired	15.69 21.25	(1,191)	(1,191)	
At December 31, 1988	$16.66-$52.81	1,472,498	572,355	85,529
Granted	17.31- 22.69	499,075		(499,075)
Conversion of ETA plans	8.49- 18.57	672,988	408,471	
Became exercisable	18.81- 36.94		305,000	
Exercised	8.49- 18.94	(439,772)	(439,772)	
Canceled	8.49- 46.81	(684,209)	(247,342)	479,605
Expired	17.78- 23.57	(12,840)	(12,840)	(66,059)
At December 31, 1989	$ 8.49-$52.81	1,507,740	585,872	—
Average option price	$20.59			

DELUXE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Employee Benefit Plans

Stock Option Plan—Under a stock option plan for key employees adopted by shareholders of the Company in 1984, the Company may grant either non-qualified or incentive stock options to purchase up to 3,600,000 shares of common stock. Under a plan amendment, certain option holders as of April 7, 1987, received tax indemnification rights that provide for payments not exceeding 60% of the ordinary income realized by the optionee upon exercise of the optionee's non-qualified stock options. All options allow for the purchase of common stock at prices equal to market value at the date of grant. Options become exercisable in varying amounts beginning generally one year after grant. Information regarding this option plan is as follows:

	Number of Shares		
	1989	1988	1987
Outstanding, January 1	796,560	550,982	466,542
Granted	231,548	365,679	138,311
Exercised	(42,672)	(111,942)	(50,397)
Canceled	(35,128)	(8,159)	(3,474)
Outstanding, December 31	950,308	796,560	550,982
Exercisable, December 31	526,297	320,985	355,071

Options were granted in 1989, 1988, and 1987 at $32.50, $24.25, and $35.125 per share, respectively. Options were exercised in 1989, 1988, and 1987 at average prices per share of $18.20, $16.56, and $14.91, respectively. Options were outstanding at December 31, 1989, 1988, and 1987 at average prices per share of $29.19, $27.66, and $27.70, respectively. At December 31, 1989, options for 2,285,991 shares remain available for issuance under the plan.

AMCAST INDUSTRIAL CORPORATION (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Options

The Company has three plans under which stock options may be granted.

The 1981 Stock Option Plan was approved by shareholders of the company on December 16, 1981, and amended by the shareholders on December 18, 1985. The plan provides for the granting of a maximum of 400,000 options to purchase common shares to key employees of the company and its subsidiaries. The option price per share may not be less than the fair market value of a share on the date the option is granted, and the maximum term of an option may not exceed ten years. Options granted under the plan may include related stock appreciation rights. No outstanding options include related stock appreciation rights. No options and stock appreciation rights may be granted under the plan after the expiration of the plan on October 13, 1991.

The 1989 Stock Incentive Plan was approved by shareholders of the company on December 14, 1988. The plan provides for the granting of a maximum of 500,000 stock options, stock appreciation rights, performance awards, and restricted stock awards to key employees of the company and its subsidiaries. The option price per share may not be less than the fair market value of a share on the date the option is granted, and the maximum term of an option may not exceed ten years.

The 1989 Director Stock Option Plan was approved by the shareholders of the company on December 14, 1988. The plan provides for the granting of a maximum of 120,000 non-qualified stock options. The option price per share is equal to the fair market value of a company share on the date of grant. The term of each option is five years, and an option first becomes exercisable one year after the date of grant. Under the plan, each person serving as a director of the company on the first business day of January of each year, who is not employed by the company (i.e., an "outside director"), will automatically be granted 1,500 options.

Information regarding the company's stock option plans is summarized below:

	1981 Stock Option Plan	1989 Stock Incentive Plan	1989 Director Stock Option Plan
Shares under option:			
Outstanding at September 1, 1986	150,500	—	—
Granted	142,750	—	—
Exercised	(2,000)	—	—
Canceled	(29,000)	—	—
Outstanding at August 31, 1987	262,250	—	—
Granted	151,733	—	—
Exercised	(8,000)	—	—
Canceled	(55,000)	—	—
Outstanding at August 31, 1988	350,483	—	—
Granted	27,000	91,750	12,000
Exercised	(21,950)	—	—
Canceled	(33,500)	—	—
Outstanding at August 31, 1989	322,033	91,750	12,000
Average option price per share:			
At August 31, 1987	$ 13.85	—	—
At August 31, 1988	12.22	—	—
At August 31, 1989	11.92	$12.65	$12.94
Options exercisable			
At August 31, 1987	158,500	—	—
At August 31, 1988	258,250	—	—
At August 31, 1989	322,033	—	—
Average price of options exercised:			
Year ended August 31, 1987	$ 5.63	—	—
Year ended August 31, 1988	9.81	—	—
Year ended August 31, 1989	10.48	—	—

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N. Stock Plans

Two non-qualified stock option and award plans adopted in 1973 and 1981, as amended, provide for granting options to purchase up to 3,700,000 shares of common stock at prices not less than 100 percent of market price at the date of grant. Options under both plans are exercisable over 10 years beginning one year after the date of grant and are limited to 50 percent during the second year. A total of 2,804,061 shares was granted under these plans through June 30, 1989. The plans permit employees to tender shares to IMC in lieu of cash for the exercise of stock options. During 1989, 1988, and 1987, 111,662; 258,569; and 65,100 options with an aggregate market value of $4.6 million, $12.4 million, and $2.4 million were exercised by the tendering of 85,746; 179,583; and 51,698 shares with a market value of $3.6 million, $8.6 million, and $1.9 million, respectively. For options granted prior to 1985 these tendered shares have been accounted for as a purchase of treasury shares at market value. For the exercise of options issued subsequent to 1984, the Company's operating results included charges of $.6 million and $1.5 million in 1989 and 1988, respectively, relative to these tendered shares. There were no such charges in 1987.

The plans also provide for granting stock appreciation rights in conjunction with options granted. All rights granted were exercised on or before June 30, 1988.

Information on options and rights follows:

Number of Options	Price Range	1989	1988
Outstanding, beginning of year	$26-48	785,269	1,027,650
Granted	29-48	424,650	111,800
Cancelled	26-42	(20,025)	(41,625)
Exercised	27-48	(118,762)	(312,556)
Outstanding, end of year	27-48	1,071,132	785,269
At June 30			
Exercisable		597,194	561,288
Reserved for future option grants		660,556	1,077,181
Number of Stock Appreciation Rights			
Outstanding, beginning of year	$26-34		28,275
Cancelled	27		(3,250)
Exercised	26-34		(25,025)
Outstanding, end of year			—

The average purchase price of outstanding stock options at June 30, 1989, was $38.89 a share, based on an aggregate purchase price of $41.6 million. Outstanding stock options will expire over a period ending no later than April 19, 1999.

The 1973 non-qualified stock option and award plan also provides for the award of restricted shares of IMC's common stock. Under the plan, the grantee makes no cash payment for the award, the shares are held in escrow until vested, which is generally four years from the date of award, and the grantee cannot dispose of the restricted shares until vested. Upon forfeiture of any share of restricted stock in accordance with the stock option and award plan, or the terms and conditions of the award, the shares would automatically be transferred to and reacquired by IMC at no cost. In 1989 and 1987, IMC issued from its treasury 12,000 and 86,200 restricted shares, respectively, in connection with an incentive compensation plan.

PARKER HANNIFIN CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Shareholders' Equity and Other Stock-related Information

At June 30, 1989, the Company had 1,962,739 common shares reserved for issuance in connection with its stock option plans (1,769,758 shares) and its convertible subordinated debentures (192,981 shares). The debentures may be converted at any time prior to maturity at the conversion price of $15.01.

The Company's stock option plans provide for the granting of incentive stock options and/or nonqualified options to officers and key employees to purchase shares of common stock at a price not less than 100% of the fair market value of the stock on the dates options are granted. Such options are exercisable one year after the date of grant and expire no more than ten years after grant. Additional information as to shares subject to options is as follows (per share amounts represent average option prices):

	Shares Subject To Options	Average Option Price Per Share
Outstanding June 30, 1987	1,614,342	$20.60
Granted	143,205	$35.52
Exercised	(498,980)	15.31
Cancelled	(6,392)	21.42
Outstanding June 30, 1988	1,252,175	$23.48
Granted	409,550	$28.13
Exercised	(129,336)	13.75
Cancelled	(12,650)	29.60
Outstanding June 30, 1989	1,519,739	$25.56

Options exercisable and shares available for future grant at June 30 were:

	1989	1988
Options exercisable	1,112,889	1,108,970
Shares available for grant	250,019	646,919

The Company derives a tax deduction measured by the excess of the market value over the option price at the date nonqualified options are exercised. The related tax benefit is credited to additional capital. The Company makes no charges against capital with respect to options granted.

PRATT & LAMBERT, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F. Stock Option/Stock Appreciation Rights Plan:

The company has an incentive and nonqualified stock option plan for officers and key employees under which options may be granted at prices not less than the fair market value on the date of grant. Options under the plan become exercisable at various dates and expire at the end of not more than ten years and one day from the date of the grant. In addition to providing for the granting of stock options, stock appreciation rights may be granted in conjunction with an option which allows the grantee to exercise the option and receive, in addition to the common shares subject to the option, a cash amount equal to the difference between the option price and the market price of the company's stock at the date of the exercise. If a stock appreciation right is exercised, the grant may require that the number of common shares remaining subject to the related option be reduced. The grant may also place a predetermined limit on the amount which may be realized upon the exercise of a stock appreciation right.

The grant or exercise of stock options without tandem stock appreciation rights under the plan does not result in a charge against the company's earnings. However, for options containing stock appreciation rights, a charge is made against earnings based on the excess of the market value of common stock over the stipulated grant price. Upon the exercise of nonqualified options, any tax benefit received by the company is credited to additional paid-in capital.

	Shares		
	Stock Options	Stock Option/ Stock Appreciation Rights	Price Per Share
Outstanding at December 31, 1986	373,750	294,302	$ 3.63-$13.69
Granted	85,000	—	15.63- 18.44
Exercised	(12,190)	(4,874)	3.63- 7.44
Surrendered	—	(4,872)	3.63- 3.75
Terminated	(6,000)	—	13.69
Outstanding at December 31, 1987	440,560	284,556	3.63- 18.44
Granted	6,000	—	16.63
Exercised	(31,779)	(272,556)	3.63- 15.63
Terminated	(4,000)	—	13.69
Outstanding at December 31, 1988	410,781	12,000	6.17- 18.44
Granted	164,000	—	14.94- 16.13
Exercised	(18,478)	—	7.44- 13.69
Outstanding at December 31, 1989	556,303	12,000	$ 6.17-$18.44
Exercisable at December 31, 1989	301,678		$ 6.17-$18.44
Reserved for future grants:			
December 31, 1989	144,024		
December 31, 1988	308,024		

RYKOFF-SEXTON, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Stock Option Plans

In September 1988, stockholders approved the 1988 Stock Option and Compensation Plan (the "Plan") which authorizes the issuance of up to 625,000 shares of common stock. The Plan authorizes the issuance of various stock incentives to officers and employees, including options, stock appreciation rights, stock awards, restricted stock, performance shares and cash awards. Stock options allow for the purchase of common stock at prices determined by the stock option committee except for incentive stock options, which must be purchased at prices not less than the fair market value at the date of grant. No stock options had been granted under the Plan as of April 29, 1989. These options expire ten years from the date of grant and are exercisable as defined by the Stock Option Committee.

Stock appreciation rights (SARs), which may be issued in conjunction with the grant of options, permit the optionee to receive shares of stock, cash or a combination of shares and cash measured by the difference between the option price and the market value of the stock on the date of exercise. Upon exercise of an SAR, the option is cancelled. Under the Plan, no SARs had been granted as of April 29, 1989.

Restricted stock grants for 33,750 shares, which vest ratably over a four to five year period through 1993, were issued under the Plan. Deferred compensation equivalent to the difference between the market value at date of grant and the option price was charged to additional paid-in capital and is being amortized to compensation expense over the vesting period. The amount amortized in fiscal 1989 was $95,000.

The Plan is the successor to the 1980 Stock Option plan (1980 Plan) which authorized the granting of stock options and stock appreciation rights. With the adoption of the Plan, no further awards will be made under the 1980 Plan.

During fiscal years 1989 and 1988, the exercise prices of options outstanding and exercised were $.80 to $24.70 per share. Changes in the number of shares under the stock option plans are summarized as follows:

	1989	1988
Outstanding at beginning of year	312,360	221,344
Granted	110,500	100,625
Exercised	(39,031)	(2,344)
Cancelled—SARs exercised	(17,575)	(7,265)
Outstanding at end of year	366,254	312,360
Exercisable at end of year	190,127	134,078
Available for grant at end of year	591,250	134,025

WAUSAU PAPER MILLS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Stock Options and Appreciation Rights

The Company's stock option plan contains terms specifying purchase price, time of exercise and method of exercise. Payment of the option price may be made in cash or by tendering an amount of common stock having a fair market value equal to the option price. At August 31, 1989, options to acquire 35,404 shares were outstanding under this plan.

Options are granted for terms of 10 to 20 years, the option price being equal to the fair market value of the Company's common stock at the date of grant. No accounting recognition is given to any of the stock options until they are exercised.

In 1988, two stock appreciation rights plans were adopted by the Company. The 1988 Stock Appreciation Rights Plan entitles certain officers and key employees the right to receive cash equal to the sum of the appreciation in value of the stock and the value of cash dividends which would have been paid on the stock covered by the grant. The 1988 Management Incentive Plan entitles certain management employees the right to receive similar cash payments. The stock appreciation rights granted under both plans may be exercisable in whole or in such installments and at such times as specified in the grant. In all instances the rights lapse if not exercised within 20 years of the grant date. Compensation expense is recorded with respect to the rights based upon the quoted market value of the shares and the exercise provisions. The expense for the year ended August 31, 1989 was $366,000 and no expense was charged in 1988.

The following table summarizes the activity relating to the Company's stock option and stock appreciation plans:

Stock Options:	1989	1988	1987
Options outstanding at beginning of the year (number of shares)	36,868	36,868	10,248
Granted			33,033
Exercised	(1,464)		(799)
Terminated			(5,614)
Options outstanding at end of year (number of shares)	35,404	36,868	36,868
Options exercisable at end of year (number of shares)	35,404	20,897	15,573
Price range of outstanding options	$5.37-22.52	$5.37-22.52	$5.37-22.52

All shares and option prices have been restated to reflect 10% stock dividends occurring in each of the three years presented.

Stock Appreciation Rights:	1989	1988	1987
Rights outstanding at beginning of the year (number of shares)	49,500		
Granted	10,000	49,500	
Exercised			
Terminated	(6,600)		
Rights outstanding at end of year (number of shares)	52,900*	49,500	
Rights exercisable at end of year (number of shares)	21,000**	11,000	
Price range of outstanding stock appreciation rights	$30.00-32.27	$30.00-32.27	

*21,000 and 31,900 rights have been granted and remain outstanding under the 1988 Stock Appreciation Rights Plan and the 1988 Management Incentive Plan, respectively.

**Issued under the 1988 Stock Appreciation Rights Plan.

STOCK PURCHASE PLANS

BOWNE & CO., INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Purchase Plan

Under the Employees' Stock Purchase Plan, participating subsidiaries match 50% of amounts contributed by employees. All contributions are made to a trust for investment in the common stock of the Company. The plan acquired 103,200 shares (1989), 119,400 shares (1988) and 50,700 shares (1987) of the Company's common stock on the open market. At October 31, 1989, the Stock Purchase Plan held 638,162 shares of the Company's common stock. Charges to income amounted to $351,000 (1989), $371,000 (1988) and $256,000 (1987).

DANA CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Stock Purchase Plan

All full-time domestic employees are eligible to join Dana's employee stock purchase plan. The plan provides that employees may authorize Dana to withhold up to 15% of earnings and deposit such amounts with an independent custodian. The custodian causes to be purchased, as nominee for the participants, common stock of Dana at prevailing market prices and distributes shares purchased to the participants upon request.

Under the plan, Dana contributes on behalf of each participating employee up to 50% of the participant's contributions. The Company's contribution will accumulate over a 5-year period, provided that the shares are left in the plan. If any shares are withdrawn by an employee before the end of five years, the Company match on those shares will depend on the period of time that the shares have been in the plan. Dana's contributions under the plan which were charged to expense amounted to $3,341,000 in 1989, $9,573,000 in 1988 and $8,895,000 in 1987.

EKCO GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Capital Stock

Restricted Stock Purchase Plans

Under the Company's 1984 and 1985 Restricted Stock Purchase Plans, the Company may offer to sell shares of common stock to employees of the Company and its subsidiaries at a price per share of not less than par value ($.01) and not more than 10% of market value on the date the offer is approved, and on such terms as deemed appropriate. The shares issued under the plans are in all events subject to rights of repurchase ("restrictions"), whereby the Company may reacquire the unvested portions of the shares for the original issue price if such employees are terminated for reasons other than death or permanent and total disability. Under the 1984 plan, restrictions lapse as to 20% of the purchased shares on each anniversary of the grant date. Under the 1985 plan, restrictions lapse as to 25% of the purchased shares on each anniversary of the grant date. Common stock reserved for future grants aggregated 564,994 shares at December 31, 1989.

The difference between the issue price and the fair market value of the shares at the date of issuance will be accounted for as unearned compensation and amortized to expense as the employees perform the services. To the extent the amount deductible for federal income taxes exceeds the amount charged to operations for financial statement purposes, the related tax benefits are credited to additional paid-in-capital when realized.

Employee Stock Purchase Plan

The Company's 1984 Employee Stock Purchase Plan, as amended ("Plan"), permits employees to purchase up to a maximum of 500 shares quarterly on March 31, June 30, September 30 and December 31 at a purchase price equal to 85% of the market price of the Company's common stock on either the first or last day of each quarterly period, whichever price is lower, through accumulation of payroll deductions of up to 10% of each participating employee's compensation during such quarterly period. A Special Initial Option permits eligible employees to enter the Plan immediately upon either the designation of their employer as a Participating Subsidiary or the acquisition by the Company or a subsidiary of such employees' trade or business. During Fiscal 1987, Fiscal 1988 and Fiscal 1989 employees purchased 28,045 shares, 73,019 shares and 119,573 shares for a total of approximately $99,000, $134,400 and $291,033, respectively. At December 31, 1989, 624,489 shares were reserved for future grants under the Plan. There have been no charges to income in connection with the Plan other than incidental expenses. Federal income tax benefits relating to such shares, if any, will be credited to additional paid-in-capital when realized.

KNIGHT-RIDDER, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note F (In Part): Capital Stock

The Employees Stock Purchase Plan provides for the sale of common stock to employees of the company and its subsidiaries at a price equal to 85% of the market value at the end of each purchase period. Participants under the plan received 327,034 shares in 1989, 384,310 shares in 1988 and 328,163 shares in 1987. The purchase price of shares issued in 1989 under this plan ranged between $40.00 and $48.66 and the market value on the purchase dates of such shares ranged from $47.06 to $57.25.

TREASURY STOCK

APB Opinion No. 6, Section C23 of *FASB Accounting Standards—Current Text,* discusses the balance sheet presentation of treasury stock. As shown in Table 2-37, the prevalent balance sheet presentation of treasury stock is to show the cost of treasury stock as a reduction of stockholders equity.

Examples of treasury stock presentations follow.

Cost Of Treasury Stock Shown As Reduction Of Stockholders Equity

ATLANTIC RICHFIELD COMPANY (DEC)

	1989	1988
	($ millions)	
Stockholders' equity:		
Preference stocks	$ 1	$ 1
Common stock, $2.50 par value; shares issued 167,584,194 (1989), 217,512,186 (1988); shares outstanding 164,186,803 (1989), 171,966,015 (1988)	419	544
Capital in excess of par value of stock	764	1,016
Retained earnings	5,636	7,562
Treasury stock, at cost	(236)	(2,909)
Foreign currency translation	(22)	33
Total stockholders' equity	6,562	6,247

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Stockholders' Equity

Detail of the Company's capital stock as of December 31, 1989 and 1988, was as follows:

	1989	1988
$3.00 Cumulative convertible preference stock, par $1:		
Shares authorized	245,714	245,714
Shares issued and outstanding	126,101	141,835
Aggregate value in liquidation—(thousands)	$10,088	$11,347
$2.80 Cumulative convertible preference stock, par $1:		
Shares authorized	4,785,041	4,785,041
Shares issued and outstanding	1,181,758	1,319,423
Aggregate value in liquidation—(thousands)	$82,723	$92,360
Common stock, par $2.50:		
Shares authorized	600,000,000	600,000,000
Shares issued	167,584,194	217,512,186
Shares outstanding	164,186,803	171,966,015
Shares held in treasury	3,397,391	45,546,171

The changes in preference stocks were due solely to conversions. The $3.00 cumulative convertible preference stock is convertible into 6.8 shares of common stock. The $2.80 cumulative convertible preference stock is convertible into 2.4 shares of common stock. The common stock is subordinate to the preference stocks for dividends and assets. The $3.00 and $2.80 preference stocks may be redeemed at the option of the Company for $82.00 and $70.00, respectively.

The Company has authorized 352,000 shares of Series B, 3.75% cumulative preferred stock, $100 par, of which none were issued or outstanding at December 31, 1989 and 1988.

By Board authorization, effective December 31, 1989 the Company cancelled 50 million shares of common stock held in treasury. As a result of the cancellation, common stock decreased by $125 million, capital in excess of par value of stock decreased by $228 million, and retained earnings decreased by $3,119 million.

The balance in the Company's common stock was $419 million at December 31, 1989, and $544 million at December 31, 1988 and 1987. The change was due to the 1989 cancellation of treasury stock.

TABLE 2-37: TREASURY STOCK—BALANCE SHEET PRESENTATION

	1989	1988	1987	1986
Common Stock				
Cost of treasury stock shown as stockholders' equity deduction	350	352	356	348
Par or stated value of treasury stock deducted from issued stock of the same class	27	21	21	25
Cost of treasury stock deducted from stock of the same class	11	11	10	9
Cost of treasury stock shown as noncurrent asset	2	2	2	4
Other	3	3	2	6
Total Presentations	**393**	**389**	**391**	**392**
Preferred Stock				
Cost of treasury stock shown as stockholders' equity deduction	1	3	3	6
Par or stated value of treasury stock deducted from issued stock of the same class	—	2	4	5
Other	2	—	1	4
Total Presentations	**3**	**5**	**8**	**15**
Number of Companies				
Disclosing treasury stock	390	387	391	392
Not disclosing treasury stock	210	213	209	208
Total Companies	**600**	**600**	**600**	**600**

Detail of changes in the Company's treasury stock in 1989, 1988 and 1987, was as follows:

Millions of dollars	
Balance, January 1, 1987	$2,445
Treasury stock purchases	94
Conversions	(39)
Employee benefit plans	(62)
Balance, December 31, 1987	2,438
Treasury stock purchases	492
Conversions	(18)
Employee benefit plans	(3)
Balance, December 31, 1988	2,909
Treasury stock purchases	827
Conversions	(28)
Employee benefit plans	—
Cancellation of treasury stock	(3,472)
Balance, December 31, 1989	$ 236

MARION LABORATORIES, INC. (JUN)

	1989	1988
	($000)	
Stockholders' equity:		
Preferred stock at $1 par value per share. Authorized 250,000 shares; none issued	$ —	$ —
Common stock of $.10 par value per share. Authorized 350,000,000 shares; issued 150,981,652 shares	15,098	15,098
Paid-in capital	126,295	132,247
Retained earnings	437,119	260,700
	578,512	408,045
Less:		
558,599 shares of common stock in treasury, at cost (1,368,543 shares in 1988)	8,799	26,239
Notes receivable from sale of common stock	264	264
Total stockholders' equity	569,449	381,542

NORTEK, INC. (DEC)

	1989	1988
	($000)	
Stockholders' Investment:		
Preference stock, $1 par value; authorized 7,000,000 shares, none issued	$ —	$ —
Common stock, $1 par value; authorized 40,000,000 shares, 15,022,617 and 14,928,012 shares issued	15,023	14,928
Special common stock, $1 par value; authorized 5,000,000 shares, 1,491,695 and 1,578,500 shares issued	1,492	1,578
Additional paid-in capital	138,068	138,055
Retained earnings	96,243	110,055
Less—treasury common stock at cost, 2,488,219 and 2,049,152 shares	(26,665)	(22,904)
—treasury special common stock at cost, 98,194 and 77,662 shares	(1,066)	(897)
	223,095	240,815
Deferred compensation	(5,064)	(5,964)
Total Stockholders' Investment	218,031	234,851

CALMAT CO. (DEC)

	1989	1988
	($000)	
Shareholders' Equity:		
Preferred stock, par value $1; authorized 5,000,000 shares; none issued or outstanding		
Common stock, par value $1; authorized 100,000,000 shares; issued 35,894,371 shares in 1989 and 35,814,591 shares in 1988	$ 35,894	$ 35,815
Additional paid-in capital	42,264	41,328
Retained earnings	469,842	408,968
	548,000	486,111
Less: Treasury stock (5,680,253 shares in 1989 and 5,077,472 shares in 1988), at cost	(21,236)	(4,507)
Total shareholders' equity	526,764	481,604

Par Value Of Treasury Stock Deducted From Issued Stock

COPPERWELD CORPORATION (DEC)

	1989	1988
	($000)	
Stockholders' Equity:		
Preferred Stock, 5,000,000 shares serial preferred stock authorized, of which 1,000,000 shares were designated as $2.48 Convertible Exchangeable Cumulative Preferred Stock, $1 par value, issued and outstanding 999,245 in 1988 (liquidation preference value $25,188 in 1988)	$ —	$ 999
Common Stock, $.83⅓ par value, 20,000,000 shares authorized; issued and outstanding 8,830,326 (8,781,623 in 1988) (less treasury shares of 68,504 in 1989 and 71,354 in 1988)	7,359	7,318
Additional paid-in capital	27,634	49,963
Retained earnings	65,623	52,580
	100,616	110,860

CROWN CORK & SEAL COMPANY, INC. (DEC)

	1989	1988
	($000)	
Shareholders' equity		
Common stock		
Authorized, 40,000,000 shares with $5.00 par value per share;		
Outstanding:		
1989—28,734,154 shares (excluding 10,762,784 in treasury)	$143,671	
1988—27,018,189 shares (excluding 12,478,749 in treasury)		$135,091
Retained earnings	760,254	605,180
Equity adjustment from foreign currency translation	(93,304)	(92,303)
Total shareholders' equity	810,621	647,968

OTHER ACCOUNTS SHOWN IN STOCKHOLDERS' EQUITY SECTION

In recent years there has been a significant increase in the number of survey company balance sheets showing stockholder equity accounts other than Capital Stock, Additional Paid-In Capital, Retained Earnings, and Treasury Stock. Other stockholder equity accounts appearing on the 1989 balance sheets of the survey companies include, but are not limited to, cumulative translation adjustments, unearned or deferred compensation related to employee stock award plans, guarantees of ESOP debt, amounts owed to a company by employees for loans to buy company stock, and unrealized loss/gain related to noncurrent marketable equity securities. Table 2-38 shows the number of survey company balance sheets presenting other stockholders' equity accounts.

Two hundred eighty-one survey companies disclosed that stock purchase rights have been distributed to common shareholders. The rights enable the holder to purchase additional equity in a company should an outside party acquire or tender for a substantial minority interest in the subject company. Such rights usually do not appear on the balance sheet.

TABLE 2-38: OTHER STOCKHOLDERS' EQUITY ACCOUNTS

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Cumulative translation adjustment	345	335	356	346
Guarantee of ESOP debt	76	23	18	20
Unearned compensation	69	50	42	26
Receivable from sale of stock	26	22	20	15
Unrealized loss/gain on noncurrent marketable equity securities	19	23	20	18
Pension liability adjustment	14	—	—	—

Cumulative Translation Adjustments

APPLE COMPUTER, INC. (SEP)

	1989	1988
	($000)	
Shareholders' equity:		
Common stock, no par value; 320,000,000 shares authorized; 126,270,216 shares issued and outstanding in 1989 (122,768,343 shares in 1988)	$ 315,279	$ 226,239
Retained earnings	1,175,899	776,453
Accumulated translation adjustment	(1,868)	4,266
	1,489,310	1,006,958
Notes receivable from shareholders	(3,564)	(3,533)
Total shareholders' equity	1,485,746	1,003,425

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Foreign Currency Translation

Gains and losses resulting from foreign currency translation are accumulated as a separate component of shareholders' equity until the foreign entity is sold or liquidated. Gains and losses resulting from foreign currency transactions are included in the statements of income.

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

	1989	1988
	($000)	
Shareowners' Equity:		
Preferred stock, no par value; authorized 1,000,000 shares	$ —	$ —
Common stock:		
Class A, par value $1; authorized 15,000,000 shares; issued 4,338,557 and 4,156,742 shares	4,339	4,157
Class B, par value $1; authorized 2,000,000 shares; issued and outstanding 640,105 and 806,254 shares	640	806
Additional paid in capital	47,745	47,415
Earnings employed in the business	36,891	33,511
Cumulative foreign currency translation adjustment	5,667	7,685
Treasury stock; 413,246 shares in 1989 and 418,850 shares in 1988 at cost	(7,879)	(7,781)
Total shareowners' equity	87,403	85,793

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands except per share data)

1 (In Part): Significant Accounting Policies

Foreign Currency

Assets and liabilities of those subsidiaries located outside the United States whose cash flows are primarily in local currencies are translated at year-end exchange rates, and translation gains and losses are accounted for in a separate shareowners' equity account "Cumulative foreign currency translation adjustment." The Company enters into forward exchange contracts in anticipation of future movements in certain foreign exchange rates and to hedge against foreign currency fluctuations on certain intercompany transactions and other foreign currency denominated balance sheet positions. Realized and unrealized gains and losses on these contracts are included in net income except that gains and losses on contracts to hedge specific foreign currency commitments are deferred and accounted for as part of the transaction. Certain foreign currency transactions and balances are designated as effective hedges of the net investment in certain foreign subsidiaries, and related income of $32 in 1989 and a loss of $507 in 1988 are included in the cumulative foreign currency adjustment account. Other income, net in 1989 and 1988 included $36 and $881, respectively, relating to transaction gains. Other income, net also includes $225 in 1988 relating to translation gains in foreign currency denominated investments and loans held by an overseas subsidiary which has designated the U.S. dollar as its functional currency since 1985.

THE EASTERN COMPANY (DEC)

	1989	1988
	($000)	
Shareholders' Equity		
Voting Preferred Stock, no par value:		
Authorized and unissued:		
1,000,000 shares		
Nonvoting Preferred Stock, no par value:		
Authorized and unissued:		
1,000,000 shares		
Common Stock, no par value:		
Authorized: 6,000,000 shares		
Issued: 1,851,861 shares in 1989 and 1,854,032 shares in 1988 (excluding 409,790 shares in 1989 and 401,619 shares in 1988 held in treasury)	$ 9,259,305	$ 9,270,160
Retained earnings	15,466,638	14,948,021
Accumulated foreign currency translation adjustments	128,616	51,774
Total Shareholders' Equity	24,854,559	24,269,955

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Foreign Currency Translation: For foreign operations, the balance sheet accounts are translated at the current year-end exchange rate and income statement items are translated at the average exchange rate for the year. Resulting translation adjustments are made directly to a separate component of shareholders' equity. Exchange gains and losses are not material in amount in any year.

Unearned Compensation Relating To Stock Award Plans

ABBOTT LABORATORIES (DEC)

	1989	1988
	($000)	
Shareholders' Investment:		
Preferred shares, one dollar par value Authorized—1,000,000 shares, none issued	$ —	$ —
Common shares, without par value Authorized—600,000,000 shares Issued at stated capital amount— 1989: 223,884,929 shares; 1988, 227,690,382 shares	241,576	214,305
Earnings employed in the business	2,532,800	2,266,010
Cumulative translation adjustments	18,289	44,390
	2,792,665	2,524,705
Less:		
Common shares held in treasury, at cost— 1989: 2,645,191 shares; 1988: 2,844,858 shares	55,841	60,056
Unearned compensation—restricted stock awards	10,411	—
Total Shareholders' Investment	2,726,413	2,464,649

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Incentive Stock Program

The 1986 Incentive Stock Program authorizes the granting of incentive and non-qualified stock options, stock appreciation rights, limited stock appreciation rights, restricted stock awards, performance units, and foreign qualified benefits. Stock options, limited stock appreciation rights, restricted stock awards, and foreign qualified benefits have been granted and are currently outstanding under this program. Stock options are also outstanding under the prior program and plan. The purchase price of the shares under option must be at least 100 percent of the fair market value of the common stock on the date of grant. Limited stock appreciation rights have been granted to certain holders of stock options and can be exercised, by surrendering related stock options, only upon a change in control of the Company. At December 31, 1989, 1,436,623 options, with purchase prices from $14.88 to $62.44 per share, were subject to limited stock appreciation rights. During 1989, restricted stock awards for 199,667 shares were granted to certain employees and directors. The resulting unearned compensation expense of $12,897,500, based on the market value on the date of these grants, was charged to shareholders' investment. Unearned compensation is amortized to expense over the periods the restrictions lapse. In 1989, $2,486,300 was amortized to expense. Upon a change in control of the Company, all outstanding stock options become fully exercisable, and all terms and conditions of all restricted stock awards are deemed satisfied. At December 31, 1989, 5,657,351 shares were reserved for future grants under the 1986 Program.

HERMAN MILLER, INC. (MAY)

	1989	1988
	($000)	
Stockholders' Equity:		
Preferred stock, no par value (10,000,000 shares authorized, none issued)	$ —	$ —
Common stock, $.20 par value (60,000,000 shares authorized, 24,182,532 and 24,451,267 shares issued in 1989 and 1988)	4,837	4,890
Additional paid-in capital	36,900	43,214
Retained earnings	229,925	197,863
	271,662	245,967
Cumulative translation adjustment	(738)	2,343
Unearned stock grant compensation	(1,032)	—
Total Stockholders' Equity	269,892	248,310

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted Stock Grant Plan

On July 12, 1988, the company adopted a restricted stock program whereby key employees were granted restricted shares of the company's stock. Shares were awarded in the name of the employee, who has all rights of a stockholder, subject to certain restrictions or forfeitures. Restrictions on the award expire annually, over a period not to exceed five years, as certain financial goals are achieved. As of June 3, 1989, there were no shares available for award and 43,000 shares remain subject to restrictions.

The market value of shares awarded under the plan has been recorded as unearned stock grant compensation and is shown as a separate component of stockholders' equity. The unearned compensation is being charged to selling, general, and administrative expense over the five-year vesting period. Compensation charged to selling, general, and administrative expense was $258,000 in 1989.

HARLEY-DAVIDSON, INC. (DEC)

	1989	1988
	($000)	
Stockholders' equity:		
Series A Junior Participating preferred stock, 1,000,000 shares authorized, none issued	$ —	$ —
Common stock, 9,155,000 shares issued	92	92
Additional paid-in capital	79,681	76,902
Retained earnings	77,352	44,410
Cumulative foreign currency translation adjustment	508	374
	157,633	121,778
Less:		
Treasury stock (447,091 and 520,000 shares in 1989 and 1988, respectively), at cost	(112)	(130)
Unearned compensation	(1,274)	—
Total stockholders' equity	156,247	121,648

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Capital Stock

In December 1989, the Compensation Committee of the Company's Board of Directors authorized the issuance of stock options and restricted stock in substitution for stock appreciation rights (SARs) previously held by key employees (see discussion of Long Term Incentive Plan below).

Plan participants are entitled to cash dividends and voting rights on their respective shares. Restrictions generally limit the sale or transfer of shares during a restricted period, not exceeding eight years. Participants may vest in certain amounts of the restricted stock upon death, disability or retirement as described in the plan. The value of the unearned compensation is established by the market price on the date of grant.

Unearned compensation is charged for the market value of the restricted shares and is amortized over the restricted period. The unamortized unearned compensation value is shown as a reduction of stockholders' equity in the accompanying consolidated balance sheet. As of December 31, 1989, 72,909 restricted shares were issued in substitution for 99,000 SARs at $37.87 to $39.12 per share (market value on date of substitution). All remaining SARs were cancelled in substitution for restricted stock subsequent to December 31, 1989.

Guarantee Of ESOP Debt

CONSOLIDATED PAPERS, INC. (DEC)

	1989	1988
	($000)	
Shareholders' Investment		
Preferred stock, authorized 15,000,000 shares, $.01 par value	$ —	$ —
Common stock, authorized 93,750,000 shares, par value $1.00 per share; issued 43,604,978 shares in 1989 and 43,591,085 shares in 1988	43,605	43,591
Capital in excess of par value	32,918	32,487
Cumulative translation adjustment	(1,661)	(1,753)
ESOP loan guarantee	(4,000)	—
Reinvested earnings	760,859	643,075
Total Shareholders' Investment	831,721	717,400

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Shareholders' Investment

In February, 1989, Consolidated Employees' Stock Ownership Trust obtained a $5 million loan and used the proceeds to purchase 142,000 shares of company common stock from the estate of a significant shareholder. The company guarantee of the loan is recorded as a liability and a reduction of shareholders' investment.

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

	1989	1988
	($ millions)	
Shareholders' equity:		
Preferred stock, $3.75 cumulative, no par value.		
Authorized 161,821 shares; issued 161,522 shares (at redemption price of $102.75 per share)	$ —	$ 16.6
Class A preferred stock. Authorized 20 million shares;		
issued 5,654,450 shares of Series A convertible preferred stock;		
outstanding 5,654,436 shares; retired 14 shares	270.0	—
Common stock, $1 par value per share.		
Authorized 200 million shares; issued 51,878,910 shares	51.9	51.9
Capital in excess of par value	25.5	22.1
Reduction for ESOP loan guarantee	(267.3)	—
Retained earnings	1,146.9	1,016.5
Foreign currency translation	21.9	24.1
	1,248.9	1,131.2
Less treasury stock, at cost:		
Preferred stock, $3.75 cumulative: 1988—58,173 shares	—	4.7
Common stock: 1989—9,621,452 shares; 1988—5,621,579 shares	272.4	104.7
	272.4	109.4
Total shareholders' equity	976.5	1,021.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Ownership Plan

In June 1989, Armstrong established an Employee Stock Ownership Plan (ESOP) that borrowed, from banks and insurance companies, $270 million—repayable over 15 years and guaranteed by the company. Subsequently, the ESOP used the monies to purchase 5,654,450 shares of a new series of convertible preferred stock issued by the company. The preferred stock has a minimum conversion value of $47.75 per share and an annual dividend of $3.462 per share.

The ESOP currently covers parent company non-union employees and those employees of major domestic subsidiaries who wish to participate in the voluntary contribution portion of the plan.

Armstrong is using the proceeds from the sale of preferred stock to repurchase common stock for the company treasury, depending upon market conditions.

The company's guarantee of the ESOP loan has been recorded as a long-term obligation and as a reduction of shareholders' equity on its consolidated balance sheet.

During 1989, the company paid the ESOP $9.5 million in preferred stock dividends and $2.8 million in company and employee contributions. In turn, the ESOP trustee made debt service payments of $12.3 million, primarily for interest charges.

Company costs for the ESOP, recognized in 1989, were $5.6 million, consisting of company contributions, accrued compensation expense, and one-time set-up costs. These costs were partly offset by savings from changes to company-sponsored health-care benefits and elimination of a contribution-matching feature in the company-sponsored voluntary Retirement Savings Plan.

CBI INDUSTRIES, INC. (DEC)

	1989	1988
	($000)	
Shareholders' investment		
Preferred stock		
Authorized 20,000,000 shares, $1.00 par value, issued serially,		
Series C, 3,945,000 shares issued in 1989 and 1988	$127,818	$127,818
Unallocated ESOP shares (Note 10)	(18,272)	(21,926)
Unamortized ESOP debt (Note 10)	(99,873)	(102,238)
Cost of reacquired preferred stock	(73)	—
	9,600	3,654
Common stock		
Authorized 60,000,000 shares, $2.50 par value, 21,925,032 shares issued in 1989 and 1988	54,813	54,813
Additional paid-in capital	78,267	78,267
Retained earnings	351,613	335,143
Unamortized restricted stock awards	(5,918)	(8,571)
Unallocated ESOP shares (Note 10)	(4,655)	(5,586)
Unamortized ESOP debt (Note 10)	(22,236)	(22,762)
Cost of reacquired common stock	(74,322)	(74,872)
Cumulative translation adjustment	(3,014)	786
	374,548	357,218
Total shareholders' investment	384,148	360,872

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Thousands of dollars

10. Employee Stock Ownership Plan (ESOP).

In 1987 CBI established an ESOP to provide most U.S. salaried employees an additional opportunity to share in the ownership of CBI's stock. Initial funding for the ESOP consisted of a transfer of surplus assets, including 546,305 common shares and $23,909 of cash investments, arising from the termination and restructuring of the principal defined benefit pension plans. In 1988 the ESOP received additional funding through a $125,000 loan. With the proceeds from the loan and funds from the pension reversion, the ESOP purchased an additional 820,479 shares of CBI common stock and 3,945,000 shares of Series C preferred stock.

The loan, which is reflected as long-term debt on CBI's consolidated balance sheet, was initially offset by a like amount of unamortized ESOP debt in shareholders' investment. As company contributions plus the dividends on the shares held by the ESOP are used to meet interest and principal payments on the loan over the 14-year term, shares acquired with the loan proceeds are allocated to eligible employees. The unamortized ESOP debt offset in shareholders' investment is reduced as shares are allocated.

Shares received and purchased from the transfer of the surplus assets from the terminated and restructured principal defined benefit pension plans are reflected as unallocated

ESOP shares. These shares are being allocated to eligible employees over a period of eight years beginning in 1987. The value of the shares allocated are reflected in the consolidated statements of income as a charge to costs and expenses included in the measurement of income from operations and as a reduction of unallocated ESOP shares in the shareholders' investment section of the consolidated balance sheet.

In 1987, 218,700 shares of common stock (subsequently adjusted in 1988 to 218,412) were allocated to eligible employees who had completed two full years of service by June 30, 1987. In 1988, 61,082 shares of common stock and 167,559 shares of Series C preferred stock were allocated. In 1989, 85,708 shares of common stock and 262,261 shares of Series C preferred stock were allocated. The ESOP cash assets arising from the pension reversion, which were temporarily held as short-term investments in the amount of $23,909, were included in CBI's consolidated balance sheet as temporary cash investments at December 31, 1987.

DENNISON MANUFACTURING COMPANY (DEC)

	1989	1988
	($000)	
Shareholders' Equity:		
Capital Stock:		
$1 Cumulative Convertible Preferred Stock, par value $10 per share; 170,000 authorized shares less retirements; issued and outstanding 90,000	$ 900	$ 900
Common Stock, par value $1 per share; 60,000,000 shares authorized; issued and outstanding, 15,540,366 in 1989 and 15,481,703 in 1988	15,540	15,482
Capital in excess of par value	45,026	43,785
Earnings reinvested	238,597	230,340
Equity adjustment for foreign currency translation	(7,068)	(8,451)
	292,995	282,056
Receivable from Employee Stock Ownership Trust	(25,011)	(27,083)
Total Shareholders' Equity	267,984	254,973

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I. Employee Stock Benefit Plans

The Company has an Employee Stock Ownership Plan (ESOP) and a Stock Savings Plan (SSP) which enable most employees to acquire shares of the Company's common stock. The cost of the ESOP is borne by the Company through annual contributions to an Employee Stock Ownership Trust (ESOT) in amounts determined by the Board of Directors. Shares of common stock acquired by the plans are to be allocated to each employee and held until the employee's retirement or death. The employee can also choose early partial withdrawal under certain circumstances.

Contributions to the plans were $1,200,000 in 1989, $1,503,000 in 1988, and $2,013,000 in 1987. In 1989 and 1988, income tax benefits of $1,605,000 and $1,653,000, respectively, (resulting from the deductibility of ESOT dividends used to service debt) were recognized as a reduction of income tax expense as dictated by SFAS No. 96. In 1987, such tax benefits of $1,278,000 were credited directly to earnings reinvested.

At December 31, 1989 and 1988, indebtedness of the ESOT to the Company in the amount of $25,011,000 and $27,083,000, respectively, is shown as a deduction from shareholders' equity in the consolidated balance sheet. Annual contributions made by the Company to the ESOT along with dividends received on shares held by the ESOT and other trust income are sufficient to service principal and interest payments in connection with this indebtedness. Interest incurred by the ESOT on this indebtedness amounted to $2,356,000, $2,475,000 and $849,000 in 1989, 1988 and 1987, respectively. Dividends paid to the ESOT which were used to service this indebtedness amounted to $3,775,000, $3,801,000 and $2,860,000 in 1989, 1988 and 1987, respectively. The Company has committed to repay the amounts which have been borrowed from outside lenders for the ESOT.

At December 31, 1989, the ESOT owned 2,705,219 shares of common stock (of which 1,640,228 shares were allocated to employees) and 50,000 shares of preferred stock. Employees may vote allocated common shares, and the Trustees may vote unallocated common shares and all preferred shares.

EATON CORPORATION (DEC)

	1989	1988
	($ millions)	
Shareholders' Equity		
Common Shares (36.9 million and 37.1 million shares outstanding at December 31, 1989 and 1988, respectively)	$ 18.5	$ 18.5
Capital in excess of par value	446.1	317.3
Retained earnings	842.7	834.4
Foreign currency translation adjustments	(17.7)	(11.6)
Note receivable from employee stock ownership plan	(144.9)	0
Total Shareholders' Equity	1,144.7	1,158.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Ownership Plan

During the third quarter of 1989, the Company established an Employee Stock Ownership Plan (ESOP) to prefund a portion of the Company's anticipated matching contributions through 1999 to its existing Share Purchase and Investment Plan for participating U.S. salaried and certain hourly employees. The Company funded the ESOP by issuing bank notes payable for $150 million, the proceeds of which were loaned under similar terms to the ESOP for the purchase of approximately 2.5 million Eaton Common Shares from the Company. On January 5, 1990, the Company assigned its obligations under the bank notes payable to the ESOP and cancelled its note receivable from the ESOP. The ESOP notes payable are guaranteed by the Company and, therefore, will continue to be reflected in long-term debt and shareholders' equity on the Company's balance sheet. The Company's expense related to the ESOP is equal to the amount contributed by the Company to the ESOP which, along with the dividends on the unallocated Common Shares held by the ESOP, is used by the ESOP to repay the notes, including interest, in level installments. Unallocated Common Shares held by the

ESOP are allocated to employee ESOP accounts in aggregate amounts equal to the loan principal payments made by the ESOP.

Unrealized Loss/Gain On Noncurrent Marketable Equity Securities

GENERAL HOST CORPORATION (JAN)

	1990	1989
	($000)	
Shareholders' equity:		
Common stock $1.00 par value, 100,000,000 shares authorized, 31,752,450 shares issued	$ 31,752	$ 31,752
Capital in excess of par value	89,855	89,887
Retained earnings	160,985	169,337
	282,592	290,976
Net unrealized loss on noncurrent marketable equity securities	(2,491)	
Cost of 12,754,767 and 11,890,086 shares of common stock in treasury	(125,545)	(118,426)
Notes receivable from exercise of stock options	(878)	(929)
Total shareholders' equity	153,678	171,621

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Other marketable securities are carried at the lower of cost or market. Unrealized losses on noncurrent marketable equity securities, other than permanent declines, are charged to a separate shareholders' equity account.

TELEDYNE, INC. (DEC)

	1989	1988
	($ millions)	
Shareholders' Equity:		
Common stock, $1.00 par value, 60,000,000 shares authorized 11,082,569 shares at December 31, 1989 and 11,189,969 shares at December 31, 1988 issued and outstanding	$ 11.1	$ 11.2
Additional paid-in capital	78.8	79.6
Retained earnings	2,167.2	1,989.5
Equity in net unrealized appreciation	67.0	54.8
Currency translation adjustment	2.8	3.3
Total shareholders' equity	2,326.9	2,138.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Shareholders' Equity

The Company is authorized to issue 15,000,000 shares of preferred stock, $1 par value. No preferred shares were issued or outstanding. In October 1988, the Board of Directors authorized the repurchase of up to one million shares of the Company's common stock, of which 286,400 shares have been purchased as of December 31, 1989.

Shareholders' equity includes net unrealized appreciation on equity securities, net of deferred taxes, held by the Company's insurance subsidiaries, excluding investments in investees (Curtiss-Wright Corporation, 44 percent and Litton Industries, Inc., 25 percent).

Receivables From Sale Of Stock

J.P. INDUSTRIES, INC. (DEC)

	1989	1988
	($000)	
Shareholders' equity:		
Preferred stock, $1.00 par value; authorized, 500,000 shares; issued, none		
Common stock, $.10 par value; authorized, 20,000,000 shares; issued 11,074,468 shares	$ 1,107	$ 1,107
Treasury stock, 274,500 shares	(3,857)	(3,857)
Paid-in capital	65,538	65,523
Notes receivable, common stock	(356)	(400)
Foreign currency translation adjustments	2,005	2,172
Retained earnings	71,150	56,954
Total shareholders' equity	135,587	121,499

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Shareholders' Equity:

The Company acquired 274,500 shares of treasury stock at an average cost of $14.06 per share during the year ended December 31, 1988. At December 31, 1989, the Company has included 49,011 shares of its common stock in other current assets for funding employee benefit programs. These shares were purchased during the three months ended December 31, 1987 for an average cost of $13.12 per share. Notes receivable, common stock represent amounts owed the Company under prior stock purchase agreements with the Company President and are due in varying installments through June 30, 1993.

TULTEX CORPORATION (DEC)

	1989	1988
	($000)	
Stockholders' equity (Notes 5, 6 and 7):		
5% cumulative preferred stock, $100 par value; authorized—22,000 shares, issued and outstanding—4,126 shares (1989 and 1988)	$ 413	$ 413
Common stock, $1 par value; authorized—60,000,000 shares, issued and outstanding—27,632,482 shares (1989) and 27,588,682 shares (1988)	27,632	27,589
Capital in excess of par value	525	330
Retained earnings	103,992	111,778
	132,562	140,110
Less notes receivable from stockholders	810	965
Total stockholders' equity	131,752	139,145

Note 7 (In Part): Stock Options

In 1988, the Company's stockholders ratified the 1987 Stock Option Plan under which 700,000 shares of common stock were reserved for stock option grants to certain officers and employees. The plan provided that options may be granted at prices not less than the fair market value on the date the option is granted, which means the closing price of a share of common stock as reported on the New York Stock Exchange composite tape on such day. In exercising options, an employee may receive a loan from the Company for up to 90% of the exercise price. Outstanding loans are shown as a reduction of stockholders' equity on the balance sheet. The options are exercisable until the end of the fifth year from date of grant and all grants must be made before November 19, 1992.

UNITED STATES SURGICAL CORPORATION (DEC)

	1989	1988
	($000)	
Stockholders' equity:		
Common stock	$ 1,360	$ 1,320
Additional paid-in capital	131,548	119,013
Retained earnings	97,072	74,513
Installment receivables from sale of common stock	(8,918)	(17,717)
Treasury stock	(52,462)	(45,779)
Other	(886)	(1,594)
	167,714	129,756

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I. Stockholders' Equity

The Company had 11,653,138 and 11,412,268 shares of its $.10 par value Common Stock outstanding as of December 31, 1989 and 1988, respectively. In 1987 and 1986, the Company announced programs to repurchase up to a total of 2,300,000 shares of its outstanding Common Stock. As of December 31, 1989, a total of 1,954,357 shares had been acquired at a total cost of $52.5 million. Acquired shares are being held as treasury shares and may be used for general corporate purposes.

There are 25,000,000 shares of Common Stock and 1,000,000 shares of Preferred Stock ($5.00 par value) authorized. There was no Preferred Stock issued or outstanding in either year.

Shares of Common Stock reserved for future issuance in connection with stock option plans, restricted stock awards and an employee stock purchase plan amounted to 2,500,625 and 2,100,257 at December 31, 1989 and 1988, respectively.

During 1989 the shareholders approved an amendment to the Employee Stock Option Plan (the "Option Plan") to increase the authorized Option Plan shares from 3,550,000 to 4,050,000. The Employee Stock Option Plan provides for grants to key employees of up to 4,050,000 shares of the Company's Common Stock at either the per share market price ("Market Value Shares") or book value ("Book Value Shares") at the date of grant. Incentive Stock Options are exercisable for a period of up to ten years (nonqualified up to fifteen years) after date of grant. The exercise price is payable in cash, Common Stock then owned by the grantee at its market value at the date of payment, installments or any other mode the committee of the Board of Directors which administers the Option Plan deems acceptable. In the case of book value grants, the grantee is required to resell to the Company the stock so acquired at its book value at the date of resale, and the Company could, at its option, either issue shares of its Common Stock or other securities, or make a cash payment. The Option Plan provides for adjustments in market price and book value and acceleration of required date of resale by the grantee upon the occurrence of certain events.

At the discretion of the Option Plan's committee, payment of the option exercise price may be made either at time of exercise or on an installment basis. Certain members of management have elected under the Option Plan to defer the payment of the exercise price by installment payments up to a maximum of ten years. As of December 31, 1989 installment receivables from the exercise of stock options amounted to $8,918,000 ($17,717,000 at December 31, 1988) representing the exercise of stock options for 557,930 shares of Common Stock (1,027,040 shares at December 31, 1988). In connection with the exercise of stock options, the Common Stock and Additional Paid-In Capital accounts are increased by the aggregate stock option purchase price. Installment receivables from the sale of Common Stock resulting from the exercise of stock options are classified as a reduction to Stockholders' Equity. Accordingly, there is no impact on Stockholders' Equity from such stock option transactions until the installment amounts are paid. Members of management who have chosen to defer payment of the exercise prices have executed such security documents as the Company's counsel deems necessary, and the applicable Common Stock has been legended and is being held by the Company as collateral.

Adjustment Related To Recording Minimum Pension Liability

THE BFGOODRICH COMPANY (DEC)

	1989	1988
	($ millions)	
Shareholders' Equity		
$3.50 Cumulative Convertible Preferred Stock, Series D (stated at involuntary liquidation value of $50 per share) 2,200,000 shares issued and outstanding	$ 110.0	$ 110.0
Common Stock—$5 par value Authorized 100,000,000 shares; issued 25,554,627 shares	127.8	127.8
Additional capital	385.1	382.9
Income retained in the business	662.1	548.9
Cumulative unrealized translation adjustments	1.7	(2.6)
Amount related to recording minimum pension liability	(1.7)	—
Common stock held in treasury, at cost (221,326 shares in 1989 and 352,396 shares in 1988)	(7.8)	(12.4)
Total Shareholders' Equity	1,277.2	1,154.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

Note E (In Part): Pensions

Commencing in 1989, Statement of Financial Accounting Standards No. 87—"Employers' Accounting for Pensions" requires recognition in the balance sheet of a minimum pension liability for underfunded plans. The minimum liability that must be recognized is equal to the excess of the accumulated benefit obligation over plan assets. A corresponding amount is recognized as either an intangible asset or a reduction of equity. Pursuant to this requirement, BFGoodrich has recorded, as of December 31, 1989, an additional liability of $64.8, an intangible pension asset of $63.1 and an equity reduction of $1.7.

A. O. SMITH CORPORATION (DEC)

	1989	1988
	($000)	
Stockholders' Equity		
Series I Preferred Stock (shares issued—1,725,000)	$ 1,725	$ 1,725
Class A Common Stock (shares issued—5,039,498)	25,197	25,197
Class B Common Stock (shares issued—3,500,168)	3,500	3,500
Capital in excess of par value	74,664	74,715
Retained earnings	177,091	196,649
Foreign currency translation adjustments	963	559
Pension liability adjustment	(585)	—
Treasury stock at cost	(11,428)	(9,025)
Total Stockholders' Equity	271,127	293,320

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Retirement Plans

The company and its subsidiaries have noncontributory defined benefit pension plans covering substantially all employees. Plans covering salaried employees provide benefits that are based on an employee's years of service and compensation. Plans covering hourly employees provide benefits of stated amounts for each year of service. The company's funding policy is to contribute amounts which are actuarially determined to provide the plans with sufficient assets to meet future benefit payment requirements consistent with the funding requirements of federal laws and regulations.

The following tables present the components of pension expense, the funded status of the plans, the amounts recognized in the consolidated balance sheet and the major assumptions used to determine these amounts for domestic pension plans:

• • • • • •

	December 31, 1989	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:		
Vested benefit obligation	$133,772	$163,021
Accumulated benefit obligation	$140,881	$186,987
Projected benefit obligation	$157,981	$190,429
Plan assets at fair value	203,585	153,652
Plan assets in excess of (less than) projected benefit obligation	45,604	(36,777)
Unrecognized net transition (asset) obligation at January 1, 1986	(24,740)	23,108
Unrecognized net (gain) loss	(10,581)	2,265
Prior service cost not yet recognized in periodic pension cost	4,960	4,536
Adjustment required to recognize minimum liability[1]	—	(26,467)
Prepaid pension asset (liability) recognized in consolidated balance sheet	$ 15,243	$ (33,335)

[1]Effective January 1, 1989, the provisions of FASB Statement No. 87, "Employers' Accounting for Pensions" require the recognition of an additional minimum liability for each defined benefit plan for which the accumulated benefit obligation exceeds plan assets. The amount has been recorded as a long-term liability with an offsetting intangible asset amounting to $25.5 million. Because the asset recognized may not exceed the amount of unrecognized prior service cost, the balance of $1 million, net of tax benefits of $.4 million, is reported as a separate reduction of stockholders' equity. Similar recognition of the additional minimum liability was not required prior to January 1, 1989.

Stock Purchase Rights

ALLEGHENY INTERNATIONAL, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Preferred Stock Purchase Rights:

On March 6, 1986, Allegheny's Board of Directors adopted a Preferred Stock Purchase Rights Plan in which one preferred stock purchase right was issued for each share of Common Stock outstanding as of March 17, 1986. Each right allows the holder to purchase, upon the occurrence of certain events, one one-hundredth of a share of a new Series B Preferred Stock of Allegheny at an exercise price of $60.00. The rights automatically attached to all shares of Common Stock outstanding on March 17, 1986 or issued thereafter. Rights are exercisable if an entity either acquires 20% or more of the voting power of all Allegheny shares or announces a tender or exchange offer after which such entity would own shares with 30% or more of the voting power of all Allegheny shares. The rights, which do not have the right to vote or receive dividends, expire on March 18, 1996 and may be redeemed by Allegheny at a price of $.05 per right at any time until the tenth day following public announcement that an entity has acquired 20% or more of the voting power, unless such period is extended by Allegheny's Board of Directors while the rights are redeemable.

If any person or entity becomes the owner of shares representing 30% or more of the voting power, or if Allegheny is the surviving corporation in a merger with an entity owning shares representing 20% or more of the voting power and Allegheny's shares are not changed or converted, the rights owned by such person or entity may not be exercised and each other right will entitle its holder to purchase, at the exercise price, common shares of Allegheny having a value of twice the exercise price.

In the event Allegheny is involved in a merger or other business combination transaction in which its common shares are changed or converted, or sells 50% or more of its assets or earnings power, each right that has not previously been exercised will entitle its holder to purchase, at the exercise price, common shares of the acquirer having a value of twice the exercise price.

R. R. DONNELLEY & SONS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholder Rights Plan—The Company maintains a Shareholder Rights Plan (the Plan) designed to deter coercive or unfair takeover tactics, to prevent a person or group from gaining control of the Company without offering fair value to all shareholders and to deter other abusive takeover tactics which are not in the best interests of shareholders.

Under the terms of the Plan, each share of common stock is accompanied by one-half of a Right; each full Right entitles the shareholder to purchase from the Company, one one-hundredth of a newly issued share of Series A Junior Participating Preferred Stock at an exercise price of $225.

The Rights only become exercisable ten days after a public announcement that an Acquiring Person (as defined in the Plan) has acquired 20% or more of the outstanding common stock of the Company (the Stock Acquisition Date) or ten days after the commencement of a tender offer which would result in a person owning 30% or more of such shares. The Company can redeem the Rights for $.05 per Right at any time until twenty days following the Stock Acquisition Date (the 20-day period can be shortened or lengthened by the Company). The Rights will expire on August 8, 1996 unless earlier redeemed by the Company.

If, subsequent to the Rights becoming exercisable, the Company is acquired in a merger or other business combination at any time when there is a 20% or more holder, the Rights will then entitle a holder to buy shares of common stock of the acquiring company with a market value equal to twice the exercise price of each Right. Alternatively, if a 20% holder acquires the Company by means of a merger in which the Company and its stock survive, or if any person acquires 30% or more of the Company's common stock, each Right not owned by a 20% or more shareholder, would become exercisable for common stock of the Company (or, in certain circumstances, other consideration) having a market value equal to twice the exercise price of the Right.

THE LUBRIZOL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6—Shareholders' Equity

There are 2,000,000 shares of serial preferred stock without par values that have been authorized. None of these shares have been issued.

Authorized common stock of the company at December 31, 1989 and 1988 was 120,000,000 shares without par value. Outstanding common shares shown on the balance sheet are after deducting treasury shares of 6,089,839 and 5,088,036 at December 31, 1989 and 1988.

In 1987, the company adopted a shareholder rights plan under which one right to buy one-half share of the company's common stock was distributed for each share of common stock held. The rights may become exercisable under certain circumstances involving actual or potential acquisitions of 20% or more of the company's common stock by a person or affiliated persons who acquire such stock without complying with the requirements of the company's articles of incorporation. The rights would entitle shareholders, other than such person or affiliated persons, to purchase common stock of the company or certain acquiring persons at 50% of then current market value. The rights will expire in 1997 unless earlier redeemed.

In 1988, the company adopted another shareholder rights plan under which one right to buy preferred stock of the company was distributed for each share of common stock held. The dividend and redemption value of the preferred stock would be determined in relation to after-tax amounts which have been or may be recovered by the company from Exxon Corporation or its affiliates as a result of certain patent claims. In the event such recoveries exceed a specified sum, the rights may become exercisable under certain circumstances involving actual or potential acquisitions of 20% or more of the company's common stock by a person or affiliated persons. The rights would entitle shareholders, other than such person or affiliated persons, to purchase shares of preferred stock at a purchase price of $1 plus 25 rights per share. The rights will expire in November 1991 unless earlier redeemed.

MCA INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Preferred Share Purchase Rights and Preferred Stock

In July 1987, the Board of Directors of MCA INC. declared a dividend of one preferred share purchase right (the "Right") for each share of common stock outstanding as of July 27, 1987. Under certain circumstances the Rights, as amended on March 1, 1988 and December 6, 1988, (1) may be exercised to purchase one one-hundredth of a share of a new series of the Company's preferred stock at an exercise price of $200, (2) "flip-over" and become rights to purchase common stock of any acquiring company having a market value of twice the Right's exercise price, (3) "flip-in" and become rights to purchase a number of MCA's common shares having a market value of twice the Right's exercise price or (4) may be exchanged for the Company's common stock on the basis of one common share for each Right. The Rights expire in July 1997 and may be redeemed, and under certain circumstances are required to be redeemed, by the Company at a price of $.02 per Right prior to the acquisition by a person or affiliated group of 10 percent or more of the outstanding common stock of MCA.

The Company has 25,000,000 shares of $1.00 par value preferred stock authorized for issuance of which 1,500,000 shares have been designated by the Board of Directors as Series A Junior Participating Preferred Stock. These Series A shares have been initially reserved for issuance upon exercise of the Rights. At December 31, 1989, none of these shares was issued or outstanding. Dividends would be cumulative, paid quarterly and generally equal to the greater of $1.00 per share or 100 times the aggregate per share amount of all common stock dividends. Each preferred share would have general voting rights equal to 100 votes on all matters submitted to a vote of the shareholders. Both preferred and common shares would vote as one class. Preferred shares would not be redeemable at any time. In liquidation, preferred shareholders would be entitled to receive the greater of $100 per share plus accrued and unpaid dividends, or 100 times the aggregate per share amount to be distributed to common shareholders.

REYNOLDS METALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholder Rights Plan

Each share of the Company's common stock has one right attached. The rights trade with the common stock and are exercisable only if a person or group buys 20% or more of the Company's common stock, or announces a tender offer for 30% or more of the outstanding common stock. When exercisable, each right will entitle a holder to buy one-hundredth of one share of the Company's Series A Junior Participating Preferred Stock at an exercise price of $125.

If at any time after the rights become exercisable, the Company is acquired in a merger or other business combination or if 50% of its assets or earning power is sold or transferred, each right would enable its holder to buy common stock of the acquiring company at a 50% discount. In addition, if a person or group acquires 30% or more of common stock or if certain other events occur, each right would enable its holder to buy common stock of the Company at a 50% discount. The rights, which do not have voting privileges, expire in 1997, but may be redeemed by action of the Board prior to that time, under certain circumstances, for $0.05 per right. Until the rights become exercisable, they have no dilutive effect on earnings per share.

Although these rights should not interfere with a business combination approved by the Board of Directors, they will cause substantial dilution to a person or group that attempts to acquire the Company without conditioning the offer on redemption of the rights or acquiring a substantial number of the rights.

Warrants

BMC INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

(in thousands, except share amounts)

6 (In Part): Debt

Additionally, detachable warrants to purchase 960,000 shares of the Company's common stock at $7.00 per share were issued to the purchasers of the subordinated notes. The warrants provide for adjustments of the exercise price and the number of shares issuable thereunder in the event that the Company issues additional shares of common stock or rights to purchase common stock at a price below either the warrant exercise price or 90% of the (then current) market price of the common stock. The warrants are exercisable through May 1, 1999. The Company may accelerate the warrant expiration date after the Company's common stock trades, for 20 consecutive trading days, at a price per share in excess of $15.00. The warrant holders are entitled, at the Company's expense, to certain registration rights under the Securities Act of 1933 in connection with any shares of the Company's common stock issued pursuant to exercise of the warrants.

$1,526 of the proceeds of the subordinated notes was allocated to the detachable warrants and included in common stock in the accompanying financial statements. The related $1,526 reduction in the recorded principal amount of the subordinated notes is being amortized as interest expense over the life of the notes, resulting in an effective interest rate of 12.3%. The balance remaining to be amortized was $1,073 and $1,257 at December 31, 1989 and 1988, respectively.

ELI LILLY AND COMPANY (DEC)

	1989	1988
	($ millions)	
Shareholders' Equity (Notes 6 and 7)		
Common stock—no par value		
Authorized shares: 800,000,000		
Issued shares: 282,881,442	$ 176.8	$ 91.3
Additional paid-in capital	—	24.8
Retained earnings	4,065.4	3,827.4
Loan to ESOP	(122.9)	—
Current translation adjustments	(53.9)	(19.3)
	4,065.4	3,924.2
Less cost of common shares in treasury:		
1989—4,065,087 shares		
1988—8,891,750 shares	308.3	698.9
	3,757.1	3,225.3

Note 6 (In Part): Stock Plans and Warrants

Warrants issued in 1986 in connection with the acquisition of Hybritech Incorporated are exercisable into two Lilly shares at a price of $75.98 through March 31, 1991. There were 13,151,557 warrants outstanding at December 31, 1989.

Section 3: Income Statement

TABLE 3-1: INCOME STATEMENT TITLE

	1989	1988	1987	1986
Income	323	314	317	315
Earnings	145	146	143	150
Operations	120	130	126	124
Other	12	10	14	11
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-2: INCOME STATEMENT FORMAT

	1989	1988	1987	1986
Single-step Form				
Federal income tax shown as separate last item	229	233	251	264
Federal income tax listed among operating items	3	7	8	11
Multiple-step Form				
Costs and expenses deducted from sales to show operating income	220	225	220	201
Costs deducted from sales to show gross margin	148	135	121	124
Total Companies	**600**	**600**	**600**	**600**

TITLE OF INCOME STATEMENT

Table 3-1 summarizes the key word terms used in income statement titles.

INCOME STATEMENT FORMAT

Prior to 1984, a majority of the survey companies presented a single-step income statement. Table 3-2 shows that since 1984 a majority of the survey companies present a multiple-step income statement. A substantial number of income statements, both single-step and multiple-step, show income taxes, or equity in operating results of investees, or minority interest as a separate caption immediately preceding *net income* or *income before extraordinary item.*

Effective for fiscal years ending after December 15, 1980, the Securities and Exchange Commission requires that annual reports to stockholders include a statement of income presenting the 3 most recent fiscal years.

REVENUES AND GAINS

Paragraphs 78 and 82 of FASB *Statement of Financial Accounting Concepts No. 6* define revenues and gains.

> 78. Revenues are inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.
>
> 82. Gains are increases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity except those that result from revenues or investments by owners.

Table 3-3 summarizes the descriptive income statement captions used by the survey companies to describe revenue. Gains most frequently disclosed by the survey companies are listed in Table 3-4. Excluded from Table 3-4 are segment disposals, items shown after the caption for income taxes (Table 3-17), and extraordinary gains (Table 3-18). Examples of revenues and gains follow.

REVENUES

AMERICAN BRANDS, INC. (DEC)

	1989	1988	1987
		($ millions)	
Revenues			
Consumer products	$11,090.4	$11,056.6	$ 9,152.9
Life insurance	831.0	923.4	923.7
	11,921.4	11,980.0	10,076.6

AMERON, INC. (NOV)

	1989	1988	1987
Sales	$426,464,000	$363,625,000	$308,191,000
Cost of Sales	319,308,000	268,060,000	226,912,000
Gross Profit on Sales	107,156,000	95,565,000	81,279,000

THE BLACK & DECKER CORPORATION (SEP)

	1989	1988	1987
		($000)	
Net sales	$3,190,310	$2,280,923	$1,934,799
Operating costs and expenses:			
Cost of products sold	2,066,543	1,430,764	1,229,989
Marketing and administrative expenses	853,409	691,044	592,337
Total operating costs and expenses	2,919,952	2,121,808	1,822,326
Operating income	270,358	159,115	112,473

ITT CORPORATION (DEC)

	1989	1988	1987
		($ millions)	
Sales and Revenues			
Products and Services	$ 9,559	$ 9,323	$ 8,558
Insurance	8,689	8,553	8,345
Finance	1,806	1,479	1,292
	20,054	19,355	18,195

TABLE 3-3: REVENUE CAPTION TITLE

	1989	1988	1987	1986
Net Sales				
Net sales	350	355	361	362
Net sales and operating revenues	13	13	12	10
Net sales combined with other items	9	8	7	11
Sales				
Sales	76	78	85	83
Sales and operating revenue	28	27	23	21
Sales combined with other terms	11	17	11	14
Other Captions				
Revenue	103	94	91	91
Gross sales, income, billings, shipments, etc.	10	8	10	8
Total Companies	**600**	**600**	**600**	**600**

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1989	1988	1987
		($ millions)	
Product sales	$ 8,691	$ 8,453	$ 7,798
Service sales	2,961	3,150	2,881
WFSI revenue	1,192	897	653
Total sales and operating revenues	12,844	12,500	11,332

NOTES TO THE FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition

Sales are primarily recorded as products are shipped and services are rendered. The percentage-of-completion method of accounting is used for nuclear steam supply system orders with delivery schedules generally in excess of five years and for certain construction projects where this method of accounting is consistent with industry practice.

WFSI revenues are generally recognized on the accrual method. When accounts become delinquent for more than two payment periods, usually 60 days, income is recognized only as payments are received. Such delinquent accounts for which no payments are received in the current month, and other accounts on which income is not being recognized because the receipt of either principal or interest is questionable, are classified as nonearning receivables.

GAINS

Interest Income

THE INTERLAKE CORPORATION (DEC)

	1989	1988	1987
		(in thousands)	
Net Sales	$912,894	$892,218	$823,058
Cost of products sold	696,644	673,172	624,313
Selling and administrative expense	149,064	145,613	135,419
Unusual items of (income) and expense	26,470	—	(66,775)
Operating Income	40,716	73,433	130,101
Interest expense	26,199	10,778	8,767
Interest income	(4,000)	(8,499)	(5,765)
Dividend income	(1,350)	(1,425)	(1,650)
Nonoperating (income) expense	555	(23)	888
Income Before Taxes on Income and Minority Interest	19,312	72,602	127,861

Sale Of Assets

COCA-COLA ENTERPRISES, INC. (DEC)

	1989	1988	1987
		(In thousands)	
Operating Revenues	$3,881,947	$3,874,445	$3,329,134
Cost of sales (includes purchases from The Coca-Cola Company of approximately $922,148 in 1989)	2,313,032	2,268,038	1,916,724
Gross Profit on Sales	1,568,915	1,606,407	1,412,410
Selling, administrative and general expenses	1,258,848	1,225,238	1,075,290
Provision for restructuring	—	27,000	—
Operating Income	310,067	354,169	337,120
Non-operating income (deductions):			
Interest income	6,564	8,505	11,566
Interest expense	(200,163)	(210,936)	(171,466)
Other income deductions)—net	10,463	12,183	(4,445)
Gain on sale of bottling operation	11,000	103,800	—
Income Before Income Taxes	137,931	267,721	172,775

TABLE 3-4: GAINS

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Interest	307	305	292	277
Sale of assets	160	141	151	158
Equity in earnings of investees	85	90	102	108
Dividends	82	90	85	83
Foreign currency transactions	51	63	76	80
Royalties	22	17	28	25
Pension plan settlements	20	21	27	28
Revenue of nonhomogeneous operations	15	14	—	—
Rentals	13	20	17	14
Litigation settlements	12	14	14	8
Public offering of subsidiary stock	7	8	16	8
Early retirement of debt	3	4	5	8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisitions and Divestitures (In Part):

In February 1989, the Company sold its wholly owned subsidiaries, Goodwill Bottling Ltd. and Goodwill Bottling North Ltd. (the "Goodwill Bottlers"), for approximately $27 million in cash, resulting in a pretax gain of approximately $11 million. The Goodwill Bottlers' territories include Vancouver Island and portions of Northern British Columbia, Canada. The Coca-Cola Company owns an approximate 49% equity ownership interest in the purchaser and has representation on its Board of Directors.

In December 1988, the Company sold a wholly owned bottler, Mid-America, for approximately $282.3 million in cash, resulting in a pretax gain of approximately $103.8 million. The Coca-Cola Company owns an approximate 20% interest in the purchaser and has representation on its Board of Directors.

Selected unaudited results of operations and other financial information for Mid-America for the 50-week period ended December 16, 1988 and the 52-week period ended January 1, 1988 are as follows (in millions):

	Period ended	
	December 16, 1988	January 1, 1988
Net operating revenues	$166	$166
Operating income	15	24
Depreciation	5	5
Amortization	3	3
Net income	10	13
Net assets	191	179

Mid-America was acquired by the Company in September 1986. This acquisition was accounted for as a purchase, and accordingly, the operating results were included in the consolidated statements of income of the Company from the date of acquisition.

HONEYWELL INC. (DEC)

	1989	1988	1987
	(Dollars in Millions)		
Sales	$6,058.6	$5,857.0	$5,589.5
Costs and Expenses			
Cost of sales	4,172.5	4,258.8	3,872.3
Research and development	283.5	288.9	264.1
Selling, general and administrative	1,127.9	1,151.9	1,019.7
Discontinuance of product lines		150.8	
Provision for restructuring activities	81.6	101.9	
	5,665.5	5,952.3	5,156.1
Interest			
Interest expense	135.2	254.1	131.7
Interest income	44.9	37.0	19.4
	90.3	217.1	112.3
Gain on Sale of Assets	340.1	33.7	
Equity Income	33.0	9.8	8.5
Income (Loss) from Continuing Operations before Income Taxes	675.9	(268.9)	329.6

NOTES TO FINANCIAL STATEMENTS

(Dollars in Millions Except Per Share Amounts)

3. Gain on Sale of Assets

During 1989 Honeywell sold a portion of its investment in Yamatake-Honeywell Co., Ltd., reducing its percent ownership at year-end 1989 from 50.0 percent to 26.5 percent of the outstanding common stock. Proceeds from the sale totaled $407.3 and resulted in an increase in income from continuing operations before income taxes of $337.4. Contractual agreement has been reached to sell an additional 2.3 percent of Yamatake-Honeywell, Co., Ltd. in early 1990. Proceeds from other asset sales amounted to $13.8 and resulted in an increase in income from continuing operations before income taxes of $2.7.

In 1988 certain surplus real estate was sold for $82.3 resulting in an increase in income from continuing operations before income taxes of $33.7.

DIXIE YARNS, INC. (DEC)

	1989	1988	1987
Net sales	$570,840,490	$606,423,331	$580,504,328
Cost of sales	499,056,362	523,657,512	498,156,102
	71,784,128	82,765,819	82,348,226
Selling, general and administrative expenses	42,167,511	41,406,025	37,447,052
Gains from disposal of plants and retirement plan settlement	3,562,813	-0-	5,297,154
Other income (expense)—net	(1,406,552)	250,398	648,166
	31,772,878	41,610,192	50,846,494
Interest expense	7,627,036	6,849,938	5,957,922
Income Before Income Taxes	24,145,842	34,760,254	44,888,572

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F—Disposal Of Plants

In November 1988, the Company sold its China Grove and Arlington/Mutual, North Carolina plants for $36.3 million and entered into a Management Agreement and a Management Consulting Agreement with the purchaser of the facilities. Under the terms of those agreements, the Company was obligated to provide certain consulting services, to make certain manufacturing conversions and to retain responsibility for management and the operating results of the facilities until two months after the conversion was completed. Due to the Company's continued involvement and commitments, gain on the sale of these plants was deferred until 1989 when all costs and expenses associated with the transaction could be reasonably determined. Accordingly, the proceeds of the sale, less related costs and expenses incurred through 1988, were recorded as a deferred credit included in accrued expenses and other at December 31, 1988. The agreement was concluded during the third quarter of 1989 and resulted in a gain from the sale of these plants of approximately $3,563,000 ($162,000 or $.01 per share after taxes). Income tax expense relating to the sale of these plants amounted to $3,401,000 including $2,019,000 resulting from the differences in financial and tax reporting bases of the assets sold.

JOHNSON PRODUCTS CO., INC. (AUG)

	1989	1988	1987
Net sales	$29,368,000	$29,104,000	$31,641,000
Costs and expenses:			
Cost of sales	13,515,000	13,292,000	12,999,000
Selling, general and administrative expenses	15,300,000	18,153,000	16,584,000
Total costs and expenses	28,815,000	31,445,000	29,583,000
Income (loss) from operations	553,000	(2,341,000)	2,058,000
Other income (expense):			
Fees received on asset held for sale	—	451,000	—
Interest income	78,000	66,000	38,000
Interest expense	(797,000)	(650,000)	(966,000)
Gain on sale of land (Note 14)	2,200,000	—	—
Income (loss) from continuing operations before income taxes	2,034,000	(2,474,000)	1,130,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Sale of Land:

On October 3, 1988 the Company sold a warehouse and approximately 13½ acres of land it owned adjacent to its corporate offices for $2,967,500, less closing costs of $207,000. The contract for the sale of the property was entered into in July, 1986, shortly after which the Company received a total of $500,000 in earnest money deposits.

The Company received contract extension fees of $545,000 in fiscal 1988 plus reimbursement for carrying costs it incurred from mid-1987. Carrying cost reimbursements amounted to $480,000 during fiscal 1988 and $203,000 at closing. Of the sales proceeds, $1,653,500 was used to reduce long-term debt.

The pre-tax gain from the sale is $2,200,000 and was recorded in fiscal year 1989.

PACCAR INC. (DEC)

	1989	1988	1987
		($000)	
Manufacturing:			
Revenues			
Net sales	$3,331,050	$3,112,196	$2,423,539
Other	9,650	10,278	3,056
	3,340,700	3,122,474	2,426,595
Costs and Expenses			
Cost of sales	2,835,319	2,656,489	2,087,999
Selling and administrative	284,018	246,330	195,737
Interest	5,132	8,171	5,444
	3,124,469	2,910,990	2,289,180
Manufacturing Income Before Income Taxes	216,231	211,484	137,415
Financial Services:			
Revenues			
Interest and other	191,852	155,238	127,427
Costs and Expenses			
Interest	120,186	92,516	75,640
Operating	27,831	25,971	20,547
Provision for losses on receivables	11,238	9,833	5,827
	159,255	128,320	102,014
Financial Services Income Before Income Taxes	32,597	26,918	25,413
Other:			
Gain on sale of division and railcars	76,393		
Short-term investment income	32,170	24,265	19,617
Intercompany interest charged to Financial Services	5,968	5,055	2,642
Total Income Before Income Taxes	363,359	267,722	185,087
Income taxes	121,439	91,914	72,625
Net Income	$ 241,920	$ 175,808	$ 112,462

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note O—Dispositions

In October 1989, the Company sold its Wagner Mining Equipment Company division located in Portland, Oregon, and in December 1989, the Company's railcar leasing subsidiary sold a fleet of railcars which it had been leasing to customers. These transactions resulted in a $76.4 million pretax gain.

Equity In Earnings Of Investees

THE WASHINGTON POST COMPANY (DEC)

	1989	1988	1987
		(In thousands)	
Operating Revenues			
Advertising	$ 986,335	$ 937,230	$ 892,884
Circulation	241,249	237,218	231,479
Other	216,510	193,165	191,059
	1,444,094	1,367,613	1,315,422
Operating Costs and Expenses			
Operating	762,157	764,182	713,832
Selling, general and administrative	305,795	290,078	288,868
Depreciation and amortization of property, plant and equipment	48,756	45,317	42,918
Amortization of goodwill and other intangibles	13,695	13,602	12,731
Restructuring	—	21,144	—
	1,130,403	1,134,323	1,058,349
Income from Operations	313,691	233,290	257,073
Equity in earnings of affiliates	10,042	19,114	17,663
Interest income	28,599	19,841	3,130
Interest expense	(17,027)	(16,889)	(25,479)
Other (expense) income, net	(1,312)	179,914	79,062
Income before Income Taxes	333,993	435,270	331,449

Foreign Currency Transactions

HERMAN MILLER, INC. (MAY)

	1989	1988	1987
		(in thousands)	
Net Sales	$793,260	$713,565	$573,520
Cost of Sales	509,175	453,304	345,953
Gross Profit on Sales	284,085	260,261	227,567
Operating Expenses:			
Selling, general, and administrative	193,403	169,643	140,717
Design and research	21,486	17,998	18,584
Total operating expenses	214,889	187,641	159,301
Operating Income	69,196	72,620	68,266
Other Expenses (Income):			
Interest expense	8,316	6,321	5,014
Interest income	(6,015)	(3,795)	(1,514)
Loss (gain) on foreign currency exchange	(76)	647	237
Other—net	696	(108)	1,264
Net other expenses	2,921	3,065	5,001
Income Before Income Taxes and Cumulative Effect of Change in Accounting Principle	66,275	69,555	63,265

Royalties

SUNDSTRAND CORPORATION (DEC)

	1989	1988	1987
	(Amounts in thousands)		
Net sales	$1,595,398	$1,477,289	$1,365,482
Costs and expenses			
Costs of products sold	1,034,510	1,027,733	911,471
Marketing and administration	330,273	339,063	332,654
Aerospace loss provision	—	—	34,200
Provision for resolution of government contracts disputes	—	125,900	—
	1,364,783	1,492,696	1,278,325
Earnings (loss) before other income (deductions)	230,615	(15,407)	87,157
Other income (deductions)			
Royalties and commissions	4,150	2,821	2,682
Interest expense	(99,062)	(105,389)	(66,556)
Interest income	49,962	48,738	35,628
Gain on sale of Trans Com	16,637	—	—
Other, net	(1,650)	(10,971)	(2,931)
	(29,963)	(64,801)	(31,177)
Earnings (loss) before income taxes and cumulative effect of accounting change	200,652	(80,208)	55,980

Litigation Settlement

HARMON INDUSTRIES, INC. (DEC)

	1989	1988	1987
		($000)	
Net sales	$73,281	$64,558	$57,068
Cost of sales	54,947	46,734	41,492
Gross profit on sales	18,334	17,824	15,576
Selling, general and administrative expenses	15,270	12,493	10,856
Amortization of cost in excess of fair value of net assets of subsidiaries acquired	199	203	182
Miscellaneous income—net	227	217	144
Operating income	3,092	5,345	4,682
Interest expense	2,503	1,835	1,606
Gain on litigation settlements (note 5)	749	—	—
Minority interest in loss of consolidated subsidiary	465	256	44
Earnings before income taxes	1,803	3,766	3,120

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Settlement of Litigation

During May 1989 the Company reached an agreement with its largest equipment contractor for Cedrite. Under the terms of the agreement the Company received $3,200,000 in cash and the rights to certain equipment and the contractor was released from further obligations under the contract. The Company reduced the basis of previously purchased Cedrite equipment by $2,738,000 and the remaining $462,000 was credited to income.

In November 1989 the Company was awarded $500,000 by a jury in the United States District Court for the Western District of Missouri in a lawsuit against the former owner of Modern. The Company used $213,000 of the proceeds to recover legal and repair expenses incurred during 1989 and recognized a gain of $287,000, which represented a recovery of a portion of prior year's expenses.

Public Offering Of Subsidiary Stock

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

	1989	1988	1987
		(In millions)	
Net sales	$982.9	$1,470.6	$1,637.5
Operating costs and expenses			
Cost of goods sold	616.4	971.6	1,243.9
Selling, administrative, and general expenses	257.2	277.6	250.5
Research and development expenses	65.0	64.8	59.1
Other operating income, net	(11.4)	(44.9)	(26.7)
	927.2	1,269.1	1,526.8
Operating earnings	55.7	201.5	110.7
Equity in earnings of IMC Fertilizer	52.9	26.2	
Gain (loss) on IMC Fertilizer public stock offerings—Note A	28.6	(11.9)	
Interest and other nonoperating income, net	36.9	15.5	5.8
Interest charges	(42.3)	(63.0)	(85.5)
Earnings from continuing operations before income taxes	131.8	168.3	31.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions except per share amounts)

Note A (In Part):

IMC Fertilizer Public Stock Offerings

During fiscal 1989 and 1988 IMC Fertilizer completed two public stock offerings. The Company received net proceeds of $229.2 million from the IPO. This transaction was accounted for as if the Company had sold 53 percent of its common stock investment in IMC Fertilizer. The IPO resulted in a pretax loss to the Company of $11.9 million, $32.5 million after taxes (as a result of a taxable gain), or $1.22 a share. In addition to the proceeds of the offering, IMC Fertilizer paid to the Company dividends of $386 million in 1988 prior to the IPO and the Company paid an amount owed to IMC Fertilizer of $56.3 million.

In July 1988 a second public stock offering of 5 million IMC Fertilizer common shares was completed. This offering reduced IMC's common stock ownership in IMC Fertilizer to 38 percent. The offering was at a price per share in excess of the per share carrying amount of the Company's investment in

IMC Fertilizer. In September 1988 the Company received $200 million from IMC Fertilizer in redemption of the Company's holdings of IMC Fertilizer's Preferred Stock, Series A, representing the proceeds of the July 1988 public offering plus internally generated funds. As a result of both of these transactions the Company recognized a gain of $28.6 million, $21.5 million after taxes, or $.89 a share.

At June 30, 1989, the Company's investment in IMC Fertilizer consisted of 10 million common shares which represented a 38 percent interest in the common share equity of IMC Fertilizer and a dividend receivable in an amount equal to the proceeds (but not in excess of $51.9 million) receivable by IMC Fertilizer from an insurance claim related to Canadian potash operations.

Insurance Proceeds

EAGLE-PICHER INDUSTRIES, INC. (NOV)

(In thousands of dollars, except per share)	1989	1988	1987
Net Sales	$729,915	$770,110	$677,234
Operating Costs and Expenses			
Cost of products sold	622,474	636,486	548,218
Selling and administrative	67,363	63,819	56,299
	689,837	700,305	604,517
Operating Income	40,078	69,805	72,717
Asbestos litigation	—	(559,542)	—
Gain on sale of operations	21,633	—	—
Interest expense	(11,798)	(9,515)	(9,209)
Other income—Note M.	6,401	1,390	3,480
Income (Loss) Before Taxes	56,314	(497,862)	66,988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

M. Other Income

The following is a summary of the components of other income:

	(In thousands of dollars)		
	1989	1988	1987
Gain on insurance settlement	$7,418	$ —	$ —
Notes receivable write-off	(2,918)	—	—
Provision for environmental matters	(1,777)	—	—
Interest income	3,233	2,724	5,236
Other	445	(1,334)	(1,756)
	$6,401	$1,390	$3,480

Estimated insurance proceeds will exceed the recorded book value of assets destroyed by fire in December, 1988 at the Company's River Rouge, Michigan plant. Net sales for this plant were approximately $17,600,000 and $15,500,000 and operating income was approximately $900,000 and $1,000,000 in 1988 and 1987, respectively.

The notes receivable write-off recognizes the uncollectibility of several notes received from the previous sale of certain assets.

The provision for environmental matters was established for the settlement agreed to by the Company for remedial measures at a Superfund site.

Transfer Of Assets To Investee

GOULDS PUMPS, INCORPORATED (DEC)

	1989	1988	1987
	(Dollars in thousands)		
Net sales	$506,988	$454,405	$385,829
Cost of goods sold	360,816	327,282	276,867
Gross profit	146,172	127,123	108,962
Selling, general and administrative expenses	98,207	87,634	76,250
Gain on disposition of Gaso Pump Division (Note 3)	2,613	—	—
Income from operations	50,578	39,489	32,712
Interest expense	9,727	8,927	9,032
Interest income	3,088	4,798	4,572
Income from investments and affiliates (Note 3)	2,350	2,141	882
Other (expense) net	(186)	(916)	(517)
Income from continuing operations before income taxes	46,103	36,585	28,617

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Investments, including Investments in Affiliates

Investments, including investments in affiliates is comprised of the following (in thousands):

	1989	1988
Investment in Oil Dynamics, Inc.	$12,213	$12,683
Investment in WPV Holdings, Inc.	12,000	—
Other investments	1,605	1,465
	$25,818	$14,148

The Company has a 50% owned joint venture, Oil Dynamics, Inc. ("ODI"), which manufactures submersible pumps utilized principally in secondary oil recovery. ODI has an October 31 year end and the Company's investment balance, accounted for by the equity method, is presented based on information as of that date. For 1989, 1988 and 1987 the Company recognized income of $2,130,000, $1,934,000, and $973,000, respectively. The Company's investment at December 31, 1989 and 1988 approximates the Company's share of the underlying equity in the net assets of ODI. Dividends received were $2,600,000 in 1989, $2,025,000 in 1988 and $450,000 in 1987.

During November 1989, the Company transferred the net assets associated with its Gaso Pump Division to WPV Holdings, Inc., in exchange for $12 million of 8% cumulative preferred stock of WPV, redeemable in 1996. As a result of this divestiture, the Company recognized a gain of $2,613,000, as the value of preferred stock received was greater than the Gaso net assets contributed. This gain has a related tax expense of $1,930,000 or 74% because, in accordance with generally accepted accounting principles, deferred taxes had not been provided related to certain original acquisition items.

Nonrecurring/Unusual Gains

USG CORPORATION (DEC)

	1989	1988	1987
	(All dollar amounts in millions)		
Net sales	$2,191	$2,248	$2,255
Cost of products sold	1,645	1,672	1,599
Gross profit on sales	546	576	656
Selling and administrative expenses	242	254	269
Recapitalization and restructuring expenses	—	20	53
Operating earnings	304	302	334
Interest expense	297	178	69
Interest income	(10)	(13)	(5)
Other expense, net	15	16	16
Nonrecurring gains	(33)	—	(50)
Earnings from continuing operations before taxes on income	35	121	304

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nonrecurring Gains. In March 1989, a pre-tax gain of $16 million was recorded on an insurance settlement following a favorable U.S. Appellate Court ruling. This ruling upheld a U.S. Federal District Court judgment in September 1987 in which a jury ordered the obligated insurance carrier to pay the Corporation approximately $25 million for claims stemming from the November 1984 subsidence of a mine shaft at United States Gypsum Company's Plasterco, Virginia, gypsum board plant. In April 1989, the Corporation received the settlement of $35 million, which included approximately $10 million in pre- and post-judgment interest.

In June 1989, a pretax gain of $11 million was recorded on the sale of United States Gypsum Company's construction metal business, which had been treated as a continuing operation in the consolidated financial statements. The sale, which was part of the plan of recapitalization and restructuring, included five plants and the production equipment from another location in Torrance, California. This portion of the construction metal business was sold for approximately $35 million. The disposal of this business was completed in November 1989 with the sale of the Torrance land. A pre-tax gain of $6 million was recorded on this transaction.

In February 1987, the Corporation completed a secondary public offering of approximately 25% of the common stock of its Canadian subsidiary, CGC Inc. The sale of these securities resulted in a pre-tax gain of $44 million. On a pre-tax basis, minority shareholders' interest in the income of CGC Inc. was $13 million for 1989 and $16 million each for 1988 and 1987.

In November 1987, the Industrial Metal Division was sold to a group of investors headed by certain employees within the Division. A pre-tax gain of $6 million was recorded on this transaction in 1987.

Contract Termination Fee

RORER GROUP INC. (DEC)

	1989	1988	1987
		($000)	
Net sales	$1,182,152	$1,041,612	$928,796
Cost of products sold	428,626	377,750	353,762
Selling, delivery and administrative expenses	476,810	406,207	351,855
Research and development expenses	121,806	103,952	82,712
Interest expense	57,712	50,255	41,892
Interest income	(16,107)	(10,647)	(4,283)
Restructuring costs	9,981	—	—
Gain on contract termination fee	(19,949)	—	—
Other (income) expense, net	(2,042)	18,955	14,501
	1,056,837	946,472	840,439
Income before income taxes	125,315	95,140	88,357

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Contract Termination Fee

In 1989, in accordance with the terms of a merger agreement with A.H. Robins Company, Incorporated (Robins), and as a result of the consummation of the merger agreement between Robins and American Home Products Corporation, the company received a termination fee and expense reimbursement of $29.9 million in cash which resulted in a $19.9 million pretax gain.

EXPENSES AND LOSSES

Paragraphs 80 and 83 of FASB *Statement of Financial Accounting Concepts No. 6* define expenses and losses.

> 80. Expenses are outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.
>
> 83. Losses are decreases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity except those that result from expenses or distributions to owners.

Table 3-5 reveals that most of the survey companies show a single caption and amount for cost of goods sold. Table 3-6 summarizes the nature of expenses, other than cost of goods sold. Excluded from Table 3-6 are rent (Table 2-28), employee benefits, depreciation (Table 3-12), and income taxes (Table 3-13).

TABLE 3-5: EXPENSES—COST OF GOODS SOLD CAPTIONS

	1989	1988	1987	1986
Single Amount				
Cost of sales	253	242	243	232
Cost of products sold	113	114	114	120
Cost of goods sold	102	104	105	118
Elements of cost	8	10	8	7
Other captions	83	95	97	92
	559	565	567	569
More Than One Amount	41	35	33	31
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-6: EXPENSES—OTHER THAN COST OF GOODS SOLD

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Selling, general and administrative	327	329	323	331
Selling and administrative	166	166	170	173
General and/or administrative	80	78	79	73
Selling	21	13	21	19
Interest	572	572	577	575
Research, development, engineering, etc.	284	295	281	287
Maintenance and repairs	94	93	87	90
Taxes other than income taxes	61	62	70	71
Advertising	53	47	51	47
Bad debts	26	28	27	33
Exploration, dry holes, abandonments	24	27	25	25

Table 3-7 lists losses most frequently disclosed by the survey companies. Table 3-7 shows that, in 1989, 93 survey companies accrued a charge for restructuring their operations. *Staff Accounting Bulletin No. 67* issued by the SEC staff specifies that restructuring charges should be included in income from continuing operations or, if a multiple-step income statement is presented, in operating income. Excluded from Table 3-7 are losses shown after the caption for income taxes (Table 3-17), segment disposals, and extraordinary losses (Table 3-18). Examples of expenses and losses follow.

EXPENSES

Cost Of Goods Sold

ABBOTT LABORATORIES (DEC)

	1989	1988	1987
	(dollars in thousands)		
Net Sales	$5,379,751	$4,936,991	$4,387,876
Cost of products sold	2,556,655	2,353,159	2,101,875
Research and development	501,774	454,640	361,340
Selling, general and administrative	1,100,210	1,027,175	918,990
Total Operating Cost and Expenses	4,158,639	3,834,974	3,382,205
Operating Earnings	1,221,112	1,102,017	1,005,671

CBI INDUSTRIES, INC. (DEC)

	1989	1988	1987
	Thousands of dollars		
Revenues			
Contracting Services	$ 727,059	$ 713,312	$ 580,452
Industrial Gases	584,145	551,179	491,976
Investments	184,294	111,177	88,711
Total revenues	1,495,498	1,375,668	1,161,139
Costs of services and products sold			
Contracting Services	635,160	630,229	540,076
Industrial Gases	404,955	381,095	343,160
Investments	157,083	114,856	69,843
Total costs of services and products sold	1,197,198	1,126,180	953,079

LOWE'S COMPANIES, INC. (JAN)

	1990	1989	1988
	Dollars in Thousands		
Net Sales	$2,650,547	$2,516,879	$2,442,177
Cost of Sales	2,004,164	1,916,433	1,858,240
Gross Margin	646,383	600,446	583,937

TABLE 3-7: LOSSES

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Foreign currency transactions	94	96	78	96
Restructuring of operations	93	74	81	133
Intangible asset amortization	69	67	52	39
Write-down of assets	47	43	30	58
Minority interest	34	34	31	29
Sale of assets	29	25	28	27
Equity in losses of investees	19	29	29	28
Litigation settlements	9	17	11	11

CONTROL DATA CORPORATION (DEC)

	1989	1988	1987
	(Dollars in millions)		
Revenues			
Net sales and rentals	$1,672.6	$2,127.4	$1,986.8
Services	1,261.9	1,500.9	1,379.7
Total revenues	2,934.5	3,628.3	3,366.5
Costs and expenses			
Cost of sales and rentals	1,270.0	1,603.6	1,515.2
Cost of services	776.0	920.2	832.1
Selling, general and administrative.	552.3	643.7	600.8
Technical expense	289.2	394.3	389.0
Interest expense	49.1	47.2	64.1
Share of partnership losses	2.9	8.5	15.5
Operations and investment restructure	663.3	(5.6)	(107.6)
Total costs and expenses	3,602.8	3,611.9	3,309.1
Earnings (Loss) before income taxes and other items	(668.3)	16.4	57.4

MILTON ROY COMPANY (DEC)

	1989	1988	1987
	($000)		
Net sales	$125,398	$140,715	$126,804
Cost of goods sold	69,567	77,634	70,365
Gross margin	55,831	63,081	56,439

Interest Expense

AM INTERNATIONAL, INC. (JUL)

	1989	1988	1987
	(Dollars in thousands)		
Revenues:			
Machines and supplies	$651,782	$625,813	$571,030
Service	198,796	194,896	176,198
Total revenues	850,578	820,709	747,228
Operating costs and expenses:			
Cost of sales			
Machines and supplies	430,331	414,912	368,286
Service	127,771	118,676	107,261
Total cost of sales	558,102	533,588	475,547
Selling, general and administrative	221,588	221,648	208,439
Research, development and engineering	22,525	20,930	20,459
Total operating costs and expenses	802,215	776,166	704,445
Operating income	48,363	44,543	42,783
Non-operating income (expense):			
Interest income	4,493	2,479	1,683
Interest expense	(16,268)	(15,526)	(15,739)
Other, net	(4,053)	(21,781)	(2,343)
Income from continuing operations before income taxes	32,535	9,715	26,384

AFFILIATED PUBLICATIONS, INC. (DEC)

	1989	1988	1987
		($000)	
Operating Revenues:			
Advertising	$408,398	$412,780	$390,779
Circulation	106,245	95,002	81,990
Other	27,470	26,455	17,374
	542,113	534,237	490,143
Operating Expenses:			
Direct costs of production	235,618	233,874	200,525
Selling	128,266	116,619	104,869
General and administrative	71,535	64,889	57,091
Depreciation and amortization	24,675	23,620	20,495
	460,094	439,002	382,980
Operating Income	82,019	95,235	107,163
Other Income (Expense):			
Interest expense, net of interest capitalized of $2,135 in 1989, $1,049 in 1988 and $1,517 in 1987	(9,776)	(8,952)	(4,051)
Interest income	1,037	754	2,277
Other, net	283	(578)	101
	(8,456)	(8,776)	(1,673)
Income from continuing operations before income taxes	73,563	86,459	105,490

Research And Development

THE DOW CHEMICAL COMPANY (DEC)

	1989	1988	1987
		In millions	
Net sales	$17,600	$16,682	$13,377
Operating costs and expenses			
Cost of sales	10,478	9,806	8,660
Insurance and finance company operations, net expense (income)	(59)	(28)	20
Research and development expenses	873	772	670
Promotion and advertising expenses	494	415	329
Selling and administrative expenses	1,758	1,625	1,406
Amortization of intangibles	46	43	27
Total operating costs and expenses	13,590	12,633	11,112
Operating income	4,010	4,049	2,265

Taxes Other Than Income Taxes

ROHR INDUSTRIES, INC. (JUL)

	1989	1988	1987
		(in thousands)	
Sales	$1,044,677	$907,052	$665,870
Costs and Expenses:			
Cost of operations, exclusive of the following:	868,988	756,185	535,569
General and administrative expenses	39,863	35,473	34,012
Taxes, except taxes on income	35,946	30,871	26,632
Depreciation and amortization	24,836	23,374	16,118
	969,633	845,903	612,331
Operating Income	75,044	61,149	53,539

SUN COMPANY, INC. (DEC)

	1989	1988	1987
		(Millions of Dollars)	
Revenues			
Sales and other operating revenue (including consumer excise taxes of $1,363 in 1989, $1,132 in 1988 and $791 in 1987)	$11,168	$ 9,744	$9,482
Gain on divestments	87	35	32
Interest income	76	112	174
Other income	46	109	129
	11,377	10,000	9,817
Costs and Expenses			
Cost of products sold and operating expenses	7,955	6,388	6,567
Selling, general and administrative expenses	754	665	578
Taxes, other than income taxes (Note 4)	1,555	1,384	924
Depreciation, depletion and amortization	402	663	686
Exploratory costs and leasehold impairment	49	234	222
Provision for write-down of assets and other matters	270	495	25
Interest cost and debt expense	227	296	315
Interest capitalized	(46)	(82)	(74)
	11,166	10,043	9,243
Income (loss) before provision (credit) for income taxes	211	(43)	574

NOTES TO FINANCIAL STATEMENTS

4. Taxes, Other than Income Taxes

	1989	1988	1987
		(Millions of Dollars)	
Consumer excise	$1,363	$1,132	$791
Windfall profit	—	—	(121)
Production	52	93	111
Payroll, property and other	140	159	143
	$1,555	$1,384	$924

Windfall profit tax in 1987 consists of benefits associated with favorable adjustments to Sun's windfall profit taxes for the years 1982 through 1985. These favorable adjustments, including related interest income, increased Sun's 1987 net income and net income per share of common stock by $90 million and $.83, respectively.

LOSSES

Restructuring Of Operations

BRUNSWICK CORPORATION (DEC)

	1989	1988	1987
		(in millions)	
Net sales	$2,826.1	$3,282.0	$3,086.4
Cost of sales	2,209.8	2,418.3	2,227.7
Selling, general and administrative	540.3	539.4	511.3
Restructuring charge	100.0	16.5	7.7
Operating earnings (loss)	(24.0)	307.8	339.7
Interest expense	(56.7)	(40.5)	(46.6)
Interest income and other items, net	3.3	7.2	9.5
Gain on disposition of a Technical segment business	—	42.0	—
Earnings (loss) before income taxes	(77.4)	316.5	302.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Dispositions and Restructuring

In September 1989, the Company recorded a $100.0 million ($79.2 million after-tax) restructuring charge. The charge included $89.5 million for the write-off of assets, primarily intangibles, and estimated costs associated with the consolidation and reorganization of the Marine segment operations. The charge also included a Technical segment provision of $9.5 million for costs associated with the disposition of certain assets of the Defense Division and $1.0 million for costs associated with the disposition of certain Corporate assets.

In 1989, the Company's Board of Directors approved plans to offer for sale the businesses that comprise the Industrial Products and Technetics Divisions of the Company's Technical segment, except for Technetic's golf shaft operation which was transferred to the Brunswick Division on January 1, 1990. Activities relating to the sale of these businesses are currently at various stages of the disposition process. While a definitive determination of the impact of the planned dispositions on the Company's results can not yet be made, the Company does not expect to incur a loss on the dispositions. These businesses have not been treated as discontinued operations as their combined results are not material to the consolidated financial statements.

In May 1988, the Company completed the sale of the filtration technology business of the Technical segment for $68.8 million and recognized a $42.0 million pretax gain. The Company also provided $16.5 million for the write-down of certain assets, primarily goodwill, of the Industrial Products Division.

The effect of the aforementioned transactions increased 1988 net earnings by $10.6 million.

In 1987, the Company provided $7.7 million ($6.6 million after-tax) for the relocation and intended disposition of certain businesses of the Company's Industrial Products Division.

EASTMAN KODAK COMPANY (DEC)

	1989	1988 (in millions)	1987
Sales to: Customers in the United States	$10,302	$ 9,554	$ 7,611
Customers outside the United States	8,096	7,480	5,694
Total sales	18,398	17,034	13,305
Cost of goods sold	11,075	9,727	8,037
Sales, advertising, distribution, and administrative expenses	4,857	4,495	3,190
Restructuring costs	875	—	—
Total costs and expenses	16,807	14,222	11,227
Earnings from operations	1,591	2,812	2,078
Investment income	148	132	83
Interest expense	895	697	181
Other income (charges)	81	(11)	4
Earnings Before Income Taxes	925	2,236	1,984

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restructuring Costs

During 1989, the Company implemented a series of actions to sharpen the focus of the Company by restructuring or withdrawing from businesses and activities that are not critical to the achievement of its business strategies or do not contribute to shareowner value. Restructuring costs of $875 million, relating to these actions, consisted primarily of write-offs of inventories, capital and other assets, and provision for separation costs for employees leaving the Company.

MOSINEE PAPER CORPORATION (DEC)

	1989	1988 (In thousands)	1987
Net Sales	$233,114	$231,947	$215,982
Cost of Sales	195,091	198,031	189,095
Gross profit on sales	38,023	33,916	26,887
Operating expenses:			
Selling and advertising	5,643	5,623	5,836
Administrative	11,406	12,217	9,865
Restructuring costs	16,700	—	—
Total operating expenses	33,749	17,840	15,701
Income from operations	4,274	16,076	11,186

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4—Restructuring of Operations

In the fourth quarter of 1989, the Company recorded a provision of $16,700,000 for restructuring its Sorg Paper Company subsidiary and relocating its Bay West Division. The Sorg Paper Company subsidiary will be restructured to become a three-machine specialty paper mill that will focus its marketing efforts on highly technical, specialty papers. The restructuring provision includes $14,500,000 for inventory and equipment writedowns, severance and other costs associated with terminated employees, and the accrual of costs to be incurred in future years to reconfigure the operations of the Sorg Paper Company.

The balance of the provision, or $2,200,000, was recorded as a part of the Company's continuing plan to relocate its Bay West Division to a location more central to its sources of raw materials and customers. The provision includes incurred and estimated future costs for severance of terminated employees as well as employee and equipment relocation expenses.

A summary of the provision is presented below:

	($ thousands)
Inventory writedowns	$ 1,030
Equipment writedowns	6,580
Other costs	9,090
Total	$16,700

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

	1989	1988 (In millions of dollars)	1987
Net Sales	$3,000	$2,831	$2,891
Costs of Operations			
Cost of sales	2,161	1,999	2,129
Marketing and administrative expenses	285	273	264
Science and technology expenses	48	44	43
Other	46	38	28
Restructuring costs (Note 2)	30	—	—
Total costs of operations	2,570	2,354	2,464
Income from Operations	430	477	427

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Restructuring of Operations

During the fourth quarter of 1989, the Company initiated its North American restructuring plan to reduce costs, rationalize operations and integrate its facilities with those of FCI (Note 1). In connection with this plan, the Company recorded a $30 million pre-tax charge which included $19 million for severance and early retirement benefits and $11 million for the write-down of fixed assets to net realizable values and for other related costs.

SQUARE D COMPANY (DEC)

	1989	1988 (Amounts in thousands)	1987
Net Sales	$1,630,532	$1,529,391	$1,361,752
Costs and Expenses:			
Cost of products sold	1,050,380	1,001,400	860,374
Selling, administrative and general	376,017	346,439	294,737
Restructuring charge	26,819	—	11,192
Operating Earnings	177,316	181,552	195,449

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share)

C. Restructuring Charge

During 1989, a restructuring charge of $17,821 net of taxes, or $.72 per share, was incurred by the company as a part of a restructuring plan to rationalize and improve profitability of several businesses and product lines both in the United States and abroad. The most significant items accounting for the charge were costs associated with product, facility and organizational rationalization of the electrical distribution segment; product rationalization of the industrial control segment; plant consolidation and organizational restructuring in Canada; reorganization in Europe; and marketing restructuring.

During 1987, a restructuring charge of $7,950 net of taxes, or $.28 per share, was incurred by the company. This charge reflects the decision to dispose of several small businesses, product lines and plant facilities. The most significant items accounting for the charge were costs associated with the closure of the plant in Saudi Arabia, and the goodwill write-off associated with the disposition of United States Robots, offset by the gain recorded from the expected disposal of Lumacell Inc., a Canadian subsidiary. The closure of international locations resulted in a gain of $2,989 from the recognition of cumulative translation adjustments. The company has substantially completed the disposition of these businesses, product lines and plant facilities, and the remainder is expected to be completed by the end of 1990.

Foreign Currency Transactions

TOKHEIM CORPORATION (NOV)

	1989	1988	1987
	(Amounts in thousands)		
Net sales	$228,415	$203,147	$192,283
Cost of products sold	151,084	132,123	122,355
Other operating expenses	7,874	7,257	7,447
Selling expenses	33,786	31,875	28,472
Administrative expenses	10,337	9,547	8,287
Research and development expenses	9,224	7,880	8,573
Operating income	16,110	14,465	17,149
Interest expense (net of interest income of $2,187 in 1989; $878 in 1988; and $963 in 1987)	4,891	2,717	2,001
Other income, net	2,627	1,074	780
Foreign currency gains (losses)	(632)	46	768
Earnings before income taxes and cumulative effect of accounting change	13,214	12,868	16,696

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary Of Significant Accounting Policies

TRANSLATION OF FOREIGN CURRENCY—The financial position and results of operations of the Company's foreign subsidiaries, except for the Brazilian subsidiary, are measured using local currency as the functional currency. Revenues and expenses of such subsidiaries have been translated at average exchange rates. Assets and liabilities have been translated at year-end rates of exchange. Translation gains and losses are being deferred as a separate component of Stockholders' Equity, unless there is a sale or liquidation of the underlying foreign investments. The Company has no present plans for the sale or liquidation of signfificant investments to which these deferrals relate. The Company's subsidiary in Brazil operates in a hyper-inflationary economy. Accordingly, the U.S. dollar is deemed to be the functional currency of this subsidiary and all translation gains and losses are included in income currently. Exchange losses incurred by the Brazilian subsidiary are partially offset by the monetary correction inherent in the interest earned on invested working capital. Aggregate foreign currency transaction gains and losses are included in determining net earnings.

UNIFI, INC. (JUN)

	1989	1988	1987
Net Sales	$392,208,157	$298,345,733	$275,714,031
Costs and Expenses:			
Cost of Sales	$331,999,525	$251,537,186	$238,363,023
Selling, General and Administrative	18,495,996	14,160,694	13,235,610
Interest and Debt Expense (Income)	(171,521)	(404,448)	2,537,527
Other (Income) Expense	1,008,950	(2,892,389)	(293,324)
	$351,332,950	$262,401,043	$253,842,836
Income From Operations	$ 40,875,207	$ 35,944,690	$ 21,871,195
Foreign Currency Gain (Loss)	(218,137)	2,141,075	548,279
Income Before Taxes	$ 40,657,070	$ 38,085,765	$ 22,419,474

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies and Financial Statement Information (In Part):

Foreign Currency Translation. Assets and liabilities of foreign subsidiaries are translated at year-end rates of exchange and revenues and expenses are translated at the average rates of exchange for the year. Gains and losses resulting from translation are accumulated in a separate component of shareholders' equity. Gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the subsidiary's functional currency) are included in net income.

Intangible Asset Amortization

MONSANTO COMPANY (DEC)

	1989	1988	1987
	(Dollars in millions)		
Net Sales	$8,681	$8,293	$7,639
Cost of goods sold	5,035	4,972	4,755
Gross Profit on Sales	3,646	3,321	2,884
Marketing expenses	1,154	1,013	918
Administrative expenses	516	474	424
Technological expenses	672	648	615
Amortization of intangible assets	226	231	225
Restructuring expense (income)—net			(32)
Operating Income	1,078	955	734

Write-Down Of Assets

ADOLPH COORS COMPANY (DEC)

	1989	1988	1987
	(In thousands)		
Sales	$1,934,337	$1,680,968	$1,503,805
Less—federal and state beer excise taxes	170,467	159,271	153,066
	1,763,870	1,521,697	1,350,739
Costs and expenses:			
Cost of goods sold	1,232,028	1,021,084	878,183
Marketing, general and administrative	433,435	408,348	362,293
Research and project development	22,991	22,723	21,682
Asset write-downs (Note 8)	41,670		
	1,730,124	1,452,155	1,262,158
Operating income	33,746	69,542	88,581

Note 8: Asset Write-Downs

Included in the fourth quarter of 1989 is a charge to expense of $41,670,000 representing the excess of net book value over estimated recoverable value for certain assets. The impact of these charges on 1989 fiscal year and fourth quarter net earnings was $26,232,000, or $0.71 per share. The Company has decided to offer for sale certain gas properties as declining energy prices and low demand made these properties uneconomical for the Company to produce based on its investment in the properties. In addition, the Company has discontinued mining operations at its Keenesburg, Colorado, coal mine because of the availability of attractive long-term coal supply contracts. The Company has also written-off the cost of certain conceptual engineering studies for projects the Company no longer considers feasible and has written-down assets used in a snack food business which are being offered for sale.

Minority Interest

HALLIBURTON COMPANY (DEC)

	1989	1988	1987
	(In millions)		
Revenues			
Services	$4,914.9	$4,149.5	$3,261.7
Sales	744.6	676.2	573.8
Equity in income (losses) of related companies	1.7	13.0	(5.2)
Total revenues	5,661.2	4,838.7	3,830.3
Operating Costs and Expenses			
Services	4,577.8	3,883.0	3,095.3
Sales	602.8	568.2	495.0
General and administrative	241.4	234.7	188.8
Total operating costs and expenses	5,422.0	4,685.9	3,779.1
Operating income	239.2	152.8	51.2
Interest expense	(36.9)	(59.4)	(61.6)
Interest income	47.3	51.0	63.2
Foreign currency gains (losses)	(6.8)	4.6	4.5
Other nonoperating income, net	3.2	2.5	1.2
Provision for income taxes	(112.1)	(68.8)	(12.7)
Minority interest in net loss (income) of consolidated subsidiaries	(.2)	1.9	2.3
Income Before Cumulative Effect of Changes in Accounting Methods	133.7	84.6	48.1

INTERNATIONAL PROTEINS CORPORATION (DEC)

	1989	1988	1987
	(In thousands)		
Net sales	$213,122	$146,627	$101,896
Other income	1,140	379	1,665
	214,262	147,006	103,561
Costs and expenses:			
Cost of products sold	190,916	129,163	91,136
Selling, general and administration	11,585	7,857	6,140
Net foreign currency translation (gains) losses	(326)	155	1,713
Minority interest share of income (loss)	27	22	(36)
Restructuring charge	—	—	4,445
	202,202	137,197	103,398
OPERATING INCOME	12,060	9,809	163
Interest expense, net	7,426	3,610	2,400
INCOME (LOSS) BEFORE INCOME TAXES	4,634	6,199	(2,237)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Principles of Consolidation:

The consolidated financial statements include the accounts of International Proteins Corporation (the Company) and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Minority interest represents the minority stockholders' proportionate share of the equity in the income (loss) of certain shrimp farms which are consolidated.

Sales Of Assets

HECLA MINING COMPANY (DEC)

	1989	1988	1987
	(dollars in thousands)		
Sales of products	$99,391	$102,303	$87,146
Cost of sales and other direct production costs	74,791	60,966	49,759
Depreciation, depletion and amortization	17,530	11,511	10,210
	92,321	72,477	59,969
Gross profit on sales	7,070	29,826	27,177
Other operating expenses:			
General and administrative	7,727	8,229	7,795
Exploration	8,816	7,504	4,520
Research	444	2,732	1,321
Depreciation and amortization	497	435	677
Reduction in carrying value of mining properties	3,308	—	—
	20,792	18,900	14,313
Earnings (loss) from operations	(13,722)	10,926	12,864
Other income (expense):			
Interest and other income	2,323	3,053	1,570
Other expense	(1,633)	(52)	(425)
Loss on investments (Note 3)	(9,140)	—	(883)
Interest expense			
Total interest cost	(4,732)	(1,807)	(1,101)
Less amount capitalized	1,040	1,371	668
	(12,142)	2,565	(171)
Income (loss) before income taxes and cumulative effect of change in accounting principle	(25,864)	13,491	12,693

Note 3: Investments

Investments consist of the following components *(in thousands)*

	Carrying Value	Cost	Market Value
December 31, 1989			
Current:			
Marketable equity securities	$ 2,431	$ 2,431	$2,431
Noncurrent:			
Marketable equity securities	$ 547	$ 1,182	$ 547
Other investments	9,722	9,722	
	$10,269	$10,904	
December 31, 1988			
Noncurrent:			
Marketable equity securities	$ 6,613	$17,300	$6,613
Other investments	9,302	9,302	
	$15,915	$26,602	

At December 31, 1989, the portfolio of noncurrent, marketable equity securities includes gross unrealized gains of approximately $90,000 and gross unrealized losses of approximately $725,000. The other investments are principally large blocks of common and preferred stock in several mining companies, and investments in various mining ventures. These securities are generally restricted as to trading or marketability although some of the shares are frequently traded on the over-the-counter market in Spokane, Washington, and certain Canadian exchanges.

During the fourth quarter of 1989, the Company sold 952,900 shares of Sunshine Mining Company (Sunshine) common stock for $3.6 million, realizing a loss of approximately $4,848,000. With the Company's decision to liquidate its holdings in Sunshine common stock, the Company transferred this investment to a current asset classification and recognized a loss of $4,233,000 for the difference between the market value and the underlying cost of the remaining 748,100 common shares held at December 31, 1989.

ASARCO INCORPORATED (DEC)

	1989	1988	1987
	(dollars in thousands)		
Sales of products and services	$2,210,759	$1,988,087	$1,355,224
Operating costs and expenses:			
Cost of products and services	1,776,227	1,596,594	1,117,077
Selling, administrative and other	80,231	47,776	38,924
Depreciation and depletion	64,414	58,649	59,763
Research and exploration	23,817	15,786	9,000
Loss on sale of businesses	34,265	—	—
Total operating costs and expenses	1,978,954	1,718,805	1,224,764
Operating income	231,805	269,282	130,460

NOTES TO FINANCIAL STATEMENTS

2. Sale of Businesses (in millions)

In the third quarter of 1989, Lac d'Amiante du Quebec, Ltee, a wholly owned subsidiary, sold its one-third interest in a limited partnership which mines asbestos in Quebec. The sale price was $11.7 ($14 Canadian) in cash and notes, resulting in a pre-tax loss of $18.8.

Also during the third quarter of 1989, the Company announced that it would withdraw from its Illinois coal mining business and recorded a pre-tax charge of $15.5 against earnings. The Rapatee coal mine was subsequently sold for approximately $3.0 in notes and lease payments and the assumption of certain liabilities.

Litigation Settlement

INLAND STEEL INDUSTRIES, INC. (DEC)

	1989	1988	1987
	Dollars in Thousands		
Net sales	$4,146,698	$4,068,015	$3,453,184
Operating costs and expenses:			
Cost of goods sold (excluding depreciation)	3,517,501	3,280,814	2,972,539
Selling, general and administrative expenses	205,349	176,301	160,440
Depreciation	130,480	134,334	122,845
State, local and miscellaneous taxes	52,358	49,058	49,934
Facilities shutdown provisions	—	—	23,000
Total	3,905,688	3,640,507	3,328,758
Operating income	241,010	427,508	124,426
Other income and (expense):			
General corporate expense, net of income items	(9,988)	(16,720)	(14,900)
Interest and other expense on debt	(38,422)	(46,188)	(62,792)
Effect of claim and litigation settlements (Note 13)	(17,000)	—	50,801
Income before income taxes	175,600	364,600	97,535

Note 13: Claim and Litigation Settlements

In 1987, the Indiana Supreme Court refused to review the judgments entered by the Circuit Court and affirmed by the Court of Appeals in litigation between Inland Steel Company and Koppers Company, Inc. for breach of contract in the construction of a blast furnace and coke plant. The net judgment and accrued interest totaled approximately $93 million. Pursuant to a Settlement Agreement between the parties, Koppers paid Inland Steel Company approximately $73 million in cash in 1987, and delivered $20 million of coke, a fuel used in ironmaking, in 1988.

The Company recorded $50.8 million of the award as nonoperating income in its 1987 consolidated results. The balance was accounted for as a reduction in the net book value of the two facilities.

In the second quarter of 1989, the Company paid Koppers $17 million to settle a claim made by Koppers subsequent to the 1987 settlement.

Environmental Cleanup Costs

ALPHA INDUSTRIES, INC. (MAR)

	1989	1988	1987
		($000)	
Sales	$65,488	$62,215	$70,083
Cost of sales	48,432	49,167	49,518
Research and development expenses	3,073	3,174	3,931
Selling and administrative expenses	14,152	13,974	14,349
Settlement of reprocurement claims	—	—	1,965
	65,657	66,315	69,763
Operating income (loss)	(169)	(4,100)	320
Other income (expense)			
Interest expense	(821)	(825)	(1,013)
Interest income	627	644	91
Other income (expense) net (Note 8)	687	(464)	(784)
	493	(645)	(1,706)
Income (loss) before income taxes and minority interest	324	(4,745)	(1,386)

Note 8—Other Income (Expense) and Other Liabilities

Other Income (Expense) net, consisted of the following:

	Year ended March 31,		
	1989	1988	1987
	(In thousands)		
Environmental related expenses[a]	$(1,300)	$(500)	$(905)
Gain on sale of land[b]	1,590	—	—
Gain upon redemption of IRB[c]	534	—	—
Gain on sale of division[d]	—	—	531
Retirement of leasehold improvements[e]	—	—	(280)
Miscellaneous	(137)	36	(130)
Total	$ 687	$(464)	$(784)

[a] The Company is involved in two environmental actions. The first at the Adamstown, Maryland site of its wholly owned subsidiary, Trans-Tech, Inc., involves the contamination of groundwater on and near the plant. The Company denies responsibility, but provided $905,000 in fiscal year 1987 which included the cost of bringing public water to the area and incurred $500,000 of expenses related to this matter in fiscal year 1988. The Company has had continuing discussions with the State of Maryland and the Environmental Protection Agency and has reached agreement on remediation steps required to alleviate the contamination.

Several residents near the plant have filed a complaint against Trans-Tech, Inc. in the Circuit Court for Frederick County, Maryland. The complaint alleges that the company is responsible for the above mentioned contamination. The plaintiffs seek $40,000,000 in compensatory damages and $40,000,000 in punitive damages in five apparently alternative counts. Management believes the case is without merit, and is vigorously contesting these claims.

In the second environmental action the Company received notice by letter dated December 16, 1988 from the Environmental Protection Agency that, together with over 70 other companies in the area, it may be a potentially responsible party for hazardous waste discovered at a landfill in Tyngsborough, Massachusetts. If found liable, the company would be required to perform or finance certain response activities. The Company denies responsibility, and is vigorously contesting all claims connected with the site.

During the third quarter of fiscal 1989, the Company provided an additional $1,300,000 (net of anticipated insurance coverage) related to remediation expenses, legal, consulting and engineering fees, EPA response costs and other expenses related to these environmental matters. As of March 31, 1989 and March 31, 1988, $1,840,000 and $600,000 respectively is included in other accrued liabilities, relating to the above issues.

SYNTEX CORPORATION (JUL)

	1989	1988	1987
		($ in millions)	
Net sales	$1,349.4	$1,271.5	$1,129.2
Costs and expenses:			
Cost of goods sold	268.4	265.8	254.5
Selling, general and administrative	499.8	450.8	404.0
Research and development	245.2	217.9	175.1
Total	1,013.4	934.5	833.6
Operating income	336.0	337.0	295.6
Nonoperating income (expense)			
Interest income	45.0	36.0	26.7
Interest expense	(36.3)	(29.1)	(21.4)
Other—net	(7.8)	(3.0)	(10.0)
Total	.9	3.9	(4.7)
Income before taxes on income	336.9	340.9	290.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Other Matters

Other nonoperating income (expense) in fiscal 1989, 1988 and 1987 includes provisions of $12.1 million, $5.5 million and $12.6 million, respectively, for estimated environmental cleanup costs. These costs relate to remedial actions at several locations, including certain sites owned by subsidiaries of the company, containing chemical wastes including dioxin. Such costs do not relate to the pending or possible dioxin-related litigation or claims, against which the company is vigorously defending itself, as described in Note 13.

Contract Completion Costs

HERCULES INCORPORATED (DEC)

	1989	1988	1987
		(Dollars in thousands)	
Net sales	$3,091,669	$2,802,072	$2,693,003
Cost of sales	2,382,741	2,193,081	2,063,661
Estimated contract completion costs in excess of future revenues	323,000	—	—
Selling, general and administrative expenses	426,434	379,434	347,562
Research and development	78,457	74,352	73,819
Nonrecurring operating expenses, net	2,330	25,548	31,056
Income (loss) from operations	(121,293)	129,657	176,905

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands)

3. Contract Completion Costs

As a result of the periodic review of estimated costs at completion and changes in facts and circumstances, it was determined during the fourth quarter of 1989 that a provision for estimated contract completion costs in excess of future revenues was required in the amount of $323,000 on the Titan IV, Delta II and SRAM II programs. Development and production contracts for rocket motors under the Titan IV program had been combined for accounting purposes and, accordingly, certain development costs had been deferred, to be recognized over the delivery of rocket motors under the production contracts. The provision reflects the necessity to amortize Titan IV development costs over fewer units as a result of delays experienced in customer commitment for production options and estimated cost overruns in both development and production contracts caused by technical difficulties and other factors on all three programs. The provision was applied to unbilled accounts receivable, i.e., work in progress (see Note 13), with the remainder reflected as a current liability.

Royalties

HASBRO, INC. (DEC)

	1989	1988	1987
		(Thousands of Dollars)	
Net revenues	$1,409,678	1,357,895	1,345,089
Cost of sales	662,486	638,835	647,342
Gross profit on sales	747,192	719,060	697,747
Expenses			
Research and product development	58,876	62,439	69,472
Royalties	57,572	52,544	43,137
Advertising, promotion and programming	191,785	189,974	213,684
Selling, distribution and administrative	268,880	260,044	238,969
Total expenses	577,113	565,001	565,262
Operating income	170,079	154,059	132,485

Takeover Defense Costs

NANTUCKET INDUSTRIES, INC. (FEB)

	1989	1988	1987
Net sales	$34,530,662	$29,367,539	$25,028,904
Cost of sales	26,682,502	23,822,078	20,686,002
Gross profit on sales	7,848,160	5,545,461	4,342,902
Selling, general and administrative expenses	5,957,988	5,018,278	4,790,428
Operating income (loss)	1,890,172	527,183	(447,526)
Interest expense, net of interest income of $231,000, $8,900 and $11,000	132,815	454,806	414,750
Takeover defense costs (Note 7)	704,740	—	—
Income (loss) from continuing operations before income taxes and extraordinary item	1,052,617	72,377	(862,276)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Seven. Takeover Defense Costs

On September 8, 1988, the Board of Directors received an unsolicited tender offer proposing to acquire all of the Company's outstanding common stock for $8.50 per share. The Board of Directors retained a financial advisor and special legal counsel to represent them on this matter and rejected the tender offer as "inadequate." On November 14, 1988, the Company making the tender offer publicly announced that the offer was terminated for "failure of conditions," which were not specified. Costs incurred of $704,740 in relation to this matter are included as an unusual nonoperating charge in the financial statements.

Nonrecurring/Unusual Losses

CLARCOR INC. (NOV)

	1989	1988	1987
		($000)	
Net sales	$204,112	$195,141	$180,415
Cost of sales	139,106	130,600	118,665
Gross profit on sales	65,006	64,541	61,750
Selling and administrative expenses	36,370	33,168	29,258
Restructuring charges	6,409	—	—
Nonrecurring defense expenses	2,243	—	—
Operating earnings	19,984	31,373	32,492
Other income (deductions):			
Interest expense	(1,420)	(212)	(214)
Interest income	1,367	1,158	1,125
Other	(962)	372	446
	(1,015)	1,318	1,357
Earnings from continuing operations before income taxes	18,969	32,691	33,849

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

L. Nonrecurring Defense Expenses

During the third quarter of 1989, the Board of Directors retained special legal counsel and financial advisors to represent them in resisting an unsolicited takeover attempt. Related costs of $2,243 are reported as nonrecurring defense expenses in the financial statements. In connection therewith, the Board authorized the repurchase of up to two million shares of its common stock from time to time through open market and privately negotiated purchases.

McGRAW-HILL, INC. (DEC)

	1989	1988	1987
	(Thousands of dollars)		
Operating revenue	$1,788,963	$1,673,566	$1,599,735
Expenses:			
Operating	893,471	833,177	785,357
Selling and general	622,183	567,010	557,260
Unusual charges (Note 2)	220,000	149,564	—
Total expenses	1,735,654	1,549,751	1,342,617
Share of profit of Macmillan/McGraw-Hill School Publishing Company	13,688	2,349	11,585
Gain on sale of interest in Nikkei/McGraw-Hill	—	221,783	—
Other income—net	54,679	36,960	34,885
Income from operations	121,676	384,907	303,588

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Unusual Charges

In connection with a realignment of its operations in late 1989, the company conducted a review of its operating units, products and services and determined that certain assets should be written-down, which resulted in unusual charges of $145 million. These charges include an $82 million write-down of goodwill and other intangible assets of certain acquired units (including Data Resources), and a $63 million provision for the shutdown of certain units (including General Books) and the write-down of other non-performing units and assets. An accrual of $75 million for severance payments associated with staff reductions and for other items was also established. The total of these unusual charges was $220 million ($152 million after taxes).

The company also recorded unusual charges in 1988 of $149.6 million ($107.6 million after taxes) which consisted of the write-down of goodwill and other intangible assets related to certain acquired businesses of $89.7 million, the write-down of television film rights, book prepublication costs and investments of $34.9 million and a provision for reorganization costs and other items of $25 million.

ECOLAB INC. (DEC)

	1989	1988	1987
		(thousands)	
Net Sales	$1,305,629	$1,211,893	$1,020,155
Cost of Sales	650,126	599,661	482,409
Selling, General and Administrative	562,867	503,306	394,791
Nonrecurring	47,478		31,441
Operating Income	45,158	108,926	111,514

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Nonrecurring Operating Expenses

Nonrecurring operating expenses represent items of expense which, although required to be classified as operating expenses of the company, are unusual and nonrecurring in nature and do not relate directly to normal ongoing business activity. In 1989, the nonrecurring charge of $47,478,000 ($31,469,000 after-tax, or $1.15 per share) included $34,500,000 for the refocusing and rebuilding of ChemLawn. The charge also included $6,163,000 for the write-off of an unsuccessful international acquisition and $6,815,000 of other nonrecurring corporate expenses. The 1987 nonrecurring charge of $31,441,000 ($24,014,000 after-tax, or $.89 per share) was recorded primarily for expenses related to the consolidation and restructuring of ChemLawn and other acquisitions, costs associated with the company's name change and its change in fiscal year. Certain items included in the 1989 and 1987 charges were not tax deductible, or the tax benefit could not be recorded, thereby increasing the after-tax effect of the nonrecurring charges.

WHITTAKER CORPORATION (OCT)

	1989	1988	1987
		(Dollars in thousands)	
Sales	$209,677	$200,115	$180,862
Costs and expenses			
Cost of sales	131,318	133,062	115,570
Engineering, selling and general and administrative	47,372	54,435	56,503
Interest on long-term debt	9,792	2,022	5,614
Other interest	2,123	2,336	1,495
Interest income	(1,319)	(1,123)	(2,242)
Nonrecurring items (Note 11)	14,115	—	—
	203,401	190,732	176,940
Income from continuing operations before provision for taxes	6,276	9,383	3,922

Note 11. Nonrecurring Items

The income statement for 1989 reflects a pre-tax charge for nonrecurring items of $14.1 million ($8.5 million after tax, or $1.12 per share) consisting of (i) $6.8 million for expenses incurred in connection with various efforts to maximize stockholder value, including efforts to sell the Company, following the receipt, in October 1988, of an unsolicited, highly conditional offer to acquire the Company, (ii) $3.8 million for the cancellation of employee stock options in connection with the recapitalization (Note 3), and (iii) $3.5 million for the resolution with the U.S. Government of charges and claims against a subsidiary of the Company for paying money to a Marine Corps contracting officer in connection with certain government contracts (Note 12).

EMPLOYEE RETIREMENT BENEFITS

Statements of Financial Accounting Standards No. 87 and *No. 88*, Section P16 of *FASB Accounting Standards—Current Text*, are the authoritative pronouncements on pension accounting and reporting. The requirements of *SFAS No. 87*, except for the recognition of an additional minimum liability, are effective for fiscal years beginning after December 15, 1986. The effective date for recognition of an additional minimum liability, as defined in paragraphs 36-38 of *SFAS No. 87*, is fiscal years beginning after December 15, 1988.

Paragraph 54 of *SFAS No. 87* enumerates the disclosure requirements for a defined benefit pension plan. Those requirements include disclosing the discount rate and rate of compensation increase used to determine the projected benefit obligation and the expected rate of return on plan assets. Tables 3-8, 3-9, and 3-10 list the percents used by the survey companies for the actuarial assumptions.

In addition to providing pension plans for their employees, 324 survey companies disclosed that they provide postretirement health care and life insurance benefits. Paragraph 6 of *Statement of Financial Accounting Standards No. 81*, Section P50 of *FASB Accounting Standards—Current Text*, sets forth the information that should be disclosed about health care and life insurance benefits.

Examples of employee retirement benefit disclosures follow.

TABLE 3-8: ASSUMED DISCOUNT RATE

%	1989	1988	1987	1986
4.5 or less	—	—	—	—
5	—	—	—	—
5.5	—	—	—	—
6	—	—	—	—
6.5	3	3	1	—
7	8	7	2	7
7.5	25	13	18	25
8	96	74	81	103
8.5	137	118	113	62
9	152	167	134	61
9.5	44	73	61	13
10	12	31	25	11
10.5	1	2	4	—
11	—	1	1	1
11.5 or greater	1	—	—	—
Not disclosed	9	12	—	2
Companies Disclosing Defined Benefit Plans	**488**	**501**	**440**	**285**

PENSION PLANS

Defined Benefit Plans

ABBOTT LABORATORIES (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Retirement Plans

(dollars in thousands)

Retirement plans consist of defined benefit plans and defined contribution plans.

Pension benefits for the Company's defined benefit plans are generally based on the employee's years of service and compensation near retirement. Certain plan benefits would vest and certain restrictions on use of plan assets would take effect upon a change in control of the Company.

Net pension cost (credit) for the Company's significant defined benefit plans, determined under the provisions of the Statement of Financial Accounting Standards No. 87, for 1989, 1988, and 1987 includes the following components:

	1989	1988	1987
Service cost—benefits earned during the year	$ 28,428	$ 29,797	$ 23,435
Interest cost on projected benefit obligations	52,495	47,849	39,735
Return on assets	(160,318)	(65,600)	(105,962)
Net amortization and deferral.	70,780	(16,316)	29,562
Net pension cost (credit)	$ (8,615)	$ (4,270)	$ (13,230)

The plans' funded status at December 31 was as follows:

	1989	1988	1987
Actuarial present value of benefit obligations—			
Vested benefits	$448,039	$385,658	$368,082
Nonvested benefits	39,595	35,351	33,921
Accumulated benefit obligations	$487,634	$421,009	$402,003
Plans' assets at fair value, principally listed securities	$987,032	$851,872	$795,498
Actuarial present value of projected benefit obligations	679,016	605,352	566,206
Projected benefit obligations less than plans' assets	308,016	246,520	229,292
Unrecognized net transitional asset	(119,167)	(131,146)	(143,043)
Unrecognized prior service cost	39,042	28,595	—
Unrecognized net gain	(181,198)	(112,190)	(67,026)
Net prepaid pension cost	$ 46,693	$ 31,779	$ 19,223

TABLE 3-9: ASSUMED RATE OF COMPENSATION INCREASE

%	1989	1988	1987	1986
4.5 or less	18	22	17	8
5	90	85	81	47
5.5	83	74	59	42
6	162	168	152	108
6.5	56	52	46	35
7	31	39	42	25
7.5	7	12	14	6
8	3	8	9	6
8.5	1	2	1	2
9	2	2	—	—
9.5	2	—	—	—
10	—	—	—	—
10.5	—	—	—	—
11	—	—	—	—
11.5 or greater	—	—	—	—
Not disclosed	33	37	19	6
Companies Disclosing Defined Benefit Plans	**488**	**501**	**440**	**285**

Assumptions used above for the Company's major defined benefit plan as of December 31 include:

	1989	1988	1987
Discount rate for determining estimated obligations and interest cost	9.0%	9.0%	8.0%
Expected aggregate average long-term change in compensation	6.0	6.0	6.0
Expected long-term return on assets	10.0	10.0	10.0

The principal defined contribution plan is the stock retirement plan. Company contributions to this plan were $22,912, $19,850, and $16,672 in 1989, 1988, and 1987, respectively, equal to 7.33 percent of dividends, as provided under the plan.

In addition to the retirement plans, certain medical and life insurance benefits are provided for qualifying retired employees. The annual costs of these benefits are not material and are expensed when paid.

ACME-CLEVELAND CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G—Pension, Profit Sharing And Health Care Cost

The Corporation has non-contributory defined benefit plans covering most United States employees. Benefits for these plans are based primarily on years of service and qualifying compensation during the final years of employment. The Corporation complies with federal funding requirements. Plan assets include marketable equity securities, money market funds and other fixed income securities.

In fiscal 1987, the Corporation adopted Statement of Financial Accounting Standards No. 87 (SFAS 87), "Employers' Accounting for Pensions" for its United States pension plans. In fiscal 1989, the Corporation adopted SFAS 87 for its foreign pension plan.

The Corporation's Board of Directors terminated the salaried retirement plan and approved a new salaried retirement plan effective October 1, 1986. An annuity contract representing the present value of the accumulated benefits of all plan participants was purchased from a major insurance company by the plan's trust fund in October 1986. The gain relating to this transaction was $17,466,000 (net of $1,962,000 of excise tax) before income taxes and extraordinary credit ($17,126,000 after income taxes and extraordinary credit or $2.64 per common share).

A summary of the components of net periodic pension cost for 1989, 1988 and 1987 are as follows (in thousands):

	1989	1988	1987
Service cost-benefits earned during the period	$1,220	$1,178	$1,443
Interest cost on projected benefit obligation	4,833	4,729	4,636
Actual return on plan assets	(6,291)	(4,022)	(858)
Net amortization and deferral	1,976	(154)	(3,665)
Net pension cost of defined benefit plans	$1,738	$1,731	$1,556

The following table sets forth the funded status and amounts recognized in the Corporation's balance sheet for its defined benefit plans at September 30, 1989 and 1988 (in thousands):

	1989	1988
Actuarial present value of:		
Vested accumulated benefit obligation	$ 52,362	$ 51,923
Nonvested accumulated benefit obligation	$ 2,321	$ 2,153
Projected benefit obligation	$(55,405)	$(54,419)
Fair value of plan assets	50,666	47,652
Excess of projected benefit obligation over fair value of plan assets	(4,739)	(6,767)
Unrecognized net asset at transition to SFAS 87	(1,963)	(1,611)
Unrecognized net loss	2,980	4,622
Accrued pension cost	$(3,722)*	$(3,756)*

*Accrued pension cost includes $2,414 of unfunded pension liability for restructured employees recorded on the Corporation's balance sheet.

As of September 30, 1989, 1988 and 1987, the projected benefit obligation was determined using an assumed discount rate of 9%, an assumed long-term rate of annual compensation of 4½% and an assumed long-term rate of return on plan assets of 9%. For all three years the assumed average rate of return used in determining the actuarial present value was 9% for nonretired participants and an average of 13¾% for hourly retirees covered under the dedicated bond portfolios.

Beginning October 1, 1989 the Corporation will be required to recognize the additional minimum liability aspects of SFAS 87. This statement requires the recognition of an additional pension liability and a direct reduction of shareholders' equity of approximately $1,781,000 as of October 1, 1989.

In addition, the Corporation provides certain health care and life insurance benefits for eligible retired employees. Substantially all of the Corporation's employees may become eligible for those benefits if they reach normal retirement age while working for the Corporation. The Corporation accounts for and funds the majority of costs of such benefits for continuing operations as they are incurred. The total of such costs charged to continuing operations approximated $3,215,000, $3,095,000 and $3,021,000 in 1989, 1988 and 1987, respectively.

Costs for future health care benefits for retirees of discontinued operations and certain employees retiring because of restructuring were expensed at the time of disposal or at the time of the decision to restructure at present value amounts. Included in the Unfunded Pension and Health Care Costs liability for 1989 and 1988 is $5,647,000 and $5,696,000, respectively, relating to the above costs.

TABLE 3-10: EXPECTED RATE OF RETURN

%	1989	1988	1987	1986
4.5 or less	—	—	—	—
5	—	—	—	—
5.5	—	—	—	—
6	1	2	1	—
6.5	3	1	—	—
7	7	14	8	2
7.5	10	12	15	11
8	66	77	66	40
8.5	55	48	47	31
9	130	141	126	77
9.5	68	56	61	33
10	87	92	73	52
10.5	17	18	16	12
11	22	15	19	14
11.5 or greater	9	10	4	11
Not disclosed	13	15	4	2
Companies Disclosing Defined Benefit Plans	**488**	**501**	**440**	**285**

AMPCO-PITTSBURGH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8—Retirement Plans: (In thousand dollars)

The Corporation has non-contributory defined benefit pension plans covering substantially all of its employees. The benefits are based on either years of service or a percentage of compensation multiplied by years of service.

The Corporation's funding policy with respect to the Corporate-sponsored pension plans covered by the Employee Retirement Income Security Act of 1974 ("ERISA") is to fund each year's pension expense on a basis that satisfies the maximum amortization periods of ERISA, plus any additional amounts which the Corporation may determine to be appropriate.

The net pension credit related to continuing operations for all Corporate-sponsored pension plans consist of the following components:

	1989	1988	1987
Service cost	$ 963	$ 898	$ 1,373
Interest cost on projected benefit obligation	6,424	6,242	7,451
Less return on plan assets	(8,384)	(8,139)	(9,037)
Net amortization and deferral	158	25	181
Net pension credit	$ (839)	$ (974)	$ (32)

The assumptions used in the determination of the net pension credit are: discount rate of 10% in 1989 and 1988; 8.75% in 1987; rate of increases in compensation of zero to 5.5%; expected long-term rate of return on assets of 10%.

In 1987, certain pension obligations to retirees were settled through the purchase of non-participating annuity contracts resulting in reductions in operating costs and expenses of continuing operations of $7,438.

The reconciliation of the funded status for pension plans, in which assets exceed accumulated benefit obligation including discontinued operations, is as follows:

	December 31, 1989	1988
Actuarial present value of:		
Vested benefit obligation	$ 86,120	$51,990
Accumulated benefit obligation	$ 90,784	$53,906
Actuarial present value of projected benefit obligation	$ 93,505	$57,117
Plan assets at fair value	124,506	78,612
Plan assets in excess of projected benefit obligation	31,001	21,495
Unrecognized gain	(15,376)	(1,835)
Unrecognized transition asset net of amortization	(1,443)	(1,489)
Net pension asset recognized in the balance sheet in other noncurrent assets	$ 14,182	$18,171

The reconciliation of the funded status for pension plans, in which accumulated benefit obligation exceeds assets, is as follows:

	December 31, 1988
Actuarial present value of:	
Vested benefit obligation	$ 34,133
Accumulated benefit obligation	$ 34,649
Actuarial present value of projected benefit obligation	$ 34,649
Plan assets at fair value	24,385
Projected benefit obligation in excess of plan assets	(10,264)
Unrecognized gain	(5,686)
Unrecognized transition obligation, net of amortization	3,065
Net pension liability recognized in the balance sheet in other noncurrent liabilities	$(12,885)

All of the pension plan assets are in one master trust and in 1989 certain of the plans were merged. This merger did not impact pension expense or defined benefits.

In addition to providing pension benefits, the Corporation provides certain health care and life insurance benefits for retired employees. The cost of retiree health care and life insurance benefits is recognized as expense as claims are incurred. For 1989, 1988 and 1987, those costs, for continuing operations, totaled $185, $235, and $162, respectively.

ALLEGHENY INTERNATIONAL, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Retirement benefits—Substantially all employees of Allegheny and its U.S. subsidiaries are covered by company-sponsored retirement plans. Employees of non-U.S. subsidiaries generally receive retirement benefits from company-sponsored plans or from statutory plans administered by governmental agencies in their countries. Pension expense for Allegheny's ERISA-covered defined-benefit plans is determined under the provisions of Statement No. 87 of the Financial Accounting Standards Board, "Employers' Accounting for Pensions."

In addition, Allegheny provides health care and life insurance benefits to certain of its retired employees. The cost of providing such benefits is recognized as expense when payments are made.

13. Retirement Benefits:

Allegheny has defined-benefit retirement plans covering many domestic employees. Benefits for hourly employees generally are based on years of service while benefits for other employees are based on final average earnings, Social Security benefits and years of service. Allegheny's policy is to fund the minimum amount required under ERISA.

Plan assets are held by an independent trustee or, in certain circumstances, by insurance carriers. The plans' assets include cash and cash equivalents, corporate and government bonds, preferred and common stocks, mutual funds, real estate and international equity funds and venture capital limited partnership interests.

In 1986 Allegheny adopted the expense recognition provisions of Statement No. 87 of the Financial Accounting Standards Board, "Employers' Accounting for Pensions," for its U.S. defined-benefit pension plans. As permitted, Allegheny has not yet adopted the provisions of Statement No. 87 which require the recognition of a pension asset and liability on the balance sheet.

Net periodic pension cost for Allegheny's U.S. defined-benefit pension plans included the following components:

	1989 (12 months)	1988 (12 months)	1987 (9 months)
		(In thousands)	
Service cost—benefits earned during the period	$ 1,035	$ 1,202	$ 1,500
Interest cost on projected benefit obligation	15,025	15,388	11,239
Actual return on plan assets	(18,102)	(974)	(12,693)
Net amortization and deferral	7,519	(10,517)	4,980
Net periodic pension cost	$ 5,477	$ 5,099	$ 5,026

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 9.0% and 7.0%, respectively, at October 1, 1989 and 10.0% and 8.0%, respectively, at both October 2, 1988 and September 27, 1987. The weighted average expected long-term rate of return on assets was 10.0% in each of 1989, 1988 and 1987.

The funded status of Allegheny's company-sponsored U.S. defined-benefit plans at October 1, 1989 and October 2, 1988 is as follows:

	Assets Exceed Accumulated Benefits		Accumulated Benefits Exceed Assets	
	1989	1988	1989	1988
	(In thousands)			
Actuarial present value of benefit obligations:				
Vested benefits	$ 15,997	$ 7,806	$ 146,161	$ 147,644
Nonvested benefits	259	481	1,857	1,611
Accumulated benefit obligation	16,256	8,287	148,018	149,255
Effect of assumed increase in compensation levels	731	605	2,797	4,136
Projected benefit obligation for services rendered to date	16,987	8,892	150,815	153,391
Plan assets at fair value	21,515	15,558	110,346	113,239
Projected benefit obligation less than (in excess of) plan assets	4,528	6,666	(40,469)	(40,152)
Unrecognized net gain	(2,169)	(320)	(1,813)	(7,648)
Unrecognized prior service cost	5	164	862	7
Unrecognized net transition (asset) obligation	(3,325)	(3,696)	16,352	17,527
Pension asset (liability) recognized in the consolidated balance sheet	$ (961)	$ 2,814	$(25,068)	$(30,266)

In addition, certain of Allegheny's U.S. operating units provide defined-contribution retirement plans which cover all employees of such operating units. Substantially all contributions to such plans, which amounted to $4,212,000 in 1989, $3,766,000 in 1988, and $1,520,000 in the 1987 nine-month period, are based on the earnings of the operating units.

As permitted, Allegheny has not yet adopted the expense recognition provisions of Statement No. 87 for its non-U.S. plans. These non-U.S. plans are not required to report to governmental agencies pursuant to ERISA and do not determine the present value of nonvested plan benefits. However, for such non-U.S. plans the total of pension fund assets and balance sheet accruals approximated the actuarially determined value of vested benefits at the most recent actuarial valuation dates. Total pension cost for these plans, including contributions to governmental agencies for non-U.S. statutory plans, was $368,000 in 1989, $236,000 in 1988, and $223,000 in the 1987 nine-month period.

The total cost of providing health care and life insurance benefits to currently retired employees amounted to approximately $3,825,000 in 1989, $3,025,000 in 1988, and $1,800,000 in the 1987 nine-month period.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H—Pension Plans

The Company and certain subsidiaries have two defined benefit pension plans covering the majority of full-time employees and several defined benefit plans covering only certain senior executives. Plan benefits are generally based on years of service and employees' average compensation. The Company's policy is to fund the pension plans in amounts which comply with contribution limits imposed by law. Plan assets consist principally of fixed income securities and stocks.

The Company's pension expense was $2,680,000, $1,849,000 and $1,224,000 in 1989, 1988 and 1987, respectively.

Net periodic pension costs consisted of the following components:

Thousands of dollars—year ended December 31	1989	1988	1987
Service cost—benefit earned during the year	$2,220	$1,611	$1,539
Interest cost on projected benefit obligations	4,460	4,328	4,153
Actual (return) loss on plan assets	(7,033)	(4,957)	574
Net amortization and deferral	3,033	867	(5,042)
Net periodic pension costs	$2,680	$1,849	$1,224

Assumptions used in the accounting for the defined benefit plans as of December 31 were:

	1989	1988	1987
Weighted average discount rates	8.75%	9.25%	9.50%
Rates of increase in compensation levels	5.00%	5.00%	6.00%
Expected long-term rate of return on assets	9.50%	9.50%	9.50%

The following table sets forth the funded status of the plan in which assets exceed accumulated benefits:

Thousands of dollars—December 31	1989	1988
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 35,403	$ 29,833
Accumulated benefit obligation	$ 35,954	$ 31,503
Projected benefit obligation	$ 42,746	$ 36,347
Plan assets at fair value	45,130	41,519
Projected benefit obligation less than plan assets	2,384	5,172
Unrecognized net loss	1,962	1,132
Prior service cost not yet recognized in net periodic pension cost	774	
Unrecognized net asset at January 1, 1989 and 1988, respectively, net of amortization	(6,692)	(7,207)
Net pension liability	$(1,572)	$ (903)

The following table sets forth the funded status of the plans in which accumulated benefits exceeds assets:

Thousands of dollars—December 31	1989	1988
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 13,726	$ 10,618
Accumulated benefit obligation	$ 13,765	$ 10,622
Projected benefit obligation	$ 15,640	$ 12,172
Plan assets at fair value	5,581	4,700
Projected benefit obligation in excess of plan assets	(10,059)	(7,472)
Unrecognized net loss (gain)	2,353	(304)
Prior service benefit not yet recognized in net periodic pension cost	(346)	
Unrecognized net obligation at January 1, 1989 and 1988, respectively, net of amortization	5,956	6,510
Adjustment required to recognize minimum liability	(6,088)	
Net pension liability	$(8,184)	$(1,266)

The above disclosures do not include the effect from the La Gloria acquisition. Per the purchase agreement, the La Gloria plans transferred will be fully funded. Based on preliminary information, the effect is not expected to be material to the Company's net pension liability.

The Company provides certain health care and life insurance benefits for eligible retired employees. The Company accounts for and funds the majority of costs of such benefits from continuing operations as they are incurred. The total of such costs charged to continuing operations approximated $500,000 in each of the years 1989, 1988 and 1987.

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

In millions, except for share amounts

N. Pension Plans and Postretirement Benefits

The Company has a defined benefit pension plan which covers substantially all of its U.S. employees. The benefits are based on length of service and the employee's three highest consecutive years of compensation. The Company's funding policy is to contribute annually at a rate that is intended to approximate a level percentage of compensation for the covered employees.

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 8.375 and 6 percent, respectively, for 1989 and 8.75 and 6 percent, respectively, for 1988. The expected long-term rate of return on assets was 8 percent for both years. The funded status and amounts recognized in the Company's statement of financial position at December 31 of 1989 and 1988 for the U.S. plan is as follows:

U.S. Funded Plan at December 31

	1989	1988
Accumulated benefit obligation, including vested benefits of $(1,874) for 1989 and $(1,748) for 1988	$(2,021)	$(1,881)
Projected benefit obligation for services rendered to date	(2,460)	(2,272)
Plan assets at market value, primarily listed stocks and U.S. bonds	2,773	2,267
Plan assets in excess of (less than) projected benefit obligation	313	(5)
Unrecognized transition obligation	87	94
Unrecognized (gain) from experience favorable to assumptions	(379)	(101)
Prior service cost not yet recognized in pension cost	2	3
Prepaid (accrued) pension cost	$ 23	$ (9)

The Company also has an unfunded pension plan for those U.S. employees whose benefits under the plan described above are limited by provisions of the Internal Revenue Code. The projected benefit obligation is $66 for 1989, $68 for 1988. The accumulated benefit obligation of $65 under the plan ($31 in 1988) has been fully accrued.

Combined costs for the two U.S. plans are as follows:

Net Periodic U.S. Pension Cost

	1989	1988	1987
Service cost—benefits earned during the period	$ 54	$ 49	$ 55
Interest cost on projected benefit obligation	203	176	171
Return on assets	(175)	(257)	(142)
Amortization and deferred amounts	12	104	1
Net periodic pension cost	$ 94	$ 72	$ 85

In addition to the net periodic pension cost, in 1988 a pre-tax charge of $62 for the present value of increased monthly pension benefits to certain current Dow retirees in the United States and Canada was included.

The Company has pension plans covering employees in a number of foreign countries as well. The Company has elected to apply Statement of Financial Accounting Standards No. 87 for these pension plans for 1988, using assumptions that are consistent with (but not identical to) those of the U.S. plans (Adoption for the Canadian plans was effective January 1, 1987). The funded status of fully funded, significant defined benefit plans outside the U.S. is:

Foreign Fully Funded Plans at December 31

	1989	1988
Accumulated benefit obligation including vested benefits of $(391) in 1989 and $(351) in 1988	$(399)	$(358)
Projected benefit obligation for services rendered to date	(636)	(581)
Plan assets at market value	770	660
Plan assets in excess of projected benefit obligation	134	79
Unrecognized transition asset	(48)	(55)
Unrecognized (gain) from experience favorable to assumptions	(64)	(15)
Prior service cost not yet recognized in pension cost	4	4
Prepaid pension cost	$ 26	$ 13

Due to differences in pension laws and economics, Company subsidiaries in several countries have defined benefit plans that are at least partially unfunded. These include a supplemental plan in Canada, and plans in Germany and Japan. The funded status of these plans is as follows:

Foreign Partially Funded Plans at December 31

	1989	1988
Accumulated benefit obligation including vested benefits of $(40) in 1989 and $(37) in 1988	$ (45)	$ (41)
Projected benefit obligation for services rendered to date	(103)	(95)
Plan assets at market value	2	2
Projected benefit obligation in excess of plan assets	(101)	(93)
Unrecognized transition obligation	30	32
Unrecognized gain from experience favorable to assumptions	(19)	(10)
Accrued pension cost	$ (90)	$ (71)

Total net periodic pension cost for both groups of foreign pension plans are as follows:

Net Periodic Foreign Pension Cost

	1989	1988
Service cost—benefits earned during the period	$42	$42
Interest cost on projected benefit obligation	45	42
Return on assets	(45)	(42)
Amortization and deferred amounts	(3)	(2)
Employee contributions to the plans	(7)	(6)
Net periodic pension cost	$32	$34

The cost of the foreign retirement plans for 1987 was $41 under APB 8 rules.

Pension plans in the nature of defined contribution plans now cover employees in Spain and United Kingdom. In addition, employees of the Company in the U.S. continue to be eligible to participate in defined contribution plans (Employee Savings Plans) by contributing a portion of their compensation. The Company matches contributions up to specified percentages of covered salaried employees' compensation, depending on Company profit levels. Contributions charged to income for defined contribution plans were $41 in 1989, $33 in 1988 and $21 in 1987.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and life insurance benefits to retired employees. The Company may modify these benefits at any time. The cost of retiree health care and life insurance benefits is recognized as an expense as benefits are paid; in 1989, 1988, and 1987, those costs totaled $43, $39, and $35, respectively.

THE BFGOODRICH COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

Note E: Pensions

BFGoodrich and its subsidiaries have several contributory and non-contributory defined-benefit pension plans covering substantially all employees. Plans covering salaried employees generally provide benefit payments using a formula that is based on employees' compensation and length of service. Plans covering hourly employees generally provide benefit payments of stated amounts for each year of service.

The Company's general funding policy for pension plans is to contribute amounts sufficient to satisfy regulatory funding standards. Provisions of the Omnibus Budget Reconciliation Act of 1987 allow additional tax deductible contributions for underfunded U.S. plans. In January 1990, the Company, under these provisions, made cash contributions of $26.2 for the 1989 plan year, $18.8 of which was not required under ERISA. After giving effect to these contributions, cumulative contributions made by the Company have exceeded the ERISA minimum funding requirements by $26.5. Plan assets for these plans consist principally of corporate and government obligations and commingled funds invested in equities, debt and real estate.

The components of net periodic pension cost for the Company's defined-benefit pension plans are as follows:

	1989	1988	1987
Service cost for benefits earned	$ 7.2	$ 7.4	$ 8.1
Interest cost on projected benefit obligation	46.6	45.7	40.9
Actual return on plan assets	(55.0)	(51.9)	(15.7)
Net amortization and deferral	16.1	18.4	(16.6)
Net pension cost	$14.9	$19.6	$16.7

Curtailment losses of $1.5 for 1989 and $5.2 for 1988, which resulted from dispositions of business units classified as discontinued operations, are not reflected in net pension cost in the preceding table, but are included in "Income (loss) from discontinued operations" in the Consolidated Statement of Income.

The following table sets forth the funded status (based principally on measurement dates of September 30, 1989 and 1988) of the Company's defined-benefit pension plans and amounts recognized in the Consolidated Balance Sheet at December 31, 1989 and 1988:

	1989		1988	
	Plans with Assets Exceeding Accumulated Benefit Obligation	Plans with Accumulated Benefit Obligation Exceeding Assets	Plans with Assets Exceeding Accumulated Benefit Obligation	Plans with Accumulated Benefit Obligation Exceeding Assets
Actuarial present value of accumulated benefit obligation:				
Vested	$ 43.2	$ 425.6	$38.0	$ 373.8
Non-vested	1.2	26.9	1.5	23.6
Accumulated benefit obligation	44.4	452.5	39.5	397.4
Plan assets at fair value	115.1	387.7	97.8	353.3
Plan assets in excess of (less than) accumulated benefit obligation	$ 70.7	$ (64.8)	$58.3	$ (44.1)
Projected benefit obligation	$ 61.7	$507.5	$57.2	$ 439.1
Plan assets at fair value	115.1	387.7	97.8	353.3
Plan assets in excess of (less than) projected benefit obligation	$ 53.4	$(119.8)	$40.6	$ (85.8)
Consisting of:				
Unrecognized transitional asset (liability)	$ 24.2	$ (72.2)	$25.9	$ (81.5)
Unrecognized prior service cost	(.5)	(39.7)	(.5)	(.2)
Unrecognized net gain (loss)	18.5	(7.9)	9.1	9.0
Adjustment required to recognize minimum liability	—	64.8	—	—
Contribution made subsequent to measurement date	—	(1.3)	—	—
Prepaid (accrued) pension cost recognized in the balance sheet	11.2	(63.5)	6.1	(13.1)
Total	$ 53.4	$(119.8)	$40.6	$ (85.8)

Commencing in 1989, Statement of Financial Accounting Standards No. 87—"Employers' Accounting for Pensions" requires recognition in the balance sheet of a minimum pension liability for underfunded plans. The minimum liability that must be recognized is equal to the excess of the accumulated benefit obligation over plan assets. A corresponding amount is recognized as either an intangible asset or a reduction of equity. Pursuant to this requirement, BFGoodrich has recorded, as of December 31, 1989, an additional liability of $64.8, an intangible pension asset of $63.1 and an equity reduction of $1.7.

General benefit improvements granted during 1989 in the Company's principal salary plan are reflected in the 1989 unrecognized prior service cost.

Major assumptions used in accounting for BFGoodrich's defined-benefit pension plans are as follows:

	1989	1988	1987
Discount rate for obligations	9.25%	9.75%	10.0%
Rate of increase in compensation levels	6.0%	6.0%	6.0%
Expected long-term rate of return on plan assets	9.5%	9.5%	9.25%

MARTIN MARIETTA CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note K: Retirement Plans

Martin Marietta and its consolidated subsidiaries sponsor a number of retirement plans which cover substantially all employees. Defined benefit plans for salaried employees provide benefits based on employees' years of service and average compensation for a specified period of time before retirement. Defined benefit plans for hourly paid employees generally provide benefits of stated amounts for specified periods of service.

In connection with its defined benefit pension plans, the Corporation must comply with three principal standards: the Employee Retirement Income Security Act of 1974 (ERISA), which, in conjunction with the Internal Revenue Code, determines legal minimum and maximum deductible funding requirements; U.S. Government Cost Accounting Standards, which in conjunction with Federal Acquisition Regulations, establish rules for determining and measuring contractors' pension costs; and Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" (SFAS 87), which establishes rules for financial reporting.

Prior to implementation of SFAS 87 in 1986, the three principal standards would have resulted in identical amounts; methodologies under the various standards and rules were similar or conceptually consistent. These approaches recognized actuarial cost methods that postulate "ongoing" rather than "terminating" plans, with actuarial assumptions based upon long-term trends.

However, SFAS 87 specifies that certain key actuarial assumptions be adjusted annually to reflect current, rather than long-term, trends in the economy. The result has been significant year-to-year net pension cost fluctuations. This methodology has generated net pension costs which have been outside of the permissable funding range of ERISA.

ERISA was amended effective January, 1988, by the Omnibus Budget Reconciliation Act of December, 1987, (OBRA) to add a new constraint prohibiting funding when a plan's assets exceed a percentage of its "termination" liabilities valued at current interest rates. This amendment impacted the Corporation's funding of pensions in 1989.

As currently structured, the OBRA amendment periodically will frustrate the Corporation's funding policy, which is to stabilize contributions as a percentage of payroll by utilizing the entry-age-normal actuarial cost method with actuarial assumptions selected on the basis of long-term trends. This policy is consistent with CAS, which recognizes that appropriate long-range projections, and not transient measurements, will result in stable contributions for the Corporation and a high level of benefit security for the employee.

The net pension cost of defined benefit plans included the following components (add 000):

	1989	1988	1987
Service cost—benefits earned during the period	$ 68,973	$ 79,799	$ 92,463
Interest cost	120,019	106,462	101,959
Net amortization of other components	(21,288)	(13,721)	(3,407)
Expected return on assets	(150,724)	(132,766)	(117,155)
Net pension cost	$ 16,980	$ 39,774	$ 73,860

Assumptions used as of December 31:	1989	1988	1987
Plan discount rates	6.5%-8.1%	7.8%-9.3%	6.3%-8.4%
Rates of increase in future compensation levels	6.00%	5.25%	5.25%
Expected long-term rate of return on assets	8.0%	7.5%	7.5%

The following table sets forth the defined benefit plans' funded status and amounts recognized in the Corporation's consolidated balance sheet as of December 31 (add 000):

	1989	1988
Actuarial present value of benefit obligations:		
Vested	$1,371,770	$ 965,506
Non-vested	36,978	85,795
Accumulated Benefit Obligation	1,408,748	1,051,301
Effect of estimated future pay increases	574,545	282,725
Projected Benefit Obligation (PBO)	1,983,293	1,334,026
Less plan assets at fair value	2,192,662	1,987,829
Assets in excess of PBO	209,369	653,803
Unrecognized prior service cost	75,972	80,397
Unrecognized net assets	(51,496)	(55,292)
Unrecognized gain	(202,168)	(631,586)
Prepaid pension cost	$ 31,677	$ 47,322

Plan assets at December 31, 1989, are invested principally in listed stocks and bonds or cash equivalents. The Corporation's own common stock accounted for 2% of plan assets.

The Corporation also provides certain life insurance and health care benefits for retired employees. Employees may become eligible for such benefits if employed by the Corporation or one of its consolidated subsidiaries at retirement. The Corporation provides for these benefits by recognizing the costs on a claims-paid basis. These costs were $19,100,000 in 1989, $16,100,000 in 1988, and $14,400,000 in 1987.

During 1989 and 1988, the Corporation made total payments of $84 million to an irrevocable trust established to pay future health benefits to eligible retirees and dependents. Contributions to the trust of $45 million for 1989 and $39 million for 1988 are included in other noncurrent assets at December 31, 1989 and 1988, respectively.

McDONNELL DOUGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Millions of dollars, except share data

Retirement Plans

Substantially all employees of MDC and its subsidiaries are members of defined benefit pension plans, including several multi-employer and foreign plans. In addition, MDC has a supplementary unfunded salaried pension plan to provide those benefits otherwise due employees under the salaried plans' benefit formulas, but which are in excess of benefits permitted by the Internal Revenue Code to be covered under the salaried plans. Benefits for salaried plans are based primarily upon salary and years of service while benefits for hourly plans are based upon a fixed dollar amount per year of service.

MDC measures pension cost and makes contributions to its significant domestic pension plans based upon independent actuarial valuations. The projected unit credit actuarial method is used to determine pension cost for financial accounting purposes consistent with the adoption by MDC of the provisions of Statement of Financial Accounting Standards (SFAS) No. 87, *Employers' Accounting for Pensions*, at the beginning of 1987. Funding levels and pension cost allocable to government contracts are determined by the entry age normal actuarial method and are not affected by this Standard.

Assumptions used in determining net periodic pension expense (income) and the actuarial present value of benefit obligations for the significant domestic plans were:

Years Ended December 31	1989	1988
Discount rate:		
Pension expense	9.0%	8.5%
Benefit obligations	8.5%	9.0%
Average rates of increase in compensation based upon age—salaried plans	6.8% to 7.0%	6.2% to 6.9%
Expected rate of return on plan assets	8.0%	8.0%

Components of periodic pension expense (income) for the significant domestic plans were:

Years Ended December 31	1989	1988	1987
Service cost for the year	$ 122	$ 123	$ 120
Interest cost on pension benefit obligation	289	273	255
Expected return on plan assets (actual returns—1989, gain $981; 1988, gain $770; 1987, loss $124)	(400)	(383)	(378)
Amortization of transition asset	(106)	(106)	(109)
	(95)	(93)	(112)
Foreign and other plans	14	11	9
	$ (81)	$ (82)	$(103)

An analysis of the funded status of the significant domestic plans follows:

December 31	1989	1988
Plan assets, at fair value, principally marketable fixed-income and equity securities	$5,887	$5,099
Actuarial present value of benefit obligations:		
Vested	$2,935	$2,566
Accumulated	$3,290	$2,911
Projected	$3,848	$3,334
Plan assets in excess of projected benefit obligations	$2,039	$1,765
Items not yet recognized in earnings:		
Unamortized net asset	1,308	1,415
Deferred net gain	452	171
	279	179
Foreign plans	7	3
Prepaid pension asset	$ 286	$ 182

MDC has no intention of terminating any of its pension plans. However, if a qualified defined benefit pension plan is terminated and all accrued liabilities to employees and their beneficiaries are satisfied, all remaining assets in the plan's trust revert to the employer (except in certain limited circumstances where a change in control has occurred within the five-year period preceding the termination), with the following consequences: First, a nondeductible 15% excise tax upon the gross amount of the reversion is imposed. Second, the Department of Defense and other Government contracting agencies have issued a regulation which indicates that the Government is entitled to its equitable share, to the extent that the Government participated in pension costs through their contracts with MDC. Third, as under prior law, any amount that the employer then retains is treated as taxable income.

MDC and certain of its subsidiaries provide health care and life insurance benefits for retired employees. Substantially all employees become eligible for those benefits if they reach normal retirement age while still employed. At the election of the retiree, benefits are provided through insurance companies, whose premiums are based on the benefits paid during the year, or health maintenance organizations. MDC expenses the cost of these plans ($89 million for 1989, $76 million for 1988, and $68 million for 1987) in the periods in which the benefits are provided the retirees.

NEWELL CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Employee Benefit Retirement Plans

The Company and its subsidiaries have noncontributory pension and profit sharing plans covering substantially all employees. Pension plan benefits are generally based on years of service and compensation during final years of employment. The Company's funding policy is to contribute at least the minimum amounts required by the Employee Retirement Income Security Act of 1974 or additional amounts to assure that plan assets will be adequate to provide retirement benefits. Due to the overfunded status of most of the pension plans, contributions to these plans were minimal during the past three years, and are projected to be minimal for the foreseeable future.

Total expense under all pension and profit sharing plans was $1,901,000, $4,139,000 and $2,414,000 for the years ended December 31, 1989, 1988 and 1987, respectively. Included in Other Assets at December 31, 1989, 1988 and 1987 is a prepaid pension asset of $46,408,000, $44,171,000 and $39,457,000, respectively. This asset principally consists of a pension asset initially recorded at the date of the Anchor Hocking acquisition equal to the excess of the plan assets over the projected benefit obligations of the assumed Anchor Hocking pension plans.

The following table sets forth the funded status of the U.S. pension plans and the amounts recognized in the Company's Consolidated Balance Sheets:

	Plans Whose Assets Exceed Accumulated Benefits		Plans Whose Accumulated Benefits Exceed Assets	
	1989	1988	1989	1988
	(In thousands)			
Actuarial present value of Benefit obligations:				
Vested	$271,297	$252,173	$ 18,867	$ 17,739
Nonvested	11,414	11,425	3,610	4,687
Accumulated benefit obligation	282,711	263,598	22,477	22,426
Effect of projected future salary increases	2,976	9,105	506	3,186
Projected benefit obligation	285,687	272,703	22,983	25,612
Plan assets at market value (primarily common stock and fixed income investments)	362,826	318,832	8,492	12,712
Plan assets in excess of (less than) projected benefit obligation	77,139	46,129	(14,491)	(12,900)
Unrecognized net asset at January 1, 1987, net of amortization	(17,068)	(18,344)	1,940	2,097
Unrecognized net (gain) loss	(7,949)	20,777	2,283	2,843
Net pension asset (liability) recognized in the Consolidated Balance Sheets	$ 52,122	$ 48,562	$(10,268)	$ (7,960)

Because of the significant overfunded status of the U.S. pension plans, pension income of $143,000, $237,000 and $257,000 was recorded in 1989, 1988 and 1987, respectively. Pension expense for 1990 is also estimated to be minimal. Based on present conditions, the Company projects that pension expense for several years after 1990 will also be relatively immaterial, unless there is either a significant reduction in the market value of the plan assets or a substantial increase in benefits allowed under the plans.

The net periodic pension cost components for the U.S. pension plans were as follows:

	1989	1988	1987
		(In thousands)	
Service cost-benefits earned during the year	$ 5,888	$ 5,195	$ 4,157
Interest cost on projected benefit obligation	25,117	25,079	14,259
Actual return on assets	(18,117)	(5,393)	(15,506)
Net amortization and other components	(13,031)	(25,118)	(3,167)
Total U.S. pension plan (income)	$ (143)	$ (237)	$ (257)

The principal actuarial assumptions used for 1989, 1988 and 1987 were:

Measurement of projected benefit obligation:	
Discount rate	9%
Long-term rate of compensation increase	5%
Long-term rate of return on plan assets	9%

Minimum Liability Recognized

LACLEDE STEEL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Employee Benefits:

A summary of the funded status of the plans is as follows (thousands of dollars):

	December 31			
	1989		1988	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of accumulated benefit obligation:				
Vested	$(36,304)	$ (92,662)	$(35,688)	$(82,972)
Non-Vested	(1,740)	(6,149)	(1,548)	(5,227)
Total	$(38,044)	$ (98,811)	$(37,236)	$(88,199)
Projected benefit obligation	$(39,366)	$(100,518)	$(38,303)	$(89,144)
Plan assets at fair value	45,724	67,076	41,397	57,095
Projected benefit obligation (in excess of) or less than plan assets	6,358	(33,442)	3,094	(32,049)
Unrecognized net obligation at transition date, January 1, 1987	(2,745)	22,782	(2,959)	24,667
Unrecognized (gains) and losses, net	(4,720)	(7,448)	(3,154)	(4,230)
Unrecognized prior service cost	12	9,208	12	—
Adjustment required to recognize minimum liability	—	(22,835)	—	—
Accrued pension cost recorded on balance sheet	$ (1,095)	$ (31,735)	$ (3,007)	$(11,612)

The increase in 1989 in net periodic pension cost and unrecognized prior service cost is primarily attributable to increased hourly pension benefits negotiated as part of the Alton Plant Labor Agreement with the United Steelworkers of America effective October 1, 1989.

In accordance with FASB Statement No. 87 "Employers' Accounting for Pensions," at December 31, 1989 the Company has recorded an additional minimum pension liability for underfunded plans of $22,835,000 representing the excess of unfunded accumulated benefit obligations over previously recorded pension cost liabilities. Also, as provided for in Statement No. 87, an equal amount has been recorded as an intangible asset.

The projected benefit obligations at December 31, 1989 and 1988 were determined using an assumed discount rate of 9.5%. The assumed discount rate is based on market conditions and reflects annuity purchase rates available to theoretically settle plan obligations. In 1989, 1988 and 1987, for all plans other than the Alton Plant Hourly Employees' Plan, the assumed rate of increase in compensation levels was 4.5%. Before the 1989 Labor Agreement future retirement benefits for Alton hourly workers were based on the job most frequently worked during employment rather than an employee's compensation level. Reflecting the new Labor Agreement, in which future pension benefits will be based on employee compensation levels, in 1989 a 3% rate of increase in compensation was assumed for the first four years and 1% thereafter. The weighted average assumed long-term rate of return on the market-related value of plan assets was approximately 11.8% for all years, reflecting the performance on fund investments which consist of common stocks and fixed income securities.

The Company maintains a profit sharing thrift plan covering a majority of its saiaried employees. Company contributions for 1989, 1988 and 1987 amounted to $1,141,000, $1,191,000 and $995,000, respectively.

MACK TRUCKS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Reclassification and Accounting Changes

Effective January 1, 1989, the Company was required to adopt the additional minimum liability and non-U.S. pension plan provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pension." The additional minimum liability provision pertains only to underfunded defined benefit pension plans. Accordingly, an additional minimum liability of $22,793,000, an intangible asset of $18,992,000 and an equity reduction of $3,801,000 were recorded at December 31, 1989. See Note 11.

Certain amounts in the accompanying financial statements for the years ended December 31, 1988 and 1987, have been reclassified to conform with 1989 classifications.

11 (In Part): Post Retirement Benefits

Effective January 1, 1989, the Company was required to adopt the additional minimum liability provision of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" (FAS 87). Also, the defined benefit retirement income plans of the Company's Canadian subsidiary are now required to be accounted for in accordance with FAS 87.

Net pension expense (income) included the following components:

	1989	1988	1987
		in thousands	
Service cost-benefits earned during the period	$ 5,691	$ 5,401	$ 8,062
Interest cost on projected benefit obligation	37,785	36,384	36,906
Actual return on assets	(70,071)	(43,630)	(7,543)
Net amortization and deferral	26,066	3,438	(34,317)
Net pension expense (income)	$ (529)	$ 1,593	$ 3,108

Additionally, in 1987, there was a net gain of $5,101,000 resulting from the layoff of a significant number of employees in that year. Also, a special early retirement program was offered to domestic employees meeting certain age and service requirements in 1987. The cost of this 1987 program, $12,537,000, was provided for as part of a charge for termination and restructuring costs in a prior year.

The following table sets forth the funded status of the retirement income plans and the amounts recognized in the Company's consolidated balance sheets at December 31, 1989 and 1988:

	1989		1988	
	in thousands			
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligation	$ 96,317	$267,622	$ 84,788	$257,072
Accumulated benefit obligation	$112,069	$317,117	$ 99,141	$296,951
Projected benefit obligation	$116,980	$317,117	$103,156	$296,951
Plan assets at fair value	147,454	304,266	116,478	277,545
Projected benefit obligation (in excess of) less than plan assets	30,474	(12,851)	13,322	(19,406)
Unrecognized net loss	7,319	18,190	9,698	19,515
Unrecognized net transition asset	(34,174)	(14,389)	(29,605)	(15,782)
Unrecognized prior service cost	356	18,992	350	20,718
Additional minimum liability	—	(22,793)	—	—
Prepaid pension asset (liability)	$ 3,975	$ (12,851)	$ (6,235)	$ 5,045

One domestic retirement income plan is in an underfunded position at December 31, 1989. An additional minimum liability is required to recognize this underfunded position. An intangible asset equal to the unrecognized prior service cost is also recorded. Since the additional minimum liability exceeds the unrecognized prior service cost, the excess is reported as a reduction of equity.

H. H. ROBERTSON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Retirement Benefits

The Company and its subsidiaries have various defined contribution and defined benefit pension plans covering substantially all of its U.S. employees and employees in certain foreign countries. The Company also participates in numerous multi-employer plans which are administered by unions and provide defined benefits to employees covered under construction industry collective bargaining agreements.

U.S. salaried employees are covered by a defined contribution plan which provides for contributions based primarily on compensation levels. The Company funds its contributions to these plans as accrued. Plan assets are invested in guaranteed investment contracts and mutual funds. Prior to January 1, 1989, the Company also contributed 4% of eligible compensation to its U.S. salaried employees to an ESOP. The assets of the ESOP are invested in the Company's common stock.

Benefits provided under the Company's defined benefit pension plans are primarily based on years of service and the employee's compensation. The Company's funding policy is to contribute an amount annually based upon actuarial and economic assumptions designed to achieve adequate funding of projected benefit obligations. Plan assets are invested in broadly diversified portfolios of government obligations, mutual funds and fixed income and equity securities.

Effective January 1, 1989 the Company adopted, for all significant defined benefit pension plans outside North America, Statement of Fianncial Accouting Standards No. 87 (SFAS No. 87), "Employers Accounting for Pensions." This standard was previously adopted in 1987 for the Company's United States and Canadian plans. Adoption of the statement, which is accounted for prospectively without adjustments to prior years, increased net income by approximately $1,800,000, or $.28 per share in 1989. For years prior to 1989, pension expense for foreign plans is reported under the previous accounting principles.

In addition, in accordance with the provisions of SFAS No. 87, the Company recorded during 1989 $1,902,000 as an additional minimum pension liability for its U.S. plans. This liability is offset by a $1,791,000 intangible asset and a $111,000 direct reduction of shareholders' equity.

U.S. and Canadian Plans

Net pension cost for continuing operations for 1989, 1988 and 1987 consisted of the following:

(Thousands)	1989	1988	1987
Service cost-benefits earned during the year	$ 418	$ 314	$ 264
Interest cost on projected benefit obligation	3,330	2,753	2,682
Actual return on assets	(4,467)	(2,190)	(1,401)
Net amortization and deferral	999	(785)	(906)
Net pension cost	$ 280	$ 92	$ 639

The following table sets forth the aggregate funded status of the U.S. and Canadian defined benefit plans at December 31, 1989 and 1988:

(Thousands)	1989 Plans With Assets Exceeding Accumulated Benefits	1989 Plans With Accumulated Benefits Exceeding Assets
Actuarial present value of benefit obligation:		
Vested benefit obligation	$10,855	$25,546
Non-vested benefit obligation	975	521
Accumulated benefit obligation	11,830	26,067
Excess of projected benefit obligation over accumulated benefit obligation	1,004	103
Projected benefit obligation	12,834	26,170
Plan assets at fair value	20,065	14,379
Projected benefit obligation (in excess of) or less than plan assets	7,231	(11,791)
Unrecognized net loss	83	32
Remaining unrecognized net transition (asset) obligation	(4,371)	1,936
Adjustment required to recognize minimum liability	—	(1,902)
Prepaid (accrued) pension cost recognized in the consolidated balance sheet	$ 2,943	$(11,725)

(Thousands)	1988 Plans With Assets Exceeding Accumulated Benefits	1988 Plans With Accumulated Benefits Exceeding Assets
Actuarial present value of benefit obligation:		
Vested benefit obligation	$ 9,292	$ 26,867
Non-vested benefit obligation	836	662
Accumulated benefit obligation	10,128	27,529
Excess of projected benefit obligation over accumulated benefit obligation	837	667
Projected benefit obligation	10,965	28,196
Plan assets at fair value	17,185	16,424
Projected benefit obligation (in excess of) or less than plan assets	6,220	(11,772)
Unrecognized net loss	514	657
Remaining unrecognized net transition (asset) obligation	(4,949)	1,459
Prepaid (accrued) pension cost recognized in the consolidated balance sheet	$ 1,785	$ (9,656)

Defined Contribution Plans

THE DURIRON COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 (In Part): Retirement Benefits

The Company also sponsors several defined contribution pension plans. Domestic and Canadian salaried and certain hourly employees, other than at Valtek, may be eligible to participate in thrift and savings plans. Eligible employees may contribute up to 6% of base compensation to these plans and these contributions are matched by the Company. The Company contributes an amount equal to 25% of each employee's contribution and an additional contribution of 5% to 35% if the Company's consolidated return on shareholders' equity exceeds 9%. During 1989 and 1988, the Company made an additional contribution of 35%; and during 1987, the Company made an additional contribution of 5%. Employees may contribute an additional 10% of base compensation to these plans which is not matched by the Company.

Valtek has a profit sharing 401(k) plan covering substantially all of its domestic employees. Eligible employees may contribute up to 6% of their compensation to this plan and their contributions are matched by Valtek. Valtek has agreed to contribute an amount equal to 50% of each employee's contribution. Employees may contribute an additional 4% of compensation to the plan which is not matched by Valtek.

Defined contribution pension expense for the Company was $1,251,000, $1,084,000 and $639,000 for 1989, 1988 and 1987, respectively.

KELLY SERVICES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands)

Retirement Benefits

Effective December 31, 1988, the Company terminated its defined benefit pension plan which covered substantially all full-time employees. All participants became fully vested upon plan termination and nonparticipating annuity contracts were purchased in 1989, together with certain cash payments, to settle benefit obligations. A curtailment gain of $700 was recognized in 1988 and a settlement gain of $1,600 was recognized in 1989 when the final distribution was made to the participants. The amount included in prepaid expenses in 1988 of $2,042 was realized upon final distribution in 1989.

Effective January 1, 1989, the Company adopted a new, qualified noncontributory defined contribution plan which covers substantially all full-time eligible employees. Contributions are determined as a percent of each covered employee's salary and are funded as accrued. Officers and certain other eligible employees will be covered by a non-qualified, unfunded arrangement which, when formally adopted, will also become effective January 1, 1989.

The cost of retirement benefits totaled $1,926 in 1989, $867 in 1988 and $643 in 1987.

VARIAN ASSOCIATES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Plans

The Company has several defined contribution retirement plans covering substantially all of its employees. Total pension expense amounted to $18.3 million for fiscal 1989, $15.0 million for fiscal 1988, and $13.5 million for fiscal 1987. The major obligation is to contribute an amount based on a percentage of each participant's base pay. The Company also contributes 5% of its consolidated earnings from continuing operations before taxes, as adjusted for discretionary items, as retirement plan profit sharing. Participants are entitled, upon termination or retirement, to their vested portion of the retirement fund assets, which are held by a third-party trustee.

Supplemental Retirement Plans

AMERICAN MEDICAL INTERNATIONAL, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Retirement Plans

In addition, the Company has a nonfunded supplemental retirement plan for Company executives. Expenses relating to this plan for fiscal 1989, 1988 and 1987 were approximately $2,900,000, $1,900,000 and $1,600,000, respectively. As of August 31, 1989 and 1988, the liability related to this plan was $12,100,000 and $7,500,000, respectively. The remaining unrecognized net obligation at August 31, 1989 being recognized over 14 years is $3,400,000 and unrecognized prior service costs of $4,000,000 are being recognized over 4 years. The unrecognized loss as of August 31, 1989 was $700,000.

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation for the supplemental retirement plan and the pension plans was 10 percent and 11 percent for the years ended August 31, 1989 and 1988, respectively. The rates of increase in future compensation levels used for the supplemental retirement plan and the pension plans were 8 percent and 5 percent, respectively, in fiscal 1989 and fiscal 1988. The expected long-term rate of return on assets was 10.5 percent in fiscal 1989 and fiscal 1988 for the pension plans. Unrecognized prior service cost and unrecognized net transition obligation for the pension plans are being amortized over 9 years and 15 years, respectively, from the date that the obligations arose.

BMC INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share amounts)

9. (In Part): Pension and Profit Sharing Plans

The Company maintains a noncontributory profit sharing plan covering substantially all of its domestic salaried employees and those domestic hourly employees not covered by a pension plan or retirement fund described below. Under the terms of the profit sharing plan, the Company makes an annual minimum contribution equal to 3% of participants' wages, with the potential for an additional discretionary contribution depending upon the Company's performance, including profitability. Provisions of the plan include 100% vesting after five years of continuous service and benefits payable upon retirement, total disability or death.

One domestic operation has a noncontributory defined benefit pension plan for its hourly employees. Benefits payable under the plan are based upon various monthly amounts for each year of credited service. The Company's funding policy meets or exceeds the funding requirements of federal laws and regulations. The projected benefit obligation was determined using an assumed discount rate of 8%. The assumed long-term rate of return on plan assets, invested almost exclusively in a short-term investment fund, was 7%.

On January 12, 1989, the Company's Board of Directors authorized the adoption, effective as of January 1, 1989, of a supplemental retirement plan for corporate and operations management over 45 years of age. Benefits payable under the plan are based upon the participant's average base salary near retirement and years of credited service after age 45, reduced by payments under qualified profit sharing and defined benefit pension plans maintained by the Company. The Company's funding policy is to maintain plan assets approximately equal to the vested benefit obligation. The projected benefit obligation was determined using an assumed discount rate and an assumed rate of increase in future compensation levels of 8% and 5%, respectively. The assumed long-term rate of return on plan assets, invested in high quality commercial paper, was 7%.

Pension costs for the above two plans included the following components:

Years Ended December 31,	1989	1988	1987
Service cost for benefits earned during the year	$157	$ 67	$ 72
Interest cost on projected benefit obligation	132	71	63
Actual return on plan assets	(70)	(18)	—
Net amortization and deferral	70	6	14
Pension cost	$289	$126	$149

The following is a summary of the funded status of the above two plans at December 31:

	1989	1988
Actuarial present value of:		
Vested benefit obligation	$(1,560)	$ (885)
Accumulated benefit obligation	$(1,697)	$(1,012)
Projected benefit obligation	$(1,920)	$(1,012)
Plan assets at fair value	1,302	702
Projected benefit obligation in excess of plan assets	(618)	(310)
Unrecognized net (gain)	(98)	(104)
Unrecognized prior service cost	589	—
Unrecognized transition amount	69	75
Accrued pension cost	$ (58)	$ (339)

BEMIS COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Pension Plans:

The Company also sponsors an unfunded supplemental retirement plan to provide senior management with benefits in excess of limits under the federal tax law and increased benefits to reflect a service adjustment factor. At December 31, 1989 the projected benefit obligation of this plan totaled $3,764,000 of which $1,450,000 is the unrecognized net obligation. Pension expense for this plan was $853,000 in 1989, $856,000 in 1988, and $645,000 in 1987.

DUPLEX PRODUCTS INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Key Employee Benefit Plans (In Part):

During 1989, the Company adopted an unfunded supplemental executive retirement plan for certain key executives. The plan provides for benefits which supplement those provided by the Company's other retirement plans. At October 28, 1989, the projected benefit obligation of the plan totaled $1,070,000, of which $886,000 is the net unrecognized obligation. The expense for this plan in 1989 was $184,000.

Multiemployer Plans

LEGGETT & PLATT, INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

G (In Part): Employee Benefit Plans

Contributions to union sponsored, multiemployer pension plans were $217,000, $284,000 and $271,000 in 1989, 1988 and 1987, respectively. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts. As of 1989, the actuarially computed values of vested benefits for these plans were equal to or less than the net assets of the plans. Therefore, the Company would have no withdrawal liability. However, the Company has no intention of withdrawing from any of these plans, nor has the Company been informed that there is any intention to terminate such plans.

UNIVAR CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Pension Plans

Certain employees are covered under union-sponsored collectively bargained defined benefit plans. Expenses for these plans were $607,000 in 1989, $496,000 in 1988 and $429,000 in 1987, as determined in accordance with negotiated labor contracts.

Provisions of the Multi-Employer Pension Amendments Act of 1980 require participating employers to assume a proportionate share of a multi-employer plan's unfunded vested benefits in the event of withdrawal from or termination of such plan. Information concerning the Corporation's share of unfunded vested benefits is not available from plan administrators. Provisions of the Act may have the effect of increasing the level of contributions in future years.

Plan Terminations/Settlements

COURIER CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

E (In Part): Retirement Plans

The Company and its consolidated subsidiaries maintain various retirement plans covering substantially all of its employees. Pension costs of union plans consist of defined contributions determined in accordance with the respective collective bargaining agreements. On December 31, 1988, the Company and its wholly-owned subsidiaries terminated their existing pension plans for non-union employees replacing them with the Courier Employee Stock Ownership Plan (ESOP) and the Courier Profit Sharing and Savings Plan.

The accrued benefits of employees under the terminated plans were preserved through the purchase of individual annuity contracts in March 1989. The termination of the pension plans and subsequent purchase of annuities resulted in a pretax settlement gain of approximately $3.0 million included in 1989 in the accompanying financial statements. Approximately $2.1 million of excess pension assets were used to fund the ESOP. The remainder of the excess pension funds of approximately $5.4 million will be reverted to the Company during fiscal 1990 and is included in the accompanying balance sheet under "other current assets."

The new retirement program provides that active employees who were members of the previous retirement plans at December 31, 1988 automatically became participants in the new program. In general, other non-union employees become participants after completing at least one year of eligible service and attaining age 21.

The ESOP was established effective November 1, 1988. The plan was funded with approximately $2.1 million reverted from the excess pension assets of the terminated plans. These funds were used to purchase 98,604 shares of Company common stock during the year. Under the provisions of the Internal Revenue Code, the shares of Courier stock purchased by the ESOP with funds reverted from the terminated pension plans are required to be allocated to participants of the ESOP over a period not to exceed eight years. The ESOP will allocate shares of Company common stock to participants annually based on their compensation as defined in the plan. In June 1989, 2,839 shares were allocated to participants representing the contribution for the period November 1, 1988 to December 31, 1988. Unallocated shares held by the ESOP are included in treasury stock in the accompanying financial statements.

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The table below summarizes the major components which contributed to the credits under the Company's defined benefit plans:

	Fiscal Year 1989	1988	1987
Benefits earned during the period	$ 21,000	$ 257,000	$ 230,000
Interest cost on projected benefit obligation	552,000	1,119,000	1,215,000
Actual return on pension assets	(831,000)	243,000	(2,410,000)
Net amortization and deferral	(214,000)	(2,442,000)	278,000
NET CREDIT	$(472,000)	$ (823,000)	$ (687,000)

The following assumptions were used to determine the annual retirement costs and projected benefit obligations for the Company's principal defined benefit plans prior to their termination.

Weighted average discount rate	8.5%
Assumed annual increase in compensation levels	5.5%
Long-term rate of return on plan assets	8.5%

As discussed more fully above, during fiscal year 1989 the Company terminated its defined benefit pension plans and preserved the accrued benefits of the participants through the purchase of individual annuity contracts in March 1989. The credit for fiscal 1989 reflects the benefit recognized prior to the annuity purchases in March.

MELVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Plans

Prior to the restructuring of its employee long-term benefit plans, the Company and its subsidiaries maintained several qualified defined benefit pension plans covering substantially all full-time employees at certain divisions. On June 21, 1989, the Board of Directors authorized the termination of these defined benefit plans effective on August 31, 1989.

Participants in such plans became fully vested as of such termination date. As a result of the termination of the defined benefit plans, and after the settlement of the liability to plan participants through the purchase of nonparticipating annuity contracts or lump-sum rollovers into the new 401(k) Profit Sharing Plan, the Company recorded a nonrecurring gain of approximately $4,000,000 which was the amount of plan assets that reverted to the Company. This was accounted for in accordance with Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits."

The weighted average discount rates used in determining the actuarial present value of projected benefit obligations were 9.3% at December 31, 1989 and 1988 respectively, and 8.75% at December 31, 1987. The assumed rate of increase in future compensation levels and the rate of return on plan assets were 5.5% for 1988 and 8.0% for 1987.

Net pension expense under these plans amounted to $250,000 in 1989, $5,238,000 in 1988 and $5,580,000 in 1987 and was comprised of the following components:

($ in thousands)	1989	1988	1987
Service costs—benefits earned during the period	$ 14	$5,461	$6,518
Interest on projected benefit obligations	10,650	8,499	6,869
Actual return on plan assets	(10,060)	(6,961)	(8,563)
Amortization and deferral, net	(354)	(1,761)	756
Net pension expense	$ 250	$5,238	$5,580

The Company had been funding the plans following minimum funding standards under ERISA. The interest rate assumption used in determining the required funding was 6.5% for 1988 and for 1987.

The following summarizes the funded status of the pension plans and the related amounts recognized in the Company's consolidated balance sheets at December 31:

($ in thousands)	1988
Actuarial present value of accumulated benefit obligations:	
Vested	$ 59,702
Nonvested	12,174
Total	71,876
Projected benefit obligations	(99,143)
Plan assets at fair value, primarily listed stocks and fixed income securities	108,269
Plan assets in excess of projected benefit obligations	9,126
Unrecognized net (assets/gains) at transition	(18,016)
Unrecognized prior service costs	6,541
Unrecognized net loss from experience	2,526
Prepaid pension expense	$ 177

NACCO INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Q (In Part): Postretirement Benefits

The Company maintains various pension plans covering its employees. Benefits under the plans are based on years of service and average compensation during certain periods. The Company's funding policy is to contribute within the range allowed by the applicable regulations. Contributions to the various plans for 1989 and 1988 were $4.4 million and $1.0 million, respectively. Plan assets are primarily publicly traded stocks and government and corporate bonds.

Effective December 31, 1989, a coal mining subsidiary terminated its pension plan covering salaried employees. Active participants in the terminated plan will be covered under a pension plan of other mining operations, which will provide the same benefits. All vested retirement benefits accrued under the terminated plan will be provided through an annuity contract purchased from a major insurance company. The pension plan's excess assets of approximately $12.7 million were returned to the Company following the purchase of the annuity contract and the payment of taxes.

A pre-tax gain of $14.5 million from the termination of the plan was recorded during the fourth quarter of 1989 (included in other income (expense) in the accompanying consolidated statements of income), which increased net income by $7.3 million, or $0.82 per share.

The following is a detail of consolidated net periodic pension expense (income):

	Year ended December 31			
	1989		1988	1987
	U.S. Plans	U.K. Plans		
Service cost	$3,187	$ 545	$ 2,119	$ 2,003
Interest cost on projected benefit obligation	4,556	631	3,472	2,668
Actual return on plan assets	(12,440)	(2,329)	(6,165)	(2,089)
Net amortization and deferral	4,831	1,439	(288)	(2,701)
Net periodic pension expense (income)	$ 134	$ 286	$ (862)	$ (119)

OXFORD INDUSTRIES, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I (In Part): Retirement Plans:

On September 6, 1988, the Board of Directors authorized the termination of the Company's non-contributory defined benefit plan which covered substantially all full-time employees. The termination was effective December 31, 1988, and participants in the plan became fully vested on that date. Accordingly, the Company recorded a pretax curtailment gain of $2,973,000 in the fourth quarter of 1989. The effect of this recognition was to increase net earnings by approximately $1,500,000 or $.15 per share. The settlement of the vested accumulated benefit obligation by the purchase of annuity contracts for or lump-sum payments to each covered employee will be completed in fiscal 1990. This action will result in a settlement gain or loss, but this amount is not expected to be material.

During 1988, the Company adopted the provisions of Statement of Financial Accounting Standards No. 87. The plan's funded status and the amounts recognized in the accompanying financial statements as of June 2, 1989 and June 3, 1988 were as follows:

$ in thousands	June 2, 1989	June 3, 1988
Actuarial present value of accumulated plan benefits:		
Vested	$23,985	$12,751
Non-vested		2,121
Accumulated benefit obligation	23,985	14,872
Effect of projected future compensation levels		5,813
Projected benefit obligation	23,985	20,685
Plan assets at fair value	27,205	27,377
Plan assets in excess of projected benefit obligation	3,220	6,692
Unrecognized net asset upon adoption of S.F.A.S. No. 87	(10,084)	(11,159)
Unrecognized net loss	9,878	4,573
Curtailment gain recognized	(2,973)	
Prepaid pension cost	$ 41	$ 106

Pension expense (income) for 1989 and 1988 consisted of the following:

$ in thousands	1989	1988
Service cost of benefits earned	$ 1,038	$ 1,848
Interest cost on projected benefit obligation	1,827	1,706
Actual return on plan assets	(2,142)	(2,585)
Amortization of unrecognized net assets upon adoption	(1,075)	(1,075)
Amortization of unrecognized losses	417	
Pension expense (income)	$ 65	$ (106)

UNOCAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Retirement Plans

The company and its subsidiaries have several noncontributory retirement plans covering substantially all employees. Plan benefits are primarily based on years of service and employees' compensation near retirement.

All U.S. plans are administered by corporate trustees and contributions to the trustees are intended to provide for benefits attributed to service to date and for those expected to be earned in the future. There was no company contribution to the principal U.S. plan during the years 1987 through 1989 as plan assets substantially exceeded the pension obligations. At year-end 1989, plan assets principally consist of equity securities, U.S. government and agency issues, and cash.

During 1989 and 1988, the company converted certain retiree annuity contracts from participating contracts to nonparticipating contracts which relieved the company of future benefit obligations related to the retirement annuity payments. As a result, the company recognized pretax gains of $18 million and $21 million in 1989 and 1988, respectively, in pension income for the partial settlement of obligations. In addition, the company recorded a pretax gain of $14 million for settlements of obligations related to the formation of UNOVEN and the shut-down of the Beaumont Refinery in 1989.

Plan Adopted By Initial Public Offering Companies

BURLINGTON RESOURCES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Pension Plans

The Company's pension plans are non-contributory defined benefit plans covering substantially all employees. The benefits are based on years of credited service and highest five-year average compensation levels. Contributions to the plans are based upon the Projected Unit Credit actuarial funding method and are limited to amounts that are currently deductible for tax purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. During 1988 and prior years, the Company was part of the consolidated BNI pension plans. The Company's pension expense was $9 million and $6 million for 1988 and 1987, respectively.

Effective January 1, 1989, the Company established its own plans and separate plan asset portfolios. The following table sets forth the funded status of the new plans and net prepaid pension cost including amounts for Plum Creek, L.P. and Glacier Park participants.

	December 31, 1989	January 1, 1988
	(In Thousands)	
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $424,436 and $368,769	$432,238	$375,937
Projected benefit obligation for service to date	$528,054	$462,213
Plan assets, primarily marketable equity and debt securities, at fair value	(529,545)	(472,345)
Plan assets in excess of projected benefit obligation	(1,491)	(10,132)
Unrecognized net gain	19,542	20,715
Unamortized net transition obligation	(46,335)	(52,044)
Net prepaid pension cost	$(28,284)	$(41,461)

	Year Ended December 31, 1989
	(In Thousands)
Pension cost for the plans includes the following components:	
Service cost—benefits earned during the period	$ 9,534
Interest cost on projected benefit obligation	45,200
Actual return on plan assets	(43,545)
Net amortization and deferred amounts	5,153
Net pension cost	$16,342

The projected benefit obligation was determined using a weighted average discount rate of 9 percent and 10 percent in 1989 and 1988, respectively, and a rate of increase in future compensation levels of 6 percent. The expected long-term rate of return on plan assets was 10 percent.

During March 1990, Plum Creek, L.P. will establish its own pension plans and the Company will separate plan asset portfolios according to actuarial determinations. As a result of the separation of the plans, approximately $20 million of plan assets and projected benefit obligation will be transferred to the pension plan of Plum Creek, L.P.

COCA-COLA ENTERPRISES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension Plans

The Company sponsors various pension plans, participates in certain multi-employer pension plans and through December 30, 1988, participated in a master pension plan sponsored by The Coca-Cola Company (the "Master Pension Plan"). Effective January 1, 1989, the Company adopted the Coca-Cola Enterprises Inc. Employees' Pension Plan and Trust (the "Pension Plan"), a qualified defined benefit plan to cover substantially all salaried and certain nonunion hourly employees. Most of these employees were previously covered by other company-sponsored plans or the Master Pension Plan. The Pension Plan assumed all liabilities with respect to current employees of the Company who were active participants in the Master Pension Plan on December 31, 1988. In addition to the liabilities assumed, assets were transferred to the Pension Plan from the Master Pension Plan based upon the present value of accrued benefits of active Company employees compared to the total present value of accrued benefits of all participants in the Master Pension Plan.

The Company's pension plans cover substantially all of the Company's employees. The Company's funding policy is to contribute amounts to the plans sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as management may determine to be appropriate. The benefits related to company-sponsored plans are based on years of service and compensation earned during years of employment.

Pension expense amounted to approximately $10.4 million (including $5.2 million for non company-sponsored plans) in fiscal year 1989, $7.1 million (including $5.3 million for non company-sponsored plans) in fiscal year 1988 and $9.6 million (including $4.3 million for non company-sponsored plans) in fiscal year 1987.

Net pension costs for company-sponsored pension plans for 1989 and 1988 included the following components (in thousands):

Fiscal Year	1989	1988
Service cost—benefits earned during the period	$ 8,035	$ 6,698
Interest cost on projected benefit obligation	18,588	14,479
Actual return on assets	(34,399)	849
Net amortization and deferral	13,017	(20,162)
Net pension cost	$ 5,241	$ 1,864

The following table sets forth the plans' funded status and amounts recognized in the Company's Consolidated Balance Sheets as of the most recent actuarial valuation dates, October 1, 1989, and October 1, 1988 (in thousands):

	1989		1988	
	Plans Whose Assets Exceed Accumulated Benefits	Plans Whose Accumulated Benefits Exceed Assets	Plans Whose Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested benefit obligation	$(126,476)	$(2,460)	$(102,777)	$ (937)
Accumulated benefit obligation	$(152,237)	$(2,532)	$(115,835)	$(3,497)
Projected benefit obligation	$(211,061)	$(7,736)	$(145,246)	$(5,688)
Plan assets at fair value, primarily listed stocks and U.S. bonds	265,867	271	196,946	294
Plan assets in excess of (less than) projected benefit obligation	54,806	(7,465)	51,700	(5,394)
Unrecognized net gain	(14,522)	(990)	(18,375)	(883)
Unrecognized prior service cost	3,518	53	—	—
Unrecognized net transition (asset) liability	(19,939)	3,674	(17,926)	4,213
Valuation adjustment for estimated tax effects	(6,772)	—	(6,772)	—
Plan contributions made from October 1 through year-end	1,622	—	2,240	—
Prepaid pension cost included in the balance sheet	$ 18,713	$(4,728)	$ 10,867	$(2,064)

The weighted average discount rate and rate of increase in future compensation utilized in determining the actuarial present value of the projected benefit obligation as of the respective valuation dates were 9.5% and 5.5% in 1989, and 10% and 6% in 1988. The expected long-term rate of return on plan assets was 9% in 1989 and 1988.

The Company participates in various plans that provide postemployment health care and life insurance benefits to virtually all nonunion employees who retire with a minimum period of service. The cost of these benefits is expensed as claims are incurred. This annual cost is not significant to the Company.

Plan Amendment

ECOLAB INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Retirement Plans

The company has a defined benefit pension plan covering substantially all of its U.S. employees, except ChemLawn. Plan benefits are based on years of service and average compensation during the last years of employment. Various international subsidiaries also have defined benefit pension plans. Pension expense included the following components:

(thousands)	1989	1988	1987
Service cost—employee benefits earned during the period	$3,885	$3,327	$ 1,547
Interest cost on projected benefit obligation	6,439	5,632	2,709
Actual return on plan assets	(9,820)	(9,534)	8,777
Net amortization and deferral	1,516	1,721	(12,633)
	2,020	1,146	400
Expense under prior standard			1,774
U.S. pension plan	2,020	1,146	2,174
International pension plans	1,035	706	1,000
Total pension expense	$3,055	$1,852	$3,174

The company adopted Financial Accounting Standard No. 87, "Employers' Accounting for Pensions" in 1989 for its International subsidiaries. International pension benefit obligations and plan assets, as well as the effect of the change on pension expense, were not material.

The funded status of the U.S. pension plan at December 31 was:

(thousands)	1989	1988	1987
Actuarial present value of:			
Vested benefit obligation	$61,864	$49,906	$45,415
Non-vested benefit obligation	6,429	7,144	5,964
Accumulated benefit obligation	68,293	57,050	51,379
Effect of projected future salary increases	18,594	13,093	12,518
Projected benefit obligation	86,887	70,143	63,897
Plan assets at fair value	82,026	73,546	64,723
Plan assets (less than) in excess of the projected benefit obligation	(4,861)	3,403	826
Unrecognized net loss and prior service cost	16,831	10,032	12,468
Unrecognized net transition asset	(21,747)	(22,665)	(24,039)
Unfunded accrued pension expense	$ (9,777)	$ (9,230)	$(10,745)

The company's policy is to fund pension costs currently to the extent deductible for income tax purposes. U.S. pension plan assets consist primarily of equity and fixed income securities. Effective July 1, 1989, the company amended its U.S. pension plan to change the formula for pension benefits and to provide a more rapid vesting schedule. The plan amendments resulted in a $6 million increase in the December 31, 1989, projected benefit obligation. The impact on 1989 pension expense was not material. U.S. pension plan assumptions, in addition to projections for employee turnover and retirement ages, were:

	1989	1988	1987
Discount rate for service and interest cost	9.0%	9.0%	9.0%
Projected salary increases, weighted average	5.6	5.6	5.6
Expected return on assets	9.0	8.5	8.5
Discount rate for year-end benefit obligations	8.5%	9.0%	9.0%

OTHER POSTRETIREMENT BENEFITS

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Benefit Plans

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for these benefits if employed until normal retirement age. These and similar benefits for active employees are provided through an insurance company whose premiums are expensed each year. Total charges for such expenses were $7,686,000, $7,498,000 and $5,143,000 in 1989, 1988 and 1987, respectively. The cost of providing these benefits for retirees is not separable from the cost of providing benefits for active employees. The number of active and retired employees of the Company were 2,111 and 541 at December 31, 1989, 2,246 and 520 at December 31, 1988 and 1,769 and 503 at December 31, 1987.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in millions (except per share amounts)

N. Postretirement Benefits

The Company's benefit plan for retirees includes health care benefits and life insurance coverage.

Health care benefits are provided through insurance company contracts. The annual cost of health care benefits for retirees is the total of claims incurred in their behalf. This cost was $319, $273 and $229 for approximately 102,200, 97,100 and 91,400 retired employees in 1989, 1988 and 1987, respectively.

The FASB has issued an exposure draft of a new standard on accounting for postretirement benefits other than pensions. The standard is expected to be issued in 1990 and, beginning in 1992, would require companies to accrue postretirement benefits during the years employees are working. Presently, the Company expenses these benefits as the costs are incurred by retirees. The effect of the standard would be to increase reported expenses when adopted.

The cost of providing postretirement life insurance benefits to employees who meet certain age and service requirements is determined and funded under the aggregate cost method. This cost was $28 for 1989, $25 for 1988 and $23 for 1987.

Under the terms of the Divestiture Plan of Reorganization, AT&T reimburses the divested Bell System operating telephone companies for a portion of their costs to provide health care benefits and increases in pensions to pre-divestiture retirees. These costs were expensed as incurred and were $91 in 1989, $101 in 1988 and $85 in 1987.

CHRYSLER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Employee Benefit Plans

Other Employee Benefits

Chrysler currently provides health insurance and life insurance benefits to its employees. Upon retirement, employees may become eligible for continuation of these benefits.

Health insurance costs for active employees and retirees and life insurance costs for active employees are expensed as premiums are paid. The cost of life insurance provided to retirees after age 65 is accrued in a manner similar to pension cost, but is not funded.

The cost of providing these benefits to retired and active employees recognized in the periods is as follows:

	Year Ended December 31		
	1989	1988	1987
	(In millions of dollars)		
Retired employees	$260	$266	$203
Active employees	481	514	421
Total	$741	$780	$624

RALSTON PURINA COMPANY (SEP)

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions except per share data)

Pension Plans (In Part):

The Company also provides health care and life insurance benefits for its retired employees who meet specified age and years of service requirements. The cost of health care benefits is recognized as incurred. The cost of life insurance benefits is recognized as insurance premiums are paid. The total of these costs to the Company approximated $5.0 in 1989, $4.4 in 1988 and $4.4 in 1987. Coincident with the adoption of the ESOP, the Company is phasing out its subsidy of medical benefits for future retirees. The Company will continue to provide all, or some portion of, the subsidy for retirement medical benefits for current retirees and a limited group of active employees.

In February 1989, the FASB issued an exposure draft—"Employers' Accounting for Postretirement Benefits Other Than Pensions" (OPEBs). The proposed standard would require the recognition of OPEB's expense on an accrual basis and the recognition of a minimum liability for the amount of unfunded accumulated postretirement benefit obligation. Management is currently evaluating the impact of the proposed standard and the method and timing of its adoption.

FORD MOTOR COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 2 (In Part): Employee Retirement Benefits

Postretirement Health Care and Life Insurance Benefits. The company and certain of its subsidiaries provide selected health care and life insurance benefits for retired employees. Substantially all of the company's U.S. and Canadian employees may become eligible for those benefits if they reach retirement age while still working for the company. The estimated cost for postretirement life insurance benefits is accrued on an actuarially determined basis and is generally not funded. The cost for postretirement health care benefits is based on actual expenditures for the year. The cost of similar benefits where they exist for other non-U.S. plans are not material. The cost for both U.S. and Canadian employees was as follows:

(in millions)	1989	1988	1987
U.S. and Canadian Plans			
Postretirement Life Insurance	$416	$386	$341
Postretirement Health Care	114	120	121

WHEELING-PITTSBURGH STEEL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Accounting Policies (In Part):

Pension and Other Post-Retirement Plans

In November 1985 the Corporation terminated its defined benefit pension plans which covered substantially all employees. Most benefits provided by these plans are guaranteed by the Pension Benefit Guaranty Corporation (PBGC) under ERISA Title IV. The Corporation has established tax qualified defined contribution pension plans covering substantially all employees since November 1985. The programs provide for benefits based on a percentage of compensation for salaried employees and a rate per hour worked for hourly employees. Temporary non-qualified pension plans, designed to provide partial coverage of the benefits not guaranteed by PBGC, have also been established. Costs for these programs are being funded currently.

The Corporation sponsors medical and life insurance programs for substantially all employees. Similar group medical programs extend to pensioners and surviving spouses. In 1987 the Corporation adopted the accrual method of accounting for these benefits (see Note D). Previously, the cost of these benefits were recognized as claims were incurred; the programs continue to be funded as claims are paid.

Note D (In Part): Pensions and Other Post-Retirement Benefits

Other Post-Retirement Benefits

In 1987 the Corporation adopted the accrual method of accounting for post-retirement medical and life insurance benefits, which is considered preferable to the pay-as-you-go method, the method used prior to 1987. Under the accrual method, the cost of these benefits is recognized as earned during the active service life of employees. In accordance with current accounting requirements, the Corporation recorded as a liability and expense all such benefits previously earned by employees and retirees. Of the $193.0 million shown below, $43.3 million was previously recorded as elements of 1986 facility closings and the cumulative effect of the change in accounting, $149.7 million, was charged to 1987 results.

The cost of medical and life insurance benefits for retired employees was $17.6 million in 1989, $16.2 million in 1988 and $17.5 million in 1987. Costs were based on the accrual method. A summary of the most recent actuarially determined present value of earned post-retirement benefits follows:

	(As of January 1, 1987 (in Thousands)
Medical Plans:	
Pensioners	$125,195
Post-retirement period for active employees	50,815
	176,010
Life Insurance Plans:	
Pensioners	15,100
Post-retirement period for active employees	1,841
	16,941
	$192,951

The actuarially estimated present value of earned post-retirement benefits was $195.9 million as of December 31, 1989. Excluding $16.8 million which is included in current liabilities, this amount is included in long-term employee benefit liabilities at December 31, 1989, was calculated using the unit credit cost method and assumes future medical cost escalation of 8% per year and a discount rate of 8%.

TABLE 3-11: COMPENSATORY PLANS

	Number of Companies			
	1989	1988	1987	1986
Stock award	219	179	166	156
Savings/investment	153	139	118	112
Employee stock ownership	140	78	79	97
Profit-sharing	80	86	86	72
Incentive compensation	71	76	75	85
Deferred compensation	33	30	29	31

COMPENSATORY PLANS

In addition to pension plans and "traditional" stock option and stock purchase plans, many companies disclose the existence of compensatory plans of the nature indicated in Table 3-11. *APB Opinion No. 25*, Section C47 of *FASB Accounting Standards—Current Text*, is the authoriative pronouncement on accounting for employee compensatory plans. Examples of disclosures for such plans follow.

Incentive Compensation Plans

CYCLOPS INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Incentive and Stock Option Plans

The Company has a long-term incentive plan ("Incentive Plan") pursuant to which a maximum of 1,150,000 shares may be issued in the form of restricted stock, stock options, stock appreciation rights, performance shares, performance units and other types of incentive compensation. Awards, which are generally made at current market prices, have been granted to executives under the Incentive Plan in the form of either stock options or units. During 1987, units comprised of nine shares of common stock were issued to certain executives. With respect to these units, one share was purchased by the executive, two shares were awarded subject to certain restrictions, and six shares were subject to option. In 1989, units comprised of five shares of common stock, two of which were awarded subject to certain restrictions with three on option, were issued under the incentive plan. Unamortized deferred compensation expense associated with this plan aggregated $2.1 million and $.5 million at December 31, 1989 and 1988, respectively.

R. R. DONNELLEY & SONS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock and Incentive Programs For Management Employees (In Part):

Incentive Compensation Plans—The Company has incentive compensation plans covering selected officers and executives. Amounts charged to expense for supplementary compensation, which is determined from participants' base salaries and factors relating to profits, sales performance, and other items, were $2,500,000 in 1989, $2,258,000 in 1988, and $2,352,000 in 1987.

EXXON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Short-term incentive Plan

The 1988 Incentive Program makes provision for grants of bonuses in respect of each of the five years beginning with 1988, which are not to exceed 3 percent of the amount by which net income in a given year exceeds 6 percent of capital invested (as defined in the plan). In addition, the 1988 plan provides that any unused grantable amounts from a prior year of the 1988 plan can be applied to the current year maximum.

Bonuses may be granted to eligible employees of the corporation and of those affiliates at least 95 percent owned. Bonuses may be granted in cash, shares of the corporation's stock, bonus units or other consideration and can be paid in full at the time of grant, or deferred to a later date or dates. The only form of bonus units granted through December 31, 1989, has been earnings bonus units. These are rights entitling the grantee to receive on the settlement date, with certain limitations, an amount of cash equal to the corporation's cumulative earnings per share as reflected in its quarterly earnings statements as initially published, commencing with earnings for the first full quarter following the date of grant to and including the last full quarter preceding the date of settlement. Any unpaid amounts are subject to certain forfeiture provisions contained in the plan.

Grants in cash and shares of the corporation's stock are charged to earnings in the year of grant. Amounts earned under earnings bonus units are accrued as they occur. Total charges to earnings in 1987, 1988 and 1989 were $29 million, $31 million and $22 million, respectively, reflecting grants substantially less than the maximum permitted.

MURPHY OIL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (In Part): Retirement, Thrift, and Employee Incentive Plans, and Postemployment Benefits

Murphy Oil Corporation and two subsidiaries each has an incentive bonus plan for key employees. Each plan provides for accruing an amount not to exceed a specified percentage of the amount by which "net income" exceeds an expressed percentage of "capital employed in the business," as defined by each plan. Provisions of $439,000 and $400,000 were recorded in 1989 and 1988 in anticipation of future awards; no provisions for awards were made in 1987. Awards may be paid only in cash under one plan. The other two plans provide for awards in cash, treasury stock (of the awarding firm), or a combination of both.

In 1987 Murphy Oil Corporation adopted a Management Incentive Plan that provides for one of the incentive bonus plans described above and for granting stock options covering a maximum of 300,000 shares of the Company's Common Stock to key employees selected by the Executive Compensation Committee. Options granted under this Plan may be either nonqualified or incentive options, as defined for federal income tax purposes. Two years after date of grant, 50% of the optioned shares become exercisable; all are exercisable after three years. They expire 10 years after date of grant. At December 31, 1989, options for 94,000 shares were outstanding under the 1987 Stock Option Plan (none exercisable) at an average price of $29.38 a share, the fair market value at date of grant.

OUTBOARD MARINE CORPORATION (SEP)

NOTES TO FINANCIAL STATEMENTS

13 (In Part): Pension and Incentive Compensation Programs

Under the Company's Management Incentive Compensation Plan, the Board of Directors has the authority to determine the aggregate management incentive compensation for officers and key employees of the Company. This amount cannot exceed 7½% of consolidated net earnings (as defined in the Plan). The amount of incentive compensation is further limited by conditions relating to the amount of capital employed by the Company and the amount of dividends paid. The Plan is administered by the Incentive Plan Committee of the Board of Directors who are not participants in the Plan. In 1989, 1988 and 1987, $1.2 million, $4.0 million and $3.5 million, respectively, were charged to earnings for incentive compensation.

Stock Award Plans

BIRD INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long Term Incentive Compensation

Under the terms of a Long Term Incentive Compensation Plan, certain officers and key management employees shall receive common stock of the Company on a restricted time lapse grant basis. At December 31, 1989, 351,000 shares of the Company's common stock had been issued from treasury stock and are being held in escrow by the Company. These shares will be released from escrow and delivered to the plan's participants when and if the market price of the Company's common stock has achieved certain designated levels between $12 and $24 per share prior to June 28, 1994 or in any event if the participant has remained in the continuous employ of the Company through June 2003. Amortization under this agreement was $101,000 in 1989 and $38,000 in 1988. The unamortized value of the shares granted is shown in the accompanying balance sheet as unearned compensation.

FLOWERS INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Common Stockholders' Equity

Performance Share Plan

Under the Performance Share Plan, the Board of Directors granted 176,041 and 169,704 performance shares to key employees in fiscal 1989 and 1987, respectively. Performance shares represent rights to receive common stock and cash provided the Company achieves specified income goals over a four-year period. Common stock distributions and payments to participants are to be made four years after the date of the grant.

The cost of the Plan is limited to twice the grant price at the grant dates of the maximum number of performance shares issuable. The grant price is determined by averaging the closing price of the Company's common stock for ninety calendar days prior to the grant date. The grant prices of the performance shares at the grant dates were $18.38, $16.82 and $8.28 for the 1989, 1987 and 1985 grants, respectively. In connection with the 1985 grant, 78,481 shares of the Company's stock and approximately $3,910,000 in cash were distributed in July, 1988. The estimated costs of the Plan are charged to income over the applicable four year period. Such charges amounted to $3,013,000 for fiscal 1989, $2,699,000 for fiscal 1988 and $2,957,000 for fiscal 1987.

GENCORP INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I. Stock Incentive Compensation Plan

A Stock Incentive Compensation Plan (Plan) adopted in 1983 is based on a formula which values incentive awards payable in cash or stock based upon changes in the market value of the Company's Common Stock. The Plan is compensatory, and compensation expense for continuing operations was $1 million, $3 million and $27 million in 1989, 1988 and 1987, respectively. Compensation expense in 1987 included $13 million for discontinued operations. A significant portion of the 1987 expense was included in restructuring expense in the amounts of $19 million for continuing operations and $10 million for discontinued operations. The increase in 1987 expense was due to market value increases of the Common Stock, adjustments to reflect changes in the distribution provisions of the Plan and vesting changes for businesses to be divested. Accrued stock incentive compensation for continuing operations was $8 million in 1989 and 1988. Accrued stock incentive compensation for discontinued operations was $1 million in 1989 and 1988.

Pursuant to this Plan, the Company granted incentive unit shares of 270,000 during 1989, 355,000 during 1988 and 271,000 during 1987. There are 1,030,000 incentive unit shares remaining which may be granted through March 1993.

GEORGIA-PACIFIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Common Stock

At December 31, 1989, the following authorized shares of the Corporation's common stock were reserved for issue:

1988 Long-Term Incentive Plan	1,611,000
1989 Employee Stock Purchase Plan	940,000
1984 Employee Stock Option Plan	2,292,000
Common stock reserved	4,843,000

Long-Term Incentive Plan

The 1988 Long-Term Incentive Plan (Incentive Plan) initially reserved 3,000,000 shares for issue with 1,835,000 shares allocated to the plan participants. Specified portions of the shares allocated under this plan are issued as restricted stock, at no cost to the employee, based on increases in the average market value of the Corporation's common stock. At the time restricted shares are issued, the market value of the stock is added to common stock and additional paid-in capital and an equal amount is deducted from shareholders' equity (long-term incentive plan deferred compensation). Long-term incentive plan deferred compensation is amortized over the vesting (restriction) period, generally five years, with adjustments made quarterly for market price fluctuations. The Corporation recognized long-term incentive plan compensation expense of $14 million in 1989 and $3 million in 1988. Additional information relating to the Incentive Plan is as follows:

	Year ended December 31	
	1989	1988
Shares allocated and unissued at January 1	1,401,000	—
Shares allocated	290,000	1,835,000
Shares cancelled	(110,000)	(90,000)
Restricted shares issued, net of cancellations	(1,045,000)	(344,000)
Shares allocated and unissued at December 31	536,000	1,401,000
Shares available for allocation at December 31	1,075,000	1,255,000
Total shares reserved	1,611,000	2,656,000

MEREDITH CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Stockholders' Equity

The 1986 Restricted Stock Award Plan provides for awards of common stock to eligible employees of the Company. Such shares are held by the Company for future distribution in three to 10 years in accordance with the restriction period of the award. A maximum of 400,000 shares has been reserved for use in the Plan; 67,100 shares were awarded in 1989 (5,300 shares were awarded in 1988 and 164,900 shares in 1987). Total expense is determined based on the market value at the time of grant and is being expensed over the period the restrictions lapse. Charges against net earnings for compensation under the Plan were $1,435,000 in 1989, $1,469,000 in 1988 and $804,000 in 1987.

SCOTT PAPER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Stock Option and Incentive Plans (In Part):

Beginning in 1988, the Company adopted the Scott Performance Plan and discontinued awards under the Management Incentive Plan and Associate Management Incentive Plan. The purpose of the Performance Plan and similar divisional and sales incentive plans is to provide incentive and reward to approximately 7,600 salaried and certain hourly employees in the U.S. The discontinued plans provided incentive and reward to a total of approximately 750 key management and middle management employees. In addition to the new plan various international subsidiaries also have incentive plans for key personnel. Awards for 1989 and 1988 under the Performance Plan, international plans and similar divisional and sales incentive plans totaled $43.2 million and $62.5 million, respectively. Awards for 1987 under the Management Incentive Plan, the Associate Management Incentive Plan, international plans and similar divisional and sales incentive plans totaled $22.4 million.

Most of the awards are paid in cash in the year following the year for which they were awarded. To the extent deferral has been elected by certain highly paid recipients, awards are payable wholly or partially in cash or treasury shares in a designated subsequent year or upon termination of employment. Under the terms of these plans 19,533, 19,637 and 16,360 treasury shares (including adjustments for the two-for-one split of the common shares in 1988) were delivered to participants in 1989, 1988 and 1987, respectively, for awards earned in prior years.

UNISYS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C (In Part): Stock Plans

Restricted stock has been granted at 100% of the fair market value at the date of grant. Shares of restricted stock are subject to forfeiture until the expiration of a specified period of service commencing on the date of grant. During the forfeiture period, certificates for shares of restricted stock are nontransferable. The shares are entitled to all the rights of an outstanding share. The compensation expense resulting from the award is charged to income ratably over the forfeiture period. During the year ended December 31, 1989, 125,805 shares of restricted stock were granted at market prices ranging from $14 to $29 per share, 48,113 shares were forfeited, and $2.8 million was charged to income. During the year ended December 31, 1988, 171,700 shares of restricted stock were granted at market prices ranging from $28 to $34½ per share, 4,000 shares were forfeited and $.6 million was charged to income.

Restricted performance shares have been granted at 100% of the fair market value at the date of grant. The shares are subject to forfeiture until the expiration of a specified period of service and the number of shares actually issued at the end of the award period is dependent upon achievement of predetermined performance targets during that time. Restricted performance shares are entitled to all the rights of an outstanding share, except that during the award period the shares are nontransferable. Compensation expense resulting from restricted performance shares is charged to income ratably over the award period subject to the likelihood of achievement of the predetermined performance targets. During the year ended December 31, 1989, 385,000 restricted performance shares were granted at a market price of $26⅛ per share and 26,850 shares were forfeited. There was no charge or credit to income for restricted performance shares in 1989.

Profit Sharing Plans

HAMPTON INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

G. Profit Sharing Plan

Effective January 1, 1989, the Company amended its qualified Profit Sharing Plan to cover all eligible hourly employees of the Company and its subsidiaries. As of the same date, the Company established a qualified Profit Sharing Plan for eligible salaried employees of the Company and its subsidiaries. The provisions of both plans are substantially identical and exclude all employees who are classified as "highly compensated" under the provisions of the Internal Revenue Code. Contributions into the trust funds of each of the plans are discretionary and the Company has the right to amend, modify or terminate the Plans, but in no event will any portion of the contributions paid revert to the Company. In addition to Company contributions, participants may make voluntary contributions of a percentage of their salary, but not in excess of the maximum allowed under the Internal Revenue Code. Company contributions to the plans in 1989 were $600,000. In 1988 and 1987, the Company's contributions were $936,000 and $779,000, respectively.

Also effective January 1, 1989, the Board of Directors of the Company established a Supplemental Retirement Plan for Key Employees to permit certain key employees to defer receipt of current compensation in order to provide retirement and death benefits on behalf of such employees.

Plan participants may defer from 3% to 15% of total compensation. A participant's deferral is fully vested at all times. Company supplemental credits are determined at the discretion of the Board of Directors. Amounts of supplemental credits are vested in the same manner as vesting occurs under the Company's Profit Sharing and Retirement Savings Plans. An annual return equal to the Moody's AAA Corporate bond rate is added to each participant's deferred compensation account balance and employer supplemental credit account balance.

As of December 30, 1989, there were 52 participants in this plan, including all of the executive officers of the Company. None of these employees participate in the Company's qualified Profit Sharing Plans. During 1989, the Company credited $410,000 to the participant accounts. The plan is not intended to be a qualified plan under the provisions of the Internal Revenue Code. The plan is intended to be unfunded and, therefore, all compensation deferred under the Plan is held by the Company and commingled with its general assets.

JOSLYN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Profit Sharing and Retirement Benefits:

All units of Joslyn Corporation, except ADK Pressure Equipment Corporation (ADK) and The Sunbank Family of Companies, Inc. (Sunbank), are included in a five-year vesting profit sharing plan covering most domestic employees. The annual amount contributed by each Company unit in the plan is determined by a formula approved by the Board of Directors and cannot be less than 12½% of the unit's net profit (as defined by the plan) after taxes. The maximum annual amount allocable to individual members from the unit's profits is $2,000 plus 7% of qualified compensation in excess of one-half of the Social Security taxable wage base. Members can elect to withdraw part of their annual Company unit contribution in the form of a current cash payment in lieu of deferred savings to retirement or termination. The Company unit contributions are made with Josyln Corporation common stock and cash. Each member of the profit sharing plan is entitled to vote the number of shares allocated to that member's account.

ADK has a five-year vested profit sharing plan covering eligible, domestic employees of the Corporation. The annual amount contributed by ADK is determined at the discretion of its Board of Directors. The contribution is made in cash and is distributed among eligible members in relation to their covered compensation for the year.

Sunbank has a profit sharing plan that provides five-year vesting. This plan covers all eligible employees of The Sunbank Family of Companies, Inc. and its subsidiaries. The annual amount contributed by Sunbank is determined at the discretion of its Board of Directors. The contribution is made in cash and is distributed among eligible members in relation to their covered compensation for the year.

Profit Sharing Expense for all plans was $2,588,000 in 1989, $1,728,000 in 1988 and $1,357,000 in 1987.

RYKOFF-SEXTON, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Profit Sharing and Pension Plans

The Company has a contributory profit sharing plan for salaried and commissioned employees at its S.E. Rykoff & Co. division (Rykoff division). Annual discretionary contributions have been made to the trustee of the profit sharing trust to provide funds with which to pay benefits at retirement. The charge to operations totaled $1,300,000, $1,300,000 and $1,200,000 for fiscal years 1989, 1988 and 1987, respectively. Discretionary contributions to the profit sharing plan will cease after fiscal year 1989 due to the Company's adoption of a non-contributory defined benefit pension plan for the Rykoff division, effective April 30, 1989. The new pension plan will have no past service liability as employees have earned benefits for those years under the profit sharing plan. The profit sharing plan continues as an employee savings plan, under Internal Revenue Code section 401(k), for employees of the Rykoff division and the Company's subsidiary, John Sexton & Co. (Sexton).

TEXAS INSTRUMENTS INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Profit Sharing and Pension Plans (In Part):

The company provides various incentive plans for employees, including general profit sharing and savings programs as well as an incentive compensation plan for key employees. The company also provides pension plans in the U.S. and certain non-U.S. locations.

Profit sharing: There was no profit sharing expense in 1989. Profit sharing expense was $53.8 million in 1988 and $70.2 million in 1987. Under the plans, unless otherwise provided by local law, the company and certain of its subsidiaries contribute a portion of their net profits according to certain formulas, but not to exceed the lesser of 25% of consolidated income (as defined) before profit sharing and income taxes or 15% of the compensation of eligible participants. Unless otherwise provided by local law, such contributions are invested in TI common stock. Also, under the U.S. plan, a tax credit stock ownership account is invested in TI common stock.

Except in the event of company contributions in stock, investments in TI common stock are made by the trustees through purchases of outstanding shares or through purchases of shares offered from time to time by the company. The board of directors has authorized the issuance of previously unissued shares for purposes of the plans; 921,868 of such shares were available for future issuance at December 31, 1989.

The trustees of the profit sharing plans purchased 227,699 outstanding shares of TI common stock in 1989 (263,370 shares in 1988 and 157,535 shares in 1987) and 548,891 previously unissued shares in 1989 (1,505,399 shares in 1988 and 327,058 shares in 1987); also the company contributed 97,086 shares to the tax credit stock ownership account in 1987 for the preceding tax year.

Savings/Investment Plans

COMPAQ COMPUTER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Stockholders' Equity and Employee Benefit Plans:

Compaq Computer Corporation Investment Plan—

The Company has an Investment Plan available to all domestic employees and intended to qualify as a deferred compensation plan under Section 401(k) of the Internal Revenue Code of 1986. Employees may contribute to the plan up to 14% of their salary with a maximum of $7,627 in 1989 ($7,979 in 1990). The Company will match employee contributions for an amount up to 6% of each employee's base salary. Contributions are invested at the direction of the employee in one or more funds or can be directed to purchase common stock of the Company at fair market value. Company contributions generally vest over three years although Company contributions for those employees having five years of service vest immediately. Company contributions are charged to expense in accordance with their vesting. Amounts charged to expense were $5.3 million, $4.2 million and $1.6 million in 1989, 1988 and 1987, respectively.

MILTON ROY COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Employee Benefit Plans:

In September 1987 the Company initiated a 401(k) Savings Plan. Effective July 1, 1989 the Plan was amended to a 401(k) Savings and Employee Stock Ownership Plan (ESOP), and the ESOP used the proceeds of a leveraged ESOP loan to purchase 184,000 shares of the Company's common stock. All domestic employees with at least one year of continuous service are eligible for the plan. Under the provisions of the plan, the Company annually matches a portion of the employee's contribution, and shares of common stock are allocated to the participants. Company contributions are 100% vested after five years of continuous service. Expense is recognized under the "shares allocated method" which recognizes interest expense as incurred each period on all of the outstanding debt of the ESOP and recognizes compensation expense related to principal reductions based on shares allocated for the period. During 1989, interest incurred on the ESOP debt was $88,000 and dividends of $22,000 paid on the ESOP shares in 1989 will be used for debt service. Contributions by the Company in 1989 amounted to $332,000 ($149,000 in 1988 and $33,000 in 1987).

MINNESOTA MINING AND MANUFACTURING COMPANY

NOTES TO FINANCIAL STATEMENTS

Employee Savings Plan

The company sponsors an employee savings plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all full-time U.S. employees. The company matches employee contributions of up to six percent of compensation at rates ranging from 25 to 75 percent, depending upon company performance. Amounts charged against income were $24 million in both 1989 and 1988, and $13 million in 1987.

THE TIMKEN COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C (In Part): Employee Retirement Plans

The Company also sponsors a Savings and Investment Plan for substantially all salaried employees in the United States. Employees can elect to contribute a portion of their earnings directly to the Plan. The Company also contributes Timken Company Common Stock to the Plan by matching a portion of the employees contributions. At December 31, 1989, the Plan had net assets of approximately $55,453,000, consisting of 1,613,877 shares of Timken Company Common Stock as well as other stock and cash investments. Company contributions to the Plan amounted to $4,395,000 in 1989; $3,606,000 in 1988, and $3,252,000 in 1987.

Employee Stock Ownership Plans

COOPER INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Cooper Savings and Employee Stock Ownership Plans

In 1985, the Company established the Cooper Savings Plan. All full time employees, except for certain bargaining unit employees, are eligible to participate in the Plan. Under the terms of the Plan, employee deferrals were partially matched with Company contributions of newly issued Cooper Common stock.

During the second quarter of 1989, the shares of Cooper Common stock held by the Stock Fund of the Cooper Savings Plan were "spun-off" into a newly created Employee Stock Ownership Plan (ESOP). In September 1989, the Company sold an additional 4.9 million shares of stock to the ESOP in exchange for $175 million in cash. The cash received was utilized to reduce outstanding indebtedness. As a result of this change, employee deferrals, commencing with July 1989, are partially matched with an allocation of shares in the ESOP and partly with new shares issued to the ESOP.

At December 31, 1989, as required by applicable accounting rules, the Company has recorded $170.3 million of ESOP indebtedness in long-term debt with an offsetting $170.3-million debit, before considering a $.7-million difference between the expense recognized ($7.8 million) and the cash contributed to the ESOP ($7.1 million), in shareholders' equity captioned "Guarantee of Employee Stock Ownership Plan Indebtedness."

Expense with respect to the ESOP includes the recognition of interest expense based on the interest payable by the ESOP. Aggregate matching expense since implementation of the ESOP amounted to $6.4 million, interest expense amounted to $4.4 million and dividends paid and accrued with respect to the ESOP shares amounted to $3.5 million.

Expense through the month of June 1989 under the Cooper Savings Plan was $12.6 million ($20.7 million and $16.9 million, respectively, for the full years 1988 and 1987). This expense was entirely funded by issuing shares of the Company's Common stock.

MAPCO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Long-Term Debt

Long-term debt consists of (in millions):

December 31,	1989	1988
Commercial paper and bank borrowings	$206.8	$ 49.1
8.51% ESOP Notes, payable in mortgage type principal reductions annually through 2003	83.3	
10¾% Subordinated Sinking Fund Debentures, payable $5.6 million annually through 1998 and $19 million in 1999	69.4	75.0
8.7% Senior Notes, payable $8 million annually through 1996 and $6 million in 1997	62.0	70.0
11¾% Senior Debentures, payable $5 million annually 1994 through 2002 and $15 million in 2003	60.0	60.0
Revolving line of credit	17.0	17.0
8¼% Senior Note, payable $2.4 million annually through 1993	9.6	12.0
7.85% Senior Note, payable $2.4 million annually through 1991 and $2.8 million in 1992	7.6	10.0
10⅛% Senior Notes, payable $2.5 million annually through 1991 and $1.4 million in 1992	6.4	11.0
Other	8.5	10.4
	530.6	314.5
Less—current portion	(26.2)	(22.9)
Long-term debt	$504.4	$291.6

In 1989, MAPCO borrowed $85 million on an unsecured basis from a group of insurance companies and loaned the proceeds to MAPCO's ESOP. The ESOP notes bear interest at 8.51% with the interest rate subject to revision in the event there is a change in Internal Revenue Service regulations regarding taxability of the interest income to the lenders.

Note 9 (In Part): Employee Benefit Plans

MAPCO has an ESOP that covers substantially all employees. In 1989, MAPCO borrowed $85 million and loaned the proceeds to the ESOP. The loan to the ESOP bears the same interest rate and repayment terms as MAPCO's loan (Note 4). The ESOP used the loan proceeds to acquire 2.5 million shares of common stock from MAPCO at a price of $34.34 per share. The common stock issued was removed from treasury stock and the excess of the purchase price over the average cost of the treasury stock was credited to capital in excess of par value.

Allocation of the MAPCO common stock held by the ESOP to individual employees is based on the employee's contribution to the ESOP and the number of shares of common stock available for allocation. The common stock available for allocation will be in equal quarterly installments over the term of the ESOP's loan from MAPCO.

MAPCO's cash contributions to the ESOP will equal the ESOP's principal and interest payments on its loan from MAPCO reduced by the dividends the ESOP receives on the MAPCO common stock owned by the ESOP. Dividends of $1.2 million on the MAPCO common stock owned by the ESOP were used for debt service in 1989. During 1989, MAPCO made cash contributions to the ESOP of $4.4 million, of which $.5 million was recognized as compensation expense and $3.9 million as interest expense.

OLIN CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

(In millions, except share data)

Long-Term Debt (In Part):

Due		1989	1988
	Note agreements:		
90-02	7.97% notes	$ 81	$ 88
90-96	8.125% notes	35	41
12/91	7.95% note	10	10
90-95	Note payable to affiliated company at interest rate varying with LIBOR	—	12
92-93	Revolving credit agreement	20	86
92-93	Commercial paper		
	Industrial development and environmental improvement obligations:	20	—
12/12	payable at interest rates which vary with short-term tax exempt rates	29	29
90-08	payable at interest rates ranging from 6% to rates varying with prime	53	54
5/91	9.75% note	10	10
6/96	Note payable at interest rate varying with LIBOR	40	—
97-09	Guarantee of ESOP variable rate debt	60	—
93-98	10% note	12	12
90-03	Mortgage, capitalized leases and other indebtedness	6	7
	Total long-term senior debt	376	349
6/97	9.5% subordinated notes	125	125
	Total long-term debt	$501	$474

Among the provisions of the note agreements are restrictions relating to payment of dividends and acquisition of the company's capital stock. At December 31, 1989, retained earnings of approximately $342 million were not so restricted under the provisions.

The ESOP's purchase of preferred stock was financed by $60 million of notes (guaranteed by the company) and $40 million of borrowings from the company. The loan from the company to the ESOP was financed through a long-term credit facility.

Employee Stock Ownership Plan

In June 1989, an amendment to the company's Thrift Plan created an Employee Stock Ownership Plan feature and changed the name of the Thrift Plan to the Contributing Employee Ownership Plan. The plan is a defined contribution plan available to essentially all domestic employees which provides a match of employee contributions. The plan purchased from the company approximately 1.3 million shares ($100 million) of a newly authorized 1.75 million share series of the company's preferred stock, financed by $60 million of notes guaranteed by the company and $40 million of borrowings from the company. At December 31, 1989 there were 1.3 million shares of preferred stock outstanding at a value of $77.50 per share. The annual fixed dividend rate is $5.97 per share. The preferred stock is convertible by the holder into the company's common stock on a one-for-one basis, subject to anti-dilutive adjustments and may be redeemed at the option of the company after July 1, 1994, or at the option of the plan under certain circumstances (including upon payment of withdrawing plan participant accounts or if required to meet the plan's debt payments). The company reserves the right to satisfy the redemption in cash, marketable obligations or common stock. Expenses related to the plan are based on preferred and common stock allocated to particpants. These costs amounted to $9 million in 1989. Interest incurred by the plan totaled $4 million which was funded by preferred dividends.

CORNING INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Employee Stock Ownership Plan

In May 1988 Corning established an employee stock ownership plan (ESOP) within its existing employee investment plans. To fund the plan Corning borrowed $50 million and loaned the proceeds to the ESOP. The ESOP used the proceeds to purchase 1,977,600 treasury shares. Corning's receivable from the ESOP was $44.7 million and $48.3 million at the end of 1989 and 1988, respectively, and is classified as a reduction in Stockholders' Equity.

Corning is obligated to make monthly contributions to the plan sufficient to enable the ESOP to repay its loan, including interest. These contributions are classified as expense at the time they are made.

Contributions to the ESOP were $5.3 million and $2.9 million in 1989 and 1988, respectively. Dividends on unallocated shares reduced contribution requirements by $1.9 million and $0.7 million in 1989 and 1988, respectively.

UNITED TECHNOLOGIES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Employee Benefit Plans:

Employee Savings Plans:

In the second quarter of 1989, the Corporation established an Employee Stock Ownership Plan (ESOP) to serve as the vehicle for the Corporation's match of employee contributions within one of its existing savings plans. The Corporation's Board of Directors authorized 20,000,000 shares of preferred stock, par value $1.00 per share, designated as Series A ESOP Convertible Preferred Stock, having a 7.38 percent dividend rate per annum. Each share of ESOP preferred stock is convertible into one share of common stock. On June 30, 1989, the ESOP Trust acquired 10,153,846 shares of this new series of preferred stock, at an acquisition price of $65.00 per share. The ESOP financed the purchase of shares with interest bearing promissory notes aggregating $660 million issued to the Corporation.

Shares of ESOP preferred stock are held by the ESOP Trustee with the number of shares allocated to each employee determined annually in accordance with a method approved by the Internal Revenue Service. To the extent that allocated shares are not sufficient to meet the matching requirement of the savings plan, the Corporation will contribute additional ESOP preferred stock, common stock or cash. At December 31, 1989 approximately 180,000 additional ESOP preferred stock shares, or its equivalent, would need to be contributed to meet the savings plan matching requirement.

Shares allocated to employees generally may not be withdrawn until the employee's termination, disability, retirement or death. Upon withdrawal, shares of ESOP preferred stock must be converted into one share of the Corporation's common stock or, if the value of the common stock is less than the original acquisition price of $65.00, the ESOP Trustee may require the Corporation to repurchase the ESOP preferred stock for the guaranteed value of $65.00. Because of the guaranteed value, the ESOP preferred stock is classified outside of permanent equity.

The ESOP is in the process of arranging permanent financing which will be used to repay the promissory notes to the Corporation. The ESOP's debt will be guaranteed by the Corporation and, accordingly will be recorded in the long-term debt section of the Corporation's consolidated balance sheet with a corresponding offset to the ESOP preferred stock. The Corporation shall contribute sufficient funds each year which, when combined with quarterly dividends on the ESOP preferred stock, will be used to meet the ESOP's debt service requirements. As of December 31, 1989 the ESOP has incurred interest expense of $32.3 million on its outstanding notes payable.

Dividends on ESOP preferred stock are deductible for U.S. income tax purposes. The tax benefit to the Corporation resulting from such dividends has been applied as a reduction of the preferred stock dividends in the financial statements.

The ESOP preferred stock is redeemable, in whole or in part, at the option of the Corporation at a redemption price of $69.80 per share plus accrued and unpaid dividends during each twelve month period beginning June 10, 1989, and decreasing annually until reaching $65.00 per share, beginning June 10, 1999. At December 31, 1989, the aggregate redemption value of the ESOP preferred stock was $708.7 million.

Contributions to the ESOP together with the value of additional ESOP preferred stock, common stock or cash necessary to satisfy the matching requirement are charged to expense. The Corporation and a number of its subsidiaries have additional savings plans in which a portion of employee contributions is matched in cash by the employer. The amount expensed related to all savings plans totaled $63.5 million in 1989 ($63.6 million in 1988 and $60.6 million in 1987).

In conjunction with the establishment of the ESOP, the Corporation repurchased 10,400,000 shares of its common stock at an average cost of $53.99 per share to provide for the conversion option of the preferred stock.

Deferred Compensation Plans

DEP CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Retirement Plans

Deferred Compensation Plan

The company provides its officers and directors with the opportunity to participate in an unfunded, deferred compensation program, which also provides for death and disability benefits. The number of officers participating in the program at July 31, 1989 and 1988 was eight and seven, respectively. Under the program, participants may defer up to 75% of their yearly total cash compensation. The amounts deferred remain the sole property of the company, which uses them, together with additional corporate funds, to purchase insurance policies on the lives of the participants. These insurance policies, which remain the sole property of the company, are payable to the company upon the death or permanent disability of the participant. The company separately contracts with the participant to pay stated benefits substantially equivalent to those received or available under the insurance policies upon retirement, death, or permanent disability. The program is not qualified under Section 401 of the Internal Revenue Code. At July 31, 1989 and 1988, amounts deferred and included in accrued expenses were $376,000 and $261,000, respectively.

LUBY'S CAFETERIAS, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Employee Benefit Plans and Agreements

Deferred Compensation

Deferred compensation agreements exist for several key management employees, all of whom are officers and/or directors. Under the agreements, the Company is obligated to provide for each such employee or his beneficiaries, during a period of ten years after the employee's death, disability, or retirement, annual benefits ranging from $15,500 to $43,400. The estimated present value of future benefits to be paid is being accrued over the period from the effective date of the agreements until the expected retirement dates of the participants. The expense incurred and amount accrued for this plan for the years ended August 31, 1989, 1988 and 1987 amounted to $277,000, $239,000 and $206,000, respectively.

VALERO ENERGY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Employee Benefit Plans

The Company maintains two deferred compensation plans. Under one of the plans, the Executive Deferred Compensation Plan (Executive Plan), which is maintained for executive officers and other key executive employees of the Company, participants may elect to defer receipt of up to 30% of their annual compensation and all or part of their annual bonuses. The deferred amounts, plus a Company contribution at the election of the participant of up to 4% of the participant's salary, are maintained for each participant on the books of the Company. The Executive Plan also provides for supplementary matching of contributions in the event of reduced employer contributions under the Thrift Plan resulting from deferrals. The participant is always fully vested in his own contributions, but Company contributions vest after five years and three months of employment. Such amounts are credited with interest at a specified rate which is retroactively increased after retirement. Upon early retirement or other termination of employment, a lesser amount of interest is retroactively credited to the participant's account. Interest continues to accrue on the unpaid balance after retirement with such amount being paid out, at the option of the participant, in a lump sum or over a period not to exceed 180 months. The Executive Plan also provides for survivor benefits and certain disability benefits.

The Company's other deferred compensation plan, the Key Employee Deferred Compensation Plan (Key Employee Plan), is maintained for key executives, managerial and professional employees of the Company. Under the Key Employee Plan, participants may also elect to defer up to 30% of their annual salaries and all or part of their annual bonuses. Company matching under this plan is the same as under the Executive Plan. The participant is always fully vested in his contributions but Company contributions and the interest credited thereon vests after five years and three months of employment. Interest is stated at 10.75% for the first five years and at floating rates thereafter. No additional interest is retroactively credited to the participant after retirement. The other provisions of the Key Employee Plan are essentially the same as the Executive Plan.

The obligations of these plans are unsecured general obligations of the Company. The Company has purchased life insurance policies payable to the Company upon the death of participants. At December 31, 1989 and 1988, the amount recorded as deferred compensation, inclusive of interest, under these plans was $3.1 million and $2.5 million, respectively.

Phantom Stock Plan

HERCULES INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands)

5 (In Part) Incentive Compensation Plans

(c) Phantom Stock Plan:

The Phantom Stock Plan provides for the award of "phantom units," representing hypothetical investments in shares of company common stock, to key employees. The units vest and are payable at retirement or at the close of the vesting period (which cannot exceed 5 years) specified at the time of the award. The benefits at vesting include the full value of the shares represented, cash equal to dividend equivalent payments on the shares represented, and interest calculated on the accumulated value of the cash equivalent account during the vesting period.

Recipients of awards may, at any time during the vesting period, convert all or any portion of their units to cash interest-bearing equivalents at the then market price of company common stock.

During 1989, 33,585 units were granted, 28,420 units vested and were paid, 54,620 units were issued in exchange for restricted stock, 24,935 units were converted to cash interest-bearing equivalents and 340 units were forfeited. The charge to income, which is based on the amortization of the value of the units over the life of the award, was $1,651 in 1989, $453 in 1988, and $2,939 in 1987. There were 66,875 units outstanding at December 31, 1989.

TABLE 3-12: DEPRECIATION METHODS

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Straight-line	562	563	559	561
Declining-balance	40	44	44	49
Sum-of-the-years-digits	16	11	12	14
Accelerated method—not specified	69	70	76	77
Unit-of-production	50	53	51	48
Other	8	9	12	12

DEPRECIATION EXPENSE

Paragraph 5 of *APB Opinion No. 12*, Section D40 of *FASB Accounting Standards—Current Text*, stipulates that both the amount of depreciation expense and method or methods of depreciation should be disclosed in the financial statements or in notes thereto. Paragraph 5, Chapter 9C of *ARB No. 43* defines depreciation accounting (the process of allocating the cost of productive facilities over the expected useful lives of the facilities) as "a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation."

Table 3-12 summarizes the methods of depreciation used to allocate the cost of productive facilities. Examples of depreciation expense disclosures follow.

Straight-Line Method

EMERSON RADIO CORP. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): The Company and Its Significant Accounting Policies:

(3) Property and Equipment:

Property and equipment, stated at cost, is being depreciated for financial accounting purposes on the straight-line method over its estimated useful life.

Note B—Property and Equipment:

Property and equipment is comprised of the following:

	March 31,	
	1989	1988
Land and building	$ 5,275,000	$ 2,395,000
Furniture and fixtures	4,724,000	4,299,000
Molds & tooling	4,881,000	3,077,000
Machinery and equipment	2,088,000	1,860,000
Leasehold improvements	1,669,000	1,670,000
TOTAL	18,637,000	13,301,000
Less accumulated depreciation and amortization	5,188,000	3,789,000
	$13,449,000	$ 9,512,000

Depreciation and amortization of property and equipment amounted to $3,276,000, $2,702,000 and $2,169,000 in 1989, 1988 and 1987, respectively.

THE GREYHOUND CORPORATION (DEC)

Statement of Consolidated Cash Flows

	1989	1988	1987
		(000 omitted)	
Cash flows provided (used) by operating activities:			
Net income	$108,711	$104,058	$25,102
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation	85,115	85,418	70,483
Deferred income taxes	11,224	(11,904)	30,864

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Property and equipment

Owned assets are stated at cost and capital lease assets are stated at the present value of future rentals at lease inception.

Depreciation is provided principally by use of the straight-line method at annual rates as follows:

Buildings	2% to 5%
Machinery and other equipment	5% to 33%
Capital leases and leasehold improvements	Lesser of lease term or useful life

MASCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Depreciation and Amortization. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and land improvements, 2 to 10 percent, and machinery and equipment, 6 to 33⅓ percent. Depreciation was $59.4 million, $67.0 million and $53.2 million in 1989, 1988 and 1987, respectively. The excess of cost over net assets of acquired companies is being amortized using the straight-line method over periods not exceeding 40 years. At December 31, 1989 and 1988, accumulated amortization of excess of cost over net assets of acquired companies totalled $57.6 million and $39.8 million, respectively. Purchase costs of patents are being amortized using the straight-line method over their remaining lives. Amortization of intangible assets was $29.7 million, $19.5 million and $15.9 million in 1989, 1988 and 1987, respectively.

MERCK & CO. INC. (DEC)

Consolidated Statement of Cash Flows

	1989	1988	1987
		($ in millions)	
Cash Flows from Operating Activities			
Net income	$1,495.4	$1,206.8	$906.4
Adjustments to reconcile net income to cash provided from operations:			
Depreciation and amortization	221.7	204.9	210.0
Deferred taxes	(65.9)	(140.4)	(66.6)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Depreciation—Depreciation is provided over the estimated useful lives of the assets, principally using the straight-line method. For tax purposes, accelerated methods are used.

THE STANLEY WORKS (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Properties, Equipment and Related Depreciation

Property, plant and equipment are stated on the basis of cost. Depreciation is provided using a combination of accelerated and straight-line methods based upon the estimated useful lives of the assets. Lease amortization is included in depreciation expense.

Note D—Property, Plant and Equipment

Property, plant and equipment at the end of each year, in millions of dollars, consisted of the following:

	1989	1988
Land	$ 23.5	$ 24.7
Buildings	194.8	194.3
Machinery and equipment	700.5	630.0
	918.8	849.0
Less accumulated depreciation	399.2	358.2
	$519.6	$490.8

The provisions for depreciation for 1989, 1988 and 1987 were $55.9 million, $50.2 million and $49.4 million, respectively. Approximately 30% of depreciable assets are depreciated on accelerated methods and the balance is depreciated on the straight-line method.

MET-PRO CORPORATION (JAN)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment:

Property, plant and equipment is recorded at cost. Depreciation is computed principally by use of the straight-line method based upon the estimated useful lives of the various classes of assets. Expenditures for maintenance and repairs are charged to expense as incurred. Renewals and betterments are capitalized (see Note 5)

5. Property, Plant and Equipment

Property, plant and equipment was comprised of the following:

	Estimated Useful Life (Years)	January 31, 1990	1989
Land	—	$ 802,833	$ 802,833
Buildings and improvements	10 and 40	6,286,289	6,037,707
Machinery and equipment	5–10	5,694,102	5,254,165
Furniture and fixtures	5–20	1,794,572	1,576,229
Automotive equipment	3 and 4	458,830	370,306
Leasehold improvements	Terms of leases	238,576	222,546
		15,275,202	14,263,786
Less accumulated depreciation		7,332,178	6,283,290
		$ 7,943,024	$ 7,980,496

Depreciation and amortization of property, plant and equipment charged to operations amounted to $936,755, $929,009 and $877,228 for the years ended in 1990, 1989 and 1988, respectively.

Units-Of-Production Method

CBI INDUSTRIES, INC. (DEC)

Consolidated Statements of Cash Flows

	1989	1988	1987
		Thousands of dollars	
Cash flows from operating activities			
Net income	$34,297	$27,515	$18,296
Adjustments to net income for items which do not use/(provide) cash			
Depreciation, amortization and depletion	72,833	68,158	61,864
(Decrease)/increase in deferred income taxes	(18,880)	(10,128)	4,736

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Thousands of dollars

3. Property and Equipment.

Property and equipment are recorded at cost and depreciated on a straight-line basis, except for drilling equipment, over the estimated useful lives: buildings, 6½ to 50 years; building equipment, 3 to 40 years; and other equipment, 2 to 25 years. Drilling equipment, which has useful lives of 14 to 17 years, is depreciated using the unit-of-production method.

Repair and maintenance costs, amounting to $38,774 in 1989, $38,827 in 1988 and $37,903 in 1987, are charged to expense as incurred. Renewals and betterments which substantially extend the useful life of an asset are capitalized and depreciated. Certain facilities used under capital leases are recorded as property and equipment, and are depreciated.

INTERNATIONAL PAPER COMPANY (DEC)

	1989	1988	1987
		In millions	
Costs and Expenses			
Cost of products sold	$7,918	$6,717	$5,650
Depreciation and amortization	559	474	424
Distribution expenses	411	383	352
Selling and administrative expenses	789	561	447
Taxes other than payroll and income taxes	91	89	79
Total Costs and Expenses	9,768	8,224	6,952

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Plants, Properties and Equipment

Plants, properties and equipment are stated at cost, less accumulated depreciation. For financial reporting purposes, the Company uses the unit-of-production method for depreciating its major pulp and paper mills and certain wood products facilities, and the straight-line method for other plants and equipment. Annual straight-line depreciation rates are buildings, 2½% to 8% and machinery and equipment, 5% to 33%. For tax purposes, depreciation is computed utilizing accelerated methods.

Start-up costs on major projects are capitalized and amortized over a five-year period. Unamortized start-up costs were $37 million, $45 million and $67 million at December 31, 1989, 1988 and 1987, respectively.

Interest costs for the construction of certain long-term assets are capitalized and amortized over the related asset's estimated useful life. The Company capitalized net interest costs of $11 million in 1989, $6 million in 1988 and $4 million in 1987. Interest payments made during 1989, 1988 and 1987 were $217 million, $177 million and $186 million, respectively.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

	1989	1988	1987
		(In millions)	
COSTS AND OTHER DEDUCTIONS:			
Cost of sales	$16,364	$15,782	$13,792
Selling, general and administrative and other operating expenses	1,358	1,456	1,136
Depreciation, depletion and amortization of assets	1,031	990	995
Exploration expense	144	148	144
Interest and debt expense, net	966	940	922
Minority interests in net income of subsidiaries and partnerships	26	43	10
	19,889	19,359	16,999

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment—Property additions and major renewals and improvements are capitalized at cost. Interest costs incurred in connection with major capital expenditures are capitalized and amortized over the lives of the related assets (see Note 16). Depreciation of oil and gas producing properties, phosphate rock properties and coal properties is determined principally by the unit-of-production method and is based on estimated recoverable reserves. The unit-of-production method of depreciation, based on estimated total productive life, also is used for certain chemical plant and equipment. Depreciation of other plant and equipment, including natural gas transmission facilities, has been provided primarily using the straight-line method.

Oil and gas properties are accounted for using the successful-efforts method. Costs of acquiring nonproducing acreage, costs of drilling successful exploration wells and development costs are capitalized. Producing and nonproducing properties are evaluated periodically, and if conditions warrant, an impairment reserve is provided. Worldwide oil and gas properties are impaired when undiscounted future net cash flows are less than the capitalized cost of such properties. Annual lease rentals and exploration costs, including geologic and geophysical costs and exploratory dry-hole costs, are expensed as incurred.

Natural gas transmission companies subject to rate regulation by the Federal Energy Regulatory Commission (FERC) defer or capitalize certain costs in property, plant and equipment, the recovery of which is subject to the rate-regulatory process. The allocated purchase price (see Note 2), net of depreciation, with respect to the interstate natural gas transmission subsidiary of MidCon Corp. (MidCon), exceeded the amount subject to recovery through the rate-regulatory process by $2.8 billion and $3.1 billion as of December 31, 1989 and 1988, respectively. This excess amount is being depreciated over 33 years.

Development costs incurred in connection with preparing new mines for commercial production are capitalized and amortized by the unit-of-production method.

Declining-Balance Method

DIXIE YARNS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment: Provision for depreciation of property, plant and equipment acquired prior to 1981 has been computed principally on declining balance methods for both financial statement and tax purposes. For property, plant and equipment acquired after 1980, provision for depreciation has been computed by the straight-line method for financial statement purposes and in accordance with the applicable statutory recovery methods for tax purposes. Depreciation and amortization of property, plant and equipment amounted to $15,284,324 in 1989, $13,736,817 in 1988 and $10,995,141 in 1987.

LEE ENTERPRISES, INCORPORATED (SEP)

	1989	1988	1987
		(In Thousands)	
Operating Expenses:			
Compensation costs	$ 93,442	$ 84,523	$ 79,975
Newsprint and ink	23,906	21,829	19,661
Depreciation	9,904	9,237	8,638
Amortization of intangibles	4,077	3,404	2,987
Other	69,908	64,665	62,028
	$201,237	$183,658	$173,289

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Property and Equipment:

Property and equipment is carried at cost. Newspaper and broadcasting equipment is depreciated primarily by declining-balance methods, whereas the straight-line method is used for all other assets. The estimated useful lives in years are as follows:

	Years
Buildings and improvements	25
Newspaper:	
Presses	15-20
Other major equipment	5-11
Broadcasting:	
Towers	15-20
Other major equipment	5-10

The Company capitalizes interest as part of the cost of constructing major facilities.

MOTOROLA, INC. (DEC)

	1989	1988	1987
		(In millions)	
Costs and expenses			
Manufacturing and other costs of sales	$5,905	$5,040	$4,071
Selling, general and administrative expenses	2,289	1,957	1,665
Depreciation expense	650	543	494
Interest expense, net	130	98	79
Total costs and expenses	8,974	7,638	6,309

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment: Property, plant and equipment is stated at cost. The cost of buildings, machinery and equipment is depreciated, generally by the declining-balance method, over the estimated useful lives of such assets, as follows: buildings and building equipment, 5-50 years, machinery and equipment, 2-12 years.

Sum-Of-The-Years-Digits

FORD MOTOR COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Depreciation and Amortization—Automotive. Depreciation is computed using an accelerated method that results in accumulated depreciation of approximately two-thirds of asset cost during the first half of the asset's estimated useful life. On average, buildings and land improvements are depreciated based on a 30-year life; automotive machinery, equipment, and office furniture are depreciated based on a 12-year life.

When plant and equipment are retired, the general policy is to charge the cost of such assets, reduced by net salvage proceeds, to accumulated depreciation. All maintenance, repairs, and rearrangement expenses are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized.

The cost of special tools are amortized over periods of time representing the productive use of such tools.

Preproduction costs incurred in connection with new facilities are expensed as incurred.

Note 4. Costs and Expenses—Automotive

Total Automotive costs and expenses consisted of the following:

(in millions)	1989	1988	1987
Costs, excluding items listed below	$70,336.1	$68,233.3	$58,572.7
Depreciation	2,056.6	1,914.9	1,827.7
Amortization of special tools	1,508.8	1,334.7	1,353.2
Selling and administrative	3,516.8	3,452.0	3,289.3
Employee retirement plans	648.2	646.2	498.4
Loss on sale of Rouge Steel Company	561.3	—	—
Total costs and expenses	$78,627.8	$75,581.1	$65,541.3

Production-Variable Method

BETHLEHEM STEEL CORPORATION (DEC)

	1989	1988	1987
		(dollars in millions)	
Costs and Expenses:			
Cost of sales	$4,399.1	$4,475.5	$3,992.8
Depreciation (Note A)	325.3	333.6	338.9
Selling, administrative and general expense	154.1	140.7	138.4
Estimated restructuring losses—net	105.0	113.0	75.0
Total Costs and Expenses	4,983.5	5,062.8	4,545.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Depreciation—Depreciation, which includes amortization of assets under capital leases, is based upon the estimated useful lives of each asset group. The useful life is 18 years for most steel producing assets. Steel and most raw materials producing assets are depreciated on a straight-line basis adjusted by an activity factor. This factor is based on the ratio of production and shipments for the current year to the average production and shipments for the current and preceding four years at each operating location. Annual depreciation after adjustment for this activity factor is not less than 75% nor more than 125% of straight-line depreciation. Depreciation after adjustment for this activity factor was $17.3 million more than straight-line in 1989, $35.2 million more in 1988 and $25.9 million more in 1987. Through December 31, 1989, $69.0 million less accumulated depreciation has been recorded under this method than would have been recorded under straight-line depreciation.

The cost of blast furnace linings is depreciated on a unit-of-production basis. All other assets are depreciated on a straight-line basis.

THE LTV CORPORATION (DEC)

Consolidated Statement of Cash Flows

	1989	1988	1987
		(in millions)	
Operating activities:			
Net income (loss)	$264.9	$(3,153.6)	$502.6
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Depreciation and amortization	232.1	242.0	250.4
Cumulative effect of accounting change	—	2,263.0	—
Special items, net of cash expenditures	30.0	1,337.1	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Property Costs and Depreciation and Amortization

Plant and equipment are depreciated principally by the straight-line method over their estimated useful lives. However, in order to reflect the higher or lower than normal activity levels (based on shipping capacity) of the steel group facilities, the straight-line method is modified to the extent that depreciation is decreased at lower and increased at higher operating levels thereby providing for depreciation within a range of 50% to 150% (and not less than a 75% average for the latest five-year period) of the straight-line amount based on their composite economic useful lives. As the activity rate increases, each percentage point of activity above 62.5% increases the depreciation rate by 1.67%. Under this method, the normal activity rate for the steel group is considered to be 85% of capacity and results in depreciation expense equal to 100% of the total annual straight-line charge. During 1989, 1988 and 1987 the depreciation rate for the steel group was 105%, 112% and 114%, respectively.

The recorded noncash charge for depreciation expense was higher than the computed straight-line amount in 1989, 1988 and 1987 by $8.0 million, $18.1 million and $20.5 million, respectively, to recognize the higher operating levels.

When properties are retired or sold, their costs and the related allowance for depreciation are eliminated from the property and allowance for depreciation accounts. Generally, for normal retirements, gains or losses are credited or charged to allowance for depreciation accounts; for abnormal retirements, gains or losses are included in income in the year of disposal.

Depletion

ASARCO INCORPORATED (DEC)

	1989	1988	1987
	(dollars in thousands)		
Operating costs and expenses:			
Cost of products and services	$1,776,227	$1,596,594	$1,117,077
Selling, administrative and other	80,231	47,776	38,924
Depreciation and depletion	64,414	58,649	59,763
Research and exploration	23,817	15,786	9,000
Loss on sale of businesses	34,265	—	—
Total operating costs and expenses	1,978,954	1,718,805	1,224,764

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property: Assets are valued at cost or less. Betterments, renewals, costs of bringing new mineral properties into production, and the cost of major development programs at existing mines are capitalized. Maintenance, repairs, development costs to maintain production at existing mines, and gains or losses on assets retired or sold are reflected in earnings as incurred. Plant assets are depreciated over their estimated useful lives generally by the units-of-production method. Depreciation and depletion of mine assets are computed generally by the units-of-production method using proven and probable ore reserves.

THE COASTAL CORPORATION (DEC)

	1989	1988	1987
	(Millions of Dollars)		
Operating Costs and Expenses			
Purchases	$5,911.0	$5,394.2	$4,886.1
Operating expenses	1,365.1	1,247.7	1,136.1
Depreciation, depletion and amortization	267.5	308.6	317.2
	7,543.6	6,950.5	6,339.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment

Property additions include acquisition costs, administrative costs and, where appropriate, capitalized interest allocable to construction. Capitalized interest amounted to $5.8 million, $3.4 million, and $2.1 million in 1989, 1988 and 1987, respectively. All costs incurred in the acquisition, exploration and development of gas and oil properties, including unproductive wells, are capitalized under the full-cost method of accounting.

Depreciation, depletion and amortization of gas and oil properties are provided on the unit-of-production basis whereby the unit rate for depreciation, depletion and amortization is determined by dividing the total unrecovered carrying value of gas and oil properties plus estimated future development costs by the estimated proved reserves included therein, as estimated by an independent engineer. The average amortization rate per equivalent unit of a thousand cubic feet of gas production for gas and oil operations was $1.06, $1.03 and $0.99 for the years 1989, 1988 and 1987, respectively. Provisions for depletion of coal properties, including exploration and development costs, are based upon estimates of recoverable reserves using the unit-of-production method. Provision for depreciation of other property is primarily on a straight-line basis over the estimated useful life of the properties.

Costs of minor property units (or components thereof) retired or abandoned are charged or credited, net of salvage, to accumulated depreciation, depletion and amortization. Gain or loss on sales of major property units is credited or charged to income.

INCOME TAXES

PRESENTATION OF INCOME TAXES

Paragraphs 56-64 of *APB Opinion No. 11* state the financial statement and disclosure standards for income tax liabilities and expense. Effective for fiscal years beginning after December 15, 1991, *Statement of Financial Accounting Standards No. 96*, Section I25 of *FASB Accounting Standards—Current Text*, supersedes *APB Opinion No. 11* as the authoritative pronouncement on accounting for and reporting income tax liabilities and expense. Paragraphs 24-30 of *SFAS No. 96* set forth standards for financial statement presentation and disclosure of income tax liabilities and expense. One hundred fifty-four survey companies have adopted *SFAS No. 96.*

Table 3-13 summarizes the descriptive captions used by the survey companies to identify income tax expense. Table 3-14 shows the nature of frequently disclosed timing or temporary differences giving rise to deferred taxes. Examples of income tax presentation and disclosure follow.

Expense Provision

BAUSCH & LOMB INCORPORATED (DEC)

	1989	1988	1987
		($000)	
Earnings before income taxes and minority interest	$173,862	$148,843	$136,295
Provision for income taxes	56,664	49,550	50,100
Earnings before minority interest	117,198	99,293	86,195

NOTES TO FINANCIAL STATEMENTS

Accounting Policies (In Part)

Income Taxes

The company accounts for certain income and expense items differently for financial reporting and income tax purposes. Provisions for deferred taxes are made in recognition of these timing differences. The company does not provide for

TABLE 3-13: FEDERAL INCOME TAX EXPENSE

	1989	1988	1987	1986
Descriptive Terms				
Income taxes	536	535	522	520
Federal income taxes	45	42	56	59
United States (U.S.) income taxes	11	13	14	11
	592	**590**	**592**	**590**
Other or no current year amount	8	10	8	10
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-14: TIMING DIFFERENCES—REASONS

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Depreciation	454	462	465	488
Pensions	111	119	118	110
Other employee benefits	134	146	131	112
Inventory valuation	164	146	131	86
Discontinued operations	81	92	92	98
Installment sales	68	72	70	88
Long-term contracts	61	63	65	67
Unremitted earnings	47	63	59	70
Leases	43	39	38	27
Interest and taxes during construction	33	33	33	51
Intangible drilling costs	24	30	27	26
Warranties	17	22	14	16

additional U.S. and foreign income taxes on undistributed earnings considered to be permanently reinvested in its foreign subsidiaries.

Provision For Income Taxes

An analysis of the components of earnings before income taxes and minority interest and the related provision for income taxes is presented below:

Dollar Amounts in Thousands	1989	1988	1987
Earnings before income taxes and minority interest:			
Domestic	$69,666	$63,348	$94,451
Foreign	104,196	85,495	41,844
	$173,862	$148,843	$136,295
Provision for income taxes:			
Federal			
Current	$19,490	$35,944	$24,140
Deferred	6,051	(13,611)	9,625
State			
Current	4,240	6,044	4,024
Deferred	847	(2,289)	1,266
Foreign			
Current	26,379	24,442	7,098
Deferred	(343)	(980)	3,947
	$56,664	$49,550	$50,100

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial reporting purposes. The sources of these timing differences were as follows:

Dollar Amounts in Thousands	1989	1988	1987
Accrued exchange gain (loss) not realized	$6,962	$(12,185)	$13,650
Other	(407)	(4,695)	1,188
	$6,555	$(16,880)	$14,838

Reconciliations of the statutory U.S. federal income tax rate of 34% in 1989 and 1988, and 40% in 1987 to the effective tax rates are as follows:

	1989	1988	1987
Statutory tax rate	34.0%	34.0%	40.0%
State income taxes, net of federal tax benefit	1.6	1.7	2.3
Difference between foreign and U.S. tax rates including foreign tax credits	(2.5)	(2.0)	(4.8)
Other	(0.5)	(0.4)	(0.7)
Effective tax rate	32.6%	33.3%	36.8%

The company does not provide for additional U.S. and foreign income taxes on undistributed earnings considered permanently invested in its foreign subsidiaries. At December 30, 1989, such undistributed earnings totaled $335,030,000.

During the first quarter of 1986, the Internal Revenue Service completed an examination of the company's tax returns for the period 1980-1982 and proposed adjustments thereto, the most significant of which related to income earned by the company's operations in Ireland. In the third quarter of 1986, the company settled all of the outstanding issues in the years under examination, except for that relating to operations in Ireland. The company contested this alleged deficiency before the U.S. Tax Court in a trial which was concluded in the third quarter of 1987. In March of 1989, the Tax Court rendered a decision substantially upholding the company's position. Although the Court's decision increased the company's tax liability for the period, the increase was within the previously established tax provision. The government has filed a notice of appeal in this matter which may be heard in the second quarter of 1990. The company remains firmly convinced that its opposition to the proposed adjustments is well founded.

During the third quarter of 1989, the Internal Revenue Service completed its examination of the company's tax returns for the period 1983-1984 and proposed adjustments thereto, the most significant of which raised issues similar to those decided by the Tax Court for the preceding years. The company has filed a formal protest with the Internal Revenue Service contesting these matters. Taxes and accrued interest associated with these proposed adjustments amount to approximately $39 million which exceeds the company's tax provision for the years in question. Management believes that any tax liability which may arise for those periods, or for subsequent years, will not have a materially adverse effect on the financial position of the company.

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 96, Accounting for Income Taxes. The conclusions reached by SFAS No. 96 result in significant changes to existing accounting principles. Although the present requirement to record deferred taxes for transactions that are reported in different years for financial reporting and tax purposes has been retained, the computation of deferred taxes has been revised so that deferred taxes are provided based on tax rates which would apply during the period in which the taxes actually became payable. Accordingly, the amount of deferred taxes on the balance sheet must be adjusted whenever tax rates or other provisions of the income tax law are changed. In addition, SFAS No. 96 alters current practice by significantly limiting the ability to recognize net deferred tax assets and affects the way in which acquisitions are recorded, particularly those transactions where stock is acquired and accounted for under the purchase method. The new provisions must be adopted in the 1992 fiscal year, and such adoption may be made on either a retroactive or prospective basis. Adoption of the new Statement is not expected to have a significant effect on the company's financial position or results of operations.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

	1989	1988	1987
	(Dollars in millions)		
Income from Continuing Operations before Income Taxes and Extraordinary Item	$470.9	$537.5	$872.4
United States and Foreign Taxes on Income	281.5	187.4	358.5
Income from Continuing Operations before Extraordinary Item	189.4	350.1	513.9
Discontinued Operations	—	—	257.0
Income before Extraordinary Item	189.4	350.1	770.9

ACCOUNTING POLICIES

Income Taxes

Income taxes are recognized during the year in which transactions enter into the determination of financial statement income with deferred taxes being provided for timing differences.

NOTES TO FINANCIAL STATEMENTS

Income Taxes

The components of income from continuing operations before income taxes and extraordinary item follow:

(In millions)	1989	1988	1987
Domestic Operations	$168.2	$189.6	$571.0
Foreign Operations	302.7	347.9	301.4
	$470.9	$537.5	$872.4

The effective income tax rate information follows:

	1989	1988	1987
U.S. Federal statutory income tax rate	34.0%	34.0%	40.0%
Differences applicable to foreign operations:			
Additional tax on foreign source income	9.6	6.2	2.9
Tax benefit on prior foreign losses	—	(3.2)	(1.5)
Tax rate differences and other variations	7.9	2.3	(1.6)
Sale of South Africa subsidiary	4.8	—	—
	22.3	5.3	(.2)
Pension asset reversion	—	(6.6)	—
Excise tax on pension asset reversion	—	2.4	—
Other items	1.2	(1.4)	.5
Effective rate on income from continuing operations before income taxes, minority interest and extraordinary item	57.5	33.7	40.3
Discontinued operations	—	—	(6.8)
Extraordinary item—tax benefit of loss carryovers	(3.6)	—	—
Effective rate reflecting discontinued operations and extraordinary item	53.9%	33.7%	33.5%

The components of the provision for income taxes by taxing jurisdiction follow:

(In millions)	1989	1988	1987
Currently payable:			
Federal	$ 26.2	$ 27.0	$ (2.4)
Foreign income and withholding taxes	190.9	194.2	162.8
State	8.8	23.5	(2.7)
	225.9	244.7	157.7
Deferred:			
Federal	23.7	(47.6)	162.8
Foreign	16.7	10.9	21.5
State	(2.2)	(20.6)	16.5
	38.2	(57.3)	200.8
Charge equivalent to the effects of foreign operating loss carryovers utilized	17.4	—	—
United States and foreign taxes on income	$281.5	$187.4	$358.5

Prepaid and deferred taxes relating to timing differences of revenues and expenses for tax and financial reporting purposes follow:

(In millions)	1989	1988	1987
Depreciation	$ 59.4	$ 78.0	$ 82.4
Plant closures	14.2	4.5	1.3
Capitalized interest	18.9	39.3	45.6
Realignment/restructuring costs	(2.9)	4.6	10.7
Pensions	(24.2)	(168.5)	(9.1)
Sale of facilities	—	—	62.0
Sale of foreign currency contracts	(30.8)	—	—
Other items	3.6	(15.2)	7.9
	$ 38.2	$(57.3)	$200.8

The Company made cash payments for income taxes in 1989, 1988 and 1987 of $333.6 million, $214.5 million and $174.1 million, respectively.

No provision for Federal income tax or foreign withholding tax on retained earnings of foreign subsidiaries of $1,242.6 million is required because this amount has been reinvested in properties and plants and working capital.

The Financial Accounting Standards Board has again extended the required implementation date of Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes." The Company does not intend to adopt this Statement until the required implementation date, currently 1992. Because of continued uncertainty relating to implementation guidelines and interpretations, the Company is not certain as to the impact this Statement will have on future financial statements.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

	1989	1988	1987
	(Dollars in millions)		
Earnings before Income Taxes	$6,645	$9,033	$8,630
Provision for Income Taxes	2,887	3,542	3,372
Earnings before Cumulative Effect of Accounting Change	3,758	5,491	5,258

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part):

Income Taxes:

Income tax expense is based on reported earnings before income taxes. Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws. In years prior to 1988, deferred taxes were accounted for at the tax rates in effect when the asset or liability was recorded, with no adjustment for subsequent rate changes. Deferred investment tax credits are being amortized as a reduction of income tax expense over the average useful life of the applicable classes of property.

Taxes

	1989	1988	1987
	(Dollars in millions)		
Earnings before income taxes:			
U.S. operations	$ (851)	$ 1,945	$ 2,950
Non-U.S. operations	7,496	7,088	5,680
	$ 6,645	$ 9,033	$ 8,630
Provision for income taxes:			
U.S. operations	$ (501)	$ 533	$ 1,001
Non-U.S. operations	3,388	3,009	2,371
	2,887	3,542	3,372
Social Security, real estate, personal property and other taxes	2,562	2,528	2,370
Total	$ 5,449	$ 6,070	$ 5,742

The components of the provision for income taxes are as follows:

U.S. Federal:			
Current	$ 476	$ 79	$ (123)
Deferred	(1,247)	(86)	177
Net deferred investment tax credits	(101)	(125)	(150)
	(872)	(132)	(96)
Non-U.S.:			
Current	3,025	3,562	3,013
Deferred	824	87	320
	3,849	3,649	3,333
U.S. State and local:			
Current	107	12	23
Deferred	(197)	13	112
	(90)	25	135
Total provision	$ 2,887	$ 3,542	$ 3,372

In 1988, the company implemented Statement of Financial Accounting Standards (SFAS) 96. This standard calls for adjustment of deferred tax assets and liabilities whenever there is a change in enacted tax rates, with a corresponding adjustment being reflected in income tax expense for that period. Previous rules called for recording these assets and liabilities at the current rate, with no subsequent adjustment for tax rate changes.

The cumulative effect of adopting SFAS 96 for periods ending prior to January 1, 1988, which amounted to a benefit of $315 million, has been included in 1988 net earnings. The effect on the 1988 provision for income taxes was not material. Income taxes for 1987 have not been restated for this change.

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The principal items making up the deferred tax provision in 1989 included $904 million related to the restructuring charge taken in the U.S. and $159 million for deferred inventory overhead, offset by $339 million for sales-type leases and installment sales and $230 million for deferred software costs. In 1988, these principal items included $238 million for sales-type leases and installment sales and $175 million for deferred software costs, partially offset by $182 million of deferred tax credits associated with the alternative minimum tax. In 1987, the principal item was $535 million for depreciation. No other individual item was material.

Under the rules of SFAS 96, no financial recognition is allowed for net deferred tax assets in excess of the amount that could be recovered as income tax refunds through existing loss carryback or carryforward provisions. Consequently, at December 31, 1989, the company had unrecognized deferred tax assets of approximately $100 million, most of which have carryforwards for substantial periods. In addition, the company has $287 million of deferred investment tax credits for financial reporting purposes, which will reduce tax expense in future years. For tax purposes, the company has available tax credit carryforwards of approximately $400 million, the majority of which are available indefinitely and may be used to offset future taxes.

The consolidated effective income tax rate was 43.4% in 1989, 39.2% in 1988, and 39.1% in 1987. In 1989 and 1988, the higher effective tax rate on earnings of non-U.S. operations accounted for 12.6 and 6.6 percentage points, respectively, of the difference between the effective rate and the U.S. federal statutory rate of 34.0%. In 1987, there were no individually significant items which caused the effective rate to differ from the U.S. federal statutory rate.

JOHNSON & JOHNSON (DEC)

	1989	1988	1987
	(Dollars in Millions)		
Earnings before provision for taxes on income	$1,514	$1,396	$1,193
Provision for taxes on income (Note 7)	432	422	360
Net earnings	$1,082	974	833

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Income Taxes

Domestic investment tax credits and certain international tax incentives are deferred and amortized over the estimated useful lives of the related assets.

The Company intends to continue to reinvest its undistributed international earnings to expand its international operations; therefore, no tax has been provided to cover the repatriation of such undistributed earnings. At December 31, 1989, the cumulative amount of undistributed international earnings for which the Company has not provided United States income taxes was approximately $1.4 billion.

Note 7. Income Taxes

The provision for taxes on income consists of:

(Dollars in Millions) Year 1989	U.S.%	International	Total
Federal and international			
Currently payable	$30	404	434
Net tax effect-timing differences	(6)	(2)	(8)
Investment tax credits amortization	(4)	—	(4)
Domestic state and local	10	—	10
	$30	402	432
Effective tax rate	5.9%	40.1%	28.5%

Year 1988	U.S.	International	Total
Federal and international			
Currently payable	$28	394	422
Net tax effect-timing differences	22	(28)	(6)
Investment tax credits amortization	(7)	—	(7)
Domestic state and local	13	—	13
	$56	366	422
Effective tax rate	11.7%	39.9%	30.2%

Year 1987	U.S.	International	Total
Federal and international			
Currently payable	$40	378	418
Net tax effect-timing differences	4	(62)	(58)
Investment tax credits amortization	(10)	—	(10)
Domestic state and local	10	—	10
	$44	316	360
Effective tax rate	10.1%	41.6%	30.2%

Timing differences result from the effect of transactions which are recognized in different periods for financial and tax reporting purposes and relate primarily to employee costs, depreciation and other valuation allowances.

A comparison of income tax expense at the federal statutory rates of 34% in 1989 and 1988 and 40% in 1987 to the Company's provision for taxes on income is as follows:

(Dollars in Millions)	1989	1988	1987
Earnings before taxes on income:			
U.S.	$ 512	479	434
International	1,002	917	759
Worldwide	$1,514	1,396	1,193
Statutory taxes	$ 515	475	477
Puerto Rico operations	(147)	(99)	(103)
Investment tax credits amortization	(4)	(7)	(10)
Research tax credits	(10)	(12)	(10)
Domestic state and local	7	9	6
International subsidiaries	61	54	12
All other	10	2	(12)
Provision for taxes on income	$ 432	422	360
Effective tax rate	28.5%	30.2%	30.2%

The Company has domestic subsidiaries operating in Puerto Rico under grants providing for tax relief expiring December 31, 2002 and December 31, 2003.

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 96, Accounting for Income Taxes, which requires the computation of deferred income taxes based on a liability approach rather than the deferred method previously required under Accounting Principles Board Opinion No. 11. The effective date of the pronouncement has been delayed until 1992 since the Board is considering requests to amend certain of its provisions.

The new statement will change the manner in which the Company accounts and reports income taxes. Assuming no significant amendments to the proposed statement and that the Company implements such statement by restating prior years, the resulting adjustment would reduce retained earnings by an amount not material relative to stockholders' equity. The annual effects thereafter are not expected to be material.

KERR GLASS MANUFACTURING CORPORATION (DEC)

	1989	1988	1987
	(in thousands)		
Earnings (loss) before income taxes and cumulative effect of accounting change	$453	$(2,218)	$3,219
Provision (benefit) for income taxes	172	(849)	1,388
Earnings (loss) before cumulative effect of accounting change	281	(1,369)	1,831

NOTES TO FINANCIAL STATEMENTS

Note 5. Income Taxes

Provision (benefit) for income taxes is made up of the following components:

	1989	1988	1987
	Years Ended December 31, (in thousands)		
Current			
Federal	$ —	$ —	$ 14
State	—	—	59
	—	—	73
Deferred			
Federal	120	(710)	1,090
State	52	(139)	225
	172	(849)	1,315
Total	$172	$(849)	$1,388

Effective January 1, 1987, the Company prospectively adopted FASB Statement No. 96, Accounting for Income Taxes. FASB Statement No. 96 requires, among other things, current recognition of the effect of changes in statutory tax rates on previously provided deferred income taxes. The cumulative effect of this change in accounting on the Company's financial position through December 31, 1986, is $1,271,000 or $0.35 per common share.

Deferred income tax (benefits) result primarily from temporary differences in the recognition of various expenses for tax and financial statement purposes. The sources and tax effects of these differences are as follows:

	1989	1988	1987
	Years Ended December 31, (in thousands)		
Reinstatement (reduction) of deferred income taxes attributable to recognition of tax credit and net operating loss carryforwards	$1,349	$(1,160)	$ 286
Interest expense not currently deductible for tax	(203)	(342)	(234)
Additional costs inventoried for tax purposes pursuant to the Tax Reform Act of 1986	(726)	(153)	(446)
Provision for plant closings and consolidations deferred for tax	—	95	1,012
Excess of pension contributions paid over pension expense	668	306	—
Excess (deficit) of tax over book depreciation, including assets retired or sold	(354)	121	522
Capitalization of assets expensed for tax purposes in 1988	(640)	640	—
Other, net	78	(356)	175
Total	$ 172	$ (849)	$1,315

Total provision (benefit) for income taxes differed from the amounts computed by applying the U.S. Federal income tax rates of 34% in 1989 and 1988 and 40% in 1987 to earnings (loss) before income taxes. The reasons for these differences are as follows:

	1989	1988	1987
	Years Ended December 31, (in thousands)		
Computed "expected" tax expense (benefit)	$154	$(754)	$1,288
Increase (reduction) in taxes resulting from:			
State income taxes (benefits), net of Federal income tax benefit	34	(92)	146
Other, net	(16)	(3)	(46)
Actual tax expense (benefit)	$172	$(849)	$1,388

As of December 31, 1989, the Company had a net operating loss carryforward for tax purposes of $1,360,000, expiring in the year 2003 and a tax credit carryforward (primarily investment tax credits) of $549,000 expiring in the years 1999 through 2003.

The Internal Revenue Service has completed an audit of the Company's Federal income tax returns through 1985. As a result of the audit, the Company paid in 1989 a tax in the amount of $3,800,000 and is awaiting a statement from the Internal Revenue Service as to the amount of interest due on the tax payment. The payment made in 1989 had no impact on the Company's 1989 results of operations. Any adjustment required by such interest payment will not materially affect the consolidated financial condition of the Company. The Company intends to file a refund claim with respect to the payment of the tax and the interest.

ORION PICTURES CORPORATION (FEB)

	1989	1988	1987
	(in thousands)		
Income before provision for income taxes	$17,628	$15,524	$12,738
Provision for income taxes	3,736	3,365	2,905
Net income	$13,892	$12,159	$9,833

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Income Taxes

The Provision for income taxes for fiscal 1989, 1988 and 1987 consists of the following (in thousands):

Fiscal Years Ended in February,	1989	1988	1987
Federal	$1,232	$ 440	$1,235
State and local	1,504	1,325	1,170
Foreign	1,000	1,600	500
	$3,736	$3,365	$2,905

Federal income tax expense represents, in part, a provision in lieu of tax. Pursuant to accounting principles applicable to quasi-reorganizations, an equivalent amount, except for a portion beginning in fiscal 1988 attributable to the corporate alternative minimum tax, has been credited to Paid-in capital. Thus, a portion of such provision does not reduce Shareholders' equity or require a cash payment. Cash utilized for the payment of income taxes during fiscal 1989, 1988 and 1987 was $2,633,000, $1,748,000 and $738,000, respectively.

The federal income tax portion of the Provision for income taxes reflects the benefit of investment tax credits and foreign tax credits earned as well as state income taxes provided after the date of the quasi-reorganization. The Company recognizes investment tax credits on the flow-through method.

The Company's Provision for income taxes for fiscal 1989, 1988 and 1987 differs from the provision that would have resulted from applying the federal statutory rates during those periods to Income before provision for income taxes. The reasons for these differences are explained in the following table (in thousands):

Fiscal Years Ended in February,	1989	1988	1987
Provision based upon federal statutory rate of 34%, 38% and 46%, respectively	$5,994	$5,899	$5,859
State taxes, net of federal benefit	1,023	822	632
Foreign tax credit carryforward	—	(2,525)	—
Investment tax credits	(3,722)	(1,341)	(3,726)
Other, net	441	510	140
Provision for income taxes	$3,736	$3,365	$2,905

At February 29, 1989, the Company had available net operating loss carryforwards and unused investment tax credits of approximately $45,000,000 and $34,000,000, respectively, which can reduce future federal income taxes. If not utilized, these carryforwards and credits will begin to expire in 1996 and 1992, respectively.

At February 28, 1989, the Company had net operating loss carryforwards and unused investment tax credits of approximately $4,000,000 and $8,000,000, respectively, for financial reporting purposes which were generated after the quasi-reorganization and which are available to reduce future provisions for federal income taxes.

In accordance with certain provisions of the Tax Reform Act of 1986, a change in ownership of greater than 50% of a corporation within a three-year period will place an annual limitation on the corporation's ability to utilize its existing net operating loss carryforwards, investment tax credit carryforwards and foreign tax credit carryforwards (collectively "tax attributes"). Such a change in ownership occurred in connection with the transaction described in Note 5. In connection with such transaction, it appears that the annual limitation on the utilization of the Company's tax attributes will be approximately $27,000,000. Therefore, this limitation should not affect the Company's future provisions for or payments of federal income tax unless the Company's operations produce significantly increased amounts of annual pretax accounting income or taxable income.

PEPSICO, INC. (DEC)

	1989	1988	1987
		($ Millions)	
Income from Continuing Operations Before income Taxes	$1,350.5	$1,127.2	$945.6
Provision for Income Taxes	449.1	365.0	340.5
Income from Continuing Operations	901.4	762.2	605.1

NOTES TO FINANCIAL STATEMENTS

Income Taxes

Provision for income taxes on income from continuing operations:

	1989	1988	1987
Current—Federal	$221.7	$235.2	$226.8
Foreign	89.5	52.8	19.0
State	38.0	40.6	22.5
	349.2	328.6	268.3
Deferred—Federal	95.7	37.4	32.9
Foreign	1.2	1.7	(2.2)
State	3.0	(2.7)	41.5
	99.9	36.4	72.2
	$449.1	$365.0	$340.5

The deferred income tax provision, which results from differences in the timing of recognition of revenue and expense for financial reporting and tax purposes, included amounts related to depreciation of property, plant and equipment of $36.3 million, $44.0 million and $66.5 million and amortization of intangibles of $47.3 million, $15.6 million and $8.8 million in 1989, 1988 and 1987, respectively.

U.S. and foreign income from continuing operations before income taxes:

	1989	1988	1987
U.S.	$ 843.4	$ 773.4	$605.6
Foreign	507.1	353.8	340.0
	$1,350.5	$1,127.2	$945.6

Consistent with the allocation for tax purposes, approximately 50% of the income arising from the sale of soft drink concentrates manufactured in Puerto Rico is included in Foreign in the above table. In 1989 the tax incentive grant under which PepsiCo's soft drink concentrate manufacturing facilities in Puerto Rico operate was amended. Under the terms of the amended grant that expires in 2006, the previously untaxed earnings of approximately $1 billion held in Puerto Rico as of December 31, 1988 may be remitted to the United States at PepsiCo's option over the subsequent three-year period or later for a nominal tax. Further under the amended grant, earnings in Puerto Rico subsequent to 1988, whether or not remitted, are subject to a tax of approximately 4% in 1989 and 7% in 1990 and beyond. PepsiCo's soft drink concentrate manufacturing profits in Ireland were exempt from income tax through mid-1989 when a 10% tax became effective. The increased taxes related to the Puerto Rico and Ireland concentrate manufacturing facilities are not expected to materially impact PepsiCo's consolidated net income or cash flows.

Deferred taxes were not provided on unremitted earnings of subsidiaries operating outside the United States that are intended to be indefinitely reinvested. These unremitted earnings aggregated approximately $520 million at year-end 1989, exclusive of amounts that if remitted in the future would result in little or no tax under current tax laws and the amended Puerto Rican tax incentive grant.

Reconciliation of the U.S. federal statutory tax rate to PepsiCo's effective tax rate on income from continuing operations:

	1989	1988	1987
U.S. federal statutory tax rate	34.0%	34.0%	40.0%
State income tax net of federal tax benefit	2.0	2.2	4.3
Earnings in jurisdictions taxed at lower rates (principally Puerto Rico and Ireland)	(3.9)	(3.7)	(7.9)
Nondeductible amortization of goodwill and other intangibles	2.0	1.4	0.8
Other, net	(0.8)	(1.5)	(1.2)
Effective tax rate	33.3%	32.4%	36.0%

Deferred income taxes reflected in the Consolidated Balance Sheet:

	1989	1988
Included in:		
"Deferred Income Taxes"		
—Timing differences	$635.9	$564.6
—Safe Harbor leases	221.0	236.3
	$856.9	$800.9
"Other current liabilities"	$ 8.2	$ —
"Prepaid expenses, taxes and other current assets"	$ —	$ 20.4

In 1981 and 1982 PepsiCo invested in Safe Harbor leases (the Leases), which effectively are financing transactions that decrease income taxes payable over the initial years of the Leases and increase them over the later years. The deferred federal income taxes payable related to the Leases are based on the current U.S. federal statutory tax rate. Taxes payable related to the Leases are estimated to be $54 million over the next five years.

In December 1989 the Financial Accounting Standards Board (the FASB) amended Statement No. 96 (SFAS 96) on Accounting for Income Taxes to extend the required adoption date. PepsiCo currently intends to adopt SFAS 96 as required in the first quarter of 1992. As the FASB continues to review and evaluate possible amendments to the statement, PepsiCo is unable to predict the final FASB requirements and therefore cannot reasonably estimate the effect of adoption on net income.

WANG LABORATORIES, INC. (JUN)

	1989	1988	1987
	Dollar amounts in millions		
Earnings (loss) from continuing operations before income taxes	$(262.7)	$113.7	$(27.2)
Provision for income taxes	57.9	25.1	18.2
Earnings (loss) from continuing operations	(320.6)	88.6	(45.4)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Income Taxes—The provision for income taxes includes amounts currently payable and deferred income taxes arising primarily from the use of more accelerated depreciation methods for tax purposes. The Company provides U.S. Federal income taxes on earnings of foreign subsidiaries to the extent it is anticipated that the earnings will be repatriated in the form of a dividend. No U.S. Federal income taxes are provided on the undistributed earnings of foreign subsidiaries that are intended to be permanently reinvested in foreign operations.

On December 30, 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." The Company will be required to adopt the new method of accounting for income taxes in Fiscal 1991. Adoption of the new method of accounting for income taxes is not expected to have a material impact on the Company's financial position.

Note I—Income Taxes

	Year ended June 30		
Dollar amounts in millions	1989	1988	1987
Provisions (credits) for income taxes consisted of:			
Currently payable:			
Federal	$	$ .6	$ .3
Foreign	55.7	24.7	20.2
State	2.2	.3	.5
	57.9	25.6	21.0
Deferred taxes—principally foreign		(.5)	(2.8)
	$57.9	$25.1	$18.2

	Year ended June 30		
Dollar amounts in millions	1989	1988	1987
The components of earnings (loss) from continuing operations before income taxes consisted of:			
United States (including U.S. possessions)	$(184.9)	$(128.4)	$(212.2)
Foreign	(77.8)	242.1	185.0
	$(262.7)	$113.7	$ (27.2)

	Year ended June 30		
The provision for income taxes differed from the amount computed by applying the statutory federal income tax rate due to:			
Federal income tax (benefit) at 34% (46% in 1987)	$ (89.3)	$38.7	$(12.5)
State income taxes, net of federal income tax benefit	1.5	.2	.3
Effect of earnings of Puerto Rico manufacturing subsidiary subject to lower tax rate		(11.7)	(14.0)
Effect of earnings of Ireland and Taiwan manufacturing subsidiaries subject to lower tax rate	(1.9)	(32.4)	(35.0)
Effect of repatriation of foreign earnings, net of foreign tax credits	18.4		
Research and development tax credits	(3.4)	(4.0)	(3.6)
Effect of unused tax loss and tax credit carryforwards	138.4	34.5	87.8
Other—net	(5.8)	(.2)	(4.8)
	$ 57.9	$25.1	$18.2

A portion of the earnings of the Company's domestic manufacturing subsidiary in Puerto Rico is exempt from tax under an industrial tax exemption grant from the Commonwealth of Puerto Rico. The grant exempts 90% of the earnings attributable to the manufacture of products through 2002. Income from products manufactured in Ireland for export is substantially exempt from Irish tax through March 1990 and is subject to a 10% tax rate thereafter. Income from products manufactured in Taiwan is substantially exempt from Taiwanese tax due to tax exemptions granted with respect to specific products. Total offshore manufacturing exemptions reduced income tax expense and increased net earnings by approximately $1.9 million ($.02 per share) in 1989, $44.1 million ($.27 per share) in 1988, and $49 million ($.30 per share) in 1987.

Retained earnings of foreign subsidiaries on which income taxes have not been provided approximated $357.1 million at June 30, 1989.

At June 30, 1989, the Company and its subsidiaries had available net operating loss carryforwards of approximately $694.2 million that are available to offset future taxable income. Loss carryforwards of approximately $500.6 million are attributable to United States operations and expire in the years 2001 through 2004.

Loss carryforwards of approximately $193.6 million attributable to foreign operations expire as follows (in millions): $11.6 in 1990, $7.4 in 1991, $4.7 in 1992, $20.7 in 1993, $18.2 in 1994, and $131.0 in subsequent years. In addition, the Company had investment tax credit, research and development tax credit, and foreign tax credit carryforwards of approximately $74.4 million expiring as follows (in millions): $2.7 in 1990, $2.6 in 1991, $1.5 in 1992, $5.9 in 1993, $41.2 in 1994, $9.1 in 2001, $3.7 in 2002, $4.3 in 2003, and $3.4 in 2004.

Taxes paid, net of refunds received, amounted to $49.1 million in 1989, $37.6 million in 1988 and $19.1 million in 1987.

WOLVERINE WORLD WIDE, INC. (DEC)

	1989	1988	1987
	(Thousands of Dollars)		
Earnings Before Income Taxes......	$10,287	$8,928	$7,253
Income taxes—Note G..............	3,000	1,212	800
Net Earnings...........................	$ 7,287	$7,716	$6,453

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Income Taxes: The provision for income taxes is based on earnings reported in the financial statements. A deferred income tax asset or liability is determined by applying currently enacted tax laws and rates to the expected reversal of the cumulative temporary differences between the carrying value of assets and liabilities for financial statement and income tax purposes. Deferred income tax expense is measured by the change in the deferred income tax asset or liability during the year.

Note G—Income Taxes

The provision for income taxes consists of the following:

	1989	1988	1987
	(Thousands of Dollars)		
Currently payable (refundable):			
Federal....................................	$2,360	$(17)	$450
State and foreign.........................	640	779	800
Deferred (credit)............................		450	(450)
	$3,000	$1,212	$800

The deferred income tax benefit recognized in 1987 was realized in 1988 and related to certain asset valuation provisions that were recognized for financial reporting purposes in advance of the deductibility for income tax purposes.

A reconciliation of the Company's income tax provision and the amount computed by applying the statutory federal income tax rate of 34% (40% in 1987) to earnings before income taxes is as follows:

	1989	1988	1987
	(Thousands of Dollars)		
Statutory rate applied to earnings before income taxes.............................	$3,498	$3,035	$2,901
Increase (decrease) in income taxes resulting from:			
Utilization of prior year net operating loss carryovers........................	(904)	(762)	(875)
Utilization of foreign tax and other credit carryovers......................		(691)	(840)
Other tax credits utilized...............	(114)	(170)	(237)
State and foreign taxes, less related federal benefit.........................	339	177	218
Nontaxable earnings of Puerto Rican subsidiaries and foreign affiliates...	(92)	(179)	(352)
Other......................................	273	(198)	(15)
	$3,000	$1,212	$ 800

The Company has not recognized the deferred income tax benefit of approximately $1,700,000 in costs and expenses that have been recognized for financial reporting purposes in advance of their deductibility for income tax purposes. The benefit of these items will be recognized in future years to the extent that such deductions are available to reduce taxable income.

The Company has not provided deferred income taxes on the unremitted earnings of its Puerto Rican subsidiaries and foreign affiliates because such earnings are considered permanently invested. If unremitted earnings of these subsidiaries and affiliates were distributed, no federal income taxes would be payable; however, approximately $240,000 of withholding taxes would be payable to other taxing authorities upon such distributions.

Credit Provision

SPARTON CORPORATION (JUN)

	1989	1988	1987
Income (loss) before income taxes	$(11,845,749)	$16,832,498	$18,822,953
Provision (credit) for income taxes (Notes 1 and 7)	(5,508,000)	5,636,000	8,779,000
Net income (loss)	$ (6,337,749)	$11,196,498	$10,043,953

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Statement of Significant Accounting Policies

Income taxes—No provision has been made for taxes which would be payable if the cumulative undistributed earnings ($3,721,000 at June 30, 1989) of the Company's Canadian subsidiary were distributed as such earnings have been and are presently intended to be a continuing investment in that business.

The Company has not elected to change its method of accounting for income taxes to early comply with Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." The impact of such change, when made, is not expected to have a material effect on the Company's financial position or reported results of operations.

7. Income Taxes

Income (loss) before income taxes consists of the following:

	1989	1988	1987
United States	$(12,528,979)	$15,229,932	$17,924,859
Canada	683,230	1,602,566	898,094
	$(11,845,749)	$16,832,498	$18,822,953

The related provision (credit) for income taxes consists of:

	1989	1988	1987
Current:			
United States	$ (5,353,000)	$ 4,268,000	$ 7,868,000
Less investment credit	—	—	(207,000)
	(5,353,000)	4,268,000	7,661,000
Canada	245,000	471,000	236,000
State and local	(103,000)	470,000	1,055,000
	(5,211,000)	5,209,000	8,952,000
Deferred:			
United States	(300,000)	440,000	(164,000)
Canada	3,000	(13,000)	(9,000)
	(297,000)	427,000	(173,000)
	$ (5,508,000)	$ 5,636,000	$ 8,779,000

Significant items affecting deferred taxes in 1989, 1988 and 1987, respectively, were book depletion over (under) intangible development costs deductible for tax purposes of $(658,000), $(301,000), and $1,117,000, and tax depreciation in excess of book depreciation of $720,000, $685,000 and $525,000. In addition, the 1989 deferred taxes included the effects of inventoriable costs for tax in excess of book of $2,066,000.

The consolidated effective tax rate differs from the statutory U.S. federal tax rate for the following reasons and by the following percentages:

	1989	1988	1987
Statutory U.S. federal tax (benefit) rate	(34.0)%	34.0%	46.0%
Increases (reductions) resulting from:			
State and local taxes	(.5)	1.8	3.0
Rate differences in carryback period	(11.1)	—	—
Other	(0.9)	(2.4)	(2.4)
Effective tax rate	(46.5)%	33.4%	46.6%

ENGELHARD CORPORATION (DEC)

	1989	1988	1987
	(dollars in thousands)		
(Loss) earnings before income taxes	$(126,452)	$87,169	$99,737
(Benefit) provision for income taxes	(48,963)	23,448	29,921
Net (loss) earnings	$ (77,489)	$63,721	$69,816

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Income Taxes

An analysis of the components of (loss) earnings before income taxes and the (benefit) provision for income taxes are as follows:

(in thousands)	1989	1988	1987
(Loss) earnings before income taxes			
United States	$(124,130)	$46,504	$63,448
Foreign	(2,322)	40,665	36,289
	$(126,452)	$87,169	$99,737
Taxes paid or currently payable			
United States—federal	$ 5,415	$ 4,265	$ 2,308
United States—state	4,992	2,096	3,418
Foreign	11,981	9,504	7,989
	22,388	15,865	13,715
Taxes deferred			
United States—federal	(51,636)	7,771	13,642
United States—state	(9,460)	—	—
Foreign	(10,255)	(188)	2,564
	(71,351)	7,583	16,206
Total (benefit) provision for income taxes	$(48,963)	$23,448	$29,921

The 1989 loss before income tax includes a special charge of $237 million. The tax benefit attributable to this charge is included in deferred taxes and is expected to be realized as the transactions provided for in that charge become taxable events.

Tax charges (credits) of $2.2 million in 1989, $3.0 million in 1988 and $(3.6) million in 1987, in connection with foreign currency adjustments, are included in the foreign currency translation adjustments for those years and are not reflected in the amounts shown above.

Deferred taxes resulted from differences in the timing of the recognition of the following items for financial and tax purposes:

(in millions)	1989	1988	1987
Accelerated depreciation and amortization	$ 4.5	$10.2	$ 7.8
Computation of precious metals costs included in income	(3.9)	.3	.2
Special charge—1984	.7	.5	9.6
Special charge—1989	(76.6)	—	—
Decrease in accrued expenses not currently deductible	2.1	2.2	.8
Tax credits	—	(2.3)	(4.3)
Other	1.8	(3.3)	2.1
	$(71.4)	$ 7.6	$16.2

Accrued income taxes as of December 31, 1989, 1988 and 1987 include cumulative deferred tax debits related to working capital of $16.1 million, $13.5 million and $12.0 million, respectively.

A reconciliation of the difference between the Company's (benefit) provision for income taxes and income taxes computed at the United States statutory rate follows:

(dollars in millions)	1989		1988		1987	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of Pretax Income
(Loss) earnings before income taxes	$(126.5)	100.0%	$87.2	100.0%	$99.7	100.0%
(Benefit) provision for taxes at statutory rate	$ (43.0)	(34.0)%	$29.6	34.0%	$39.9	40.0%
Increases (decreases) in taxes due to State income taxes—net effect	(2.9)	(2.3)	1.5	1.7	2.0	2.0
Investment tax credit ("flow-through" method)	—	—	—	—	(1.2)	(1.2)
Percentage depletion	(9.3)	(7.4)	(7.7)	(8.8)	(8.4)	(8.4)
Equity earnings	(1.9)	(1.5)	(2.4)	(2.7)	(1.4)	(1.4)
Effect of different taxes on foreign earnings, net	(2.8)	(2.2)	1.4	1.6	(3.9)	(3.9)
Foreign sales corporation	(1.8)	(1.4)	(2.4)	(2.8)	(.9)	(.9)
Special charge—1989	10.8	8.5	—	—	—	—
Other items, net	1.9	1.6	3.4	3.9	3.8	3.8
(Benefit) provision for income taxes	$(49.0)	(38.7)%	$23.4	26.9%	$29.9	30.0%

Taxes on income of foreign consolidated subsidiaries and affiliates are provided at the tax rates applicable to their respective foreign tax jurisdictions. At December 31, 1989 the Company's share of the cumulative undistributed earnings of such subsidiaries was approximately $313 million. No provision has been made for additional income taxes on the undistributed earnings of foreign subsidiaries because earnings are expected to be reinvested indefinitely in the subsidiaries' operations or because under existing law foreign tax credits would be available to reduce substantially U.S. taxes payable in the event of distribution.

WALBRO CORPORATION (DEC)

	1989	1988	1987
		(In Thousands)	
Income (Loss) Before Income Taxes	$(688)	$9,112	$11,093
Provision (Credit) for Income Taxes	(820)	3,256	3,999
Income from Continuing Operations before Cumulative Effect of Accounting Change	$ 132	$5,856	$7,094

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Income Taxes.

Income (loss) before income taxes consists of the following:

	1989	1988	1987
		(In Thousands)	
Continuing operations—			
Domestic	$(2,072)	$6,607	$10,003
Foreign	1,384	2,505	1,090
	$ (688)	$9,112	$11,093
Discontinued operations (domestic)	—	—	(1,717)
	$ (688)	$9,112	$ 9,376
The provision (credit) for income taxes consists of the following:			
Currently payable—			
U.S. Federal	$ (964)	$1,719	$ 3,406
Foreign	117	954	80
	(847)	$2,673	$ 3,486
Deferred—			
U.S. Federal	$ (440)	$ 551	$ (211)
Foreign	467	32	—
	$ 27	$ 583	$ (211)
	$ (820)	$3,256	$ 3,275

The provision (credit) for income taxes shown above has been classified as follows in the consolidated statements of income:

Continuing operations	$ (820)	$3,256	$ 3,999
Discontinued operations—			
Operating results	—	—	(443)
Loss on discontinuance	—	—	(281)
	$ (820)	$3,256	$ 3,275

During December, 1989, the Company reached a settlement with the Internal Revenue Service (IRS) in connection with costs which were charged to stockholders' equity in the 1987 financial statements in accordance with generally accepted accounting principles. The settlement resulted in a $998,000 reduction in the provision for income taxes during the fourth quarter of 1989.

Effective January 1, 1987, the Company changed its method of accounting for income taxes and adopted the new accounting standards contained in Financial Accounting Standards Board Statement No. 96, "Accounting For Income Taxes." The cumulative effect of applying the new accounting standards to years prior to 1987 is included in net income retroactive to the first quarter of 1987. The effect of adopting the new standards on 1987 operations was to increase income from continuing operations by approximately $182,000, or $.04 per share, and increase income before cumulative effect of accounting change and net income by approximately $219,000, or $.04 per share.

Reconciliations of the U.S. Federal statutory income tax rates to the Company's effective income tax rates applicable to continuing operations are as follows:

	1989	1988	1987
U.S. Federal statutory income tax rate	(34.0)%	34.0%	40.0%
Increase (decrease) in effective income tax rate resulting from—			
Differences between U.S. and foreign income tax rates	8.3	2.1	(1.7)
Tax benefits previously unrecognized or eliminated under FASB No. 96	22.4	.9	(1.6)
Tax credits	(14.6)	(3.1)	—
Goodwill amortization	19.2	1.7	—
Corporate joint venture losses	18.3	—	—
IRS settlement	(143.6)	—	—
Other	4.8	.1	(.7)
Effective income tax rates	(119.2)%	35.7%	36.0%

One of the Company's foreign subsidiaries operated under a tax holiday and did not pay income taxes. The tax holiday expired in April of 1987. In February 1989, the Company was granted a three year reduction in the statutory tax rate which was retroactive to April 1987. The rate reduction expires in April 1990. Had the rate reduction and tax holiday not been in effect, the Company would have made additional provisions for income taxes of $132,000 ($.03 per share) in 1989, $206,000 ($.05 per share) in 1988 and $235,000 ($.05 per share) in 1988 and $235,000 ($.05 per share) in 1987.

Income taxes are deferred as a result of differences in the timing of the recognition of certain income and expenses for income tax and financial reporting purposes. The primary sources of these differences are non-deductible joint venture losses, accelerated tax depreciation, non-deductible reserves and writedowns in the value of fixed assets.

At December 31, 1989, the cumulative amount of undistributed earnings of foreign subsidiaries was approximately $5,565,000. No deferred U.S. income taxes have been provided on these earnings since they are intended to be reinvested and not remitted in the foreseeble future. If such earnings were remitted, the impact of foreign withholding taxes would not be significant.

Provisions for state income taxes are included in selling and administrative expenses and amounted to $816,000 in 1989, $622,000 in 1988 and $530,000 in 1987.

No Provision

ICOT CORPORATION (JUL)

	1989	1988	1987
		($000)	
Income (loss) before income taxes and extraordinary credit	$(12,375)	$(6,432)	$6,857
Provision for income Taxes	—	—	3,118
Income (loss) before extraordinary credit	(12,375)	(6,432)	3,739

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Income Taxes

During the fourth quarter of fiscal 1988, the Company adopted Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes. Quarterly earnings reported for fiscal 1988 have been restated to reflect the effect on interim periods as if the change had occurred on August 2, 1987. Prior year financial statements have not been restated.

Note 5. Income Taxes

As of July 29, 1989, for financial statement purposes, the Company has available net operating loss carryforwards of approximately $21,043,000 to offset future Federal taxable income. The net operating loss carryforward for tax purposes is approximately $16,672,000 as of that date. The Company has an additional $2,234,000 of net operating loss carryforward which was acquired in connection with the purchase of Pathway. These carryforwards expire in various amounts through the year 2003.

In addition, the Company has available net operating loss carryforwards of approximately $5,694,000 and $3,265,000 to offset future California taxable income for financial statement and tax purposes, respectively. These carryforwards expire in various amounts through the year 2003.

In addition, the Company has certain tax credit carryforwards of approximately $1,638,000 which expire in various amounts between 1994 and 2000.

There was no provision or benefit for income taxes in fiscal 1989 or 1988. The provision for income taxes for fiscal 1987 includes the following:

Year Ended	August 1 1987
	(in thousands)
Current:	
Federal	$2,587
State	140
	2,727
Deferred:	
Federal	—
State	391
	391
	$3,118

Deferred taxes arise primarily from the use of installment sales and accelerated depreciation methods for tax purposes.

The reasons for the difference between total tax expense and the amount computed by applying the statutory Federal income tax rate to income before income taxes, are as follows:

For the Three Years Ended	July 29 1989	July 30 1988	August 1 1987
Tax at Federal statutory rate	(34%)	(34%)	45%
State Income taxes, net of Federal tax benefit	—	—	4
Investment and research and development tax credits	—	—	(3)
Other	—	—	(1)
Benefit not recorded due to net carryforward position	34	34	—
	—%	—%	45%

ADDSCO INDUSTRIES, INC. (JUN)

	1989	1988	1987
Income from continuing operations before income taxes	$1,432,671	$960,570	$470,036
Income tax benefit	0	115,876	869
Income from continuing operations	1,432,671	1,076,446	470,905

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Income Taxes

Effective July 1, 1987, the Company changed its method of accounting for income taxes to the method prescribed by the Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," which requires an asset and liability approach for financial accounting and reporting for income taxes. This change resulted in a cumulative increase in income of $1,293,243 ($1.89 per common share) in 1988.

Income Taxes

The components of the income tax provision (benefit) are:

	1989	1988	1987
Current			
Federal	$0	$ 0	$ 0
State	0	157,680	10,747
Deferred			
Federal	0	(854,428)	(519,834)
State	0	0	0
Total (benefit)	$0	($696,748)	($509,087)

The Company files its federal income tax return as a part of a consolidated group. The income tax provision of $0 is the result of a consolidated operating loss in the current year which offset the deferred tax liability resulting from temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements. Temporary differences originate primarily from ACRS depreciation, pension costs, and workers' compensation claims.

At June 30, 1989, the consolidated group has net operating loss carryforwards for financial statement purposes of approximately $7,512,470. Such carryforwards for income tax purposes are approximately $10,374,113 and will expire in the years 2001 to 2004 if not offset against future taxable income. The Company also has investment tax credit carryforwards of $311,251 which expire in the years 1997 through 2001.

OPERATING LOSS AND TAX CREDIT CARRYFORWARDS

Paragraph 63 of *APB Opinion No. 11* states that amounts and expiration dates of operating loss and tax credit carryforwards should be disclosed. Expanded disclosure requirements are set forth in paragraph 29 of *Statement of Financial Accounting Standards No. 96* which, effective for fiscal years beginning after December 15, 1991, supersedes *APB Opinion No. 11* as the authoritative pronouncement on accounting for and reporting the effects of income taxes. Examples of operating loss and tax credit carryforward disclosures follow.

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Income Taxes:

At December 31, 1989 GRE had net operating loss carryforwards for tax purposes of approximately $0.8 million (expiring in the year 2003), none of which are available for alternative minimum tax. In addition, the Company had investment tax credit carryforwards of $2.0 million for tax purposes, and $3.2 million for financial reporting purposes, substantially all expiring in the years 1995 through 1999. There were alternative minimum tax credit carryforwards of $5.9 million (available to offset future regular tax liabilities) and percentage depletion carryforwards of approximately $8.5 million, none of which are limited by expiration dates. Net operating loss carryforwards for financial statement purposes are approximately $78.4 million.

GRE's federal income tax returns for the years 1972 through 1980 have been examined by the Internal Revenue Service and in the fourth quarter of 1988 a final settlement was reached regarding all of the outstanding issues on such years. As a result of the settlement, net income in 1988 was increased by approximately $5.7 million, or $0.61 per share fully diluted, including approximately $2.9 million of interest received in 1988 on net refunds. An additional $1.3 million of interest was recognized in 1989 on net refunds.

LABARGE, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Income Taxes

As a result of losses incurred in 1986, 1985 and 1984, the Company has net operating loss carryforwards for financial reporting purposes of approximately $27,781,000. Such carryforwards for income tax purposes are approximately $32,634,000 and expire $9,237,000 in 1999, $2,198,000 in 2000, $8,769,000 in 2001, $8,330,000 in 2002 and $4,100,000 in 2003. To the extent that tax carryforwards in excess of financial reporting carryforwards are realized through reduction of income taxes payable in future periods, the eliminated deferred taxes will be reinstated at the then current rates. Long-term capital loss carryforwards are $524,000, which expire in 1990. Investment tax credit carryforwards available to reduce future years' tax expense of $227,000 expire in various years through 2001.

The Tax Reform Act of 1986 enacted an alternative minimum tax system for corporations, generally effective for taxable years beginning after December 31, 1986. The alternative minimum tax is imposed at a 20% rate on the corporation's alternative minimum taxable income which is determined by making statutory adjustments to the corporation's regular taxable income. Net operating loss carryforwards may be used to offset only 90% of a corporation's alternative minimum taxable income. The net operating loss carryfowards for alternative minimum tax purposes are approximately $28,234,000 and $29,522,000 for financial reporting and income tax purposes, respectively. The Company is subject to the alternative minimum tax for financial reporting purposes resulting in an alternative minimum tax expense of $55,000 in 1989 and $27,000 in 1988. This amount will be allowed as a credit carryover against regular tax in the future in the event the regular tax expense exceeds the alternative minimum tax expense.

Although the Company has not adopted the provisions required by Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (FASB 96), it has calculated the effects and determined any impact resultant from such implementation is immaterial to its financial statements. Such implementation is required no later than in fiscal 1991.

HURCO COMPANIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Income Taxes

As of October 31, 1989, the Company had the following income tax carryforwards available (in thousands):

	Tax Purposes	Expiration Dates	Financial Reporting Purposes	Expiration Dates
U.S. federal regular tax loss carryforwards, which approximate AMT loss carryforwards	$2,943	1999-2002	$6,405	1999-2002
U.S. federal tax credit carryforwards	$ 697	1996	$ 697	1996
U.K. tax operating loss carryforwards other than from purchase business combinations	$1,523	Indefinite	$1,523	Indefinite
U.K. tax operating loss carryfowards acquired in a purchase business combination and available for offset against future taxable income	$6,800	Indefinite	$6,800	Indefinite

The use of the United Kingdom tax loss carryforwards acquired in the purchase business combination is subject to approval by the United Kingdom taxing authorities. There can be no assurances that such approval will be granted for any or all of such acquired tax loss carryforwards.

MATTEL, INC. (DEC)

NOTES TO CONSOLIDATED FIANNCIAL STATEMENTS

Note 4 (In Part): Income Taxes

The Company has a Federal net operating loss carryforward for financial statement purposes at December 30, 1989 of $165.0 million. The loss is composed of a $135.0 million operating loss carryforward for tax purposes expiring 1999 to 2002 and $30.0 million of deductions to be claimed in future tax returns. In addition, certain foreign subsidiaries have net operating loss carryforwards totalling approximately $22.0 million ($14.0 million with no expiration date; $8.0 million expiring 1992 to 1995). Beginning in 1988, benefits resulting from the utilization of tax loss carryfowards which originated prior to the 1987 quasi-reorganization (Note 2) are credited directly to additional paid-in capital.

OAK INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Income Tax

At December 31, 1989, the Company had a book net operating loss carryforward of approximately $232,755,000 the benefit of which has not been reflected in the financial statements. For tax return purposes, the Company has a tax net operating loss carryforward of approximately $179,360,000 at December 31, 1989, which will, if unused, expire from 1998 to 2004. The Company has an alternative minimum tax credit carryforward of approximately $333,000 as of December 31, 1989, which may be carried forward indefinitely. The Company has investment tax credit carryforwards of approximately $3,367,000 at December 31, 1989 which, if unused, will expire from 1996 to 2001. The Company also has a research and development tax credit carryforward of approximately $592,000 at December 31, 1989 which will expire, if unused, in 1998 and 1999. The carryforwards will be available for the reduction of future Federal income tax provisions, the extent and timing of which are not determinable. Under Federal tax law, certain potential changes in ownership of the Company, which may not be within the Company's control, may operate to restrict future utilization of these carryforwards.

TAXES ON UNDISTRIBUTED EARNINGS

APB Opinion No. 23 stipulates that income taxes should be accrued for undistributed earnings of subsidiaries and corporate joint ventures included in consolidated earnings and that such accruals should be accounted for as timing differences. If there is evidence that the undistributed earnings of a subsidiary or corporate joint venture will not be transferred to the investor, income taxes should not be accrued, but disclosures should be made as to the reasons for not accruing taxes (earnings will be reinvested or remitted in the form of a tax-free liquidation) and as to the cumulative amount of undistributed earnings. Additional disclosure requirements are set forth in paragraph 25 of *Statement of Financial Accounting Standards No. 96* if taxes are not accrued on undistributed earnings in accordance with *APB Opinion No. 23*. With regard to the undistributed earnings of minority-owned investees included in consolidated earnings, income taxes should be accrued and treated as a timing difference.

Table 3-15 shows the extent to which the survey companies accrued taxes on undistributed earnings.

Taxes Accrued On All Undistributed Earnings

APPLE COMPUTER, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Income Taxes

Federal and state income taxes are provided currently on undistributed earnings of foreign subsidiaries. The Company has not elected early adoption of Financial Accounting Standard No. 96, Accounting for Income Taxes (FAS 96). FAS 96, as amended by FAS 100, is effective no later than the beginning of the Company's 1991 fiscal year. The Company believes that FAS 96, when adopted, will not have a material effect on its financial position or results of operations.

Income Taxes

The provision for income taxes consists of the following:

	1989	1988	1987
		(In thousands)	
Federal:			
Current	$141,648	$118,895	$ 53,132
Deferred	57,982	51,733	93,023
	199,630	170,628	146,155
State:			
Current	37,412	41,679	19,502
Deferred	11,878	2,349	8,348
	49,290	44,028	27,850
Foreign:			
Current	44,271	46,439	22,348
Deferred	(2,902)	(5,192)	(3,481)
	41,369	41,247	18,867
Provision for income taxes	$290,289	$255,903	$192,872

TABLE 3-15: TAXES ON UNDISTRIBUTED EARNINGS

	1989	1988	1987	1986
Taxes accrued on all undistributed earnings	28	31	35	28
Taxes accrued on a portion of undistributed earnings	90	100	103	116
Taxes not accrued on undistributed earnings	201	195	203	196
No mention of undistributed earnings	281	274	259	260
Total Companies	**600**	**600**	**600**	**600**

The foreign provision for income taxes is based on foreign pretax earnings of approximately $367 million, $318 million, and $173 million in 1989, 1988, and 1987, respectively.

Deferred (prepaid) income taxes result from timing differences between years in the recognition of certain revenue and expense items for financial and tax reporting purposes. The sources of timing differences and the related tax effects are as follows:

	1989	1988 (In thousands)	1987
Warranty, bad debt, and other expenses	$(17,165)	$ (4,089)	$ 7,569
Income reported on installment method for tax reporting purposes	—	(21,362)	9,708
Inventory valuation	(1,734)	(7,666)	(2,947)
Income of foreign subsidiaries not taxable in current year	94,649	78,023	71,242
Depreciation	(9,643)	3,175	3,362
State income taxes deductible in succeeding years	(436)	(9,688)	(693)
Other individually immaterial items	1,287	10,497	9,649
Total deferred taxes	$66,958	$48,890	$97,890

JOHN FLUKE MFG. CO., INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Income Taxes: The provision for income taxes is computed on pre-tax income reported in the financial statements. The provision differs from income taxes currently payable because certain items of income and expense are recognized in different periods for financial statement and tax return purposes. Deferred income taxes have been recorded in recognition of these timing differences. The Company has provided for U.S. and foreign taxes on all of the undistributed earnings of its foreign subsidiaries.

Note 7. Provision for Income Taxes

Income before income taxes is as follows:

(In thousands)	1989	1988	1987
U.S.	$33,954	$13,948	$3,681
Foreign	2,220	3,848	2,496
	$36,174	$17,796	$6,177
The provision for income taxes is as follows:			
Current taxes on income:			
U.S.	$12,383	$ 5,755	$2,996
Foreign	799	1,795	549
	13,182	7,550	3,545
Deferred income taxes:			
Tax depreciation in excess of book depreciation	(76)	(335)	(501)
Inventory adjustment for uniform capitalization rules	(114)	(453)	—
Accrued employee benefit expenses	(39)	(454)	(157)
Repatriation of foreign earnings net of foreign tax credit	(113)	(807)	2,359
Accrued restructuring costs	281	(364)	(1,100)
Other items, net	(98)	240	26
	(159)	(2,173)	627
	$13,023	$ 5,377	$4,172

A reconciliation from the U.S. statutory rate to the effective tax rate is as follows:

	1989		1988		1987	
(In thousands)	Amount	%	Amount	%	Amount	%
Tax at U.S. statutory rate	$12,299	34.0%	$6,051	34.0%	$2,656	43.0%
Foreign tax rates less than U.S. statutory rate	(96)	(.3)	(152)	(.9)	(988)	(16.0)
Foreign Sales Corporation tax benefit	(573)	(1.6)	(343)	(1.9)	(411)	(6.7)
Repatriation of foreign earnings, net of foreign tax credit	—	—	—	—	2,359	38.2
Losses in foreign subsidiary and other investments with no current tax benefit	1,450	4.0	25	.1	547	8.9
Other items, net	(57)	(.1)	(204)	(1.1)	9	.1
	$13,023	36.0%	$5,377	30.2%	$4,172	67.5%

Actual income taxes paid were $12,078,000 in 1989, $5,019,000 in 1988 and $5,131,000 in 1987. The Company does not plan to adopt Statement of Financial Accounting Standards No. 96 "Accounting For Income Taxes" until fiscal 1992 as required. If the statement was adopted this year there would be an immaterial impact on the financial position of the Company as shown herein.

Taxes Accrued On Portion Of Undistributed Earnings

MOTOROLA, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions, except as noted)

2 (In Part): Income Taxes

The Company provides for income taxes based on earnings reported for financial statement purposes. Income tax expense differs from income taxes currently payable because of timing differences in the recognition of certain income and expense items for tax and financial statement purposes.

Components of Earnings before income taxes

	1989	1988	1987
United States	$342	$419	$245
Other nations	304	193	173
Total	$646	$612	$418

Components of Income taxes provided on earnings

	1989	1988	1987
Current:			
United States	$117	$154	$38
Other nations	29	38	23
State income taxes (U.S.)	33	34	17
	179	226	78
Deferred	(31)	(59)	32
Income taxes	$148	$167	$110

Differences between income tax expense computed at the U.S. Federal statutory tax rate and Income taxes provided on earnings

	1989	1988	1987
U.S. Federal statutory tax rate	34%	34%	40%
Income tax expense at statutory rate	$220	$208	$167
Increase (decrease) in tax expense resulting from:			
Taxes on earnings in other nations and U.S. possessions	(49)	(37)	(48)
State income taxes	21	23	10
Research and experimentation tax credit.	(8)	(4)	(2)
Foreign Sales Corporation	(12)	(6)	(5)
Other	(24)	(17)	(12)
Income taxes	$148	$167	$110

Deferred income tax expense (benefit)

	1989	1988	1987
Depreciation	$35	$26	$28
Deferred taxes on earnings in other nations and U.S. possessions	33	10	(2)
Employee benefits	(27)	6	1
Inventory valuations	(11)	(19)	5
Completed contract accounting	(10)	(13)	(21)
General business credit carryforward	—	13	39
Income from long-term equipment leases	—	(10)	(22)
Other, net	(51)	(72)	4
Net change in deferred taxes	$(31)	$(59)	$32

Cash payments for income taxes were $159 million in 1989, $212 million in 1988 and $108 million in 1987.

Income taxes have not been provided on the cumulative undistributed earnings of certain of the Company's foreign subsidiaries amounting to $649 million and $551 million at December 31, 1989 and 1988, respectively. It is intended that these earnings will be permanently invested in operations outside of the United States. Should these earnings be distributed, foreign tax credits would reduce the additional U.S. income tax which would be payable.

No Accrual For Taxes

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Income Taxes

The provision for income taxes includes the following components:

Years Ended December 31 (in thousands of dollars)	1989	1988	1987
Provision for income taxes currently payable:			
Federal	$ 53,031	$ 41,671	$ 6,945
State and local	11,334	6,790	2,478
Foreign	80,475	77,061	44,419
	144,840	125,522	53,842
Provision for deferred income taxes:			
Federal	94,597	111,963	154,226
State and local	11,366	14,049	20,726
Foreign	42,301	22,473	8,796
	148,264	148,485	183,748
	$293,104	$274,007	$237,590

Domestic and foreign income before taxes are as follows:

Years Ended December 31 (in thousands of dollars)	1989	1988	1987
Domestic	$483,213	$516,757	$481,760
Foreign	242,312	213,695	137,842
Total income before taxes	$725,525	$730,452	$619,602

Principal reasons for the variation between the effective rate and the statutory federal income tax rate are as follows:

Years Ended December 31	1989	1988	1987
Statutory rate	34.0%	34.0%	40.0%
Rate difference—foreign subsidiaries	4.2	2.7	(1.2)
State and local taxes, net of federal tax effect	2.1	1.9	2.2
Adjustment to prior years' income taxes.	(3.3)	(2.1)	(3.3)
Amortization of excess of amounts allocated in purchase accounting over tax basis	0.8	0.8	1.4
Adjustment of purchase accounting liabilities	0.4	(1.8)	0.9
Income taxed at capital gains rate	—	—	(2.8)
Investment tax credit (flow-through method)	—	—	(0.3)
All other—net	2.2	2.0	1.4
Effective income tax rate	40.4%	37.5%	38.3%

The 1989 adjustment to prior years' income taxes represents the reversal of U.S. income taxes previously provided on undistributed earnings of a foreign subsidiary. Such earnings are now deemed to be permanently reinvested in that subsidiary. The adjustment to prior years' income taxes for 1987 is primarily attributable to the recognition of energy tax credits on black liquor recovery boilers constructed in prior years. Recognition for financial reporting purposes was delayed pending resolution by the Internal Revenue Service of the qualification of recovery boilers as energy property.

Deferred income taxes result from the following:

Years Ended December 31 (in thousands of dollars)	1989	1988	1987
Excess of tax over financial depreciation expense and cost of timber harvested	$109,855	$ 93,467	$ 68,506
Capitalization of interest and deferral of pre-operating and start-up costs (net)—deductible for tax purposes as incurred	13,893	(1,199)	(973)
Provision for accrued liabilities—deductible for tax purposes when paid	21,718	7,743	35,751
Effect on deferred taxes of net operating loss, investment tax credit, and alternative minimum tax credit carryforwards	11,636	44,074	60,408
Provision for restructuring	3,489	5,696	29,095
Undistributed foreign earnings	(24,016)	—	—
All other—net	11,689	(1,296)	(9,039)
	$148,264	$148,485	$183,748

As of December 31, 1989, the company had available, for United States income tax return purposes, investment tax credit carryforwards of $66,300,000, net of the 35% reduction as a result of the Tax Reform Act of 1986, which expire from 1998 through 2003, and alternative minimum tax credit carryforwards of $47,100,000. For financial reporting purposes, these carryforwards have been used to reduce deferred income taxes that were provided in 1989 and prior years. Such deferred taxes will be reinstated as the carryforwards are utilized in future years.

It is the company's intention to reinvest undistributed earnings of certain of its foreign subsidiaries and thereby indefinitely postpone their remittance. Accordingly, no provision had been made for income taxes on undistributed earnings of $545,200,000 at December 31, 1989.

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." The pronouncement requires an asset and liability approach for financial accounting and reporting for income taxes to be adopted by 1992. The company anticipates adopting the new accounting standard in 1992. Two methods of adoption are permitted: a retroactive restatement of prior financial statements or a cumulative adjustment as of the beginning of the year of adoption. The company expects to apply the standard retroactively. While the effect of retroactive adoption has not been quantified, the company expects that, on an overall basis, retained earnings will be reduced principally as a result of changes to the tax provisions for years prior to 1988.

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Income Taxes. The company utilizes the liability method of accounting for income taxes, as set forth in Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." Under the liability method, deferred taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Deferred tax expense represents the change in the deferred tax asset/liability balance. The company does not provide deferred taxes on the undistributed earnings of its foreign subsidiaries as such earnings are intended to be permanently reinvested in those operations.

Note 6 (In Part): Income Taxes—dollars in thousands

Provision has not been made for U.S. or additional foreign taxes on $129,600 of undistributed earnings of international subsidiaries, including $10,200 of cumulative net translation gains included in stockholders' equity, as those earnings are intended to be reinvested. Such earnings would become taxable upon the sale or liquidation of these international subsidiaries or upon the remittance of dividends. It is not practicable to estimate the amount of the deferred tax liability on such earnings. Upon remittance, certain foreign countries impose withholding taxes that are then available, subject to certain limitations, for use as credits against the company's U.S. tax liability, if any. The amount of withholding tax that would be payable upon remittance of the entire amount of undistributed earnings would approximate $8,700.

DEERE & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

At October 31, 1989, accumulated earnings in certain overseas subsidiaries totaled $404 million for which no provision for income taxes has been made, because it is expected that such earnings will be reinvested overseas indefinitely. United States income taxes and foreign withholding taxes are not provided on unremitted earnings of foreign affiliates over which dividend control is exercised because it is expected that such amounts will be reinvested indefinitely. Determination of the amount of unrecognized deferred tax liability on these unremitted earnings is not practicable. The amount of withholding taxes that would be payable upon remittance of those earnings would be $48 million.

KULICKE AND SOFFA INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Income Taxes

At September 30, 1989, undistributed earnings of certain foreign subsidiaries aggregated $26,308,000, which, under existing law, will not be subject to U.S. tax until distributed as dividends. Since the earnings have been, or are intended to be, indefinitely reinvested in foreign operations, no provision has been made in 1989 for any U.S. taxes that may be applicable thereto. Furthermore, any taxes paid to foreign governments on these earnings may be used, in whole or in part, as credits against the U.S. tax on any dividends distributed from such earnings. It is not practical to estimate the amount of tax that might be payable on the eventual remittance of such earnings. On remittance, certain foreign countries impose withholding taxes that are then available for use as credits against a U.S. tax liability, if any, subject to certain limitations. The amount of withholding tax that would be payable on remittance of the entire amount of undistributed earnings would approximate $3.7 million.

Prepaid and recoverable income taxes include $178,000 of foreign current deferred taxes at September 30, 1989 and 1988, and $535,000 at September 30, 1987. The Company paid income taxes of $74,000 and $29,000 in 1989 and 1988, respectively, and received an income tax refund of $1,907,000 in 1987.

WITCO CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

6 (In Part): Federal and Foreign Income Taxes

Applicable U.S. and foreign withholding taxes have not been provided on the $93,863,000 of unremitted earnings of foreign subsidiaries at December 31, 1989. As a result of the availability of foreign tax credits, based on current tax rates, no significant federal income taxes would be payable if the earnings of the foreign subsidiaries were distributed. If these earnings were distributed, foreign withholding taxes of approximately $7,197,000 would be payable.

WM. WRIGLEY JR. COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

Deferred income taxes are provided for timing differences, principally depreciation, between financial and tax reporting.

Applicable U.S. income and foreign withholding taxes have not been provided on $85,473,000 of undistributed earnings of international wholly owned associated companies at December 31, 1989. These earnings are considered to be permanently invested and, under the tax laws, are not subject to such taxes until distributed as dividends. If the earnings were not considered permanently invested, approximately $8,928,000 of deferred income taxes, consisting primarily of foreign withholding taxes, would have been provided. Such taxes, if ultimately paid, may be recoverable as foreign tax credits in the U.S.

LONG-TERM CONTRACTS

Accounting and disclosure requirements for long term contracts are discussed in *ARB No. 45,* Chapter 11 of *ARB No. 43* and AICPA *Statement of Position 81-1.*

Table 3-16 shows that usually the percentage of completion method or a modification of this method, the units-of-delivery method, is used to recognize revenue on long-term contracts. Twenty-three companies used both of the aforementioned methods. Examples of disclosures for long-term contracts follow.

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Long-Term Equipment Contract Revenue

Revenues from equipment contracts are recorded primarily using the percentage-of-completion method. Under this method, revenues are recognized based primarily on labor costs incurred to date compared with total estimated labor costs. Changes to total estimated labor costs and anticipated losses, if any, are recognized in the period determined.

CRANE CO. (DEC)

FINANCIAL REVIEW

Accounting Policies (In Part)

Revenues—Revenues are generally recorded when title passes to the customer. Revenues on long-term contracts are recognized under the percentage-of-completion method of accounting and are measured principally on either a cost-to-cost or a unit of delivery basis. These contracts represent approximately 5% of sales in any one year.

TABLE 3-16: METHOD OF ACCOUNTING FOR LONG-TERM CONTRACTS

	Number of Companies			
	1989	1988	1987	1986
Percentage-of-completion	92	86	89	90
Units-of-delivery	33	37	35	36
Completed contract	6	8	6	9
Not determinable	2	3	2	4

DOVER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies:

E. Recognition of Income and Expense on Elevator Installation Contracts:

Substantially all of the Company's income from elevator installation contracts is recorded on the percentage-of-completion method except that a domestic subsidiary, Miami Elevator Company, and a United Kingdom subsidiary record such income on the completed contract method. Under the percentage-of-completion method, contract revenue is recognized as costs are incurred using estimated gross profit percentages. Under the completed contract method, revenue and costs are deferred until completion of the contract.

E-SYSTEMS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Revenue and Profit Determination—Sales and costs of sales (including general and administrative expenses) on fixed-price contracts are generally recorded when units are delivered based on the profit rates anticipated on the contracts at completion. Sales and costs of sales on long-term, small quantity, high unit value fixed-price contracts, and sales (costs and fees) on cost reimbursable contracts are recorded under the percentage-of-completion method of accounting as costs (including general and administrative expenses) are incurred. Profits expected to be realized on contracts are based on estimates of total sales value and costs at completion. These estimates are reviewed and revised periodically throughout the lives of the contracts and adjustments to profits resulting from such revisions are made cumulative to the date of change. Amounts in excess of agreed upon contract price for customer-caused delays, errors in specification and design, unapproved change orders or other causes of unanticipated additional costs are recognized in contract value if it is probable that the claim will result in additional revenue and the amount can be reasonably estimated (See Note C). Losses on contracts are recorded in full as they are identified.

Fixed-Price Contracts and Raw Materials—Costs incurred in advance of contractual coverage receive an allocated portion of general and administrative expenses. Raw materials and purchased parts are valued at average cost not in excess of market.

Note C—Fixed-Price Contracts

Cost elements included in Fixed-Price Contracts in Progress are as follows:

	1989	1988
	(In Thousands)	
Production cost consisting of material, labor and overhead:		
Currently in process	$170,357	$188,865
Produced in advance of contractual coverage	3,103	3,351
Claim recovery recorded	12,421	18,808
General and administrative costs	22,648	26,244
	$208,529	$237,268

Substantially all of the costs incurred in advance of negotiated contracts at December 31, 1989 are expected to receive firm contractual coverage in 1990.

FISCHBACH CORPORATION (SEP)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Principles

Revenue Recognition—The Company follows the percentage of completion method of accounting for all significant long-term contracts. The percentage of completion method of reporting income from contracts takes into account the cost, estimated earnings, and revenue to date on contracts not yet completed. The amount of revenue recognized is the portion of the total contract price that the cost expended to date bears to the anticipated final total cost, based on current estimates of cost to complete. It is not related to the progress billings to customers. Contract cost includes all labor and benefits, materials unique to or installed in the project, subcontract costs, and allocations of indirect construction cost.

As long-term contracts extend over one or more years, revisions in estimates of cost and earnings during the course of the work are reflected in the accounting period in which the facts which require the revision become known. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is recognized in the financial statements. Contracts which are substantially complete are considered closed for financial statement purposes. Revenue earned on contracts in progress in excess of billings is classified as a current asset. Amounts billed in excess of revenue earned is classified as a current liability.

2. Construction Contracts

The consolidated balance sheets include the following amounts:

(In thousands)	1989	1988
Cost incurred on uncompleted contracts	$355,222	$431,881
Estimated earnings	13,412	23,470
	368,634	455,351
Less: Billings to date	378,002	476,882
	$ (9,368)	$ (21,531)

Included in the balance sheets:

Costs and estimated earnings in excess of billings on uncompleted contracts	$ 18,460	$ 16,011
Billings in excess of costs and estimated earnings on uncompleted contracts........	(27,828)	(37,542)
	$ (9,368)	$ (21,531)

Receivables includes amounts aggregating $38,342,000 and $47,027,000 at September 30, 1989 and 1988, respectively, billed under the retainage provisions of construction contracts. Retainage balances approximating $7,469,000 as of September 30, 1989 are expected to be collected after September 30, 1990. In addition, receivables at September 30, 1989 and 1988 include contract claims of approximately $33,000,000 and $37,200,000, respectively.

GENCORP INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Revenue Recognition—Generally, sales are recorded when products are shipped or services are rendered. Sales and income under most government fixed price and fixed price incentive production type contracts are recorded as deliveries are made. Sales under cost reimbursement contracts are recorded as costs are incurred and include estimated earned fees in the proportion that costs incurred to date bear to total estimated costs. Certain government contracts contain cost or performance incentive provisions which provide for increased or decreased fees or profits based upon actual performance against established targets or other criteria. Penalties and cost incentives are recorded currently. Performance incentives are recorded when awards are made.

At the beginning of the third quarter of 1988, the Company changed its method of accounting for certain types of long-term fixed price contracts. The new method is used for contracts in the Aerojet segment where relatively few deliverable units are produced over a period of more than two years. Revenue and income are recognized at the completion of measurable tasks rather than upon delivery of the individual units.

PARKER HANNIFIN CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Long-Term Contracts—The Company enters into long-term contracts for the production of products. For financial statement purposes, sales are recorded as deliveries are made (units of delivery method of percentage-of-completion). Unbilled costs on these contracts are included in inventory. Progress payments are netted against the inventory balances. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

RAYTHEON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Contracts in Process

Sales under long-term contracts are recorded under the percentage of completion method, wherein costs and estimated gross margin are recorded as sales as the work is performed. Costs include direct engineering and manufacturing costs, applicable overheads and special tooling and test equipment. Estimated gross margin provides for the recovery of allocable research, development (including bid proposal), marketing and administration costs and for accrued income. Accrued income is based on the percentage of estimated total income that incurred costs to date bear to estimated total costs after giving effect to the most recent estimates of cost and funding at completion. When appropriate, increased funding is assumed based on expected adjustments of contract prices for increased scope and other changes ordered by the customer. Some contracts contain incentive provisions based upon performance in relation to established targets to which applicable recognition has been given in the contract estimates. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting in the current period earnings applicable to performance in prior periods. When the current contract estimate indicates a loss, provision is made for the total anticipated loss. In accordance with these practices, contracts in process are stated at cost plus estimated profit but not in excess of realizable value.

DISCONTINUED OPERATIONS

Paragraph 8 of *APB Opinion No. 30*, Section I13 of *FASB Accounting Standards—Current Text*, states:

Discontinued Operations of a Segment of a Business. For purposes of this Opinion, the term *discontinued operations* refers to the operations of a segment of a business as defined in paragraph 13 that has been sold, abandoned, spun off, or otherwise disposed of or, although still operating, is the subject of a formal plan for disposal (see paragraph 14). The Board concludes that the results of continuing operations should be reported separately from discontinued operations and that any gain or loss from disposal of a segment of a business (determined in accordance with paragraphs 15 and 16) should be reported in conjunction with the related results of discontinued operations and not as an extraordinary item. Accordingly, operations of a segment that has been or will be discontinued should be reported separately as a component of income before extraordinary items and the cumulative effect of accounting changes (if applicable) in the following manner:

Income from continuing operations before income taxes	$xxx	
Provision for income taxes	xxx	
Income from continuing operations		$xxx
Discontinued operations (Note—):		
Income (loss) from operations of discontinued Division X (less applicable income taxes of $—)	$xxx	
Loss on disposal of Division X, including provision of $— for operating losses during phaseout period (less applicable income taxes of $—)	xxx	xxx
Net income		$xxx

Amounts of income taxes applicable to the results of discontinued operations and the gain or loss from disposal of the segment should be disclosed on the face of the income statement or in related notes. Revenues applicable to the discontinued operations should be separately disclosed in the related notes.

An *AICPA Accounting Interpretation* published in the November 1973 issue of the *Journal of Accountancy* provides illustrations of transactions which should and should not be accounted for as a business segment disposal. These examples are reprinted in Section I13 of *FASB Accounting Standards—Current Text*.

In 1989, 81 survey companies discontinued the operations of a business segment. Examples of discontinued operations accounted for as a disposal of a business segment follow.

Disposals Of Segments

THE COCA-COLA COMPANY (DEC)

	1989	1988	1987
		(In thousands)	
Income from Continuing Operations Before Income Taxes	$1,764,310	$1,626,420	$1,363,628
Income taxes	571,471	537,434	496,348
Income from Continuing Operations	1,192,839	1,088,986	867,280
Equity income (loss) from discontinued operation	21,537	(44,283)	48,856
Gain on sale of discontinued operation (net of income taxes of $421,021)	509,449	—	—
Net Income	1,723,825	1,044,703	916,136

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Discontinued Operation and Divestitures

In November 1989, the Company sold its entire equity interest in Columbia Pictures Entertainment, Inc. (CPE) for approximately $1.55 billion in cash. The equity interest consisted of approximately 49 percent of the outstanding common shares of CPE and 1,000 shares of preferred stock. The sale resulted in a gain before income taxes of approximately $930 million. On an after-tax basis, the gain was approximately $509 million or $1.47 per common share. The effective tax rate of 45 percent on the gain on the sale of CPE differs from the statutory U.S. federal rate of 34 percent due primarily to differences between the book basis and tax basis of the Company's investment in CPE.

CPE has been reported as a discontinued operation and accordingly, the gain from the sale of CPE and the Company's equity income (loss) from CPE has been reported separately from continuing operations. The Company had accounted for its investment in CPE under the equity method of accounting on a one month lag basis due to different fiscal year ends for the respective companies. Included in the Company's equity income (loss) from discontinued operation for fiscal years 1989, 1988 and 1987 is the Company's proportionate share of CPE's operating results for the period from December 1, 1988 to October 31, 1989, the period from December 18, 1987 to November 30, 1988, and the period from January 1 to December 17, 1987, respectively.

NATIONAL SEMICONDUCTOR CORPORATION (MAY)

	1989	1988	1987
		(in millions)	
Earnings (loss) from continuing operations before income taxes	$(198.5)	$31.7	$(56.5)
Income taxes	7.0	1.6	0.9
Earnings (loss) from continuing operations	(205.5)	30.1	(57.4)
Discontinued operations of ISG:			
Earnings (loss) from operations (net of income tax expense of $6.5, $10.5, and $7.8)	(37.7)	32.6	34.0
Gain on sale (net of income tax expense of $40.5)	220.0	—	—
Net earnings (loss)	$ (23.2)	$62.7	$(23.4)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Discontinued Operations

On January 23, 1989, National sold Datachecker Systems, Inc. and certain subsidiaries involved in the manufacturing, marketing and servicing of point-of-sale systems and application software ("DSI") for $89.6 million in cash. In connection therewith, National granted a license to certain patents and trademarks for which the Company is entitled to royalties through 1991, with a guaranteed minimum of $36.0 million. Calculated at an imputed interest rate of 10% per annum, discounted minimum royalty receipts amounting to $30.0 million were included in the gain on sale. Of this amount, $9.0 million is included in receivables and $21.0 million in other assets at May 28, 1989.

On April 28, 1989, National sold National Advanced Systems Corporation and other subsidiaries involved in the marketing, servicing and support of medium- and large-scale IBM-compatible mainframe computers and certain peripheral equipment manufactured primarily by Hitachi, Ltd. ("NAS") for $386.0 million in cash. The effective date for recording the sale was February 26, 1989.

These combined transactions reflect the sale of substantially all of the Company's former Information Systems Group ("ISG") and have been recorded as the disposal of a segment of National's business. Accordingly, the operating results of ISG have been classified as discontinued operations for all periods presented in the consolidated financial statements.

Net sales of discontinued operations were $740.6 million, $1,037.6 million and $874.0 million in fiscal years 1989, 1988 and 1987, respectively. Net current assets of the discontinued operations at May 29, 1988 consisted primarily of the following: receivables $196.6 million, inventories $189.4 million, accounts payable $121.2 million, accrued expenses $86.7 million, and deferred service revenue of $45.3 million. Net noncurrent assets of the discontinued operations at May 29, 1988 consisted primarily of property, plant and equipment, net, of $61.2 million.

PENNZOIL COMPANY (DEC)

	1989	1988	1987
		(Expressed in thousands)	
Income (loss) from continuing operations before income tax and equity in Proven Properties inc.	$362,210	$(302,070)	$85,415
Income tax (benefit)	114,322	(126,254)	24,812
Equity (loss) in net income of Proven Properties inc.	(12,391)	(13,299)	(15,089)
Income (loss) from continuing operations	235,497	(189,115)	45,514
Discontinued operations (Note 11)			
Income (loss) from operations, net of taxes	(6,950)	2,155	—
Estimated loss on disposition	(125,000)	—	—
income (loss) before extraordinary items	103,547	(186,960)	45,514

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Discontinued Operations—

In early 1990, Pennzoil decided to sell or otherwise dispose of its wholly owned subsidiary Purolator Products Company (formerly Facet Enterprises Inc.) ("Purolator") after concluding that Purolator's filtration products and fluid handling operations no longer fit Pennzoil's long-term growth plans. In connection with the decision to dispose of Purolator, Pennzoil recorded a 1989 fourth quarter write-down of $125 million of the related filtration products and fluid handling assets to reflect the estimated loss on disposition, including estimated future costs and operating results from the segment until the date of disposition.

The loss from discontinued operations is as follows:

	Year Ended December 31		
	1989	1988[1]	1987
		(Expressed in thousands)	
Operating revenues	$ 420,177	$216,071	$ —
Income (loss) from operations before income taxes	$ (7,577)	$ 4,410	$ —
Income tax (benefit)	(627)	2,255	—
Income (loss) from operations	(6,950)	2,155	—
Estimated loss on disposition	(125,000)	—	—
Income (loss) from discontinued operations	$(131,950)	$ 2,155	$ —

[1]Includes Purolator's results of operations subsequent to acquisition on May 31, 1988.

The estimated loss on the disposition of Purolator does not reflect any tax benefit applicable to the loss. On March 9, 1990, temporary and proposed Treasury regulations were issued that purport to disallow for tax purposes all losses realized by a taxpayer on the disposition of the stock of a consolidated subsidiary. Although the announced purpose of the temporary regulations is to prevent the consolidated regulations from being used to obtain tax losses in excess of economic losses, the regulations by their terms purport to disallow even economic losses which have not otherwise been deducted. In accordance with the procedure provided for in the temporary regulations. Pennzoil will submit proposals to the Treasury Department and the Internal Revenue Service which demonstrate that economic losses like Pennzoil's can be deducted without permitting others to claim tax losses that do not reflect actual economic losses and without imposing undue administrative burdens. If Pennzoil is unsuccessful in its efforts to have the regulations modified as applied to the disposition of Purolator, it expects to seek appropriate judicial relief from the imposition of such regulations. If Pennzoil is ultimately successful in challenging the temporary regulations, the loss on the disposition of Purolator will be reduced by the amount of the tax benefit of the loss, which is currently estimated to be approximately $42.5 million.

The assets and liabilities of the discontinued operations have been reclassified on the balance sheet from the historic classification to separately identify them as net assets of discontinued operations. These net assets consist primarily of net working capital, tangible and intangible assets and other long-term liabilities.

In order to facilitate the disposition, which is anticipated to be completed by mid 1990, Pennzoil has retained financial advisors to solicit prospective buyers.

THE UPJOHN COMPANY (DEC)

	1989	1988	1987
	Dollar amounts in thousands		
Earnings from continuing operations before income taxes and minority equity..	$460,421	$515,474	$443,629
Provision for income taxes ...	140,400	147,800	129,100
Minority equity in earnings ...	9,047	8,946	6,482
Earnings from continuing operations	310,974	358,728	308,047
Discontinued operations:			
Loss from operations, net of income taxes..........	(4,954)	(5,310)	(3,008)
Loss on disposal of discontinued operations, net of income taxes.....	(130,000)		
Total	(134,954)	(5,310)	(3,008)
Net earnings	$176,020	$353,418	$305,039

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollar amounts in thousands, except per-share data

Note B. Discontinued Operations

On December 19, 1989, the company adopted a plan to discontinue operations in the industrial chemical business which has been located at its North Haven, Connecticut, fine chemical facility. While the sale of industrial chemicals will be terminated in 1990, manufacture of certain pharmaceutical chemicals may continue at this facility into 1992. Provisions, totaling $180,000, have been made for estimated losses during this phaseout period, for write-down of assets to net realizable value and for significant estimated environmental remediation costs (discussed further below and in Note K) at the site. Income tax benefits of $50,000 are related to these adjustments. The December 31, 1989, liabilities related to this action, totaling $149,115, are reported on the balance sheet as "Other current liabilities" ($24,115) and "Other liabilities" ($125,000). Final net liabilities of the discontinued operations, totaling $1,282, which consist of payables and other miscellaneous liabilities in excess of receivables and inventories, are also reported as "Other current liabilities."

Where appropriate, the financial statements reflect the operating results and balance sheet items of the discontinued operations separately from continuing operations. Prior years have been restated. Operating results for the discontinued operations were:

Period ended December 31	1989	1988	1987
Operating revenue	$37,021	$43,018	$39,405
Loss before income taxes	$ 7,654	$ 8,610	$ 4,908
Income taxes (benefit)	(2,700)	(3,300)	(1,900)
Loss from operations	$ 4,954	$ 5,310	$ 3,008
Per share...............................	$.02	$.03	$.02

The environmental accruals reflect the estimated costs of remedial actions and related post-closure monitoring costs as provided by an independent consulting firm recently hired to undertake a study of the site. This study has been undertaken in response to a recently issued order of the U.S. Environmental Protection Agency (EPA) requiring the company to assess all aspects of the site's impact on the environment and public health. The company continues to litigate various issues with the town of North Haven and its agencies pertaining to closure of a sludge pile on the site and capital improvements to the wastewater treatment plant located there.

The company is of the opinion that, although the outcome of these legal issues cannot be predicted with any certainty and although the environmental expenditures will span many years, current accruals are reasonable and appropriate.

Adjustment Of Loss Reported In Prior Period

BROWN GROUP, INC. (JAN)

(Thousands, except per share)	1990	1989	1988
Earnings From Continuing Operations	$30,827	$30,134	$53,541
Discontinued Operations			
Loss from operations, net of tax benefits	—	(3,851)	(6,688)
Gain on (provision for) disposal, net of income taxes (benefits) of $1,600 and ($10,000)........................	3,000	(18,000)	—
Net Earnings........................	$33,827	$ 8,283	$46,853

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Discontinued Operations

During the fourth quarter of fiscal 1988, the corporation adopted a formal plan to sell its Meis, The Linen Center, and Étage specialty retailing companies. In connection with this plan an estimated loss on disposal of $18,000,000, net of income tax benefits of $10,000,000, was recognized. This loss included expected losses from operations during the estimated phase-out period.

During 1989, the Meis department store and Étage operations were sold for approximately $35,000,000 in cash. Efforts to sell The Linen Center continue. As a result of the completion of the sale of the Meis and Étage businesses, $3,000,000, net of $1,600,000 of income taxes, of the previously estimated loss was determined not to be required and has been reflected as a gain on disposal of discontinued operations on the Consolidated Statement of Earnings.

Summarized results of these businesses are shown separately as Discontinued Operations in the accompanying consolidated financial statements with assets and liabilities shown at their estimated fair market value. Combined operating results of these businesses are as follows (in thousands):

	1988	1987
Net sales	$117,711	$106,423
Earnings (loss) before income taxes	$ (5,739)	$(11,782)
Income tax benefit	1,888	5,094
Earnings (loss) from operations	$ (3,851)	$ (6,688)

CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

Table 3-17 indicates the nature of charges or credits, other than extraordinary items, positioned on an income statement after the caption for income taxes applicable to income from continuing operation. Examples of charges or credits shown after the caption for income taxes applicable to income from continuing operations follow.

CAESARS WORLD, INC. (JUL)

	1989	1988 ($000)	1987
Income before income taxes, minority interest and extraordinary loss	$114,729	$128,493	$83,497
Income taxes	43,042	47,112	41,259
Minority interest in earnings of consolidated subsidiary	4,813	4,349	1,824
Income before extraordinary loss	66,874	77,032	40,414

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of Caesars World, Inc. (the Company) and its subsidiaries, including Caesars New Jersey, Inc., an 86.6-percent-owned subsidiary. All significant intercompany balances and transactions have been eliminated.

TABLE 3-17: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Minority interest	58	54	46	42
Equity in earnings or losses of investees	36	42	48	51
Cumulative effect of accounting change	22	68	36	12
Other	3	5	3	—

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

	1989	1988	1987
Income (loss) before income taxes (credit) and cumulative effect of change in accounting principle	$(653,093)	$(1,750,649)	$3,492,554
Income taxes (credit)	(36,878)	(1,010,576)	1,287,214
Income (loss) before cumulative effect of change in accounting principle	(616,215)	(740,073)	2,205,340
Cumulative effect on prior years (to December 31, 1988) of change in accounting principle (Note 2) (net of income tax effect of $531,392)	842,993	—	—
Net income (loss)	$226,778	$ (740,073)	$2,205,340

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Change in Accounting Principle:

In the fourth quarter of 1989, the Company changed its method of accounting for the costs of inventory by capitalizing certain inventory procurement and other indirect production costs, effective January 1, 1989. Previously, these costs were charged to expense in the period incurred rather than included in cost of sales in the period in which the merchandise was sold. The Company believes that this new method is preferable because it provides a better matching of costs with related revenues. The cumulative effect of this change for the periods prior to January 1, 1989, which amounted to $842,993, net of applicable income taxes of $531,392, is shown separately in the 1989 consolidated statement of income (loss). The effect of this change in the year ended December 31, 1989 was to decrease loss by $42,977. The pro forma amounts reflect the retroactive application of this change after a reduction for related income taxes.

As a result of this accounting change, expenses which had previously been reported as selling and administrative expenses were reclassified to cost of sales. The 1988 and 1987 consolidated statements of income (loss) reflect the reclassification of similar expenses so as to conform to the 1989 presentation.

KELLOGG COMPANY (DEC)

	1989	1988	1987
		($ Millions)	
Earnings before income taxes and cumulative effect of accounting change	$667.0	$774.7	$665.7
Income taxes	244.9	294.3	269.8
Earnings before cumulative effect of accounting change	422.1	480.4	395.9
Cumulative effect of change in method of accounting for income taxes—$.39 a share	48.1		
Net earnings—$3.85, $3.90, $3.20 a share	470.2	480.4	395.9

NOTES TO FINANCIAL STATEMENTS

Note 8 (In Part): Income Taxes

On January 1, 1989, the Company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." This standard requires the deferred tax liability to be computed using tax rates in effect when the taxes will be paid. Under these rules income tax expense will increase or decrease in the same period in which tax laws are enacted to reflect the restatement of the deferred tax liability. The Company elected to report the cumulative effect of the change to the new tax accounting rules, amounting to $48.1 million, in 1989 net earnings. The change from the deferred method to the liability method of accounting for income taxes did not have a significant impact on 1989 income tax expense.

THE NEW YORK TIMES COMPANY (DEC)

	1989	1988	1987
		($000)	
Income from continuing operations before income taxes and equity in operations of forest products group	$148,364	$223,863	$260,745
Income taxes	64,267	91,830	122,471
Income from continuing operations before equity in operations of forest products group	84,097	132,033	138,274
Equity in operations of forest products group	(15,922)	28,928	17,990
Income from continuing operations	68,175	160,961	156,264

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6 (In Part): Investment In Forest Products Group

The Company has equity interests in three Canadian newsprint companies and a paper manufacturing company operating as a partnership. The equity interests in the three Canadian newsprint companies are: Donohue Malbaie Inc. ("Malbaie")—49 percent (increased from 35 percent effective December 31, 1987); Gaspesia Pulp and Paper Company Ltd.—49 percent; and Spruce Falls Power and Paper Company, Limited—49.5 percent.

EXTRAORDINARY ITEMS

APB Opinion No. 30, Section I17 of *FASB Accounting Standards—Current Text* defines extraordinary items as "events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence," and states that an event or transaction "should be presumed to be an ordinary and usual activity of the reporting entity, the effects of which should be included in income from operations, unless the evidence clearly supports its classification as an extraordinary item as defined in this Opinion." *Opinion No. 30* and its *Accounting Interpretation* published in the November 1973 issue of the *Journal of Accountancy* illustrate events and transactions which should and should not be classified as extraordinary items. These examples are reprinted in Section I17 of *FASB Accounting Standards—Current Text*. FASB *Statement of Financial Accounting Standards No. 4* specifies that material debt extinguishment gains and losses be classified as extraordinary items.

Table 3-18 shows the nature of items classified as extraordinary by the survey companies. *Statement of Financial Accounting Standards No. 96*, when effective, will require that operating loss carryforward benefits be classified as a component of income tax expense rather than as an extraordinary item. Examples of extraordinary items follow.

TABLE 3-18: EXTRAORDINARY ITEMS

	1989	1988	1987	1986
Nature				
Operating loss carryforwards	26	35	80	50
Debt extinguishments	16	26	53	54
Litigation settlements	3	6	2	4
Other	9	6	9	19
Total Extraordinary Items	**54**	**73**	**144**	**127**
Number of Companies				
Presenting extraordinary items	49	67	127	107
Not presenting extraordinary items	551	533	473	493
Total Companies	**600**	**600**	**600**	**600**

Tax Loss Carryforward Benefits

BAKER HUGHES INCORPORATED (SEP)

	1989	1988	1987
	(in thousands of dollars)		
Income (loss) before income taxes, minority interest and extraordinary items....	$119,213	$134,462	$(275,619)
Income taxes....................	34,837	71,235	(14,100)
Income (loss) before minority interest and extraordinary items..........................	84,376	63,227	(261,519)
Minority interest in (income) loss of subsidiaries.........	(1,625)	(3,836)	6,697
Income (loss) before extraordinary item..................	82,751	59,391	(254,822)
Extraordinary item—Reduction of income taxes arising from carryforward of prior years' U.S. operating losses........................	2,272	43,856	
Net income (loss).............	$ 85,023	$103,247	$(254,822)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine (In Part): Income Taxes:

The geographical sources of income (loss) before income taxes, minority interest and extraordinary item for the three years ended September 30, 1989 were as follows:

(In thousands of dollars)	1989	1988	1987
United States....................	$ (7,832)	$111,160	$(263,627)
Foreign..........................	127,045	23,302	(11,992)
Total income (loss) before income taxes, minority interest and extraordinary item...............	$119,213	$134,462	$(275,619)

The provisions (credits) for income taxes for the three years ended September 30, 1989 are summarized as follows:

(In thousands of dollars)	1989	1988	1987
Currently payable (refundable):			
United States.......................	$ 245	$ 3,412	$ (3,524)
Foreign.............................	32,268	23,713	12,032
Total currently payable........	32,513	27,125	8,508
Deferred:			
United States.......................		(2,695)	
Foreign.............................	52	2,949	(22,608)
Total deferred..................	52	254	(22,608)
Utilization of prior years' U.S. operating losses..................	2,272	43,856	
Total provision (credit) for income taxes.................	$34,837	$71,235	$(14,100)

The consolidated effective income tax rates for the three years ended September 30, 1989 varied from the United States statutory income tax rate for the reasons set forth below:

% of Income (Loss) Before Taxes	1989	1988	1987
Statutory income tax rate.....................	34.0	34.0	(43.0)
Goodwill write-off and amortization.........	.4	.3	
Effect of U.S. operating loss (before minority interest and extraordinary items) for which no carryback or other benefit is recognizable.....................			18.3
State taxes based on income—net of U.S. income tax benefits	.1	.4	.1
Foreign earnings at varying tax rates.......	(5.6)	18.4	6.0
Loss in Vetco Gray Inc........................			8.6
Excise tax on pension reversion gain.......			1.6
Other—net.....................................	.3	(.1)	3.3
Effective income tax rate..................	29.2	53.0	(5.1)

The sources and amounts of deferred taxes for the three years September 30, 1989 were as follows:

(In thousands of dollars)	1989	1988	1987
Reversal of deferred taxes due to net operating loss			$ (2,874)
Depreciation expense	$(2,047)	$(3,910)	(16,595)
Inventory valuations—net................	(3,036)	491	1,378
Unusual charges...........................	3,248	142	1,861
Other—net.................................	1,887	3,531	(6,378)
Total deferred tax provision (credit).	$ 52	$ 254	$(22,608)

In 1989, the Company utilized approximately $6,682,000 of U.S. operating loss carryforwards for financial reporting purposes and the related tax benefit of $2,272,000 has been reflected as an extraordinary credit in the accompanying consolidated statements of operations. At September 30, 1989, the Company had approximately $344,693,000 of U.S. operating loss carryforwards remaining for financial reporting purposes, which expire in varying amounts between 2001 and 2002. For federal income tax purposes, the net operating loss carryforwards are approximately $238,592,000, expiring in varying amounts between 1998 and 2004. In addition, the Company had capital loss carryforwards of approximately $48,764,000, which expire in varying amounts between 1992 and 1993.

CURTISS-WRIGHT CORPORATION (DEC)

	1989	1988	1987
Earnings before income taxes and extraordinary credit...............	$37,287	$31,830	$40,589
Provision for income taxes..........	15,086	5,858	12,525
Earnings before extraordinary credit and cumulative effect on prior years of a change in accounting for income taxes..................	22,201	25,972	28,064
Extraordinary credit—Tax benefits from utilization of capital loss carryforward.......................	6,975	2,023	3,548
Cumulative effect on prior years of a change in accounting for income taxes	1,237		
Net earnings	$30,413	$27,995	$31,612

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Income Taxes

The components of the provision for income taxes are as follows:

(In thousands)	1989	1988	1987
Federal income taxes currently payable	$ 5,153	$10,568	$ 2,820
Foreign income taxes currently payable	1,400	2,200	1,774
Deferred federal and foreign income taxes	1,558	(8,933)	4,383
Federal income tax on net capital gains	6,975	2,023	3,548
Total provision for income taxes	$15,086	$ 5,858	$12,525

Debt Extinguishments

DATA SWITCH CORPORATION (DEC)

	1989	1988	1987
		(000's)	
Income (loss) before extraordinary gain	$(1,110)	$3,281	$2,286
Extraordinary gain on repurchase of debt (net of $265 of taxes)	578	—	—
Net income (loss)	$ (532)	$3,281	$2,286

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Long-Term Debt

(d) During the second quarter of 1987, the Company issued $35,000,000 of 8¼% Convertible Subordinated Debentures. In October 1989, the Company repurchased $1,985,000 of these debentures for a purchase price of $1,046,000. The repurchase resulted in an extraordinary gain of $578,000, net of taxes, which is reflected in fourth-quarter 1989 net income. These debentures, which mature on June 1, 2002, are convertible into the Company's stock at $7.92 per share and are redeemable in whole or in part, at the option of the Company at any time after June 1, 1989. The Company is required to redeem on June 1, 1998, and on each June 1 thereafter through 2001, $7,000,000 aggregate principal amount of debentures at a redemption price of 100% of principal amount together with interest accrued to the redemption date, calculated to retire 80% of the debentures prior to maturity. This agreement contains, among other provisions and covenants, the following: (1) prepayment options at a premium of 6.6% decreasing to par in 1997; (2) subordination of this debenture to all existing and future indebtedness (as defined); (3) restrictions on the payment of dividends and stock purchases; and (4) maintenance of levels of Consolidated Tangible Net Worth (as defined).

TONKA CORPORATION (DEC)

	1989	1988	1987
		(In millions)	
Earnings (loss) before extraordinary item	$7.7	$(5.8)	$ (8.4)
Extraordinary loss (net of income taxes).	(2.0)	—	(2.1)
Net earnings (loss)	$5.7	$(5.8)	$(10.5)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions, except share and per share data)

Note Five—Extraordinary Loss From Extinguishment of Debt

In 1989, the early extinguishment of long-term debt totalled $78. Additionally, the short-term revolving credit facility was reduced for the years 1990 through 1993 (See Note Nine). The related unamortized debt placement costs and the cost of liquidating related interest rate hedge contracts are shown as an extraordinary item totaling $2.0 (net of $1.5 income tax benefit).

In 1987, as part of the Kenner Parker acquisition, the Company incurred $5.6 of debt placement costs related to interim bridge financing. The Company had determined at the time of the acquisition that the life of the bridge loan was six months. Due to significant changes in market conditions, the bridge loan was replaced with permanent financing 53 days subsequent to the acquisition date. Accordingly, the remaining unamortized debt placement costs of $2.1 (net of $1.8 income tax benefit) which related to the bridge loan as of the replacement date are shown as an extraordinary item.

Litigation Settlement

DREYER'S GRAND ICE CREAM, INC. (DEC)

	1989	1988	1987
		($000)	
Income before extraordinary item	$ 8,494	$6,798	$2,774
Extraordinary item, net of income taxes	1,908		
Net income	$10,402	$6,798	$2,774

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Extraordinary Item:

In the second quarter of 1989, the Company settled for $10,000,000 in cash its lawsuit against Popsicle Industries, Inc. related to a claimed breach of manufacturing and distribution agreements. Amounts applied against the settlement included reimbursement of all litigation costs of $3,061,000 and the realization of amounts previously billed and due the Company of $3,752,000. The result was an extraordinary gain of $1,908,000 after providing for income taxes of $1,279,000.

Agreement To Postpone Employment Of CEO

RUSS TOGS, INC. (JAN)

	1990	1989	1988
Earnings (loss) before extraordinary item....	$(7,539,000)	$2,329,000	$9,290,000
Extraordinary item (net of income taxes of $950,000)............	1,550,000		
NET EARNINGS (LOSS)	$(5,989,000)	$2,329,000	$9,290,000

NOTES TO FINANCIAL STATEMENTS

Note B—Extraordinary Item:

The Company entered into an agreement with its new chief executive officer's former employer to postpone the commencement of the new chief executive officer's employment for sixty days. In connection therewith, the Company received $2,500,000 from his former employer.

TABLE 3-19: EARNINGS PER SHARE—1989

	Additional shares issuable for			
	Debt	Stock	Options	Warrants
Included in primary per share calculation..................	19	24	235	26
Included in fully diluted per share calculation...........	49	59	29	6
No dilution.....................	34	32	140	12
Not disclosed..................	37	21	140	8
No additional shares issuable	461	464	56	548
Total Companies...........	**600**	**600**	**600**	**600**

EARNINGS PER SHARE

APB Opinion No. 15, Section E09 of *FASB Accounting Standards—Current Text*, states in part:

> 12. The Board believes that the significance attached by investors and others to earnings per share data, together with the importance of evaluating the data in conjunction with the financial statements, requires that such data be presented prominently in the financial statements. The Board has therefore concluded that earnings per share or net loss per share data should be shown on the face of the income statement. The extent of the data to be presented and the captions used will vary with the complexity of the company's capital structure. . . .

Examples of earnings per share presentations follow.

THE CLOROX COMPANY (JUN)

	1989	1988	1987
	(In thousands, except per-share amounts		
Net earnings....................	$124,144	$132,570	$104,899
Earnings per Common Share			
Continuing Operations.....	$2.63	$2.39	$1.93
Discontinued Operations...	(.39)	.03	—
Total..........................	$2.24	$2.42	$1.93
Weighted Average Shares Outstanding..................	55,333	55,127	54,652

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Earnings Per Common Share

Earnings per common share are computed by dividing earnings after income taxes by the weighted average number of common shares outstanding during each year adjusted for stock splits. The potential dilution from the exercise of stock options is not material.

A $9,000,000 note payable to Henkel Corporation was converted into 1,200,000 shares of common stock on August 1, 1988. Earnings per common share and weighted average shares outstanding reflect this conversion as if it were effective during all periods presented.

COLGATE-PALMOLIVE COMPANY (DEC)

Thousands of Dollars Except Per Share Amounts	1989	1988	1987
Net income available to common shareholders..........	$269,461	$317,268	$53,489
Earnings per common share, primary:			
Continuing operations......	$ 3.97	$ 2.22	$ .01
Discontinued operations...	—	.59	.77
Disposal of discontinued operations...............	—	1.83	—
Total.......................	$ 3.97	$ 4.64	$ .78
Earnings per common share, assuming full dilution:			
Continuing operations......	$ 3.80	$ 2.21	$ .01
Discontinued operations...	—	.58	.76
Disposal of discontinued operations...............	—	1.82	—
Total.......................	$ 3.80	$ 4.61	$ .77
Average number of common shares outstanding (in thousands):			
Primary.......................	67,902	68,381	68,577
Assuming full dilution......	72,314	68,846	69,238

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands Except Per Share Amounts

17. Earnings Per Share

Primary earnings per share are determined by dividing net earnings (after deducting preferred stock dividends) by the weighted number of common shares outstanding.

Earnings per common share, assuming full dilution, are calculated assuming the conversion of all potentially dilutive securities, including convertible preferred stock and certain outstanding options. This calculation reduces income from continuing operations by dividends on the $4.25 Preferred Stock and pro forma replacement funding, net of income taxes. Replacement funding is the difference between the preferred dividend and the common stock dividend on equivalent common shares held by the ESOP. Replacement funding represents the additional Company contribution that would be theoretically necessary to enable the ESOP to meet its debt service requirements if the preferred shares were converted immediately. This is a significantly faster conversion pace than would be expected to occur as the result of allocated shares leaving the plan. The following table presents the information needed to compute earnings per common share, assuming full dilution:

	1989	1988	1987
Earnings:			
Income from continuing operations	$280,031	$152,667	$ 886
Less: Dividends on preferred shares	531	531	531
Less: Replacement funding net of income taxes	4,958	—	—
Income from continuing operations available to common shares	274,542	152,136	355
Income from discontinued operations, net of income taxes	—	165,134	53,136
Net income available to common shares	$274,542	$317,270	$53,491
Shares:			
Weighted average shares outstanding	67,902	68,381	68,577
Add: Assumed conversion of Series B Convertible Preference Stock	3,351	—	—
Add: Assumed conversion of $3.00 preferred shares	3	5	5
Add: Exercise of options reduced by the number of shares purchased with proceeds	1,058	460	656
Adjusted weighted average shares outstanding	72,314	68,846	69,238
Earnings per common share, assuming full dilution	$ 3.80	$ 4.61	$ 0.77

GOULDS PUMPS, INCORPORATED (DEC)

(Dollars in thousands except per share data)	1989	1988	1987
Net income (loss)	$(1,328)	$23,323	$18,537
Net income (loss) per common share			
Continuing operations	$1.41	$1.25	$1.03
Discontinued operations	(1.47)	(0.07)	—
Net income (loss) per common share	$(0.06)	$1.18	$1.03

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Net Income Per Share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during the year (20,446,000 in 1989, 19,817,000 in 1988 and 18,044,000 in 1987). No effect has been given to options outstanding under the Company's Stock Option Plans or Convertible Subordinated Debentures as no material dilutive effect would result from the exercise of these items. In December, 1988, the Board of Directors approved a shareholders' rights plan designed to ensure that all of the Company's shareholders receive fair and equal treatment in the event of any proposal to acquire control of the Company. Under the rights plan, each shareholder will receive a dividend of one right for each share of the Company's outstanding common stock, entitling the holders to purchase one additional share of the Company's common stock. The rights become exercisable after any person or group acquires 20 percent or more of the Company's outstanding common stock, or announces a tender offer which would result in the offeror becoming the beneficial owner of 20 percent or more of the Company's outstanding common stock. These rights which may have a potentially dilutive effect have been excluded from the weighted average shares computation as preconditions to the exercisability of such rights were not satisfied.

HILLS DEPARTMENT STORES, INC. (JAN)

	1990	1989	1988
	(Dollars in Thousands, Except Per Share Amounts)		
Net income attributable to common shareholders	$2,908	$11,515	$22,609
Primary earnings per common share (Note 1):			
Income before extraordinary credit and cumulative effect of accounting change	$ .15	$ .41	$ .60
Extraordinary credit			$ .71
Cumulative effect of accounting change		.19	
Net income	$ .15	$ .60	$ 1.31
Fully-diluted earnings per common share (Note 1):			
Income before extraordinary credit and cumulative effect of accounting change	$ .15	$ .41	$ .60
Extraordinary credit			.66
Cumulative effect of accounting change		.19	
Net income	$ .15	$ .60	$ 1.26

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Earnings Per Share

For the fiscal years ended February 3, 1990 and January 28, 1989 weighted average common shares and common equivalent shares outstanding were 19,155,296 and 19,101,671, respectively, for the purpose of computing primary earnings per share. Fully-diluted earnings per share for the fiscal years ended February 3, 1990 and January 28, 1989 were the same as primary earnings per share, since the effect of the conversion of the Debentures is anti dilutive. For the fiscal year ended January 30, 1988, weighted average common shares and common equivalent shares outstanding were 17,250,135 for the purpose of computing primary earnings per share and 18,812,144 for the purpose of computing fully-diluted earnings per share.

Supplementary primary earnings per share was $.10 for the fiscal year ended February 3, 1990, based on 22,978,346 weighted average shares outstanding. Supplementary earnings per share at February 3, 1990 are calculated assuming that warrants to purchase 3,823,050 shares of the Company's common stock, which were sold in conjunction with the Company's sale of $100 million of 15% Junior Subordinated Notes as of March 28, 1990, were exercised as of January 28, 1989 and that the $100 million was outstanding for the entire fiscal year. (See Note 4) Supplementary fully-diluted earnings per share for the fiscal year ended February 3, 1990 is the same as supplementary primary earnings per share, since the effect of the conversion of the Debentures and warrants is anti dilutive.

Supplementary fully-diluted earnings per share was $.82 for the fiscal year ended January 30, 1988, based on 21,989,015 weighted average shares outstanding, before an extraordinary credit of $.56 per share to reflect the $12.3 million benefit of utilizing all available book federal and state tax loss carryforwards. Supplementary earnings per share for the fiscal year ended January 30, 1988 are calculated assuming that certain transactions related to the initial public offering of the Company's common stock, the concurrent offering of the Company's Convertible Junior Subordinated Debentures (the "Debentures") and borrowings under Hills Stores' amended and restated credit agreement had occurred at February 1, 1987.

LUKENS INC. (DEC)

Dollar and shares in thousands except per share	1989	1988	1987
Net Earnings Applicable to Common Stock	$40,157	33,388	21,662
Earnings Per Common Share (Note 1)			
Primary	$4.73	3.91	2.58
Fully diluted	$4.53		
Common Shares and Equivalents Outstanding			
Primary	8,488	8,541	8,390
Fully diluted	9,054		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Earnings Per Share

Primary earnings per common share are calculated by dividing net earnings applicable to common stock by the average of common stock outstanding and common stock equivalents. On a fully-diluted basis, both net earnings and shares outstanding are adjusted to assume the conversion of convertible preferred stock from the date of issue.

As discussed in Note 11, an employee stock ownership plan (ESOP) was established at the end of the second quarter of 1989. Had the ESOP been established at the beginning of the year, primary and fully diluted earnings per common share would have been $4.58 per share and $4.23 per share, respectively.

NORTON COMPANY (DEC)

In millions, except per-share data	1989	1988	1987
Net income	$105.1	$95.6	$66.5
Earnings per share of common stock (primary):			
Income from continuing operations before extraordinary items	$ 3.63	$3.60	$1.98
Income from discontinued operations	0.47	0.38	0.72
Adjustment to accrual for disposal of discontinued operations	—	—	0.27
Extraordinary items	0.92	0.57	0.23
Net income	$ 5.02	$4.55	$3.20
Earnings per share of common stock (fully diluted):			
Income from continuing operations before extraordinary items	$ 3.54	$3.51	$1.98
Income from discontinued operations	0.43	0.35	0.71
Adjustment to accrual for disposal of discontinued operations	—	—	0.26
Extraordinary items	0.85	0.53	0.23
Net income	$ 4.82	$4.39	$3.18

NOTES TO FINANCIAL STATEMENTS

14. Earnings per Share

Primary earnings per share were calculated as follows:

Years ended December 31	1989	1988	1987
	In millions, except per-share data		
Net income	$105.1	$95.6	$66.5
Interest expense of convertible subordinated debentures (a)	—	—	1.5
Total income used for primary earnings per share	$105.1	$95.6	$68.0
Average common shares outstanding	20.9	21.0	20.8
Common equivalent shares for convertible debentures (a)	—	—	0.5
Average shares and equivalents	20.9	21.0	21.3
Earnings per share	$ 5.02	$4.55	$3.20

(a) The effect of the 9½% convertible subordinated debentures was not included in the computation of primary earnings per share for the years ended December 31, 1989 and 1988 because the debentures were retired in June, 1987. The $100 million 7¾% convertible subordinated debentures issued in June, 1987 are not common stock equivalents.

Fully diluted earnings per share were calculated as follows:

Years ended December 31	1989	1988	1987
	In millions, except per-share data		
Net income	$105.1	$ 95.6	$66.5
Interest expense of convertible subordinated debentures	4.8	4.8	4.0
Total income used for fully diluted earnings per share	$109.9	$100.4	$70.5
Average common shares outstanding	20.9	21.0	20.8
Common equivalent shares for convertible debentures	1.8	1.8	1.4
Other	0.1	0.1	—
Average shares and equivalents	22.8	22.9	22.2
Earnings per share, assuming full dilution	$ 4.82	$ 4.39	$3.18

QUANEX CORPORATION (OCT)

	1989	1988	1987
	(In thousands, except per share amounts)		
Net earnings attributable to common stockholders	$26,102	$18,211	$5,208
Earnings per common share:			
Primary:			
Earnings before extraordinary items	$ 2.11	$ 1.85	$ .25
Extraordinary items	—	(.37)	.17
Net earnings	$ 2.11	$ 1.48	$ .42
Assuming full dilution:			
Earnings before extraordinary items	$ 1.99	$ 1.85	$ .25
Extraordinary items	—	(.37)	.17
Net earnings	$ 1.99	$ 1.48	$ .42
Weighted average number of shares outstanding:			
Primary	12,380	12,270	12,257
Assuming full dilution	14,703	12,270	12,257

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Earnings Per Share Data

Primary earnings per share is computed by deducting preferred dividends from net earnings in order to determine net earnings attributable to common stockholders. This amount is then divided by the weighted average number of common shares outstanding during the year. The effect of common stock equivalents arising from stock options on the computation of earnings per share is not significant.

Earnings per share assuming full dilution is determined by dividing net earnings by the weighted average number of common shares outstanding during the year after giving effect for common stock equivalents arising from stock options and for preferred stock assumed converted to common stock.

TRIBUNE COMPANY (DEC)

(In thousands of dollars, except per share data)	1989	1988	1987
Net income attributable to common shares	$229,541	$210,406	$141,537
Net income per share			
Primary	$ 3.17	$ 2.78	$ 1.80
Fully diluted	$ 3.00	$ 2.78	$ 1.80

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Net Income Per Share

Primary net income per share has been computed by dividing net income attributable to common shares by the weighted average number of common shares outstanding during the period. Fully diluted net income per share has been computed based on the assumption that all of the convertible preferred shares are converted into common shares. For purposes of calculating fully diluted net income per share, net income has been reduced by the additional Employee Stock Ownership Plan (ESOP) contribution (net of income taxes) that would be required for ESOP debt service, and the weighted average number of shares outstanding has been increased by (i) the additional common shares that would be issued upon conversion of the preferred shares based on the stated conversion rate plus any additional common shares that would have to be issued to meet the redemption price guarantee for all preferred shares that have been allocated to participants, and (ii) the effect of stock options. Since no convertible preferred shares were outstanding prior to 1989, no dilution resulted in 1988 or 1987. The numbers of common shares used for computing primary and fully diluted net income per share were as follows:

(In thousands)	1989	1988	1987
Primary	72,390	75,636	78,536
Fully diluted	77,546	75,636	78,536

SOCIAL AWARENESS EXPENDITURES

Certain survey companies disclosed contributions to charitable organizations, grants to community related activities, expenditures to aid minority groups or enterprises, and other forms of social awareness or responsibility. Such disclosures of social awareness or responsibility are almost always made in the annual report narrative which is not part of the financial statements; accordingly, no attempt was made to tabulate those disclosures. Examples of such disclosures follow.

ABBOTT LABORATORIES (DEC)

COMMITMENT

Responsibility. For Abbott, this word has many meanings. As a manufacturer of quality health care products which improve the lives of millions, we have a global responsibility to our customers to provide the very best. As a corporate citizen, we have a worldwide social responsibility which extends beyond our product line and balance sheet. Abbott is committed to using its resources to make the world a better place to live.

An "Otter" Use For Diagnostic Instruments

When thousands of sea otters and other wildlife were dying in the wake of the oil spill in Alaska's Prince William Sound last spring, Abbott joined forces with countless volunteers to help diagnose and treat the injured animals.

Several rescue centers were set up along the Alaskan coast in an attempt to save the otters and other dying wildlife. Most medical attention for the affected animals was provided at the Seward Sea Otter Rescue Center, the largest veterinary treatment center set up along the Alaskan coast. At the center, blood samples were taken from the animals to determine the level of toxicity in the liver, kidneys and other internal organs. Because of the complexity of the testing, the samples had to be sent 100 miles away to a laboratory. Results weren't returned for several days, treatment was delayed and many of the otters died. But the scenario soon changed when Joel Kurihawa, an enterprising young volunteer, contacted Abbott.

"I knew Abbott's *Vision* instrument was easy to operate and reported test results in minutes," Kurihawa said. "It was just what we needed at the center."

As soon as Abbott learned of the need, the company donated a *Vision* blood analyzer and $20,000 worth of reagents to the Seward treatment center. With *Vision*, test results were reported immediately and hundreds of animals were saved.

Donations Total $7.9 Million

In a year of devastating natural disasters, Abbott helped meet the urgent medical and nutritional needs of disaster victims. The company sent emergency shipments of hospital products, intravenous solutions, antibiotics, vitamins and nutritionals to dozens of relief efforts around the world.

When Hurricane Hugo ripped through the Caribbean and the Carolinas, Abbott quickly responded to the calls for help. Contributions included cash and medical supplies totaling more than $400,000, and the loan of a semitrailer truck to transport donations collected by Northern Illinois Girl Scout troops and U.S. Congressman John Porter (R-Illinois) to stricken areas.

In the San Francisco Bay area, where thousands of residents were left homeless by the October earthquake, Abbott representatives worked around the clock with the American Red Cross, The Salvation Army and other relief agencies for several days following the quake to meet infant and adult nutritional needs. More than 2,400 cases of nutritional supplies were provided, as well as substantial cash contributions.

The value of products donated to these and other charitable efforts, including those in Eastern Europe, totaled $4.9 million in 1989.

Abbott and the Abbott Laboratories Fund donated more than $3 million in cash to educational, health, civic and cultural organizations in 1989. Cash grants are awarded by the company and the Abbott Laboratories Fund with priority given to organizations serving communities in which Abbott has significant employee populations and institutions providing education or other services to present or potential Abbott employees. The Abbott Laboratories Fund also matched dollar-for-dollar more than $468,000 in employee gifts to colleges and universities, hospitals and non-public secondary schools in 1989.

At Abbott manufacturing facilities in the U.S. and Puerto Rico, employee contributions to local fundraising campaigns reached a record high of more than $1.9 million. These funds support charitable organizations in communities surrounding Abbott facilities.

Perhaps an even greater employee contribution is demonstrated through the time so many Abbott employees volunteer to charitable, educational and civic organizations in their communities. The company encourages employees to contribute their time and expertise to these groups, and recognizes their outstanding dedication.

Company Supports Development Of Disadvantaged Businesses

For some businesses, money is not the primary motivator bringing employees to work each day. At The Pioneer Center in McHenry, Ill., and many other sheltered workshops across the country, the opportunity to gain knowledge, self-esteem and skills is what's keeping thousands of mentally and physically disabled employees on the job. In 1989, Abbott demonstrated its support for these businesses and their dedicated workforces by increasing the services it purchased from them by 28 percent over last year. Additionally, Abbott's executives, managers, technical personnel and other employees donate their time and talents to these organizations by serving on their boards and providing them with technical expertise.

Abbott has an aggressive small business/small disadvantaged business program to support suppliers who might otherwise have a hard time establishing working relationships with a large corporation. Satisfaction with the services provided by these businesses is evident—Abbott purchases from women-owned businesses more than doubled last year's totals. Purchases from minority-owned suppliers also showed significant increases. These increases occurred as a result of developing new supply sources at all Abbott locations in the U.S., and corporate participation in a variety of minority business advocate groups.

Internships And Employment Opportunities Provided For Minority College Students

Abbott's success depends on a talented, diverse, well-educated work-force. The company's support of Inroads, an internship and placement program for minority youth in business and industry, earned it the 1989 Inroads "Corporate Plus Award" from the Chicago chapter. The company's commitment to the training and career advancement of minority youth is demonstrated by providing internships, full-time job placement for graduates, and financial and in-kind contributions. Over the years some of the students, who have participated in the Inroads program at Abbott, have joined the company as full-time employees following college graduation.

At the company's Ross Laboratories division facilities in Columbus, Ohio, Inroads participants worked in research and development, plant engineering and credit collections. The facility was also the host of the 1989 Columbus Inroads "Talent Pool," held on four consecutive Saturdays in the spring. More than 60 high school students participated in these career workshops, which were led by Abbott managers, trainers and evaluators.

At the company's corporate headquarters in Lake County, Ill., Inroads interns worked in a variety of positions, and were instrumental in community involvement projects, such as collecting food, clothing and toys for needy families at Christmas.

"The Inroads students have benefited Abbott, just as much as we've been an asset to them," said O. Ralph Edwards, vice president, personnel and Inroads board member.

AMOCO CORPORATION (DEC)

CORPORATE RESPONSIBILITIES

Community and Urban Affairs/Amoco Foundation—A central feature of Amoco's activities in 1989 was its participation in a variety of partnerships, such as support of public school reform in Chicago. Reform in Chicago public schools was implemented in 1989, one part of which was the establishment of local councils for nearly 600 schools, including parents as members.

Amoco also sponsored the Power Hour of Homework, a program that used television commercials to encourage parents and students to take homework seriously. The Power Hour of Homework was the 1989 theme for eight national conferences in which Amoco participated.

Since 1980, Amoco has supported a Summer Jobs program for minority disadvantaged high school youth. In 1989, more than 300 students participated in Chicago, Denver, Atlanta, New Orleans, Tulsa, and Texas City, Texas. Many of the youth are on Amoco's payroll but are loaned to not-for-profit organizations to learn a business skill.

Amoco's community and urban affairs managers maintain close contacts with a wide variety of non-profit organizations that seek corporate support. In 1989, Amoco executives chaired four fund-raisers for non-profit organizations in Chicago, which raised more than $1 million. Benefiting were the Chicago Area Council-Boy Scouts of America; Mexican-American Legal Defense and Educational Fund; Bethel New Life; and Hull House Association. In addition, Amoco personnel and service station dealers nationwide also played a major part in funding the Children's Miracle Network Telethon.

Major community and urban programs sponsored by Amoco include Hispanic and black scholarship fund-raisers. Thirty-five Chicago-area Amoco service station dealers have increased their efforts to support the United Negro College Fund (UNCF). In 1989, they organized their first annual Humanitarian Awards dinner, which raised $15,000 for UNCF. Forty-three dealers in New York participated in the first Amoco Hispanic dealers' scholarship fund, which raised $24,000 to improve the opportunities for higher education among Hispanics.

Amoco Corporation received five national awards for its education program on homework, two presidential awards, and numerous other awards for its housing rehabilitation and minority purchasing programs. The National Alliance of Business named Amoco as its Company of the Year for community service in education, job training, and low-income housing programs.

The Amoco Foundation, which is financially supported by Amoco, contributed $24 million in 1989 to a range of programs promoting educational, cultural, and community improvement.

Environmental Affairs and Safety—In 1989, Amoco's expenditures for environmental and health and safety activities totaled $452 million, including $136 million for capital costs.

We thoroughly reviewed our oil spill and hazardous-chemical response plans, updating and improving them as necessary. We tested these plans by conducting major exercises or drills involving local, state, national, and in some cases international agencies, at our Texas City, Texas, and Yorktown, Va., refineries, the Beaufort Sea, the North Sea, and in Louisiana.

Hazardous waste was reduced 57 percent below 1987 levels from Amoco Chemical facilities. Since the waste reduction program began in 1983, a total reduction of 87 percent has been achieved. Waste minimization programs are continuing in the other operating companies. A joint pollution-prevention project was initiated by Amoco and the U.S. Environmental Protection Agency to determine the most efficient way to reduce emissions to the environment at our Yorktown refinery. In a separate program, we are voluntarily ceasing discharges of produced brine into coastal zone areas and putting oil spill containment equipment on coastal zone wells in critical areas.

Amoco has adopted a new policy requiring environmental assessments of transactions such as property transfers. During 1989, we conducted assessments of 20 business properties and more than 6,000 production facilities to determine environmental liabilities of potential acquisitions and divestitures. We also initiated a program to conduct detailed assessments of environmental conditions at our marketing and pipeline facilities.

We intensively trained more than 100 engineering and technical personnel to head up teams that could identify potential process safety problems in our operations for corrective action. We coordinated industrial fire-training schools attended by 332 of our employees. To ensure that our employees are not exposed to hazardous levels of chemicals, we conducted more than 230 industrial hygiene surveys and collected more than 9,000 samples at operating locations. We completed and began using a computer data base for maintaining and tracking employee exposure information.

We conducted health-hazard evaluations for more than 900 new Amoco products and we now publish material safety data sheets for our products in 10 languages. As part of our product stewardship program, an extensive customer outreach program for the chemical known as trimellitic anhydride was initiated. It provides health information bulletins for customers' employees and on-site visits to interested customers by our industrial hygienists to monitor material handling procedures and employee work practices.

COOPER INDUSTRIES, INC. (DEC)

CORPORATE CITIZENSHIP

At Cooper Industries, we believe that good corporate citizenship requires active involvement in the communities where the Company has manufacturing plants. Cooper takes its role as a corporate citizen seriously by providing jobs at competitive rates of pay, healthful working conditions, good employee benefits and environmentally safe operations. In addition, the Company tries to enhance the quality of life in communities where we are a significant employer by contributing to educational, cultural, civic and health organizations and by encouraging the voluntary activities of employees.

"1,000 Points of Light"

Because of its dedication to the American spirit of volunteerism and community action, Cooper Industries was selected by the White House as one of the nation's top "points of light" in 1989 and given the right to fly the red, white and blue C-Flag, the symbol of the President's Citation Program for Private Sector Initiatives. Cooper was one of 100 organizations to receive a Presidential Citation for our annual Outstanding Community Service Awards program, which was initiated in 1984 to recognize and reward the volunteer community services of Cooper employees. Special grants are made in the names of the winners to the organizations they serve. Since the program began, 102 Cooper employees in 50 communities across the nation have received cash prizes to donate to their favorite charities. The 22 winners for 1989 were selected from 113 nominees. Altogether, the entrants had given the equivalent of 650 years of volunteer service to hundreds of organizations. The top winner, Randy Adams, a shipper at the Kirsch custom window covering plant in Shamokin, Pennsylvania, received a $5,000 check for his organization.

Cooper Industries Foundation

The Cooper Industries Foundation, a non-profit corporation funded by Company contributions, was established in 1964 to support non-profit organizations that best serve the educational, health, welfare, civic, cultural and social needs of Cooper communities. The largest gift announced in 1989 was a five-year pledge totalling $500,000 to Ohio University in Athens, Ohio. The purpose of the gift is to fund a Cooper Industries Professor in Electrical and Computer Engineering and to support the Computer Integrated Manufacturing (CIM) program in the College of Engineering and Technology. The professorship will help the University attract a faculty member with special expertise in power electronics and the industrial controls area of electrical engineering. The grant is the largest cash corporate gift in the history of the University.

The bulk of Foundation contributions are made on the recommendations of local managers, who are given wide latitude in determining the recipients of Foundation funds. Employees also direct a portion of the Company's charitable donations through the Cooper Matching Gift Plan, which matches the gifts of employees to their favorite charities, double-matching those in which the employees are active volunteers. In 1989, Cooper Industries Foundation matched over 2,500 employee gifts totalling more than $397,000.

Matching Employee Gifts to the United Way

In 1989, the first year Cooper Industries expanded its Matching Gift Plan to include employee gifts to the United Way, employee giving to that organization doubled and even tripled in some locations. The combined gifts of Cooper's operating units to the United Way totalled $1.1 million, more than twice the amount given in 1988.

Project Pace Benefits Education

In 1989, the Cooper Industries Foundation donated $10,000 to each of 10 vocational-education schools in Cooper communities through Project PACE, the Company's Partnership to Aid Career Education. Cooper initiated this pilot program in response to the pressing concern about the high-school dropout rate and the growing number of young people who are entering adulthood without the means to support themselves or a family. We hope our program will serve as a model to other companies seeking to assist the schools in their continuing efforts to improve the quality of vocational education.

The Company has imposed no restrictions on the way the $10,000 grants are used, except to recommend that the money be spent in one or more of four broad categories suggested by vocational educators, themselves. These include teacher development and recognition, student incentives and recognition, curriculum enrichment and new technology, and community service and outreach. In April 1990, each school will report on how the grant monies were used and what benefits have been realized. From these reports, a panel of judges will select one school to receive a special, unrestricted grant of $25,000. The pilot program will run through 1992 and, if successful, will be extended to schools in other Cooper manufacturing locations.

HASBRO, INC. (DEC)

CORPORATE PHILANTHROPY AT HASBRO

Three generations ago, Hasbro started out as a family company. Today, although it is publicly held, Hasbro's corporate culture continues to emphasize the tradition of family and community involvement that built and sustained the company since the early years of this century. Children and their families make up the primary focus of Hasbro's charitable activities. This is not just because Hasbro is a children's product company, but more importantly because our children are our future. Through these activities we aim to bring some happiness into the world in which they live today and will inherit tomorrow. Hasbro carries out a wide variety of philanthropic acitivities through several channels, depending on the size, scope and activity involved. Most directly, each Hasbro unit has considerable latitude to identify and support charitable causes in the communities where it operates. This support may take the form of direct financial support, sponsorship, singly or with other organizations, of community-based social welfare activities; donations of products to not-for-profit organizations; and internal support for employee fund-raising and volunteer programs. In addition, Hasbro also maintains two corporate philanthropic entities—The Hasbro Charitable Trust and The Hasbro Children's Foundation.

The Hasbro Charitable Trust supports a wide range of community-based family services programs, including health screenings, adult literacy and the provision of care for homeless and abused families. It is best known, however, for its work in coordinating the ongoing distribution of Hasbro toys to needy children across America through shelters and residences, hospitals, not-for-profit daycare centers and other facilities that provide direct care. In addition, the Trust also assists in the distribution of toys to the young victims of natural disasters. In 1989, Hasbro helped lighten the cares of thousands of children affected by Hurricane Hugo, the San Francisco earthquake and the tornadoes that struck Huntsville, Alabama. Another well-known program administered by the Trust in the Children's Giving Tree, an innovative holiday season event developed in 1983 that donates one toy for every handmade ornament hung on the Children's Giving Tree that stands in a centrally located public area. In the seven years of its existence, the Giving Tree has donated over a quarter-million toys and, thanks to the efforts of everyone involved, has brought smiles to the faces of thousands of needy children on Christmas morning.

The Hasbro Children's Foundation, founded in 1984, continues to fund programs that make a difference in the lives of young children. The Foundation's concern for the disadvantaged has resulted in programs like Our House in Little Rock, Arkansas, a shelter for homeless mothers and their children that has a health clinic, daycare center and courses in parenting and job training. Another program, Advance in San Antonio, Texas, an agency focused on strengthening the family, has recently started a program to enhance the role of the father in the family. The Foundation's concern with health issues has enabled children with cancer to have the joy of a camping experience through the funding of Happiness is Camping in New Jersey. It has also helped provide services to babies who are afflicted with AIDS through a grant to Little Flower Children's Services of Brooklyn. In addition, the Foundation, working through Northeastern University, assisted in the establishment of a primary school for the deaf in Burundi, Africa, where education for the deaf is otherwise nonexistent. The Hasbro Children's Foundation's recognition that only a literate society can be competitive in today's shrinking world, has prompted our support of the Stanley Isaacs after-school reading and tutorial program in Harlem, an inner-city Manhattan neighborhood. Last year, the Foundation provided more than $2 million in support to scores of organizations. Their projects and activities may vary, but all are united by their common goal of improving the lives of children everywhere.

THE KROGER CO. (DEC)

CORPORATE RESPONSIBILITY

Kroger and its employees actively participated in a broad array of civic and charitable causes during 1989.

The "Round Up for the Hungry" program—Kroger's innovative effort to involve shoppers in providing perishable food for the needy—completed its second year, generating more than $600,000 to date.

Among the most notable examples of community involvement was the assistance lent by Kroger store and transportation employees—and Kroger customers—to cities and towns devastated by Hurricane Hugo in September.

In metropolitan Atlanta, customers donated 642,800 pounds of food—all of it collected in just four days. Truck drivers from Kroger's Atlanta division voluntarily transported the donated food to hurricane victims. Other Kroger divisions assisted with shipments of bottled water and food.

A group of store employees in Baytown, Texas, received the Company's annual B.H. Kroger Employee Group Award for Community Service for their support of Special Olympics, the March of Dimes, the Muscular Dystrophy Association, and Big Brothers and Big Sisters. A Harrisburg, Ill., store employee, Richard A. Nelson, received the individual B.H. Kroger Award in recognition of his involvement with a variety of youth, civic and charitable activities.

The Kroger Co. Foundation made 1,284 contributions totaling some $3.67 million during 1989. This represents a significant increase in charitable giving and is reflective of the Company's ongoing commitment to good corporate citizenship.

Section 4: Stockholders' Equity

This section reviews the presentation of transactions, other than net income (loss) for the year, affecting the stockholders' equity accounts.

RETAINED EARNINGS

PRESENTATION OF CHANGES IN RETAINED EARNINGS

Table 4-1 summarizes the presentation formats used by the survey companies to present changes in retained earnings. Examples of statements showing the increase or decrease in retained earnings resulting from 1989 fiscal year transactions are presented throughout this section.

TABLE 4-1: PRESENTATION OF CHANGES IN RETAINED EARNINGS

	1989	1988	1987	1986
Statement of Stockholders' Equity	456	444	429	413
Separate statement of retained earnings	60	71	78	90
Combined statement of income and retained earnings	35	38	47	58
Changes shown in notes	49	47	46	39
Total Companies	**600**	**600**	**600**	**600**

DIVIDENDS

Chapter 7B of *ARB No. 43,* Section C20 of *FASB Accounting Standards—Current Text,* discusses the accounting for stock dividends. *APB Opinion No. 15,* Section E09 of *FASB Accounting Standards—Current Text,* refers to Chapter 7B and states in part:

> 48. *Stock dividends or splits.* If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse split, the computations should give retroactive recognition to an appropriate equivalent change in capital structure for all periods presented. If changes in common stock resulting from stock dividends or stock splits or reverse splits have been consummated after the close of the period but before completion of the financial report, the per share computations should be based on the new number of shares because the readers' primary interest is presumed to be related to the current capitalization. When per share computations reflect such changes in the number of shares after the close of the period, this fact should be disclosed.

Table 4-2 shows the nature of distributions made by the survey companies to their shareholders. Approximately 63% of the survey companies paying cash dividends to common stock shareholders indicate the per share amount of such dividends in the statement of retained earnings; approximately 42% of the survey companies make a similar disclosure for cash dividends paid to preferred stock shareholders. Stock purchase rights enable the holder to purchase additional equity in a company if an outside party acquires or tenders for a substantial minority interest in the subject company. Rarely is an amount attributed to the distribution of such rights.

Examples of distributions to shareholders follow.

TABLE 4-2: DIVIDENDS

	Number of Companies			
	1989	1988	1987	1986
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statements	301	310	324	335
Per share amount not disclosed in retained earnings statements	174	165	150	152
Total	**475**	**475**	**474**	**487**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statements	63	60	79	75
Per share amount not disclosed in retained earnings statements	87	80	81	81
Total	**150**	**140**	**160**	**156**
Dividends Paid By Pooled Companies	**—**	**3**	**3**	**2**
Stock Dividends	**10**	**12**	**8**	**12**
Dividends in Kind	**7**	**11**	**10**	**17**
Stock Purchase Rights	**54**	**78**	**44**	**117**

Cash Dividends

BETZ LABORATORIES, INC.

Consolidated Statements of Common Shareholders' Equity

	Year Ended December 31 1989	1988	1987
COMMON SHARES			
Balance at beginning of year	$ 1,686,829	$ 1,687,556	$ 1,688,466
Shares cancelled through stock plans (1989—9,106 shares; 1988—7,269 shares; 1987—9,100 shares)	(911)	(727)	(910)
BALANCE AT END OF YEAR	$ 1,685,918	$ 1,686,829	$ 1,687,556
CAPITAL IN EXCESS OF PAR VALUE OF SHARES			
Balance at beginning of year	$ 47,439,034	$ 43,236,226	$ 39,128,915
Tax effects relating to stock plans	621,473	684,481	291,889
Shares issued through stock plans	3,988,013	3,518,327	3,815,422
BALANCE AT END OF YEAR	$ 52,048,520	$ 47,439,034	$ 43,236,226
RETAINED EARNINGS			
Balance at beginning of year	$ 242,517,683	$ 219,384,949	$ 202,044,397
Net earnings for the year	55,860,044	48,385,076	40,633,789
Common dividends declared (per share: 1989—$1.83; 1988—$1.64; 1987—$1.49)	(27,133,933)	(25,252,162)	(23,293,237)
Preferred dividends declared ($8.00 per share)	(4,000,000)	—	—
Tax benefit related to ESOP preferred dividends	1,480,000	—	—
BALANCE AT END OF YEAR	$ 268,723,974	$ 242,517,863	$ 219,384,949
TREASURY SHARES			
Balance at beginning of year	$ 50,663,483	$ 53,056,016	$ 29,478,624
Purchases: (1989—1,366,800 shares; 1987—610,000 shares)	78,133,614	—	26,361,800
Reissue of shares to stock plans: (1989—152,053 shares; 1988—145,002 shares; 1987—168,752 shares)	(2,550,866)	(2,392,533)	(2,784,408)
BALANCE AT END OF YEAR	$ 126,246,231	$ 50,663,483	$ 53,056,016
UNEARNED COMPENSATION			
Balance at beginning of year	$ 11,281,685	$ 9,493,514	$ 7,468,733
New grants	3,807,118	5,356,264	4,635,445
Amounts expensed during the year	(3,523,722)	(3,568,093)	(2,610,664)
BALANCE AT END OF YEAR	$ 11,565,081	$ 11,281,685	$ 9,493,514
UNREALIZED LOSS ON INVESTMENTS			
Balance at beginning of year	$ 3,588,168	$ —	$ —
Unrealized decline in value of investments	452,387	3,588,168	—
BALANCE AT END OF YEAR	$ 4,040,555	$ 3,588,158	$ —
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS			
Balance at beginning of year	$ (4,462,812)	$ (3,436,329)	$ 1,874,311
Current-year adjustments	2,203,722	(1,026,483)	(5,310,640)
BALANCE AT END OF YEAR	$ (2,259,090)	$ 4,462,812)	$ (3,436,329)

CONSOLIDATED PAPERS, INC.

Consolidated Statements of Reinvested Earnings

(Dollars in thousands, except per share data)	For the years ended December 31 1989	1988	1987
Balance Beginning of Year	$643,075	$534,599	$473,663
Add—Net income	167,919	149,883	95,798
Deduct—Cash dividends of $1.15 per share in 1989, $.95 per share in 1988 and $.80 per share in 1987	(50,135)	(41,407)	(34,862)
Balance End of Year	$760,859	$643,075	$534,599

CROWN CENTRAL PETROLEUM CORPORATION

Consolidated Statements of Changes in Common Stockholders' Equity

Thousands of dollars except per share data	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-in Capital	Retained Earnings
Balance at January 1, 1987	4,817,392	$24,087	1,434,205	$ 7,171	$41,239	$ 96,277
Net income for 1987						31,816
Cash dividends:						
Series A Preferred Stock—$1.92 per share						(1,239)
Series B Preferred Stock—$2.25 per share						(4,500)
Balance at December 31, 1987	4,817,392	24,087	1,434,205	7,171	41,239	122,354
Net income for 1988						38,421
Cash dividends:						
Series A Preferred Stock—$1.92 per share						(1,239)
Series B Preferred Stock—$2.25 per share						(4,500)
Class A Common Stock—$1.00 per share						(4,818)
Class B Common Stock—$1.00 per share						(1,434)
Conversion of Series A Preferred Stock			56		2	
Balance at December 31, 1988	4,817,392	24,087	1,434,261	7,171	41,241	148,784
Net income for 1989						21,005
Cash dividends:						
Series A Preferred Stock—$.92 per share						(356)
Series B Preferred Stock—$.67 per share						(1,082)
Class A Common Stock—$.30 per share						(1,445)
Class B Common Stock—$.30 per share						(1,445)
Conversion of Series A Preferred Stock			770,590	3,853	16,978	
Conversion of Series B Preferred Stock			2,810,355	14,052	33,651	
Balance at December 31, 1989	4,817,392	$24,087	5,015,206	$25,076	$91,870	$165,461

IPCO CORPORATION

Statements of Consolidated Shareholders' Equity

(Dollar Amounts in Thousands)	Common Stock Number of Shares Issued	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance at June 30, 1986	5,463,354	$5,463	$12,363	$50,637	$(1,964)
Purchase of 204,630 shares of common stock at cost					(2,235)
Exercise of 107,350 shares of stock options			(146)		1,208
Contribution of 10,116 shares to employee stock ownership plan			17		113
Costs incurred for issuance of stock rights			18		
Cash dividends—$.36 per share				(1,864)	
Net (loss)				(1,608)	
Balance at June 30, 1987	5,463,354	5,463	12,252	47,165	(2,878)
Purchase of 243,734 shares of common stock at cost					(2,527)
Exercise of 33,025 shares of stock options			97		371
Contribution of 6,818 shares to employee stock ownership plan			(4)		73
Cash dividends—$.36 per share				(1,828)	
Net (loss)				(477)	
Balance at June 30, 1988	5,463,354	5,463	12,345	44,860	(4,961)
Exercise of 21,743 shares of stock options			(5)		234
Cash dividends—$.09 per share				(452)	
Net (loss)				(18,178)	
Balance at June 30, 1989	5,463,354	$5,463	$12,340	$26,230	$(4,727)

KUHLMAN CORPORATION

Consolidated Statements of Stockholders' Investment

For the three years ended December 31, 1989

(In thousands of dollars, except for share date)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Cumulative Translation Adjustments	Treasury Stock
BALANCE—DECEMBER 31, 1986	4,941,909	$4,942	$3,278	$35,526	$ (13)	$(232)
Net loss	—	—	—	(2,573)	—	—
5% stock dividend	248,070	248	1,240	(1,488)	—	—
Cash dividends ($.27 per share)	—	—	—	(1,494)	—	—
Cost of treasury stock acquired	—	—	—	—	—	(1)
Exercise of stock options	36,764	37	183	—	—	229
Translation adjustments	—	—	—	—	241	—
BALANCE—DECEMBER 31, 1987	5,226,743	$5,227	$4,701	$29,971	$ 228	$ (4)
Net loss	—	—	—	(8,138)	—	—
5% stock dividend	261,131	261	2,024	(2,297)	—	—
Exercise of stock options	23,239	23	154	—	—	—
Translation adjustments	—	—	—	—	546	—
BALANCE—DECEMBER 31, 1988	5,511,113	$5,511	$6,879	$19,536	$ 774	$ (4)
Net earnings	—	—	—	5,112	—	—
Cash dividends ($.03 per share)	—	—	—	(170)	—	—
Exercise of stock options	156,678	157	1,105	—	—	—
Translation adjustments	—	—	—	—	85	—
Treasury stock retired	(219)	—	(4)	—	—	4
BALANCE—DECEMBER 31, 1989	5,667,572	$5,668	$7,980	$24,478	$ 859	$ —

WM. WRIGLEY JR. COMPANY

Statement of Consolidated Earnings and Retained Earnings

Years ended December 31, 1989, 1988 and 1987

(In thousands of dollars except for per share amounts)

	1989	1988	1987
Net earnings	$106,149	$ 87,236	$ 70,145
RETAINED EARNINGS			
Retained earnings at beginning of the year	407,105	364,583	329,679
Dividends declared (per share of common stock: 1989—$1.40; 1988—$1.12; 1987—$.86)	(55,007)	(44,714)	(35,241)
Retained earnings at end of the year	$458,247	407,105	364,583

Stock Dividends

ATHEY PRODUCTS CORPORATION

Statements of Shareholders' Equity

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings
BALANCE, January 1, 1987	2,656,537	$5,313,074	$ 2,764,385	$10,222,497
10% stock dividends ($6,377 paid in cash in lieu of fractional shares)	554,964	1,109,928	6,302,818	(7,419,123)
Purchase and retirement of 11,481 shares	(11,481)	(22,962)	(96,591)	—
Net earnings for 1987	—	—	—	3,823,632
BALANCE, December 31, 1987	3,200,020	6,400,040	8,970,612	6,627,006
10% stock dividend ($3,802 paid in cash in lieu of fractional shares)	319,703	639,406	3,436,807	(4,080,015)
Net earnings for 1988	—	—	—	3,911,583
BALANCE, December 31, 1988	3,519,723	7,039,446	12,407,419	6,458,574
$.10 per share cash dividend				(351,972)
10% stock dividend ($3,535 paid in cash in lieu of fractional shares)	351,680	703,360	3,165,120	(3,872,015)
Purchase and retirement of 19,400 shares	(19,400)	(38,800)	(149,600)	—
Net earnings for 1989	—	—	—	3,945,139
BALANCE, December 31, 1989	3,852,003	$7,704,006	$15,422,939	$ 6,179,726

NOTES TO FINANCIAL STATEMENTS

G. Stock Transactions

On May 18, 1989 the shareholders approved a resolution to increase the number of shares of common stock authorized from 5,000,000 to 10,000,000 shares.

On May 18, 1989 the Board of Directors declared a $.10 per share cash dividend and a 10% stock dividend. The cash dividend was distributed July 21, 1989 to shareholders of record on July 6, 1989. The stock dividend was also distributed on July 21, 1989 to shareholders of record on July 7, 1989. All earnings per share data have been restated giving retroactive effect to the stock dividend.

On May 18, 1989 the Board of Directors voted to purchase up to 35,000 shares of the Company's stock. As of December 31, 1989, 19,400 shares have been purchased and retired.

HAMPTON INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity

(Preferred Stock columns eliminated for presentation purposes)

	Common Stock		Additional paid-in	Retained	Treasury Stock at Cost	
	Shares	Amount	capital	earnings	Shares	Amount
Balance, December 27, 1986	3,546,494	$3,546,494	$16,569,849	$25,969,721	170,442	$1,078,727
Net earnings	—	—	—	3,934,145	—	—
Preferred Stock conversion	—	—	563,424	—	(68,235)	(272,455)
10% Common Stock dividend	354,416	354,416	4,031,482	(4,388,662)	10,220	—
Cash dividends—Preferred Stock ($2.917 per share)	—	—	—	(24,382)	—	—
Treasury Stock acquired	—	—	—	—	167,309	1,756,744
Balance, December 26, 1987	3,900,910	3,900,910	21,164,755	25,490,822	279,736	2,563,016
Net earnings	—	—	—	4,136,228	—	—
Treasury Stock acquired	—	—	—	—	21,537	178,583
Balance, December 31, 1988	3,900,910	3,900,910	21,164,755	29,627,050	301,273	2,741,599
Net earnings	—	—	—	3,557,000	—	—
10% Common Stock dividend	389,870	389,870	4,678,440	(5,070,864)	30,126	—
Treasury Stock acquired	—	—	—	—	142,583	1,868,745
Balance, December 30, 1989	4,290,780	$4,290,780	$25,843,195	$28,113,186	473,982	$4,610,344

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F. Stockholders' Equity

Preferred Stock

In June 1987, the Company redeemed all of its then outstanding First Preferred Stock, 7% cumulative, at par in exchange for 68,235 shares of Common stock held in treasury. The Company presently has authorized 14,140.5 shares of First Preferred Stock, none of which is issued.

In addition, the Company has authorized 1,000,000 shares of Second Preferred Stock, par value of $1, none of which has been issued. The Board of Directors is authorized to fix designations, relative rights, preferences and limitations on the stock at the time of issuance.

Common Stock

The Board of Directors declared a 10% common stock dividend payable on July 28, 1989, to stockholders of record on June 23, 1989. A 10% common stock dividend was also paid to stockholders of record in 1987, but no common stock dividend was paid in 1988. Earnings per share have been restated to reflect stock dividends declared.

Dividends-In-Kind

ETHYL CORPORATION

Consolidated Statements of Common and Other Shareholders' Equity

(In Thousands of Dollars Except Share Data)

Years ended December 31	1989 Shares	1989 Amounts	1988 Shares	1988 Amounts	1987 Shares	1987 Amounts
Cumulative Second Preferred $2.40 Series A (authorized 10,000,000 shares)						
Beginning balance	30,560	$ 306	37,509	$ 375	42,568	$ 426
Converted into common stock	(13,605)	(136)	(6,949)	(69)	(5,059)	(51)
Ending balance	16,955	170	30,560	306	37,509	375
Common stock (authorized 400,000,000 shares)						
Beginning balance	120,663,940	120,664	120,787,712	120,788	126,172,292	126,172
Issued upon conversion of $2.40 Second Preferred stock	287,819	288	144,529	145	105,222	105
Issued upon exercise of stock options and SARs	219,041	219	166,463	166	270,680	271
Purchased and retired	(1,825,147)	(1,825)	(434,764)	(435)	(5,760,482)	(5,760)
Ending balance	119,345,653	119,346	120,663,940	120,664	120,787,712	120,788
Additional paid-in capital						
Beginning balance		612		578		613
Exercise of stock options and SARs		2,476		1,332		1,813
Distribution of common stock under bonus plan		23		44		79
Retirement of 6% First Preferred stock		—		83		—
Retirement of purchased common stock		(2,439)		(1,350)		(1,872)
Conversion of $2.40 Second Preferred into common stock		(155)		(75)		(55)
Ending balance		517		612		578
Foreign currency translation adjustment						
Beginning balance		(186)		(1,499)		(2,298)
Translation adjustments		532		1,313		799
Ending balance		346		(186)		(1,499)
Unrealized gain on marketable equity securities						
Beginning balance		15,255		13,946		33,407
Unrealized gains (losses)		8,483		1,309		(19,461)
Ending balance		23,738		15,255		13,946
Retained earnings						
Beginning balance		992,252		822,869		782,801
Net income		231,332		231,016		193,319
Cash dividends declared:						
First Preferred stock, $6.00 per share		(13)		(15)		(68)
Second Preferred stock, $2.40 per share		(56)		(82)		(93)
Common stock						
Regular $.51, $.45 and $.40 per share, respectively		(61,088)		(54,357)		(49,123)
Special $1.50 per share		(179,108)		—		—
Dividend of common stock of Tredegar Industries, Inc., $1.54 per share at book value		(184,741)		—		—
Retirement of common stock		(41,396)		(7,179)		(103,967)
Ending balance		757,182		992,252		822,869
Total common and other shareholders' equity		$901,299		$1,128,903		$957,057

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Basis of Presentation. The consolidated financial statements present asset and liability, revenue and cost and expense, and cash flow information reported as "Chemicals and Corporate" or "Insurance." "Chemicals and Corporate" includes the accounts and operations of the Chemicals Group and Corporate activities. "Insurance" includes the accounts and operations of the Insurance Group, which consists primarily of First Colony Life Insurance Company and its consolidated subsidiaries ("First Colony"). The net assets of the aluminum, plastics and energy businesses were combined into a new corporation, Tredegar Industries, Inc. ("Tredegar") in 1989. Ethyl Corporation as "sole stockholder" in the new corporation distributed all of the outstanding stock of Tredegar to the common shareholders of Ethyl Corporation on July 24, 1989.

The financial results and net assets of the aluminum, plastics and energy businesses spun off are reported in the consolidated financial statements of the Company as discontinued operations.

Previously reported financial statements for all periods presented and certain amounts in the notes to financial statements have been restated to conform to the current presentation.

Stock Purchase Rights

AMP INCORPORATED AND PAMCOR, INC. (DEC)

NOTES TO COMBINED FINANCIAL STATEMENTS

12. Shareholder Rights Plan

On October 25, 1989, the Board of Directors adopted a Shareholder Rights Plan and declared a dividend of one Common Stock Purchase Right (a "Right") for each outstanding share of Common Stock. Such Rights only become exercisable, or transferable apart from the Common Stock, ten business days after a person or group (an "Acquiring Person") acquires beneficial ownership of, or commences a tender or exchange offer for, 20% or more of the Company's Common Stock.

Each Right then may be exercised to acquire one share of the Company's Common Stock at an exercise price of $175, subject to adjustment. Thereafter, upon the occurrence of certain events (for example, if the Company is the surviving corporation of a merger with an Acquiring Person), the Rights entitle holders other than the Acquiring Person to acquire Common Stock having a value of twice the exercise price of the Rights. Alternatively, upon the occurrence of certain other events (for example, if the Company is acquired in a merger or other business combination transaction in which the Company is not the surviving corporation), the Rights would entitle holders other than the Acquiring Person to acquire Common Stock of the Acquiring Person having a value twice the exercise price of the Rights.

The Rights may be redeemed by the Company at a redemption price of $.01 per Right at any time until the tenth business day following public announcement that a 20% position has been acquired or ten business days after commencement of a tender or exchange offer. The Rights will expire on November 6, 1999.

APPLE COMPUTER, INC. (SEP)

NOTES TO FINANCIAL STATEMENTS

Common Stock (In Part)

Shareholder Rights Plan

In May 1989, the Company distributed a dividend of a right to purchase one share of common stock (a "Right") for each outstanding share of common stock of the Company. The Rights do not become exercisable or transferable apart from the common stock until a date ("Distribution Date") which is the earlier of 1) ten days following a public announcement that a person or group has acquired, or obtained the rights to acquire, beneficial ownership of 20% or more of the Company's outstanding common stock, or 2) ten business days following the commencement or announcement of an intention to make a tender offer for 30% or more of the outstanding shares of common stock. After the Distribution Date, each Right will initially entitle the holder to purchase from the Company one share of common stock at an exercise price of $200 per share, subject to certain antidilution adjustments.

If the Company is acquired in a merger or other business combination transaction, or if 50% or more of its consolidated assets or earnings power is sold, each Right will entitle the holder to purchase at the exercise price that number of shares of the acquiring company having a then-current market value of two times the exercise price of the Right. In the event that the Company is the surviving corporation in a merger and the Company's common stock remains outstanding, or in the event that an acquiring party engages in certain self-dealing transactions, each Right not owned by the acquiring party will entitle the holder to purchase at the exercise price that number of shares of the Company's common stock having a then-current market value of two times the exercise price of the Right.

The Rights are redeemable at the Company's option for $.01 per Right prior to becoming exercisable. Until a Right is exercised, the holder of a Right, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends. The Rights may be amended at the Company's option on or prior to the Distribution Date. The Rights expire on April 19, 1999.

GENERAL DYNAMICS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

G. Shareholders' Equity

The authorized capital stock of the Company consists of 200 million shares of $1 par value common stock and 50 million shares of $1 par value preferred stock issuable in series, with the rights, preferences and limitations of each series to be determined by the Board of Directors.

On 1 February 1989, the Board of Directors declared a dividend of one preferred stock purchase right (Right) on each outstanding share of common stock. Among other provisions, each Right may be exercised to purchase one one-hundredth share of a new series of junior participating preferred stock at an exercise price of $180, subject to adjustment. The Rights may only be exercised after a party has acquired or obtained the right to acquire 20% or more of the Company's common stock. The Rights, which do not have voting rights, expire 13 February 1999 and may be redeemed by the Company at a price of $.01 per Right at any time prior to their expiration or the acquisition of 20% of the Company's common stock.

In the event a party acquires 20% or more of the Company's outstanding common stock in accordance with certain defined terms, each Right will entitle its holder to purchase, at the Right's then-current exercise price, a number of the Company's common shares having a market value of twice the Right's exercise price. The Board of Directors may exchange the Rights, in whole or in part, at an exchange ratio of one share of common stock per Right upon the occurrence of certain defined acquisition events. If the Company is acquired, each Right entitles the holder to purchase, at the Right's then-current exercise price, a number of the acquiring company's common shares having a market value twice the Right's exercise price. Neither the ownership nor the further acquisition of the Company's securities by the Crown family and certain related interests will cause the Rights to be exercisable, nonredeemable or trigger the other features of the Rights.

GENERAL INSTRUMENT CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Stock Option Plans and Stock Rights

In March 1989, the Company's Board of Directors created a new class of stock, Series A Cumulative Participating Preferred Stock (the "Preferred Stock"), and adopted a stockholder-rights plan. Rights under the plan were distributed as a dividend at the rate of one Preferred Share Purchase Right for each outstanding share of the Company's common stock. The rights become exercisable ten days after a person or group acquires or commences a tender or exchange offer for 15% or more of the Company's share. Once exercisable, each right entitles the holder to buy 1/100 of a share of Preferred Stock for $125. If any person acquires 15% or more of the Company's shares, the rights will entitle the holder to purchase a number of the Company's common shares having a market value of twice the exercise price of each right. Similarly, if the Company is involved in a merger or other business combination at any time after the rights become exercisable, the rights will be modified so as to entitle a holder to buy a number of shares of common stock of the surviving company having a market value of twice the exercise price of each right. The rights may be redeemed by the Company for $.01 per right at any time prior to the time that they become exercisable for common stock worth twice the exercise price. Unless redeemed earlier, the rights expire on March 22, 1999. The rights have no voting power.

INTEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock (In Part)

In April 1989 the Board of Directors of Intel Corporation authorized the issuance of one Common Stock Purchase Right (a "Right") for each share of Common Stock. The Rights trade automatically with shares of Intel's Common Stock and may not be exercised or traded separately until certain events occur, including the announcement of an offer to acquire at least 20% of Intel's outstanding Common Stock. After becoming exercisable, each Right entitles its holder to purchase one share of Common Stock of Intel at $120 per share. In addition, after any person (an "Acquiring Person") acquires 20% or more of Intel's outstanding Common Stock in a transaction which the Board of Directors has not determined to be in the best interests of Intel and its stockholders, each Right (other than those held by the Acquiring Person) entitles its holder to purchase for the exercise price that number of shares of Common Stock having a market value of two times the exercise price. Also, if after a person has become an Acquiring Person, Intel is a party to a merger or other business combination, each Right (other than Rights held by the Acquiring Person) entitles its holder to purchase for the exercise price that number of shares of common stock of the surviving corporation worth two times the exercise price.

At any time before the tenth day after a person becomes an Acquiring Person, Intel may redeem the Rights, in whole but not in part, at a redemption price of $.01 per Right. In addition, at any time after a person becomes an Acquiring Person and prior to such Acquiring Person owning 50% or more of the outstanding Common Stock, Intel may exchange the Rights (other than Rights held by the Acquiring Person) in whole or in part, at an exchange ratio of one Common Share per Right. The Rights will expire, if not earlier redeemed or exchanged, on May 1, 1999. The exercise price, redemption price and exchange ratio are subject to adjustment under certain circumstances.

MORTON INTERNATIONAL, INC. (JUN)

NOTES TO FINANCIAL STATEMENTS

Preferred Share Purchase Rights Plan

In June 1989, the Company declared a dividend distribution of one Preferred Share Purchase Right for each outstanding common share. Until exercisable, the Rights will not be transferable apart from the Company's common stock. When exercisable, each Right will entitle its holder to buy one one-hundredth of a share of the Company's new series of preferred stock at an exercise price of $175 until July 1, 1999. The Rights will only become exercisable if a person or group acquires or makes an offer to acquire 20% or more of the Company's common stock. In the event the Company is acquired in a merger, each Right entitles the holder to purchase common stock of the surviving company having a market value of twice the exercise price of the Rights. In the event any person or group acquires 30% or more of the Company's common stock (reducible to 15% under certain circumstances), each Right entitles the holder (other than such acquirer) to purchase common stock of the Company having a market value of twice the exercise price of the Right. The Rights may be redeemed by the Company at the price of $.01 per Right prior to the acquisition of 20% of the outstanding shares of the Company's common stock. At June 30, 1989, 0.6 million shares of preferred stock were reserved for future exercises of Preferred Share Purchase Rights.

ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

Reasons for which the opening balance of retained earnings is properly restated include certain changes in accounting principles, changes in reporting entity, and prior period adjustments. *Statement of Financial Accounting Standards No. 16* (Section A35 of *FASB Accounting Standards—Current Text*), as amended by *SFAS No. 96,* stipulates that only corrections of errors are properly accounted for as prior period adjustments.

Table 4-3 summarizes the reasons disclosed by the survey companies as to why the opening balance of retained earnings was adjusted. Examples of adjustments to the opening balance of retained earnings follow.

TABLE 4-3: ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

	Number of Companies			
	1989	**1988**	**1987**	**1986**
Income taxes	4	12	10	—
Poolings of interests	2	8	11	13
LIFO discontinued	—	5	2	1
Loan fees	—	3	3	—
Successful efforts method adopted	—	1	—	5
Other—Described	—	5	3	2

Pooling Of Interests

JOSTENS, INC.

Statements of Consolidated Changes in Shareholders' Investment

	Common Shares		Additional	
	Number	Amount	Paid-In Capital	Retained Earnings
Balance—June 30, 1986, as previously reported	20,727	$ 6,909	$16,764	$169,829
Adjustment for pooling of interests	792	264	4,658	(3,588)
Balance—June 30, 1986, as restated	21,519	7,173	21,422	166,241
Employee stock options exercised	230	77	2,045	
Transactions of pooled company	1,032	344	6,442	
Shares issued for stock split	17,817	5,939	(5,939)	
Treasury shares purchased	(2,946)	(982)	(2,386)	(106,352)
Net income				39,290
Cash dividends of $.48 per share				(17,169)
Balance—June 30, 1987	37,652	12,551	21,584	82,010
Employee stock options exercised	391	131	2,478	
Transactions of pooled company	1,193	398	11,390	
Treasury shares purchased	(511)	(171)	(192)	(8,714)
Net income				82,169
Cash dividends of $.56 per share				(20,037)
Balance—June 30, 1988	38,725	12,909	35,260	135,428
Employee stock options exercised	307	102	2,107	
Shares issued for acquired company	871	290	15,526	
Treasury shares purchased	(462)	(154)	(180)	(8,050)
Transactions of pooled company				(1,559)
Net income				54,365
Cash dividends of $.64 per share				(23,794)
Balance—June 30, 1989	39,441	$13,147	$52,713	$156,390

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisitions (In Part)

In May 1989, the Company acquired Education Systems Corporation, a provider of technology-based learning products to the educational market. The transaction was effected through the exchange of over 3 million common shares of the Company for all of the issued and outstanding shares of Education Systems. The merger has been accounted for as a pooling of interests and accordingly, all financial data for periods prior to the merger have been restated to include the results of Education Systems Corporation.

Net sales and income and earnings per share from continuing operations for the two fiscal years preceding the merger are as follows:

	Net Sales	Continuing Operations Income (Loss)	Earnings Per Share
1988			
Jostens	$560,022	$44,350	$1.24
Education Systems	15,835	(6,592)	
Combined	$575,857	$37,758	$ .99
1987			
Jostens	$505,151	$34,190	$ .93
Education Systems	1,355	(5,422)	
Combined	$506,506	$28,768	$ .76

Prior Period Adjustment

SUN CITY INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity

	Common Stock Shares Outstanding	Common Stock Amount	Capital in excess of par	Retained earnings	Treasury Stock Shares	Treasury Stock Amount
Balance, January 31, 1987 as previously reported	1,476,351	$147,635	$1,135,103	$8,722,632	13,875	1,388
Restatement for change in accounting for deferred compensation (see Note 6)				(583,000)		
Balance as restated	1,476,351	147,635	1,135,103	8,139,632	13,875	1,388
Net earnings				189,988		
Purchase of treasury shares			(21,593)		2,780	278
Exercise of stock options out of shares			25,219		(16,655)	(1,666)
Additional shares issued	3,889	389	5,872			
Balance, January 31, 1988	1,480,240	148,024	1,144,601	8,329,620	—	—
Net (Loss)				(1,658,681)		
Purchase of outstanding shares			(66,862)		8,080	808
Exercise of stock options			12,214		(8,080)	(808)
Additional shares issued	35,345	3,534	53,406			
Balance, January 31, 1989	1,515,585	151,558	1,143,359	6,670,939	—	—
Net (Loss)				(1,463,956)		
Purchase of treasury shares					3,810	9,525
Exercise of stock options	1,850	185	2,796			
Balance, January 31, 1990	1,517,435	$151,743	$1,146,155	$5,206,983	3,810	$9,525

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

G (In Part): Stockholders' Equity:

2. Repurchase of Common Stock—

On January 26, 1990, the Company agreed to purchase 693,899 shares of its common stock from Morton S. Neiman and Marvin S. Rosenberg, the former Chief Executive Officer and Chairman, and Chief Operating Officer and President, respectively. The Company has agreed to pay $4.625 per share, for a total of $3,209,283. This amount is included in the Amount Due to Former Shareholders in the financial statements. Additionally, in connection with the stock redemption agreements, the Company entered into consulting and non compete agreements with the former shareholders calling for total payment of $1,409,000 and to pay $750,000 under agreements to terminate employment contracts. Formal closing of these agreements occurred on April 5, 1990.

The Company also agreed to settle amounts due to Mssrs. Neiman and Rosenberg under certain deferred compensation arrangements which the Company did not, but should have recognized as an expense over the life of the agreements since 1978. Accordingly, the financial statements of prior years have been restated to reflect the deferred compensation as follows:

	Year Ended January 31, 1989	1988
(Loss) Earnings, as previously reported ...	$(1,588,081)	$377,188
Deferred compensation, net of income taxes of $36,400 and $41,800	(70,600)	(187,200)
(Loss) Earnings, as restated	$(1,658,681)	$189,988
(Loss) Earnings per share, as previously reported	$(1.06)	$.25
Deferred compensation, net of income taxes	(.05)	(.13)
(Loss) Earnings per share, as restated.....	$(1.11)	$.12

Additionally, in 1989 deferred compensation payable increased to $1,274,000 and deferred taxes decreased from $526,439 to $93,239.

Retained earnings has been adjusted as of January 31, 1987 to give cumulative effect to the deferred compensation expense relating to years prior to the fiscal year ended January 31, 1988.

The net amount due to the former officers under the deferred compensation agreements was applied to the purchase of certain life insurance policies from the Company for $1,302,023.

OTHER CHANGES IN RETAINED EARNINGS

In addition to opening balance adjustments, the retained earnings account is affected by direct charges and credits. The most frequent direct charges to retained earnings are net loss for the year, losses on treasury stock transactions, and cash or stock dividends. The most common direct credit to retained earnings is net income for the year. Direct charges and credits—other than net loss, net income, dividends and stock splits—are summarized in Table 4-4. Examples of such charges and credits follow.

TABLE 4-4: OTHER CHANGES IN RETAINED EARNINGS

	Number of Companies 1989	1988	1987	1986
Charges				
Purchase or retirement of capital stock	87	62	73	67
Treasury stock issued for less than cost	36	30	32	32
Translation adjustments.......	12	8	4	7
Preferred stock accretion	9	11	15	12
Redemption of stock purchase rights	7	8	2	—
Other—Described	25	19	18	24
Credits				
Translation adjustments.......	14	11	18	21
Poolings of interests...........	4	3	2	5
Other—Described	31	20	30	17

Treasury Stock Transactions

WINN-DIXIE STORES, INC.

Consolidated Statements of Shareholders' Equity

Years ended June 28, 1989, June 29, 1988 and June 24, 1987

	1989	1988	1987
	Amounts in thousands		
Common stock:			
Beginning of year	$ 42,299	42,299	42,299
Deduct par value of common stock retired	2,169	—	—
End of year.......................	40,130	42,299	42,299
Retained earnings:			
Beginning of year	754,764	713,832	675,827
Net earnings	134,545	116,694	112,300
Deduct cash dividends on common stock of $1.92, $1.86 and $1.80 per share in 1989, 1988 and 1987, respectively	77,123	75,726	74,296
Deduct excess of cost over par value of common stock retired........................	60,095	—	—
Add (deduct) other.............	(44)	(36)	1
End of year.......................	752,047	754,764	713,832
Cost of common stock held:			
Beginning of year 2,391,931, 1,066,514 and 987,651 shares in 1989, 1988 and 1987, respectively	70,715	16,713	13,568
Add cost of 163,410, 1,325,417 and 78,863 shares reacquired during 1989, 1988 and 1987, respectively.....................	7,314	54,002	3,145
Deduct cost of 2,168,571 shares retired................	62,264	—	—
Deduct cost of 187,476 shares issued under associates' stock purchase plan and management incentive plan	6,761	—	—
End of year 199,294, 2,391,931 and 1,066,514 shares in 1989, 1988 and 1987, respectively	9,004	70,715	16,713
Total shareholders' equity.........	$783,173	726,348	739,418

DIGITAL EQUIPMENT CORPORATION

Consolidated Statements of Stockholders' Equity

(in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity
June 28, 1986	$128,591	$2,224,304	$3,374,932		$5,727,827
Purchase of 5,000,000 shares of treasury stock (Note J)				$(781,790)	(781,790)
Shares issued under stock option and purchase plans	1,417	65,466	(102,125)	182,072	146,830
Restricted stock plans, charge to operations		20,653			20,653
Tax benefits related to stock option and purchase plans		42,516			42,516
Net income—1987			1,137,435		1,137,435
June 27, 1987	$130,008	$2,352,939	$4,410,242	$(599,718)	$6,293,471
Purchase of 3,000,000 shares of treasury stock (Note J)				(363,499)	(363,499)
Shares issued under stock option and purchase plans			(252,825)	456,142	203,317
Restricted stock plans, charge to operations		32,008			32,008
Tax benefits related to stock option and purchase plans		39,444			39,444
Net income—1988			1,305,633		1,305,633
July 2, 1988	$130,008	$2,424,391	$5,463,050	$(507,075)	$7,510,374
Purchase of 8,247,000 shares of treasury stock (Note J)				(814,958)	(814,958)
Shares issued under stock option and purchase plans			(169,242)	391,569	222,327
Restricted stock plans, charge to operations		36,914			36,914
Tax benefits related to stock option and purchase plans		8,406			8,406
Net income—1989			1,072,610		1,072,610
July 1, 1989	$130,008	$2,469,711	$6,366,418	$(930,464)	$8,035,673

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J—Treasury Stock

The Company purchased on the open market 8,247,000 shares of its common stock at an aggregate purchase price of $814,958,000, or $98.82 per share, during the year ended July 1, 1989; 3,000,000 shares at an aggregate purchase price of $363,499,000, or $121.17 per share, during the year ended July 2, 1988 and 5,000,000 shares at an aggregate purchase price of $781,790,000, or $156.36 per share, during the year ended June 27, 1987. All of the acquired shares are held as common stock in treasury, less shares distributed to employees under the Employee Stock Purchase Plans and Restricted Stock Option Plans. The difference between the average acquisition cost of the shares and the proceeds from issuance is charged to retained earnings.

HUNT MANUFACTURING CO. (NOV)

Consolidated Statements of Income and Retained Earnings

for the fiscal years 1989, 1988 and 1987

(In thousands except per share amounts)

	1989 (53 weeks)	1988 (52 weeks)	1987 (52 weeks)
Net income	$18,804	$16,167	$12,378
Retained earnings, beginning of year	68,688	56,531	47,541
	87,492	72,698	59,919
Cash dividends on common stock: 1989—$.27 per share 1988—$.23 per share 1987—$.20 per share	(4,291)	(3,639)	(3,136)
Excess of cost over proceeds of treasury shares issued under stock option and grant plans	(678)	(371)	(252)
Retained earnings, end of year	$82,523	$68,688	$56,531

RAYCHEM CORPORATION

Consolidated Statement of Stockholders' Equity

(in thousands except share data)	Common Stock	Additional Contributed Capital	Retained Earnings	Currency Translation	Notes Receivable from Sale of Stock	Total
Balance June 30, 1986	$172,840	$ —	$326,840	$(31,425)	$(15,791)	$452,464
Net income	—	—	73,599	—	—	73,599
Common Stock issued (1,113,009 shares)	22,004	—	—	—	(1,669)	20,335
Reincorporation in Delaware	(159,312)	159,312	—	—	—	—
Tax reduction—employee plans	—	2,463	—	—	—	2,463
Cash dividends ($0.147 per share of Common Stock)	—	—	(4,767)	—	—	(4,767)
Cash dividends ($0.02 per share of Series B Stock)	—	—	(50)	—	—	(50)
Currency translation	—	—	—	22,463	—	22,463
Repayments on notes receivable	—	—	—	—	4,439	4,439
Balance June 30, 1987	35,532	161,775	395,622	(8,962)	(13,021)	570,946
Net income	—	—	125,285	—	—	125,285
Common Stock issued (1,158,367 shares)	1,158	25,793	—	—	(2,361)	24,590
Cash dividends ($0.217 per share of Common Stock)	—	—	(7,300)	—	—	(7,300)
Cash dividends ($0.031 per share of Series B Stock)	—	—	(74)	—	—	(74)
Currency translation	—	—	—	5,430	—	5,430
Repayments on notes receivable	—	—	—	—	3,278	3,278
Balance June 30, 1988	36,690	187,568	513,533	(3,532)	(12,104)	722,155
Net income	—	—	36,347	—	—	36,347
Common Stock issued (1,003,856 shares), net of repurchases (617,832 shares)	386	12,063	(7,213)	—	(208)	5,028
Conversion of Series B Stock (2,400,000 shares) to Common Stock (564,480 shares)	(1,835)	1,835	—	—	—	—
Tax reduction—employee plans	—	1,378	—	—	—	1,378
Cash dividends ($0.30 per share of Common Stock)	—	—	(10,459)	—	—	(10,459)
Cash dividends ($0.009 per share of Series B Stock)	—	—	(21)	—	—	(21)
Currency translation	—	—	—	(22,916)	—	(22,916)
Repayments on notes receivable	—	—	—	—	2,774	2,774
Balance June 30, 1989	$ 35,241	$202,844	$532,187	$(26,448)	$ (9,538)	$734,286

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock (In Part)

Repurchase of Common Stock

During fiscal 1989, the Company repurchased 617,832 shares of Common Stock on the open market under authorization from the Board of Directors for an aggregate purchase price of $23.4 million. All of the repurchased shares were reissued under the employee stock purchase and stock option plans, prior to June 30, 1989, at an aggregate price of $16.2 million. The $7.2 million difference between the repurchase and reissuance prices was treated as a reduction of retained earnings.

THE PROCTER & GAMBLE COMPANY

Consolidated Statement of Retained Earnings

Years Ended June 30 (Millions of Dollars)	1989	1988	1987
Balance at Beginning of Year	$5,688	$5,170	$5,320
Net earnings	1,206	1,020	327
Dividends to shareholders			
Common	(504)	(466)	(455)
Preferred, less tax relief of $8 in 1989	(16)	(11)	(11)
Excess of cost over the stated value of common shares purchased for treasury	(787)	(25)	(11)
Balance at End of Year	$5,587	$5,688	$5,170

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Shareholders' Equity

Common Stock

Authorized common stock is 500,000,000 shares without par value with stated value of $1 per share. Changes in outstanding shares for years ended June 30 are as follows:

	1989	1988	1987
Shares outstanding beginning of year (excludes 427,483, 562,200 and 1,014,424 treasury shares)	169,365,668	169,029,771	168,266,487
Purchased for treasury	(8,423,829)	(335,247)	(139,997)
Issued for option and remuneration plans (includes 624,683, 469,964 and 592,221 treasury shares)	1,048,569	671,144	903,281
Shares outstanding end of year (excludes 8,226,655, 427,483 and 562,200 treasury shares)	161,990,408	169,365,668	169,029,771

Redemption Of Stock Purchase Rights

TEXACO INC.

Statements of Consolidated Income and Retained Earnings

	Millions of dollars		
For the years ended December 31,	1989	1988	1987
Retained Earnings			
Balance at beginning of year	$7,172	$6,416	$10,732
Add: Net income (loss)	2,413	1,304	(4,135)
Deduct:			
Cash dividends on preferred stock—			
Series B ESOP Convertible Preferred Stock ($57 per share)	48	—	—
Series C Variable Rate Cumulative Preferred Stock ($1.123 per share)	6	—	—
Series E Variable Rate Cumulative Preferred Stock ($2,616.67 per share)	10	—	—
Dividends on common stock—			
Quarterly cash ($3.00 per share in 1989, $2.25 per share in 1988 and $.75 per share in 1987)	773	548	181
Special cash ($7.00 per share)	1,862	—	—
Special Series C Variable Rate Cumulative Preferred Stock issuance ($1.00 per share)	267	—	—
Preferred stock rights redemption	24	—	—
Balance at end of year	$6,595	$7,172	$6,416

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Preferred Stock and Rights

Series A Preferred Stock and Rights

In December, 1985, Texaco Inc. effected a dividend distribution of one Right for each outstanding share of Texaco Inc. common stock. Under certain circumstances, each Right could have been exercised to purchase 1/100 of a share of Series A Preferred Stock, at an exercise price of $80, subject to adjustment. The Rights could only be exercised after a person acquired, or had the right to acquire, 20% or more of the common stock or made an offer for 30% or more of the common stock. The Rights did not have voting rights.

On April 3, 1989, Texaco Inc. redeemed the Rights by paying to stockholders of record on that date the redemption price of $.10 per Right in cash.

Preferred Stock Accretion

ANACOMP, INC.

Consolidated Statements of Stockholders' Equity (Deficit)

(In thousands) Year ended September 30, 1989, 1988 and 1987	Preferred stock	Common stock	Capital in excess of par value of common stock	Unamortized value of restricted stock issued	Cumulative translation adjustment	Deficit	Treasury stock at cost
• • • • • •							
BALANCE AT SEPTEMBER 30, 1987	—	352	131,599	(49)	108	(91,348)	(38)
Common stock issued:							
For purchases under the Employee Stock Purchase Plan	—	4	2,240	—	—	—	—
For employment agreements	—	—	324	—	—	—	—
Under the Stock Bonus Plan	—	3	2,394	—	—	—	—
Restricted Stock Bonus Plan amortization and other	—	—	1,106	49	—	—	—
Exercise of stock options	—	4	1,263	—	—	—	—
Exercise of stock warrants	—	—	392	—	—	—	—
Preferred stock dividends	—	—	—	—	—	(2,062)	—
Purchase of treasury shares	—	—	—	—	—	—	(2,416)
Accretion of redeemable preferred stock discount	—	—	—	—	—	(102)	—
Translation adjustments for year	—	—	—	—	(541)	—	—
Net income for the year	—	—	—	—	—	43,585	—
BALANCE AT SEPTEMBER 30, 1988	—	363	139,318	—	(433)	(49,927)	(2,454)
Common stock issued:							
For purchases under the Employee Stock Purchase Plan	—	5	2,999	—	—	—	—
Restricted Stock Bonus Plan Right of First Refusal	—	—	672	—	—	—	—
Exercise of stock options	—	6	3,257	—	—	—	—
Preferred stock dividends	—	—	—	—	—	(2,062)	—
Purchase of and additions to treasury shares	—	—	—	—	—	—	(73)
Accretion of redeemable preferred stock discount	—	—	—	—	—	(94)	—
Translation adjustments for year	—	—	—	—	(1,589)	—	—
Other	—	—	(114)	—	—	—	—
Net loss for the year	—	—	—	—	—	(168,650)	—
BALANCE AT SEPTEMBER 30, 1989	$—	$374	$146,132	$—	$(2,022)	$(220,733)	$(2,527)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part):

Redeemable Preferred Stock:

As part of the financing related to the DatagraphiX acquisition, Anacomp issued in a private placement on March 20, 1987, 500,000 shares of 8.25% Cumulative Convertible Redeemable Exchangeable Preferred Shares (the "Preferred Shares"). Each Preferred Share has a preference value of $50 and is convertible into Anacomp Common Stock at a conversion price of $7.50. The redeemable preferred stock was recorded at fair value on the date of issuance less issue costs. The excess of the redemption value over the carrying value is being accreted by periodic charges to retained earnings over the life of the issue.

Change In Fiscal Year

TULTEX CORPORATION

Statement of Changes in Stockholders' Equity

(In thousands of dollars except share data)	Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Notes Receivable— Stockholders	Total Stockholders' Equity
Balance as of Nov. 28, 1986	$777	$18,289	$470	$ 88,073	$(1,297)	$106,312
Net income for the 52 weeks ended Nov. 27, 1987				28,805		28,805
Preferred stock reacquired and cancelled (1,304 shares)	(130)					(130)
3-for-2 common stock split (Note 6)		9,170	(895)	(8,276)		(1)
Exercise of stock options		57	483		(286)	254
Collections—stockholders' notes receivable					548	548
Cash dividends on common stock ($.29 per share)				(8,070)		(8,070)
Cash dividends on preferred stock				(37)		(37)
Balance as of Nov. 27, 1987	647	27,516	58	100,495	(1,035)	127,681
Net income for the 53 weeks ended Dec. 2, 1988				21,235		21,235
Preferred stock reacquired and cancelled (2,344 shares)	(234)					(234)
Exercise of stock options		73	272		(243)	102
Collections—stockholders' notes receivable					313	313
Cash dividends on common stock ($.36 per share)				(9,931)		(9,931)
Cash dividends on preferred stock				(21)		(21)
Balance as of Dec. 2, 1988	413	27,589	330	111,178	(965)	139,145
Change in fiscal year (Note 1)				(363)	9	(354)
Net income for the 52 weeks ended Dec. 30, 1989				5,034		5,034
Exercise of stock options		43	195		(175)	63
Collections—stockholders' notes receivable					321	321
Cash dividends on common stock ($.45 per share) (Note 10)				(12,431)		(12,431)
Cash dividends on preferred stock (Note 10)				(26)		(26)
Balance as of Dec. 30, 1989	$413	$27,632	$525	$103,992	$ (810)	$131,752

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Fiscal Year: Effective with 1989, the Company has changed its fiscal year end from the Friday nearest November 30 to the Saturday nearest December 31 in each year. Results of operations for the four-week period ended December 31, 1988, reflected in Stockholders' Equity, were (in thousands of dollars except per share loss):

Sales	$ 17,483
Gross Profit	$ 3,241
(Loss) before income taxes	$ (590)
Provision for income taxes	(227)
Net (loss)	$ (363)
Net (loss) per common share	$ (.01)

TABLE 4-5: PRESENTATION OF CHANGES IN ADDITIONAL PAID-IN CAPITAL

	1989	1988	1987	1986
Statement of stockholders' equity	390	373	382	348
Statement of additional paid-in capital	11	16	14	13
Schedule in notes	81	95	101	107
No statement or schedule but changes disclosed	11	10	17	20
Balance unchanged during year	40	38	24	45
Subtotal	**533**	**532**	**538**	**533**
Additional paid-in capital account not presented	67	68	62	67
Total Companies	**600**	**600**	**600**	**600**

TABLE 4-6: STOCK SPLITS

	1989	1988	1987	1986
Ratio				
Less than three-for-two	8	4	5	9
Three-for-two (50%) to two-for-one	15	13	23	37
Two-for-one (100%)	20	23	69	52
Greater than two-for-one	5	6	8	7
Total Companies	**48**	**46**	**105**	**105**
Account charged				
Additional paid-in capital	17	19	42	60
Retained earnings	16	14	30	33
No charge	15	13	33	12
Total Companies	**48**	**46**	**105**	**105**

ADDITIONAL PAID-IN CAPITAL

PRESENTATION OF CHANGES IN ADDITIONAL PAID-IN CAPITAL

APB Opinion No. 12, Section C08 of *FASB Accounting Standards—Current Text,* states in part:

> 10. When both financial position and results of operations are presented, disclosure of changes in the separate accounts comprising stockholders' equity (in addition to retained earnings) and of the changes in the number of shares of equity securities during at least the most recent annual fiscal period and any subsequent interim period presented is required to make the financial statements sufficiently informative. Disclosure of such changes may take the form of separate statements or may be made in the basic financial statements or notes thereto.

Table 4-5 summarizes the presentation formats used by the survey companies to present changes in additional paid-in capital.

STOCK SPLITS

Chapter 7B of *ARB No. 43* discusses the accounting for stock splits. *APB Opinion No. 15* refers to Chapter 7B and states in part:

> 48. *Stock dividends or splits.* If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse split, the computations should give retroactive recognition to an appropriate equivalent change in capital structure for all periods presented. If changes in common stock resulting from stock dividends or stock splits or reverse splits have been consummated after the close of the period but before completion of the financial report, the per share computations should be based on the new number of shares because the readers' primary interest is presumed to be related to the current capitalization. When per share computations reflect such changes in the number of shares after the close of the period, this fact should be disclosed.

Table 4-6 shows the number of survey companies disclosing stock splits and summarizes the accounting treatments for stock splits. Examples of stock splits follow.

ACCLAIM ENTERTAINMENT, INC.

Statements of Consolidated Shareholders' Equity

	Preferred Stock Issued Shares	Preferred Stock Issued Amount	Common Stock[1] Issued Shares	Common Stock[1] Issued Amount	Additional Paid-In Capital	Retained Earnings
Issuance	—	—	100	$ 50,000	—	—
Net Earnings	—	—	—	—	—	$ 27,755
Balance 8/31/87	—	—	100	50,000	—	27,755
Net Earnings	—	—	—	—	—	4,705,301
Merger with AEI	200,000	$1,630,050	(100)	(50,000)	—	(2,000,000)
			15,912,502	218,761		
Registration Costs				(170,000)		
Dividend on Preferred Stock	—	—	—	—	—	(50,000)
Balance 8/31/88	200,000	1,630,050	15,912,502	48,761	—	2,683,056
Net Earnings	—	—	—	—	—	9,136,758
Dividend on Preferred Stock	—	—	—	—	—	(110,000)
Redemption of Preferred Stock	(200,000)	(1,630,050)	—	—	—	(369,950)
Exercise of Warrants	—	—	779,985	2,671,327	—	—
Exercise of Options	—	—	8,500	11,390	—	—
Reincorporation	—	—	—	(2,567,458)	$2,567,458	—
Registration Costs Reclassified	—	—	—	170,000	(170,000)	—
Balance 8/31/89	—	—	16,700,987	$ 334,020	$2,397,458	$11,339,864

[1]All common share information has been restated to reflect the one-for-two reverse stock split effected on July 25, 1989.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Capital Stock

B. Reverse Stock Split

On July 24, 1989, the shareholders authorized a one-for-two reverse stock split of the common stock thereby decreasing the number of issued and outstanding common stock to 16,379,310, and increasing the par value of each share to $0.02. All references in the accompanying financial statements to the number of common shares and per-share amounts have been restated to reflect the reverse stock split.

BORDEN, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Shareholders' Equity

On July 25, 1989, the Board of Directors amended the Company's Restated Certificate of Incorporation to double the number of authorized common shares from 240 million shares to 480 million shares. On September 6, 1989, a two-for-one split of the Company's common stock was effected through the distribution of one additional share for each share of stock already issued. In connection with the split, the par value of common stock was reduced from $1.25 per share to $0.625 per share. As a result, there was no change in the capital accounts. Amounts per share and number of shares have been restated to give retroactive effect to the stock split.

COMMERCIAL METALS COMPANY

Consolidated Statements of Stockholders' Equity
(in thousands, except share data)

	Common stock Number of shares	Common stock Amount	Additional paid-in capital	Retained earnings	Treasury stock Number of shares	Treasury stock Amount
Balance, September 1, 1986	9,075,682	$45,378	$ —	$102,779	(181,930)	$(1,588)
Net earnings	—	—	—	10,208	—	—
Cash dividends—$.24 per share	—	—	—	(2,863)	—	—
Stock issued under stock option, purchase, and bonus plans	—	—	165	(41)	99,904	814
Balance, August 31, 1987	9,075,682	45,378	165	110,083	(82,026)	(774)
Net earnings	—	—	—	24,449	—	—
Cash dividends—$.29 per share	—	—	—	(3,269)	—	—
Treasury stock acquired	—	—	—	—	(525,200)	(8,498)
Stock issued under stock option, purchase, and bonus plans	—	—	(5)	—	40,763	676
Balance, August 31, 1988	9,075,682	45,378	160	131,263	(566,463)	(8,596)
Net earnings	—	—	—	28,451	—	—
Cash dividends—$.41 per share	—	—	—	(4,695)	—	—
Stock split, four-for-three	3,024,382	15,122	(160)	(14,962)	(188,787)	—
Treasury stock acquired	—	—	—	—	(126,900)	(2,547)
Stock issued under stock option, purchase, and bonus plans	—	—	50	(15)	69,678	800
Tax benefits related to stock bonus plan	—	—	687	—	—	
Balance, August 31, 1989	12,100,064	$60,500	$737	$140,042	(812,472)	$(10,343)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

G (In Part): Capital Stock:

Common Stock

On November 21, 1988, the Board of Directors declared a four-for-three stock split on the Company's common stock payable December 23, 1988, to shareholders of record on December 2, 1988. All applicable share and per share data have been adjusted for the stock split.

MAPCO INC.

Consolidated Statements of Changes in Stockholders' Equity

(Dollars and Shares in Millions except per share amounts)	Common Stock $1 Par Value Shares	Common Stock $1 Par Value Amount	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury Shares	Cost of Common Stock in Treasury Amount	Loan to ESOP
Balance, December 31, 1986	30.9	$30.9	$187.7	$675.2	(9.6)	$(404.2)	$
Net income				108.4			
Dividends ($.50 per share post-split)				(20.9)			
Purchase of common stock					(1.4)	(65.7)	
Exercise of stock options	.1	.1	1.1			(.1)	
Balance, December 31, 1987	31.0	31.0	188.8	762.7	(11.0)	(470.0)	
Net income				117.1			
Dividends ($.50 per share post-split)				(19.9)			
Exercise of stock options			1.2			(.3)	
Balance, December 31, 1988	31.0	31.0	190.0	859.9	(11.0)	(470.3)	
Net income				116.2			
Dividends ($.875 per share)				(32.8)			
Two-for-one common stock split (Note 6)	31.0	31.0	(31.0)		(11.1)		
Purchase of common stock					(7.8)	(290.8)	
Loan to ESOP, net of repayments (Note 9)							(83.3)
Sale of treasury stock to ESOP (Note 9)			30.0		2.5	55.0	
Exercise of stock options			1.7			(.5)	
Other			.9			.6	
Balance, December 31, 1989	62.0	$62.0	$191.6	$943.3	(27.4)	$(706.0)	$(83.3)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Stockholders' Equity

In 1989, MAPCO declared a two-for-one common stock split on all issued stock which was effected in the form of a stock dividend. The par value of $31 million for the additional shares issued was transferred from capital in excess of par value to common stock. Earnings and dividends per common share and stock option information have been restated to reflect the stock split.

PHILIP MORRIS COMPANIES INC.

Consolidated Statements of Stockholders' Equity

(in millions of dollars, except per share data)

	Common Stock	Additional Paid-in Capital	Earnings Reinvested in the Business	Currency Translation Adjustments	Cost of Treasury Stock	Total Stockholders' Equity
Balances, January 1, 1987	$240	$303	$5,344	$(103)	$(129)	$5,655
Net earnings			1,842			1,842
Exercise of stock options/units		(31)			57	26
Cash dividends declared $.79 per share			(749)			(749)
Currency translation adjustments (including related income tax benefits of $94)				249		249
Stock purchased					(200)	(200)
Balances, December 31, 1987	240	272	6,437	146	(272)	6,823
Net earnings			2,337			2,337
Exercise of stock options/units		(20)			48	28
Cash dividends declared $1.01 per share			(941)			(941)
Currency translation adjustments (including related income tax provisions of $26)				(29)		(29)
Stock purchased					(539)	(539)
Balances, December 31, 1988	240	252	7,833	117	(763)	7,679
Net earnings			2,946			2,946
Exercise of stock options/units and issuance of other stock awards prior to stock split		(35)			87	52
Cash dividends declared $1.25 per share			(1,159)			(1,159)
Four-for-one stock split	695	(217)	(478)			—
Exercise of stock options/units and issuance of other stock awards after stock split			(63)		90	27
Currency translation adjustments (including related income tax provisions of $4)				26		26
Balances, December 31, 1989	$935	$ —	$9,079	$ 143	$(586)	$9,571

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Capital Stock:

Effective September 15, 1989, outstanding shares of common stock were split four-for-one. All references in the financial statements to weighted average numbers of shares and related prices, per share amounts and stock plan data have been restated to reflect the split. Shares of authorized common stock are 4 billion; issued, treasury and outstanding were as follows:

	Issued	Treasury	Outstanding
Balances, January 1, 1987	239,618,948	(1,761,409)	237,857,539
Exercise of stock options/units		768,946	768,946
Purchased		(2,000,000)	(2,000,000)
Balances, December 31, 1987	239,618,948	(2,992,463)	236,626,485
Exercise of stock options/units		661,760	661,760
Purchased		(6,257,300)	(6,257,300)
Balances, December 31, 1988	239,618,948	(8,588,003)	231,030,945
Exercise of stock options/units and issuance of other stock awards		869,552	869,552
Four-for-one stock split	695,702,491		695,701,491
Exercise of stock options/units and issuance of other stock awards		927,603	927,603
Balances, December 31, 1989	935,320,439	(6,790,848)	928,529,591

UNOCAL CORPORATION

Consolidated Shareholders' Equity

	1989	1988	1987
	Millions of Dollars		
Common Stock			
Balance at beginning of year	$ 117	$ 117	$ 116
Issuance of common stock	—	—	1
Two-for-one stock split	117	—	—
Balance at end of year	234	117	117
Capital in Excess of Par Value			
Balance at beginning of year	16	12	4
Issuance of common stock	9	4	8
Two-for-one stock split	(25)	—	—
Balance at end of year	—	16	12
Foreign Currency Translation Adjustment			
Balance at beginning of year	15	(14)	(30)
Current year adjustment	11	29	16
Balance at end of year	26	15	(14)
Unearned Portion of Restricted Stock Issued			
Balance at beginning of year	(11)	(10)	(6)
Issuance of restricted stock	(2)	(2)	(4)
Current year amortization	1	1	—
Balance at end of year	(12)	(11)	(10)
Retained Earnings			
Balance at beginning of year	2,024	1,661	1,597
Net earnings for year	260	480	181
Cash dividends declared ($.60 per share in 1989, and $.50 per share in 1988 and 1987)	(140)	(117)	(117)
Two-for-one stock split	(92)	—	—
Balance at end of year	2,052	2,024	1,661
Total Shareholders' Equity	$2,300	$2,161	$1,766

On September 25, 1989, the company's Board of Directors approved a two-for-one stock split effected in the form of a 100-percent stock dividend. The distribution of 116,982,868 shares was made on November 13, 1989, to shareholders of record on October 10, 1989. The stock split resulted in an increase of $117 million in common stock (par value $1.00) and reductions of $25 million in capital in excess of par value and $92 million in retained earnings.

All share and per-share data in these financial statements have been restated to give effect to the stock split.

SANMARK-STARDUST INC.

Consolidated Statements of Shareholders' Equity

(In Thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total
Balance June 30, 1986	8,341	$ 84	$ 7,472	$12,594	3,029	$(11,382)	$ 8,768
Net income	—	—	—	1,766	—	—	1,766
Stock sold through public offering	600	6	3,101	—	—	—	3,107
Stock dividend	—	—	—	(2,209)	(590)	2,209	—
Exercise of stock options	35	—	38	—	—	—	38
Balance June 30, 1987	8,976	90	10,611	12,151	2,439	(9,173)	13,679
Net (loss)	—	—	—	(1,764)	—	—	(1,764)
Stock dividend	—	—	—	(2,456)	(653)	2,456	—
Purchase of treasury stock	—	—	—	—	11	(42)	(42)
Balance June 30, 1988	8,976	90	10,611	7,931	1,797	(6,759)	11,873
Net income	—	—	—	4,755	—	—	4,755
Exercise of stock options	49	—	72	—	—	—	72
Purchase of treasury stock	—	—	—	—	22	(133)	(133)
Stock split—5 for 3	5,984	60	(60)	—	1,213	—	—
Balance June 30, 1989	15,009	$150	$10,623	$12,686	3,032	$ (6,892)	$16,567

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Common Stock Dividends and Stock Splits

Stock dividends of 10% on outstanding shares (totalling approximately 653,000 and 590,000 shares in fiscal 1988 and 1987, respectively) were declared by the Board of Directors in December 1987 and 1986, and were issued in January 1988 and 1987, respectively. On December 13, 1988, the Company declared a five for three stock split payable on January 31, 1989.

SHAW INDUSTRIES, INC.

Statements of Stockholders' Investment

For the Years Ended July 1, 1989, July 2, 1988 and June 27, 1987

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Treasury Stock
Balance, June 28, 1986	17,043,548	$18,918,000	$30,785,000	$ 91,515,000	$ —
Net income	—	—	—	28,545,000	—
Purchase of common stock	—	—	—	—	(8,787,000)
Cash dividends paid ($.250 per share)	—	—	—	(8,376,000)	—
Balance, June 27, 1987	17,043,548	18,918,000	30,785,000	111,684,000	(8,787,000)
Net income	—	—	—	33,792,000	—
Purchase of common stock	—	—	—	—	(19,165,000)
Cash dividends paid ($.315 per share)	—	—	—	(10,112,000)	—
Balance, July 2, 1988	170,043,548	18,918,000	30,785,000	135,364,000	(27,952,000)
Net income	—	—	—	47,618,000	—
Issuance of two-for-one stock split	17,043,548	18,918,000	(18,918,000)	—	—
Purchase of common stock	—	—	—	—	(8,958,000)
Cash dividends paid ($.365 per share)	—	—	—	(11,040,000)	—
Balance, July 1, 1989	34,087,096	$37,836,000	$11,867,000	$171,942,000	$(36,910,000)

CHANGES IN ADDITIONAL PAID-IN CAPITAL

Table 4-7 summarizes credits and charges to additional paid-in capital. Examples of such credits and charges follow.

Common Stock Issued In Connection With Employee Benefit Plans

AVON PRODUCTS INC.

Consolidated Statement of Changes in Shareholders' Equity

(In millions, except share data)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Translation Adjustments	Treasury Stock
Balance at December 31, 1986	$ —	79,745,921	$39.9	$430.7	$606.8	$(145.3)	$(250.8)
Net earnings					159.1		
Dividends—$2.00 per share					(141.9)		
Translation adjustments						21.3	
Exercise of stock options		752,696	.4	20.9			
Grant of restricted stock		42,167		.7			
Exercise of warrants		12,516		.1			
Benefit plan contributions				3.5			13.2
Balance at December 31, 1987	—	80,553,300	40.3	455.9	624.0	(124.0)	(237.6)
Net loss					(404.5)		
Exchange of common stock for preferred stock	18.0			404.8			(427.5)
Dividends							
Common—							
$1.50 per share					(97.4)		
Preferred—							
$1.00 per share					(18.0)		
Translation adjustments						(2.1)	
Exercise of stock options		68,869		1.9			
Grant of restricted stock		392,391	.2	.3			
Benefit plan contributions				(1.1)			6.1
Balance at December 31, 1988	18.0	81,014,560	40.5	861.8	104.1	(126.1)	(659.0)
Net earnings					54.6		
Dividends							
Common—							
$1.00 per share					(54.7)		
Preferred—							
$2.00 per share					(36.0)		
Translation adjustments						(21.5)	
Exercise of stock options		1,513,526	.8	39.2			
Grant of restricted stock		1,095,935	.5	6.1			
Balance at December 31, 1989	$18.0	83,624,021	$41.8	$907.1	$ 68.0	$(147.6)	$(659.0)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Shareholders' Equity

Stock Plans

Under Avon's 1970 Stock Option Incentive Plan (the "Plan"), as amended, options may be granted to key employees to purchase stock at the fair market value on the date of grant. Options may include a stock appreciation right that permits the holder to receive cash and/or stock equal to the excess of the market value over the option price at the date of exercise. In 1989, the shareholders approved the amendment of the Plan to increase the number of shares authorized for issuance under the Plan by 5,000,000 and to extend the term of the Plan by ten years to May 15, 2000. At December 31, 1989, 2,106,531 shares were exercisable, and 4,641,724 shares (1988—538,932) were available for future grant.

A summary of changes in stock options is as follows:

	Shares	Price
December 31, 1987	3,917,201	$ 7-$40
Granted	1,001,300	23- 25
Exercised	(68,869)	7- 25
Canceled	(258,494)	7- 40
December 31, 1988	4,591,138	$ 7- 40
Granted	—	—
Exercised	(1,513,526)	7- 33
Canceled	(254,361)	21- 40
December 31, 1989	2,823,251	$ 7-$40

In 1987, the Plan was amended to permit the issuance of restricted shares to key employees. During 1989, 1,095,935 shares subject to restrictions (1988—392,391; 1987—42,167) with a fair market value of $23.7 million (1988—$7.7; 1987—$1.3) on the date of grant were issued. Compensation expense is recognized as the shares vest over three to five years and amounted to $6.6 million in 1989 (1988—$.5; 1987—$.7). The unamortized value of restricted stock at December 31, 1989 amounted to $24.9 million ($7.8 at December 31, 1988).

In 1988, 250,000 shares (1987—316,130) of treasury stock were contributed to a trust to fund the supplemental retirement and life insurance plan. In 1987, Avon contributed 224,690 shares of treasury stock to employee stock grant and stock ownership plans.

TABLE 4-7: CHANGES IN ADDITIONAL PAID-IN CAPITAL

	Number of Companies			
	1989	1988	1987	1986
Credits				
Common stock issued for:				
Employee benefits	382	376	366	367
Debt conversions/extinguishments	38	40	60	73
Preferred stock conversions	28	30	34	37
Business combinations	28	28	33	32
Public offerings	21	22	63	50
Purchase or retirement of capital stock	7	11	8	17
Stock option tax benefits	51	43	45	39
Warrants issued or exercised	14	11	17	19
Other—Described	33	30	51	45
Charges				
Purchase or retirement of capital stock	108	104	92	88
Treasury stock issued for less than cost	63	64	61	67
Conversion of preferred stock	12	14	19	21
Other—Described	47	54	45	47

CHESAPEAKE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Capital Stock and Additional Paid-In Capital

Changes in common stock and additional paid-in capital during 1987, 1988 and 1989 are:

	Common Stock		Additional
	Shares	Aggregate Par Value	Paid-In Capital
	(Dollar amounts in millions)		
Balances, January 1, 1987	10,137,104	$10.1	$41.8
Issuances of shares:			
Two-for-one stock split	10,203,194	10.2	(10.2)
Employee stock plans	131,866	.1	3.0
Acquisition of business	90,000	.1	1.4
Purchases of shares	(127,000)	(.1)	(1.9)
Balances, December 31, 1987	20,435,164	20.4	34.1
Issuances of shares:			
Employee stock plans	178,761	.2	2.7
Purchases of shares	(173,764)	(.2)	(3.0)
Balances, December 31, 1988	20,440,161	20.4	33.8
Issuances of shares:			
Employee stock plans	177,887	.2	2.9
Purchases of shares	(54,500)	—	(1.0)
Balances, December 31, 1989	20,563,548	$20.6	$35.7

KAMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands except share and per share amounts)

Capital Stock and Additional Paid-In Capital

A summary of the changes in capital stock and additional paid-in capital after giving effect to the eight-for-five common stock split in October 1987 for the three years ended December 31, 1989 is as follows:

	Class A common stock	Class B common stock	Additional paid-in capital	Unamortized restricted stock awards	Treasury stock
Balance, January 1, 1987	$16,690	$668	$11,341	$ —	$(111)
36,754 Class A common shares sold under stock option plan	29	—	45	—	120
169,583 Class A common shares sold under employee stock purchase plan	162	—	2,220	—	111
6,954 Class A common shares issued as additional payment under an acquisition agreement	7	—	121	—	—
Purchase of 14,251 shares of Class A common stock	—	—	—	—	(218)
Balance, December 31, 1987	16,888	668	13,727	—	(98)
63,655 Class A common shares sold under stock option plan	52	—	141	—	192
212,889 Class A common shares sold under employee stock purchase plan	213	—	2,538	—	—
214 Class A common shares issued for debenture conversion	—	—	5	—	—
12,065 Class A common shares issued as additional payment under an acquisition agreement	12	—	152	—	—
Purchase of 6,581 shares of Class A common stock	—	—	—	—	(113)
Balance, December 31, 1988	17,165	668	16,563	—	(19)
19,440 Class A common shares sold under stock option plan	19	—	48	—	17
250,453 Class A common shares sold under employee stock purchase plan	250	—	2,315	—	—
16,100 Class A common shares issued as additional payment under an acquisition agreement	16	—	185	——	
78,500 Class A common shares issued as restricted stock awards	79	—	764	(843)	—
Purchase of 1,197 shares of Class A common stock	—	—	—	—	(14)
Amortization of restricted stock awards	—	—	—	222	—
Balance, December 31, 1989	$17,529	$668	$19,875	$(621)	$ (16)

Stock Incentive Plan

The Kaman Corporation 1983 Stock Incentive Plan provides for the granting of incentive stock options, non-statutory stock options, restricted stock awards and stock appreciation rights primarily to officers and other key employees. The Corporation has designated 960,000 shares of its Class A common stock for this plan.

Stock options are generally granted at prices not less than the fair market value at the date of grant. Options granted under the plan generally expire ten years from the date of grant and are exercisable on a cumulative basis with respect to 20% of the optioned shares on each of the five anniversaries from the date of grant. The plan was amended in 1988 to allow for the granting of restricted stock awards and stock appreciation rights. Restricted stock awards are subject to forfeiture if a recipient separates from service with the Corporation. Generally, restrictions lapse at the rate of 20% per year and the stock award amount is amortized accordingly. Stock appreciation rights generally expire ten years from the date of grant and are exercisable on a cumulative basis with respect to 20% of the rights on each of the five anniversaries from the date of grant.

At December 31, 1989, there were outstanding options issued under the plan for the purchase of 517,453 shares at prices ranging from $3.98 to $20.78 per share. As of that date options covering 243,647 shares were exercisable at $3.98 to $20.78 per share. Options for 19,440, 63,655 and 36,754 shares were exercised during 1989, 1988 and 1987, respectively, at prices ranging from $2.41 to $15 per share. Restricted stock awards for 39,000 shares were made at $13.63 per share during 1988 with the shares issued in early 1989. An additional 39,500 shares of restricted stock were awarded at $7.88 per share and issued in late 1989. There were 62,200 shares of unamortized restricted stock awards at December 31, 1989. No stock appreciation rights have been issued under the plan.

In January of 1990, the Corporation offered to replace 377,137 unexercised options granted between January 1, 1986 and November 29, 1989 with the same number of new non-statutory options at a price of $7.88 per share (the fair market value of the stock on November 29, 1989, the date of the Board of Directors' authorization for the offer).

SNAP-ON TOOLS CORPORATION (DEC)

Consolidated Statements of Shareholders' Equity

(Amounts in thousands) for fiscal years	1989	1988	1987
Common stock			
Amount at beginning of year	$ 40,911	$ 41,696	$ 41,256
Shares issued under incentive stock plans	206	339	440
Purchase and retirement of common stock	—	(1,124)	—
Amount at end of year	41,117	40,911	41,696
Additional contributed capital in excess of par value of common stock			
Amount at beginning of year	—	10,120	716
Additions from incentive stock plans	5,077	7,153	9,404
Tax benefit from certain stock options	166	603	—
Purchase and retirement of common stock	—	(17,876)	—
Amount at end of year	5,243	—	10,120
Retained earnings			
Amount at beginning of year	464,394	407,941	348,405
Net earnings for the year	104,710	113,322	88,596
Dividends per share paid in cash—$1.04 in 1989, $.88 in 1988 and $.70 in 1987	(42,655)	(36,681)	(29,060)
Purchase and retirement of common stock	—	(20,188)	—
Amount at end of year	526,449	464,394	407,941
Foreign currency translation adjustment			
Amount at beginning of year	(103)	(2,221)	(7,425)
Net currency translation adjustment for the year	(49)	2,118	5,204
Amount at end of year	(152)	(103)	(2,221)
Total shareholders' equity .	$572,657	$505,202	$457,536

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Incentive Stock Plans

Employees of the Company are entitled to participate in an employee stock purchase plan up to a maximum of 100 shares each year. The purchase price of the common stock is the lesser of the closing market quotation on the May 15 beginning, or the May 14 ending, of each plan year. The Board of Directors may terminate this plan at any time. For 1989, 1988 and 1987, shares issued under the employee stock purchase plan were 80,487, 90,448 and 137,147. At December 30, 1989, shares totaling 381,852 were reserved for issuance to employees, and the Company held contributions of approximately $2.3 million for the purchase of common stock which had a closing market quotation of $39.75 per share on May 15, 1989.

The Company has a stock option plan for directors, officers and key employees. Option shares unexercised, granted, exercised, surrendered and reserved for future grants during the three years ended December 30, 1989, are summarized as follows:

(Number of shares for fiscal years)	1989	1988	1987
Beginning balance granted, but not exercised	960,098	1,252,792	1,565,362
Granted	864,850	—	—
Exercised	(160,270)	(286,894)	(302,729)
Surrendered	(14,180)	(5,800)	(9,841)
Ending balance granted, but not exercised	1,650,498	960,098	1,252,792
Shares reserved for future grants at year-end	2,655,451	1,506,121	1,500,321

On April 28, 1989, the Board of Directors reserved 2,000,000 additional common shares for issuance under the 1986 Incentive Stock Program.

As of December 30, 1989, 271 persons held options for 809,640 shares at $20.56 which expire on January 10, 1996, and 1,313 persons held options for 840,858 shares at $35.50 which expire on January 5, 1999. Since the option price equals the market value at the date granted, no amounts are charged to earnings upon their grant. As options are exercised, amounts received in excess of par value are credited to additional contributed capital.

The Company's common stock outstanding increased from the issuance of shares under the stock option and stock purchase plans by 205,623, 338,883 and 439,874 for 1989, 1988 and 1987. Contributed capital also increased from the issuance of these shares by $5.1 million, $7.2 million and $9.4 million for 1989, 1988 and 1987.

Common Stock Issued In Debt Conversion/Extinguishments

THE CLOROX COMPANY

Statements of Consolidated Stockholders' Equity

In thousands, except share and per-share amounts	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments
Balance, June 30, 1986	53,342,600	$53,343	$ 83,667	$424,547	$(11,764)
Net earnings				104,899	
Dividends ($.79 per share)				(42,224)	
Employee stock plans and other	210,567	210	2,397		
Translation adjustments					1,372
Balance, June 30, 1987	53,553,167	53,553	86,064	487,222	(10,392)
Net earnings				132,570	
Dividends ($.92 per share)				(49,591)	
Employee stock plans and other	491,158	491	7,176	(38)	
Translation adjustments					5,799
Balance, June 30, 1988	54,044,325	54,044	93,240	570,163	(4,593)
Conversion of note payable	1,200,000	1,200	7,800		
Net earnings				124,144	
Dividends ($1.09 per share)				(59,997)	
Employee stock plans and other	153,882	154	2,839	(35)	
Translation adjustments					(2,783)
Balance, June 30, 1989	55,398,207	$55,398	$103,879	$634,275	$ (7,376)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Long-Term Debt and Other Obligations

Long-term debt and other obligations are (in thousands):

	1989	1988
Convertible subordinated note payable to Henkel Corporation	$ —	$ 9,000
Other	21,709	22,028
Total	21,709	31,028
Less—current maturities	14,658	1,838
Long-term debt and other obligations	$ 7,051	$29,190

On August 1, 1988, Henkel Corporation converted a 12% subordinated note into 1,200,000 shares of common stock at a conversion price of $7.50 per share. Henkel Corporation, a U.S. subsidiary of Henkel KGaA, owned 27.3 percent of Clorox's outstanding stock at June 30, 1989.

Interest expense on long-term debt was $1,628,000 in 1989, $2,551,000 in 1988 and $3,684,000 in 1987.

DURR-FILLAUER MEDICAL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Note Payable, Long-Term Obligations and Contingent Liabilities

At December 31, 1989, the Company had unused bank lines of credit totaling $50,000,000. Long-term obligations are as follows ($000):

	December 31 1989	1988
8½% convertible debentures (1995-2010)	$ —	$34,490
Obligations under capital leases	2,183	2,324
Other	1,004	992
	$ 3,187	$37,806

The Company's 8½% Convertible Subordinated Debentures due 2010 converted into common stock. The debentures were convertible into 72.5 shares of common stock for each $1,000 principal amount of debenture. A total of 2,503,464 shares of common stock were issued through the conversion of these debentures as of April 14, 1989.

Maturities of long-term debt (excluding payments under capital leases) in the years ending December 31, 1990, 1991, 1992, 1993 and 1994 aggregate approximately $514,000, $424,000, $150,000, $150,000 and $150,000, respectively.

6. Common Stock and Additional Paid-in Capital

Changes in common stock and additional paid-in capital for the years ended December 31, 1989, 1988 and 1987 are as follows ($000 except share data):

	Common Stock, $.50 Par Value Per Share		Additional Paid-in
	Shares	Amount	Capital
Balance at January 1, 1987	7,859,774	$3,930	$ 9,984
Options exercised	39,836	20	239
Balance at December 31, 1987	7,899,610	3,950	10,223
Options exercised	17,946	9	151
Debentures converted	725	0	10
Balance at December 31, 1988	7,918,281	3,959	10,384
Options exercised	25,878	13	301
Debentures converted	2,502,739	1,251	32,472
Balance at December 31, 1989	10,446,898	$5,223	$43,157

The Company purchased in the open market 408,000 and 36,000 shares of common stock in 1988 and 1987, respectively (now treasury shares). The Company is authorized to issue 2,000,000 shares of no par preferred stock, of which no shares have been issued. In 1989, 631 shares were purchased as treasury shares in connection with the exercise of 1,000 Directors' Stock Options.

Common Stock Issued In Preferred Stock Conversions

POTLATCH CORPORATION

Statements of Stockholders' Equity

For the years ended December 31

(Dollars in thousands—except per-share amounts)	1989	1988	1987
Preferred Stock			
Balance at beginning of year	$ 50,000	$ 50,000	$ 50,000
Conversion of preferred stock into common stock	(49,655)	—	—
Redemption of preferred stock	(345)	—	—
Balance at end of year	$ —	$ 50,000	$ 50,000
Common Stock			
Balance at beginning of year	$ 30,812	$ 30,812	$ 15,406
Conversion of preferred stock into common stock	1,874	—	—
Two-for-one stock split	—	—	15,406
Balance at end of year	$ 32,686	$ 30,812	$ 30,812
Additional Paid-In Capital			
Balance at beginning of year	$ 73,623	$ 73,847	$ 89,617
Exercise of stock options	99	(224)	(579)
Conversion of preferred stock into common stock	47,781	—	—
Contributions to employees' savings investment and stock ownership plans	—	—	215
Two-for-one stock split	—	—	(15,406)
Balance at end of year	$121,503	$ 73,623	$ 73,847
Retained Earnings			
Balance at beginning of year	$650,974	$567,900	$507,107
Net earnings	136,715	112,364	87,623
Dividends:			
Common, $1.08 per share ($.95 per share in 1988 and $.86 per share in 1987)	(30,643)	(25,540)	(23,080)
Preferred, Series B, $3.75 per share	(6)	(3,750)	(3,750)
Premium on redemption of preferred stock	(18)	—	—
Balance at end of year	$757,022	$650,974	$567,900

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Stockholders' Equity

On March 15, 1989, the company called for redemption its outstanding $3.75 Series B convertible exchangeable preferred stock. As a result of the call, in non-cash transactions, 993,099 preferred shares or $49.7 million were converted to 1,873,704 shares of common stock. Those few shares of preferred stock not converted were redeemed on April 15, 1989.

NEWELL CO.

Consolidated Statements of Stockholders' Equity

(In thousands)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Equity Adjustment from Foreign Currency Translation	Treasury Stock
Balance at December 31, 1986	$ 7,913	$11,455	$ 82,760	$ 96,925	$(1,044)	$ —
Net income				37,222		
Issuance of $2.08 Convertible Preferred Stock	130,586					
Cash dividends:						
Preferred Stock $100 per share				(750)		
Preferred Stock $2.08 per share				(4,410)		
Common Stock $.21 per share				(9,657)		
Foreign currency translation					1,339	
Conversion of debentures		6	42			
Exercise of stock options		99	2,143			
Balance at December 31, 1987	$138,499	$11,560	$ 84,945	$119,330	$ 295	$ —
Net income				61,420		
Cash dividends:						
Preferred stock $100 per share				(750)		
Preferred Stock $2.08 per share				(8,875)		
Common Stock $.275 per share				(12,811)		
Stock split		11,672	(11,672)			
Foreign currency translation					3,536	
Conversion of debentures		23	69			
Conversion of preferred stock	(315)	15	300			
Exercise of stock options		153	2,873			
Balance at December 31, 1988	$138,184	$23,423	$ 76,515	$158,314	$ 3,831	$ —
Net income				85,363		
Cash dividends:						
Preferred Stock $100 per share				(740)		
Common Stock $.425 per share				(24,931)		
Preferred stock dividend reversion				619		
Stock split		29,503	(29,475)			(28)
Foreign currency translation					1,585	
Redemption of preferred stock	(1,581)		(1,417)			
Conversion of debentures		149	330			
Conversion of preferred stock	(130,273)	5,597	115,882			
Exercise of stock options		389	4,583			
Purchase of treasury stock			24			(28)
Balance at December 31, 1989	$ 6,330	$59,061	$166,442	$218,625	$ 5,416	$(56)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Stockholders' Equity and Per Share Data

As of December 31, 1989, the Preferred Stock consisted of 10,000 authorized shares of Cumulative Preferred Stock with a stated value of $2,000 per share which is equal to liquidation value and redemption price. On November 8, 1989, 1,500 or one-fifth of the 7,500 shares of Preferred Stock previously outstanding were redeemed at the stated value of $2,000 per share. The 6,000 shares outstanding at December 31, 1989 were recorded at their fair value at the date of acquisition of Foley-ASC, Inc. of $6,330,000 and are redeemable at the option of the Company. The 7,500 shares outstanding at December 31, 1988 and 1987, were recorded at their fair value at the date of acquisition of Foley-ASC, Inc. of $7,913,000. The initial annual dividend rate of 5 percent increases to 8 percent as to one-fourth of the remaining shares in each of the years 1990 through 1994. The Company has accounted for these dividends on a cash basis. The effect of accretion of the 3 percent dividend rate increase on the earnings per share calculation is not significant.

The $2.08 Convertible Preferred Stock, Series A of the Company that was outstanding at December 31, 1988 was called for redemption on February 22, 1989. 4,003,000 shares of Preferred Stock, with a stated value of $121,479,000 were converted into 11,194,000 shares of Newell Common Stock. 254,000 shares of Preferred Stock were redeemed for $8,794,000 cash.

Public Offering Of Stock

SERVICE CORPORATION INTERNATIONAL

Consolidated Statements of Stockholders' Equity

(Thousands) (Restated)	Preferred stock	Common stock	Capital in excess of par value	Retained earnings	Unrealized depreciation of investments	Foreign translation adjustment
Balance at April 30, 1986	$ —	$38,509	$101,716	$157,896	$ —	$(2,595)
Add (deduct):						
Net income				47,189		
Proceeds from shares of common stock issued:						
Stock option plans		257	4,160			
Acquisitions		6,645	124,876	4,256		
Unrealized depreciation of investments					—	
Dividends				(12,813)		
Foreign translation adjustment						580
Balance at April 30, 1987	—	45,411	230,752	196,528	—	(2,015)
Add (deduct):						
Net income				59,933		
Proceeds from shares of common stock issued:						
Stock option plans		185	2,047			
Acquisitions		2,390	38,853	328		
Other		7	169			
Unrealized depreciation of investments					(9,771)	
Dividends				(18,862)		
Foreign translation adjustment						1,328
Balance at April 30, 1988	—	47,993	271,821	238,107	(9,771)	(687)
Add (deduct):						
Net (loss)				(11,938)		
Proceeds from shares of common stock issued:						
Stock option plans		119	1,184			
Acquisitions		99	(84)	563		
Other		14	897			
Unrealized appreciation of investments					5,492	
Dividends				(17,341)		
Foreign translation adjustment						1,503
Balance at December 31, 1988	—	48,225	273,818	209,391	(4,279)	816
Add (deduct):						
Net (loss) before preferred dividend requirement				(41,317)		
Proceeds from shares of preferred stock issued	100		97,876			
Proceeds from shares of common stock issued:						
Stock option plans		27	259			
Acquisitions		129		327		
Other		2	87			
Unrealized appreciation of investments					4,279	
Dividends:						
Preferred				(6,897)		
Common				(26,091)		
Foreign translation adjustment						1,025
Balance at December 31, 1989	$100	$48,383	$372,040	$135,413	$ —	$ 1,841

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Stockholders' Equity

At December 31, 1989, 48,382,689 common shares were issued and outstanding (48,225,154 at December 31, 1988), net of 40,499 shares held, at cost, in treasury (29,218 at December 31, 1988).

In February 1989, SCI issued 100,000 shares of variable term preferred stock in two series at a price of $1,000 per share. The term of each series will either be 49 days or a variable term between one and ten years and will be determined by an independent selection agent. The cumulative dividend rate will be determined by auction at the time the term is set. Holders will receive cash dividends either every 49 days or quarterly as determined by the then applicable terms of each series. Each shareholder is entitled to one vote per share. The net proceeds of this sale ($97,976,000) were primarily used to repay indebtedness to banks under the revolving credit term agreement and for other general corporate needs.

Private Placement Of Stock

UNC INCORPORATED

Consolidated Statements of Changes in Shareholders' Equity

(Dollars in thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Shares	Total
Balance at December 31, 1986	17,473,067	$3,494	$144,997	$(25,816)	$(25,000)	$ 97,675
Net earnings	—	—	—	18,077	—	18,077
Forfeitures of restricted stock under the employees' stock plan	(289)	—	(2)	—	—	(2)
Exercise of stock options	16,510	4	131	—	—	135
Sale of 1,150,000 shares of treasury stock	—	—	(4,807)	—	14,375	9,568
Contractual payment to Chevron in connection with secondary offering of common stock	—	—	(16,361)	—	—	(16,361)
Expense of registration	—	—	(518)	—	—	(518)
Purchase of 47,100 shares for treasury	—	—	—	—	(330)	(330)
Redemption of preferred stock purchase rights	—	—	(166)	—	—	(166)
Balance at December 31, 1987	17,489,288	3,498	123,274	(7,739)	(10,955)	108,078
Net earnings	—	—	—	23,850	—	23,850
Adjustment of employees' stock plans	119	—	2	—	—	2
Exercise of stock options	89,400	18	514	—	—	532
Common shares issued and treasury shares used to increase ownership in Telecommunications Business	19,140	4	(612)	—	2,205	1,597
Balance at December 31, 1988	17,597,947	3,520	123,178	16,111	(8,750)	134,059
Net earnings	—	—	—	11	—	11
Exercise of stock options	168,354	33	983	—	—	1,016
Contractual payment to Chevron in connection with private placement of common stock	—	—	(3,699)	—	—	(3,699)
Expense of registration	—	—	(171)	—	—	(171)
Balance at December 31, 1989	17,766,301	$3,553	$120,291	$ 16,122	$ (8,750)	$131,216

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Discontinued Operations and Related Litigation Settlements

In 1984 Chevron Corporation ("Chevron") acquired 8.0 million shares of common stock from the Company for a purchase price of $12.50 per share pursuant to a stock purchase agreement entered into in connection with a litigation settlement between the Company and Gulf Oil Corporation related to the Company's discontinued minerals business. In April 1986, the Company entered into an amendment to the agreement, providing for the disposition of Chevron's entire holdings of common stock in a series of transactions.

In accordance with the agreement, the Company purchased 2.0 million shares of common stock for $25.0 million in June 1986. The purchase price paid by the Company did not exceed the fair value of the shares acquired. In June 1987, the Company concluded an offering of 5.75 million shares of common stock, at a price of $8.75 per share. The offering consisted of a secondary offering of 4.6 million shares held by Chevron and a primary offering of 1.15 million shares of the Company's treasury stock. In May 1989 the Company concluded a private placement of the remaining 1.4 million shares of common stock held by Chevron, at a price of $7.50 per share.

In connection with the placement of 1.4 million and 4.6 million shares in 1989 and 1987, respectively, the Company paid Chevron $3.7 million and $16.4 million, respectively, representing the aggregate difference between the net proceeds of the offerings and the amount calculated under the agreement which did not exceed the fair value of the stock at the date the agreement was reached. Concurrent with the 1989 placement, 0.7 million shares of common stock that had been held in escrow pending the final disposition of the remaining shares held by Chevron were released to the Company as the Company has now completely satisfied all of its obligation under the agreement.

Income Tax Benefit From Issuance Of Stock To Employees

ALBERTSON'S, INC.

Consolidated Stockholders' Equity

(in thousands)

	Common Stock $1.00 Par Value	Capital in Excess of Par Value	Retained Earnings	Total
BALANCE AT JANUARY 29, 1987	$33,408	$82,266	$478,705	$594,379
Exercise of stock options	462	6,202		6,664
Tax benefits related to stock options		1,478		1,478
Cash dividends, $.48 per share			(32,043)	(32,043)
Stock purchase	(1,129)	(29,526)		(30,655)
Two-for-one stock split	33,620	(33,620)		
Net earnings			125,385	125,385
BALANCE AT JANUARY 28, 1988	66,361	26,800	572,047	665,208
Exercise of stock options	623	5,045		5,668
Tax benefits related to stock options		5,844		5,844
Cash dividends, $.56 per share			(37,342)	(37,342)
Stock purchase	(55)	(1,372)		(1,427)
Net earnings			162,545	162,545
BALANCE AT FEBRUARY 2, 1989	66,929	36,317	697,250	800,496
Exercise of stock options	521	6,369		6,890
Tax benefits related to stock options		3,956		3,956
Cash dividends, $.80 per share			(53,615)	(53,615)
Stock purchase	(490)	(24,296)		(24,786)
Net earnings			196,551	196,551
BALANCE AT FEBRUARY 1, 1990	$66,960	$22,346	$840,186	$929,492

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Stock Options

Proceeds from the sale of newly issued stock to employees under the Company's stock option plans are credited to common stock to the extent of par value and the excess to capital in excess of par value. With respect to nonqualified stock options, the difference between the option exercise price and market value of the stock at date of grant is charged to operations over the exercise period. Income tax benefits attributable to stock options exercised are credited to capital in excess of par value.

TASTY BAKING COMPANY

Consolidated Statements of Changes in Capital Accounts

	Dec. 30, 1989		Dec. 31, 1988		Dec. 26, 1987	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Stock:						
Balance, beginning of year	6,833,487	$ 3,416,744	6,702,787	$ 3,351,394	6,550,312	$ 3,275,157
Issuances:						
Stock Option Plan	117,086	58,543	130,700	65,350	152,475	76,237
Balance, end of year	6,950,573	$ 3,475,287	6,833,487	$ 3,416,744	6,702,787	$ 3,351,394
Capital in Excess of Par Value of Stock:						
Balance, beginning of year		$19,189,621		$17,790,111		$16,695,809
Issuances:						
Management Stock Purchase Plan		173,621		164,892		111,548
Stock Option Plan		790,760		647,835		759,956
Tax benefits related to Management Stock Purchase Plan and Stock Option Plan		331,224		586,783		222,798
Balance, end of year		$20,485,226		$19,189,621		$17,790,111
Treasury Stock:						
Balance, beginning of year	697,162	$ 4,952,202	655,780	$ 4,059,019	615,726	$ 3,419,612
Management Stock Purchase Plan:						
Reissued	(9,837)	(60,744)	(13,492)	(81,128)	(9,000)	(59,452)
Reacquired	3,156	31,477	3,726	32,670	6,777	33,147
Shares reacquired in connection with:						
Stock Option Plan	28,277	672,971	23,921	512,816	8,162	157,142
Stock split—fractional shares	—	—	—	—	915	14,795
Repurchase program	10,000	217,500	27,227	428,825	33,200	493,775
Balance, end of year	728,758	$ 5,813,406	697,162	$ 4,952,202	655,780	$ 4,059,019
Management Stock Purchase Plan Receivables and Deferrals:						
Balance, beginning of year		$ 836,906		$ 789,130		$ 777,378
Common stock issued		234,365		246,019		171,000
Common stock repurchased		(25,892)		(33,510)		(21,699)
Note payments and amortization of deferred compensation		(155,781)		(164,733)		(137,549)
Balance, end of year		$ 889,598		$ 836,906		$ 789,130

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Management Stock Purchase Plan:

The Management Stock Purchase Plan provides that common shares may be sold to management employees from time to time at prices designated by the Board of Directors (not less than 50% of the fair market value at date of grant) and under certain restrictions and obligations to resell to the company. During 1989 and 1988, a total of 9,837 and 13,492 shares of common stock was sold at 50% of fair market value at date of grant. The aggregate sales price of these shares was $117,073 and $122,637, respectively, for which collateral judgment notes were obtained to be paid in equal quarterly installments (not to exceed 40) with interest on the unpaid balance at 5¾% and 5¼% in 1989 and 4½% and 4¾% in 1988. At December 30, 1989, a total of 745,254 common shares was authorized under the Plan, of which 218,084 shares remain available for issuance through December 31, 1991.

For accounting purposes, the difference between the fair market value of the stock at the date of grant and the purchase price, $117,292 in 1989 and $123,382 in 1988, represents compensation. The compensation is deferred and, together with the notes receivable, is shown as a deduction from shareholders' equity. The deferred compensation is amortized over a ten year period or the period the employees perform services, whichever is less. Amortization charged to income amounted to $77,805, $75,524 and $62,370 in 1989, 1988 and 1987, respectively.

In accordance with an Internal Revenue Service regulation, the company includes both the dividends paid on shares restricted under the Plan, and the difference between the purchase price of the stock at the date of the grant and the fair market value at the date the Plan restrictions lapse as employee compensation for federal income tax purposes. The tax benefits relating to the difference between the amounts deductible for federal income taxes over the amounts charged to income for book purposes have been credited to capital in excess of par value of stock.

Purchase Method Acquisitions

HARMON INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity

(Thousands of dollars, except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 1986	$1,295	$11,047	$5,121	$(6,993)	$10,470
Net earnings	—	—	1,692	—	1,692
Dividends declared ($.125 per share)	—	—	(558)	—	(558)
Balance at December 31, 1987	1,295	11,047	6,255	(6,993)	11,604
Net earnings	—	—	2,486	—	2,486
Common stock issued (note 9)	1	26	—	—	27
Dividends declared ($.125 per share)	—	—	(560)	—	(560)
Balance at December 31, 1988	1,296	11,073	8,181	(6,993)	13,557
Net earnings	—	—	1,160	—	1,160
Common stock issued (note 9)	1	31	—	—	32
Common stock issued in acquisition of subsidiary (note 2)	38	579	—	—	617
Redemption of common stock (note 9)	—	—	—	(32)	(32)
Dividends declared ($.125 per share)	—	—	578	—	578
Balance at December 31, 1989	$1,335	$11,683	$8,763	$(7,025)	$14,756

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. (In Part): Acquisitions

On January 1, 1989 the Company completed the acquisition of Phoenix Data, Inc., a manufacturer of analog-to-digital conversion devices for the aerospace and defense industries. The total cost of the acquisition was $1,298,250. Thirty-one percent of the outstanding PDI shares were purchased prior to January 1, 1989, while the remaining shares were obtained in exchange for 149,630 shares of previously unissued shares of the Company, with a fair market value of $617,000. The fair market value was determined by independent valuation. The transaction has been accounted for using the purchase method of accounting. The excess of cost over the fair market value of net assets acquired ($127,000) is being amortized on a straight-line basis over five years.

PDI's results of operations subsequent to January 1, 1989 are included in the Company's consolidated financial statements. Pro forma consolidated results of operations are not presented because the amounts do not significantly differ from historical Company results.

Warrants Exercised

CONSTAR INTERNATIONAL INC.

Consolidated Statement of Common Stockholders' Ownership

For the Years Ended December 31, 1989, 1988, and 1987

	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock
Balance, December 31, 1986	$3,740,000	$30,229,000	$67,003,000	$(32,863,000)
Net income	—	—	9,650,000	—
Cash dividends—				
Preferred stock, Series A and AA, $3 per share	—	—	(109,000)	—
Preferred stock, Series B, $3.56 per share	—	—	(249,000)	—
Preferred stock, Series D, $11.48 per share	—	—	(574,000)	—
Common stock, $.64 per share	—	—	(3,582,000)	—
Exercise of stock options	51,000	1,411,000	—	—
Exercise of warrants (Note 7)	41,000	1,020,000	—	—
Retirement of convertible exchangeable preferred stock	—	(88,000)	(5,850,000)	—
Issuance of common stock pursuant to Directors' Restricted Stock Plan	—	23,000	—	61,000
Balance, December 31, 1987	3,832,000	32,595,000	66,289,000	(32,802,000)
Net income	—	—	14,053,000	—
Cash dividends—				
Preferred stock, Series A and AA, $3 per share	—	—	(97,000)	—
Preferred stock, Series D, $9.42 per share	—	—	(471,000)	—
Common stock, $.64 per share	—	—	(3,645,000)	—
Exercise of stock options	37,000	1,199,000	—	—
Exercise of warrants (Note 7)	3,000	90,000	—	—
Repurchase of exchangeable preferred stock	—	125,000	—	—
Issuance of common stock pursuant to Directors' Restricted Stock Plan	—	4,000	—	22,000
Purchase of preferred stock to meet sinking fund requirements	—	28,000	—	—
Balance, December 31, 1988	3,872,000	34,041,000	76,129,000	(32,780,000)
Net income	—	—	16,146,000	—
Cash dividends—				
Preferred stock, Series A and AA, $3 per share	—	—	(94,000)	—
Common stock, $.64 per share	—	—	(4,004,000)	—
Public offering of 862,500 common shares (Note 7)	431,000	24,804,000	—	—
Exercise of warrants (Note 7)	307,000	8,584,000	—	—
Exercise of stock options	45,000	1,491,000	—	—
Issuance of common stock pursuant to Directors' Restricted Stock Plan	—	14,000	—	33,000
Purchase of preferred stock to meet sinking fund requirements	—	1,000	—	—
Balance, December 31, 1989	$4,655,000	$68,935,000	$88,177,000	$(32,747,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Common Stock and Stock Options:

During 1989, 1988, and 1987, 614,036, 6,400, and 82,000 warrants, respectively, to purchase shares of the Company's common stock at $14.50 per share were exercised. As of December 31, 1989, no warrants were outstanding.

HASBRO, INC.

Consolidated Statements of Shareholders' Equity

Fiscal Years Ended in December (Thousands of Dollars)	1989	1988	1987
Convertible preference stock			
Balance at beginning of year	$ 3,516	3,517	3,517
Shares converted and redeemed	(3,516)	(1)	—
Balance at end of year	—	3,516	3,517
Common stock			
Balance at beginning of year	26,516	26,426	26,331
Stock option transactions	49	90	95
Exercise of warrant (note 10)	1,406	—	—
Conversion of preference stock	1,384	—	—
Balance at end of year	29,355	26,516	26,426
Additional paid-in capital			
Balance at beginning of year	287,534	286,985	286,083
Stock option transactions	819	549	902
Exercise of warrant	8,606	—	—
Issuance of warrants (note 10)	4,250	—	—
Conversion and redemption of preference stock	1,561	—	—
Balance at end of year	302,770	287,534	286,985
Retained earnings			
Balance at beginning of year	352,836	289,592	248,942
Net earnings	92,194	72,421	48,223
Dividends declared	(10,474)	(9,177)	(7,573)
Balance at end of year	434,556	352,836	289,592
Cumulative translation adjustments			
Balance at beginning of year	32,793	35,020	15,399
Equity adjustments from foreign currency translation	2,850	(2,227)	19,621
Balance at end of year	35,643	32,793	35,020
Total shareholders' equity	$802,324	703,195	641,540

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Dollars Except Share Data)

10 (In Part): Employee Stock Options and Warrants

The Company's stock option plans include a Non Qualified Stock Option Plan (the "Non Qualified Plan") and an Incentive Stock Option Plan (the "Incentive Plan").

The Company has reserved for issuance upon exercise of options granted and to be granted pursuant to terms of the above plans, 4,754,094 shares of its common stock. Options are generally exercisable by the optionee in equal annual amounts within five years beginning one year after grant. The plans provide that options be granted at exercise prices not less than market value on the date the option is granted and options are adjusted for such changes as stock splits and stock dividends. No options are exercisable for periods of more than ten years after date of grant.

On July 11, 1989, a subsidiary of Warner Communications Inc. ("Warner") exercised a warrant, acquired as part of the consideration for the Company's acquisition of certain assets of the Knickerbocker Toy Company from Warner in 1983, to purchase 2,812,500 shares of Hasbro common stock for approximately $10,000. Under existing arrangements, these shares were placed in the voting trust which holds the other shares owned by Warner.

As part of the consideration for the purchase of assets from Coleco (note 2), the Company issued 4,000,000 warrants to purchase 1,000,000 shares of its common stock. These warrants are exercisable at $28.38 per share and expire on July 12, 1994. The Company, at its option, may pay the exercising warrantholder an amount in cash equal to the closing price of the common stock on the date prior to exercise in lieu of issuing any shares of common stock.

Treasury Stock Transactions

SUPER VALU STORES, INC.

Consolidated Statements of Stockholders' Equity

	Common Stock		Capital in Excess of	Retained
	Shares	Amount	Par Value	Earnings
Balances at February 22, 1986	74,283,789	$74,284,000	$1,192,000	$459,354,000
Net earnings				89,301,000
Sales of common stock under option plans	266,031	266,000	2,325,000	
Retirement of common stock	(30,786)	(31,000)	(739,000)	
Sales of common stock under Employee Stock Ownership Plan	28,933	29,000	746,000	
Cash dividends declared on common stock—$.41 per share				(30,511,000)
Balances at February 28, 1987	74,547,967	$74,548,000	$3,524,000	$518,144,000
Net earnings				111,780,000
Sales of common stock under option plans	178,643	179,000	1,693,000	
Retirement of common stock	(28,859)	(29,000)	(683,000)	
Sales of common stock under Employee Stock Ownership Plan	26,517	26,000	724,000	
Cash dividends declared on common stock—$.435 per share				(32,477,000)
Balances at February 27, 1988	74,724,268	$74,724,000	$5,258,000	$597,447,000
Net earnings				135,363,000
Sales of common stock under option plans	214,077	214,000	2,928,000	
Retirement of common stock	(56,113)	(56,000)	(1,284,000)	
Cash dividends declared on common stock—$.485 per share				(36,284,000)
Balances at February 25, 1989	74,882,232	$74,882,000	$6,902,000	$696,526,000

THORN APPLE VALLEY, INC.

Consolidated Statements of Shareholders' Equity

	Common stock		Capital in excess of	Retained	Treasury stock	
	Shares	Amount	par value	earnings	Shares	Amount
Balance, May 30, 1986	3,582,540	$358,254	$6,385,942	$21,350,842		
Net income				1,040,928		
Exercise of stock options	5,625	563	34,594			
Balance, May 29, 1987	3,588,165	358,817	6,420,536	22,391,770		
Net income				5,358,191		
Purchase of treasury stock					91,333	$ 639,331
Balance, May 27, 1988	3,588,165	358,817	6,420,536	27,749,961	91,333	639,331
Net income				2,304,501		
Purchase of treasury stock:						
Redemption agreement (Note 12)					438,771	3,290,782
Other					9,050	69,700
Retirement of treasury stock	(539,154)	(53,916)	(3,945,897)		(539,154)	(3,999,813)
Exercise of stock options	36	4	221			
Balance, May 26, 1989	3,049,047	$304,905	$2,474,860	$30,054,462	0	$ 0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Common Stock Redemption Agreement:

On August 1, 1988, the Company entered into a common stock redemption agreement with a significant shareholder and his family to purchase 1,080,090 shares of common stock at $7.50 per share. Under the terms of the agreement, the Company purchased and retired 438,771 shares for $3,290,782 in 1989. Also, under the terms of the agreement, the selling shareholders have put options, at the identical price as the Company's purchase option, under which the Company must purchase the remaining 641,319 shares. It is expected, therefore, that the Company will purchase these shares at various dates between August 1, 1989 and January 5, 1994. Accordingly, the accompanying consolidated financial statements reflect the potential purchase of those shares as a reduction to shareholders' equity. The Company is recognizing interest at 7% on the potential purchase price based on increases in the purchase price as stated in the agreement. In 1989, $359,000 of interest expense was recognized, of which $281,000 is included in accrued expenses.

In addition, the Company entered into an agreement with the selling shareholder requiring the Company to make monthly payments of approximately $8,300 through August 1995. These payments are in consideration for his future services as a consultant and director of the Company, and for his agreement not to compete with the Company through August 1998.

Insider Trading Profit

ORION PICTURES CORPORATION

Consolidated Statements of Common Stock, Paid-in Capital and Retained Earnings

(in thousands of dollars)

	Common Stock			Retained Earnings
	Number of Shares	Amount	Paid-in Capital	(Accumulated Deficit)
Balances, February 28, 1986	9,568,578	$2,394	$127,285	$(24,737)
Net income	—	—	—	9,833
Benefit of federal net operating loss carryforward	—	—	1,235	—
Cash dividends on preferred and preference stock	—	—	—	(4,051)
Issuances of Common Stock:				
New issue of 1,600,000 shares	1,600,000	400	19,900	—
Conversion of 165 shares of Series A Preferred Stock	917	—	2	—
Conversion of 1,425 shares of Class C Preference Stock	897	—	11	—
Conversion of 2,640,000 shares of Class E Preferred Stock	5,866,081	1,466	(2,799)	—
Exercise of stock options	194,712	48	1,652	—
Balances, February 28, 1987	17,231,185	4,308	147,286	(18,955)
Net income	—	—	—	12,159
Benefit of federal net operating loss carryforward	—	—	80	—
Cash dividends on preferred and preference stock	—	—	—	(440)
Exercise of stock options	108,933	27	945	—
Balances, February 29, 1988	17,340,118	4,335	148,311	(7,236)
Net income	—	—	—	13,892
Benefit of federal net operating loss carryforward	—	—	872	—
Cash dividends on preferred and preference stock	—	—	—	(440)
Issuances of Common Stock:				
Conversion of 400 shares of Class C Preference Stock	252	—	5	—
Expiration of warrants	21,000	5	(5)	—
Exercise of stock options	90,484	23	884	—
Receipt of Section 16(b) common stock profits, net of tax	—	—	2,129	—
Balances, February 28, 1989	17,451,854	$4,363	$152,194	$ 6,216
Shares of Common Stock reserved for issuance at February 28, 1989 were as follows (not including 270,129 shares available for future grant under stock option plans):				
Conversion of Series A Preferred Stock	16,858			
Conversion of Series B Preferred Stock	42,497			
Conversion of Class C Preference Stock	492,843			
Exercise of stock options outstanding	787,574			
Exercise of warrants	5,894,760			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Shareholders' Equity

Change in Control

On June 3, 1988, a change in control of the Company, as defined by Securities and Exchange Commission rules and regulations, may be deemed to have occurred by reason of a transfer of the equity securities of the Company held by one major shareholder to another major shareholder. This transfer of certain of the Company's equity securities does not affect the Company's consolidated financial statements, except as described below and in Note 6. In accordance with Section 16(b) of the Securities Exchange Act of 1934, the seller of such securities was required to and did remit to the Company certain profits realized upon the sale of a portion of such securities and, accordingly, the Company reflected the receipt of $2,364,000 in June 1988, less a $235,000 provision for related income taxes, as an increase to Paid-in capital during fiscal 1989. Results of operations was not impacted by this transaction.

FOREIGN CURRENCY TRANSLATION

Statement of Financial Accounting Standards No. 52, Section F60 of *FASB Accounting Standards—Current Text,* is the authoritative pronouncement on foreign currency translation. *SFAS No. 52* requires translation adjustments to be reported separately and accumulated in a separate component of stockholders' equity. Examples of foreign currency translation disclosures follow.

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency Translation

Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries, except those in highly inflationary economies, are accumulated in a separate section of stockholders' equity titled "Cumulative foreign currency translation adjustments."

An analysis of this account follows.

	(Millions of dollars)		
	1989	1988	1987
Balance at beginning of year	$(166.0)	$(147.8)	$(161.6)
Translation adjustments, including the effect of hedging	(12.8)	(14.6)	2.4
Related income tax effect	(5.1)	(3.6)	11.4
Balance at end of year	$(183.9)	$(166.0)	$(147.8)

Included in other charges were net exchange losses of $68.9 million, $48.1 million and $49.8 million for 1989, 1988 and 1987, respectively, primarily relating to translation of the assets and liabilities of subsidiaries in Argentina, Brazil and Mexico.

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Translation of Foreign Currencies

During 1989, the Company changed the functional currency for several foreign entities from the U.S. dollar to the local currency, as cash flows and financing activities of these entities are increasingly denominated in foreign currencies. The impact of this change was not material to the Company's financial statements. As a result of this change, most foreign entities used the local currency as the functional currency and translate all assets and liabilities at year-end exchange rates, all income and expense accounts at average rates and record adjustments resulting from the translation in a separate component of common shareholders' equity. The following is an analysis of the cumulative translation adjustments reflected in common shareholders' equity:

(in millions)	1989	1988	1987
Balance at January 1	$9.6	$6.9	$3.5
Translation and other	(1.4)	5.1	7.2
Allocated income taxes	0.5	(2.4)	(3.8)
Balance at December 31	$8.7	$9.6	$6.9

The remaining foreign entities translate monetary assets and liabilities at year-end exchange rates and inventories, property and nonmonetary assets and liabilities at historical rates. Income and expense accounts are translated at the average rates in effect during the year, except that depreciation and cost of sales are translated at historical rates. Adjustments resulting from the translation of these entities are included in the results of operations. Gains and losses resulting from transactions of the Company and its subsidiaries which are made in currencies different from their own are included in income as they occur. Total currency losses of $5.7 million and $2.6 million were recorded in 1989 and 1988, respectively, and a gain of $1.0 million was recorded in 1987.

AVERY INTERNATIONAL CORPORATION

Consolidated Statement of Shareholders' Equity

In millions	Common stock $1 par value	Capital in excess of par value	Retained earnings	Cumulative foreign currency translation adjustment	Guarantee of leveraged ESOP borrowings
BALANCE NOVEMBER 30, 1986	$39.9	$ 45.6	$291.5	$ (9.0)	$(17.9)
Public offering of common stock	4.0	94.3			
Stock issued under option plan		.6			
Tax benefit arising from stock option transactions and dividends paid on stock held by leveraged ESOPs		.1			
Net income			34.7		
Dividends ($.41 per share)			(17.6)		
Translation adjustments				19.9	
Income taxes allocated to translation adjustments				1.1	
Leveraged ESOP borrowings					(21.3)
BALANCE NOVEMBER 30, 1987	43.9	140.6	308.6	12.0	(39.2)
Stock issued under option plan	.2	.3			
Tax benefit arising from stock option transactions and dividends paid on stock held by leveraged ESOPs		.1			
Net income			77.7		
Dividends ($.515 per share)			(22.7)		
Translation adjustments				(.9)	
Income taxes allocated to translation adjustments				.8	
Leveraged ESOP borrowings, net					(12.0)
BALANCE NOVEMBER 30, 1988	44.1	141.0	363.6	11.9	(51.2)
Stock issued under option plan	.1	.7			
Tax benefit arising from stock option transactions and dividends paid on stock held by leveraged ESOPs		.9			
Net income			86.5		
Dividends ($.54 per share)			(23.8)		
Translation adjustments				(10.5)	
Income taxes allocated to translation adjustments				—	
Leveraged ESOP borrowings, net					(24.7)
BALANCE NOVEMBER 30, 1989	$44.2	$142.6	$426.3	$ 1.4	$(75.9)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)

Note 1 (In Part): Summary of Significant Accounting Policies

Foreign Currency Translation:

Foreign currency transactions and financial statements are translated into U.S. dollars at current rates, except that revenues, costs and expenses are translated at average current rates during each reporting period. Gains and losses resulting from foreign currency transactions, other than transactions used to hedge, or protect, the value of investments in certain foreign subsidiaries, are included in income currently. Gains and losses resulting from hedging transactions and from translation of financial statements are excluded from the statement of income and are credited or charged directly to a separate component of shareholders' equity. Translation gains and losses of subsidiaries operating in hyperinflationary economies are included in net income currently.

Transaction and translation gains (losses) decreased net income in 1989 by $2.7 ($.06 per share), increased net income in 1988 by $.5 ($.01 per share), and decreased net income in 1987 by $.8 ($.02 per share).

NCR CORPORATION

Consolidated Statement of Shareholders' Equity

(In millions)	Common Stock	Retained Earnings	Accumulated Translation Adjustments	Total
Shareholders' Equity, January 1, 1987	$470	$2,005	$(79)	$2,396
1987				
Net income		419		419
Cash dividends declared		(90)		(90)
Acquisition of common shares	(54)	(642)		(696)
Issuance of common shares to employees under stock purchase and option plans	4	32		36
Translation adjustments			97	97
Shareholders' Equity, December 31, 1987	420	1,724	18	2,162
1988				
Net income		439		439
Cash dividends declared		(100)		(100)
Acquisition of common shares	(28)	(294)		(322)
Issuance of common shares to employees under stock purchase and option plans	5	37		42
Translation adjustments			19	19
Shareholders' Equity, December 31, 1988	397	1,806	37	2,240
1989				
Net income		412		412
Cash dividends declared		(98)		(98)
Acquisition of common shares	(48)	(528)		(576)
Issuance of common shares to employees under stock purchase and option plans	4	30		34
Translation adjustments			(27)	(27)
Shareholders' Equity, December 31, 1989	$353	$1,622	$ 10	$1,985

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

For most international operations, assets and liabilities are translated at year-end exchange rates, and income statement items are translated at average exchange rates prevailing during the year. Translation adjustments are recorded as a separate component of shareholders' equity.

For international operations in hyperinflationary economies, certain assets (principally inventory and depreciable equipment) and liabilities and related income statement accounts are translated at exchange rates in effect when the assets were acquired or the liabilities were incurred. All other assets and liabilities are translated at year-end exchange rates, and all other income and expense items are translated at average exchange rates prevailing during the year. Translation adjustments are included in income.

NCR's objective is to neutralize economic exposure from foreign currency fluctuations, first of all through operational strategies and, secondarily, using forward exchange contracts. Gains and losses on operational hedges are recorded in income, and gains and losses from hedging the net assets of certain foreign subsidiaries are included in shareholders' equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

Note 1. Other Income, Net

Other income, net includes the following:

	Year Ended December 31		
	1989	1988	1987
Interest income	$(103)	$(98)	$(110)
Foreign exchange (gains) losses, net	10	8	7
Minority interests in net earnings of subsidiaries	20	22	19
Other	(18)	(14)	9
	$ (91)	$(82)	$ (75)

Note 2 (In Part): Income Taxes

Income tax benefits (expense) allocated to accumulated translation adjustments in shareholders' equity were $(1) in 1989, $(1) in 1988, and $30 in 1987. At December 31, 1989, net capital loss carryforwards of $54, which expire in 1992, are available to reduce future United States income taxes. These loss carryforwards are the result of cumulative net losses on foreign exchange contracts designated to hedge NCR's investments in major international organizations. Any tax benefit resulting from the subsequent utilization of these carryforwards will be reflected in the equity translation adjustment account and this will have no effect on net income.

PFIZER INC

Consolidated Statement of Shareholders' Equity

(millions)	Common Stock Shares	Common Stock Par Value	Capital Paid-In, in Excess of Par Value	Retained Earnings	Currency Translation Adjustment	Treasury Stock Shares	Treasury Stock Cost
Balance January 1, 1987	165.1	$16.5	$487.6	$2,933.7	$ (18.8)	(.1)	$ (3.8)
Net income				690.2			
Cash dividends declared				(296.8)			
Debenture conversions	.2	—	7.7				
Currency translation adjustment					144.2		
Employee benefit transactions			(35.1)			1.2	78.1
Repurchase of common stock						(2.0)	(125.8)
Dividend reinvestment plan			(.1)			.1	4.8
Balance December 31, 1987	165.3	16.5	460.1	3,327.1	125.4	(.8)	(46.7)
Net income				791.3			
Cash dividends declared				(421.0)			
Debenture conversions	.1	—	(.1)			.1	6.1
Currency translation adjustment					20.2		
Employee benefit transactions			(14.5)			.4	20.9
Pension contribution			(1.5)			.3	18.7
Repurchase of common stock						(.1)	(7.1)
Dividend reinvestment plan						.1	5.7
Balance December 31, 1988	165.4	16.5	444.0	3,697.4	145.6	—	(2.4)
Net income				681.1			
Cash dividends declared				(273.1)			
Debenture conversions			(48.4)			1.3	84.7
Currency translation adjustment					(98.4)		
Employee benefit transactions			(20.1)			.9	58.7
Repurchase of common stock						(2.2)	(144.3)
Shares purchased from ESOP						(.1)	(8.3)
Shares purchased from Savings and Investment Plan						—	(2.1)
Dividend reinvestment plan						—	4.9
Balance December 31, 1989	165.4	$16.5	$375.5	$4,105.4	$ 47.2	(.1)	$ (8.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

The assets and liabilities for most of the Company's international subsidiaries are translated into U.S. dollars using current exchange rates. Income statement items are generally translated at average exchange rates prevailing during the period. The resulting translation adjustments are recorded in the Currency translation adjustment account in shareholders' equity. Exchange gains and losses on hedges of foreign net investments and on intercompany balances of a long-term investment nature are also recorded in the Currency translation adjustment account. Other foreign currency transaction gains and losses are included in net income.

International subsidiaries and branches operating in highly inflationary economies translate nonmonetary assets at historical rates, while net monetary assets are translated at current rates, with the resulting translation adjustments included in net income.

Consolidated International Subsidiaries

Subsidiaries operating outside the United States generally are included in the consolidated financial statements on a fiscal year basis ending November 30. At December 31, 1989, 1988 and 1987, the retained earnings of such subsidiaries approximated $2,393, $2,177 and $1,976 million, respectively. Substantially all of the international subsidiaries' unremitted earnings are free from legal or contractual restrictions. Additional information is shown on page 39.

Net exchange gains/(losses), included in Other deductions in the Consolidated Statement of Income, were $(5.6), $13.7 and less than $.1 million in 1989, 1988 and 1987, respectively.

Changes in the Currency translation adjustment included in the shareholders' equity section of the Consolidated Balance Sheet are as follows:

(millions of dollars)	1989	1988	1987
Currency translation adjustment January 1	$145.6	$125.4	$ (18.8)
Translation adjustments and hedges	(92.1)	30.4	129.6
Income taxes allocated to translation adjustments and hedges	(6.3)	(10.2)	14.6
Currency translation adjustment December 31	$ 47.2	$145.6	$ 125.4

THE QUAKER OATS COMPANY

Consolidated Statements of Common Shareholders' Equity

(Dollars in Millions)	Common Stock	Additional Paid-in Capital	Reinvested Earnings	Common Stock In Treasury	Cumulative Exchange Adjustment	Deferred Compensation
Balance at June 30, 1986	$210.0	$ .6	$ 848.3	$(139.3)	$(67.9)	$ (20.0)
Net income			243.9			
Cash dividends declared on common stock			(63.2)			
Common stock issued for option, stock purchase and profit-sharing plans		6.6		19.8		
Two-for-one stock split-up	210.0	(3.6)	(206.4)			
Shares sold to benefit plans of acquired companies		9.8		13.2		
Current year foreign currency adjustments (net of allocated income taxes of $8.2)					24.9	
Deferred compensation						1.1
Other		(.3)				
Balance at June 30, 1987	$420.0	$13.1	$ 822.6	$(106.3)	$(43.0)	$ (18.9)
Net income			255.7			
Cash dividends declared on common stock			(79.9)			
Common stock issued for option, stock purchase and profit-sharing plans		6.4		27.0		
Repurchases of common stock				(53.6)		
Current year foreign currency adjustments (net of allocated income taxes of $2.2)					6.5	
Deferred compensation						1.5
Balance at June 30, 1988	$420.0	$19.5	$ 998.4	$(132.9)	$(36.5)	$ (17.4)
Net income			203.0			
Cash dividends declared on common stock			(95.2)			
Common stock issued for option, stock purchase and profit-sharing plans		1.4		16.7		
Repurchases of common stock				(68.6)		
Current year foreign currency adjustments (net of allocated income taxes of $1.2)					(20.1)	
Deferred compensation						(148.4)
Balance at June 30, 1989	$420.0	$18.1	$1,106.2	$(184.8)	$(56.6)	$(165.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Foreign Currency Translation. Assets and liabilities of the Company's foreign affiliates, other than those located in highly inflationary countries, are translated at current exchange rates, while income and expenses are translated at average rates for the period. For entities in highly inflationary countries, a combination of current and historical rates is used to determine currency gains and losses resulting from financial statement translation and those resulting from transactions. Translation gains and losses are reported as a component of shareholders' equity, except for those associated with highly inflationary countries which are reported directly in the Statements of Income.

Note 17. Other (Income) Expense

Dollars in Millions	1989	1988	1987
Net foreign exchange losses	$ 15.0	$17.3	$16.0
Amortization of intangibles	18.5	15.2	13.0
Losses (gains) from plant closings and operations sold or to be sold	119.4	26.3	22.1
Investment income	(.1)	(5.6)	(3.2)
Miscellaneous—net	(5.7)	3.1	2.4
Net other expense	$147.1	$56.3	$50.3

UNITED TECHNOLOGIES CORPORATION

Consolidated Statement of Changes in Shareowners' Equity

Three Years Ended December 31, 1989	In Millions of Dollars				
	$4.50 Preferred Stock	Common Stock	Deferred Translation Adjustments	Treasury Stock	Retained Earnings
Balance December 31, 1986	$1.6	$1,684.7	$(164.5)	$ —	$2,281.3
Issued under employee incentive plans, and related tax benefit (1,148,953 shares of Common Stock, net of 317,546 shares purchased and reissued)		41.6			(3.4)
Redemption and purchase of 1,159 shares of Preferred Stock	(.1)				
Purchase of 1,184,200 shares of Common Stock		(15.5)			(26.3)
Deferred foreign currency translation adjustments:					
Translation and hedging adjustments, net of income tax benefits of $69.0 million			74.4		
Sale of foreign investments			10.5		
Net income					591.7
Dividends on—Common Stock ($1.40 per share)					(183.4)
Balance December 31, 1987	$1.5	$1,710.8	$ (79.6)	$ —	$2,659.9
Issued under employee incentive plans, and related tax benefit (351,116 shares of Common Stock, net of 87,565 shares purchased and reissued)		9.7			(.5)
Redemption and purchase of 5,719 shares of Preferred Stock	(.6)				
Deferred foreign currency translation adjustments:					
Translation and hedging adjustments, net of income tax benefits of $18.7 million			61.7		
Sale of foreign investments			3.9		
Net income					659.1
Dividends on—Common Stock ($1.55 per share)					(202.5)
Balance December 31, 1988	$ .9	$1,720.5	$ (14.0)	$ —	$3,116.0
Issued under employee incentive plans, and related tax benefit (1,329,300 shares of Common Stock, net of 284,921 shares purchased and reissued)		52.2			(1.2)
Redemption and purchase of 17 shares of Preferred Stock	—				
Purchase of 11,002,100 shares of Common Stock				(593.7)	
Deferred foreign currency translation adjustments:					
Translation and hedging adjustments, net of income tax benefits of $2.9 million			23.3		
Sale of foreign investments			1.3		
Net income					702.1
Dividends on—Common Stock ($1.60 per share)					(205.7)
—ESOP Preferred Stock ($4,80 per share), net of income tax benefits of $9.5 million					(14.8)
Balance December 31, 1989	$ .9	$1,772.7	$ (36.0)	$(593.7)	$3,596.4

NOTES TO FINANCIAL STATEMENTS

Note 4. International Operations:

A substantial portion of the Corporation's revenues and assets relate to international operations. The Corporation has significant manufacturing facilities in Canada, Italy, France, Japan, Spain, the United Kingdom and Germany and operations of lesser size in a number of other countries. At December 31, 1989, the investment (identifiable assets) in any single country other than the United States did not exceed 5% of the Corporation's total identifiable assets, except for investments in Canada which amounted to 7% of total identifiable assets.

Amounts included in the accompanying consolidated financial statements associated with operations outside the United States consist of the following:

In Millions of Dollars	1989	1988	1987
Sales	$6,064.6	$5,278.6	$4,712.7
Net income	$ 321.6	$ 299.6	$ 251.9
Assets	$4,178.4	$3,776.1	$3,912.5
Liabilities	$2,271.2	$2,230.7	$2,191.6
Minority interests	$ 273.5	$ 233.6	$ 216.7

The financial position and results of operations of substantially all of the Corporation's significant foreign subsidiaries are measured using local currency as the functional currency. The aggregate effects of translating the financial statements of these subsidiaries are deferred as a separate component of Shareowners' Equity.

The economies of Brazil and Mexico have been determined to be highly inflationary; accordingly, translation gains and losses are taken into income currently.

Earnings were credited or charged with foreign exchange gains (losses), including translation gains and losses of operations in highly inflationary economies, of $(20.3) million, $7.9 million and $0.8 million in 1989, 1988 and 1987, respectively.

TECUMSEH PRODUCTS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

FOREIGN CURRENCY TRANSLATION—The assets and liabilities of the Company's Canadian and European subsidiaries and affiliates are translated into U.S. dollars at current exchange rates and revenue and expense items are translated at average rates of exchange prevailing during the year. Resulting translation adjustments are accumulated in a separate component of stockholders' equity.

For the Company's Brazilian subsidiary, which operates in a highly inflationary economy, inventory and plant and equipment and related income statement items, are translated at historical exchange rates while other assets and liabilities are translated at current exchange rates. The resulting translation adjustment is included in net income.

Note 2. Foreign Currency Translation

The cumulative translation adjustments which represent the effect of translating assets and liabilities of the Company's Canadian and European subsidiaries were as follows:

(Dollars in millions)	1989	1988
Balance at January 1	$ 9.0	$13.9
Effect of balance sheet translations:		
Amount	9.0	(5.0)
Tax effect	(3.0)	.1
Balance at December 31	$15.0	$ 9.0

Translation losses relating to the Company's Brazilian subsidiary of $5.7 million, $3.5 million and $2.5 million are reflected in net income for 1989, 1988 and 1987, respectively. These translation losses include net interest income associated with exposure management activities in Brazil.

Section 5: Statement of Cash Flows

TABLE 5-1: PRESENTATION IN ANNUAL REPORT

	1989	1988	1987	1986
Final statement	338	352	356	360
Follows income statement and balance sheet	218	201	198	190
Between income statement and balance sheet	43	45	44	47
First statement	1	2	2	1
Other	—	—	—	2
Total Companies	**600**	**600**	**600**	**600**

TABLE 5-2: TITLE

	1989	1988	1987	1986
Cash Flows	590	528	103	16
Cash Flow	10	12	7	4
Funds Flow	—	—	7	6
Changes in Financial Position	—	58	477	565
Other	—	2	6	9
Total Companies	**600**	**600**	**600**	**600**

Effective for fiscal years ending after July 15, 1988, *Statement of Financial Accounting Standards No. 95,* Section C25 of *FASB Accounting Standards—Current Text,* requires enterprises to present a Statement of Cash Flows which classifies cash receipts and payments by operating, investing, and financing activities. *SFAS No. 95* supersedes *APB Opinion No. 19* which required a statement summarizing changes in financial position. In 1989, all of the survey companies presented a Statement of Cash Flows.

SFAS No. 95 "encourages" enterprises to use the direct method of reporting cash flows from operating activities. 17 survey companies used the direct method.

This section reviews the format and content of the Statement of Cash Flows. The Statements appearing as examples have been edited to show, if not already so shown in the annual report, all dollar amounts in thousands or millions.

PRESENTATION IN ANNUAL REPORT

Table 5-1 shows, for 1989 and 1988, the placement of the Statement of Cash Flows and, for 1987 and 1986, the placement of the Statement of Changes in Financial Position in relation to other financial statements. As shown in Table 5-1, such statements are usually presented in an annual report as the last financial statement or after the income statement and balance sheet but before the statement of changes in stockholders' equity.

TITLE

Table 5-2 shows the titles used to identify a Statement of Cash Flows or a Statement of Changes in Financial Position. As indicated in Table 5-2, most of the survey companies used the title set forth in *SFAS No. 95* or recommended in paragraph 8 of *APB Opinion No. 19.*

CASH FLOWS FROM OPERATING ACTIVITIES

Paragraphs 21-24 of *SFAS No. 95* define those transactions and events which constitute operating cash receipts and payments. *SFAS No. 95* recommends that the direct method, as defined in paragraph 27, be used to report net cash flow from operating activities. In both 1989 and 1988, most of the survey companies used the indirect method (reconciling net income to net cash flow from operating activities) to report net cash flow from operating activities. Regardless of whether the direct or indirect method is used, paragraph 29 of *SFAS No. 95* requires that a reconciliation of net income to net cash flow from operating activities be presented and that interest and income tax payments be disclosed.

Table 5-3 shows the methods used to report cash flows from operating activities. Companies using the direct method usually present the reconcilement of net income to net cash flow from operating activities as a schedule at the bottom of the Statement of Cash Flows or on the page adjacent to the Statement. Companies using the indirect method usually present the reconcilement within the Statement of Cash Flows.

Table 5-4 shows where in the financial statements interest and income tax payments are disclosed. Those survey companies disclosing the amount of interest payments in the notes to financial statements did so usually in a note discussing debt or in a note discussing details about the Statement of Cash Flows. Those survey companies disclosing the amount of income tax payments in the notes to financial statements did so usually in a note discussing income taxes or in a note discussing details about the Statement of Cash Flows.

Examples of reporting cash flows from operating activities follow.

TABLE 5-3: METHOD OF REPORTING CASH FLOWS FROM OPERATING ACTIVITIES

	1989	1988
Indirect method	583	526
Direct method	17	16
Total Companies Presenting Statement of Cash Flows	**600**	**542**

TABLE 5-4: INTEREST AND INCOME TAX PAYMENTS

	1989	1988
Interest Payments		
Notes to financial statements	350	300
Bottom of Statement of Cash Flows	211	161
Within Statement of Cash Flows	19	24
Amount not disclosed	20	57
Total Companies	**600**	**542**
Income Tax Payments		
Notes to financial statements	351	315
Bottom of Statement of Cash Flows	212	164
Within Statement of Cash Flows	21	24
Amount not disclosed	16	39
Total Companies	**600**	**542**

Direct Method

ARDEN GROUP, INC. (DEC)

Statements of Cash Flows

	(In Thousands) 1989	1988	1987
Cash flows from operating activities:			
Cash received from customers	$350,180	$343,215	$353,114
Cash paid to suppliers and employees	(329,864)	(306,020)	(334,962)
Interest received	4,077	3,676	3,978
Interest paid	(4,531)	(5,453)	(2,946)
Income taxes paid	(8,846)	(9,569)	(5,765)
Cash received from lawsuit settlement		88	
Cash contributions to charities	(71)	(77)	(93)
Net cash provided by operating activities	10,945	25,860	13,326
Cash flows from investing activities:			
Proceeds from the sale of property, plant and equipment, liquor licenses and leasehold interests	4,860	31,614	22,728
Payments received on notes from the sale of property, plant and equipment and liquor licenses	160	143	131
Capital expenditures	(13,705)	(42,180)	(36,407)
Loan made to Arden Group, Inc. Stock Bonus Plan	560	(560)	
Net cash used in investing activities	(8,125)	(10,983)	(13,548)
Cash flows from financing activities:			
Principal payments under capital lease obligations	(2,201)	(2,578)	(3,361)
Proceeds from issuance of long-term debt			3,188
Principal payments on long-term debt	(7)	(104)	(119)
Repurchase of 7% subordinated income debentures	(33)	(23)	(2)
Repurchase of 8¼% debentures	(7,350)	(23)	
Repurchase of Class A Common stock			(3,464)
Repurchase of Serial Preferred stock		(76)	
Payments made related to exchange offer			(1,176)
Dividends paid	(296)	(307)	(657)
Net cash used in financing activities	(9,887)	(3,111)	(5,591)
Net increase (decrease) in cash	(7,067)	11,766	(5,813)
Cash at beginning of year	16,936	5,170	10,983
Cash at end of year	$ 9,869	$ 16,936	$ 5,170

	1989	1988	1987
Reconciliation of net income to net cash provided by operating activities:			
Net income	$ 11,836	$ 10,205	$ 7,375
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary items from nonoperating activities	(16)	(12)	424
Depreciation and amortization	11,517	13,964	15,504
Provision for losses on accounts and notes receivable	1,480	2,384	797
Net gain from the sale of property, plant and equipment, liquor licenses and early lease terminations	(4,007)	(741)	(786)
Interest differential on note payable	17	15	13
Change in assets and liabilities net of effects from noncash investing and financing activities:			
(Increase) decrease in assets:			
Notes and accounts receivable	5,831	(6,891)	(6,933)
Inventories	(14,439)	12,171	(12,901)
Prepaid expenses	80	288	518
Net investment in direct financing and sales type leases	1,303	518	479
Other assets	(557)	(1,257)	497
Note receivable from officer/director	(9)	67	(10)
Increase (decrease) in liabilities:			
Accounts payable and other current liabilities	2,606	(1,126)	2,438
Deferred income	(3,756)	(1,307)	4,177
Deferred income taxes	(250)	(2,372)	540
Other liabilities	(691)	(46)	1,194
Net cash provided by operating activities	$10,945	$25,860	$13,326

THE FOXBORO COMPANY (DEC)

Consolidated Statements of Cash Flows

(Dollars in thousands)	1989	1988	1987
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 585,938	$ 497,823	$ 528,179
Cash paid to suppliers and employees	(558,289)	(524,257)	(507,411)
Interest paid	(15,173)	(8,633)	(5,462)
Income taxes paid	(7,339)	(3,592)	(9,979)
Interest received	3,481	2,722	3,130
Miscellaneous cash received	6,436	1,871	1,269
Net cash provided (used) by operating activities	15,054	(34,066)	9,726
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	12,728	4,262	5,557
Payments for purchase of property, plant and equipment	(21,992)	(20,413)	(31,817)
Net cash used by investing activities	(9,264)	(16,151)	(26,260)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (payment of) bank loans	(71,269)	37,452	23,591
Long-term borrowing	80,000	—	—
Repayment of long-term debt	(100)	(100)	(250)
Loan to LESOP	(6,550)	—	—
Payment of dividends	(4,925)	(1,231)	—
Proceeds from (payment for) common stock transactions	(92)	13	19
Net cash provided (used) by financing activities	(2,936)	36,134	23,360
Effect of exchange rate changes on cash	94	46	(1,284)
Increase (decrease) in cash and short-term investments	2,948	(14,037)	5,542
Cash and short-term investments—beginning of year	783	14,820	9,278
Cash and short-term investments—end of year	$ 3,731	$ 783	$ 14,820
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net income (loss)	$ (4,565)	$ 9,808	$ (96,934)
Depreciation expense	22,042	21,716	21,519
Gain on sale of property, plant and equipment	(6,842)	(940)	(998)
Currency exchange losses	2,871	2,316	2,240
Changes in:			
Deferred pension costs	(1,487)	(1,195)	13,010
Accounts and notes receivable and advances on sales contracts	(11,842)	(42,058)	23,754
Inventories	28,227	(25,446)	29,868
Accounts payable and accrued expenses	(12,602)	1,562	19,344
Other adjustments, net	(748)	171	(2,077)
Net cash provided (used) by operating activities	$ 15,054	$ (34,066)	$ 9,726

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Short-term investments are stated at cost which approximates market value and are considered to be cash equivalents because of their highly liquid nature.

UNITED STATES SURGICAL CORPORATION (DEC)

Consolidated Statements of Cash Flows

In thousands	1989	1988	1987
Cash flows from operating activities:			
Cash received from customers	$327,199	$284,026	$238,204
Cash paid to vendors, suppliers and employees	(274,131)	(227,168)	(183,100)
Interest paid (net of capitalized interest)	(7,289)	(7,254)	(7,904)
Income taxes paid	(6,840)	(6,186)	(6,945)
Proceeds from legal settlement (Note B)	10,000		
Net cash provided by operating activities	48,939	43,418	40,255

Cash flows from investing activities:			
Additions to property, plant, and equipment	(40,442)	(33,965)	(26,652)
Acquisition of subsidiaries	(6,195)		(1,479)
Deferred start-up costs	(6,177)		
Loan receivable	(2,011)		
Settlement/(Purchase) of license and loan		3,529	(3,000)
Other assets	(4,110)	1,366	(2,015)
Net cash used in investing activities	(58,935)	(29,070)	(33,146)
Cash flows from financing activities:			
Borrowings under credit agreements	401,500	402,500	445,300
Repayments under credit agreements	(394,000)	(402,500)	(429,100)
Common stock issued	12,054	4,253	6,702
Acquisition of common stock for treasury	(57)	(12,018)	(24,919)
Dividends paid	(8,049)	(6,957)	(5,488)
Net cash provided/(used) by financing activities	11,448	(14,722)	(7,505)
Effect of exchange rate changes	(1,315)	424	840
Net increase in cash	137	50	444
Cash, beginning of year	1,772	1,722	1,278
Cash, end of year	$ 1,909	$ 1,772	$ 1,722
Reconciliation of net income to net cash provided by operating activities:			
Net income	$ 30,608	$ 23,203	$ 20,126
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,120	24,023	23,044
Amortization and adjustment of restricted stock awards	1,620	2,013	2,168
Adjustment of property, plant, and equipment allowances	2,101	3,434	3,557
Receivables—(increase)	(16,931)	(6,585)	(13,712)
Inventories—(increase)	(14,956)	(9,326)	(6,911)
Adjustment of inventory allowances	4,181	3,544	3,893
Accounts payable and accrued expenses—increase	11,823	7,997	6,738
Income taxes—increase/(decrease)	3,556	1,527	(361)
Settlement of foreign currency contracts—loss/(gain)	194	(2,913)	
Write down of certain assets (Note B)	4,500		
Other adjustments—net	(1,877)	(3,499)	1,713
Total adjustments	18,331	20,215	20,129
Net cash provided by operating activities	$ 48,939	$ 43,418	$ 40,255

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B. Special Items

During the second quarter of 1989 the Company settled a patent infringement claim resulting in the receipt of $10,000,000 which has been reported as a special item less applicable legal expenses. In addition, the carrying value of certain assets has been reduced by taking a charge of approximately $4,500,000 as a result of the decision to get out of the dental field. The Company has offered the marketing and distribution rights of its HTR® polymer dental product to a third party. The Company will retain all rights for use of the product in orthopedics and other areas of surgery. Without the inclusion of these special items, net income and net income per share would have been $28,306,000 and $2.41, respectively.

Note C. Consolidated Statements of Cash Flows

The Consolidated Statements of Cash Flows classify changes in cash and cash equivalents according to operating, investing or financing activities. The Company does not consider any of its assets to meet the definition of cash equivalents.

Following is supplementary information relating to the consolidated statements of cash flows:

	Year Ended December 31,		
In thousands	1989	1988	1987
Common stock issued:			
Exercise of stock options	$10,837	$2,870	$5,962
Payments on installment receivables from exercise of stock options	2,345	1,011	1,959
Restricted stock awards		119	5,573
Deferred compensation arising from restricted stock awards		(119)	(5,573)
Stock purchases through Employee Stock Purchase Plan	1,566	1,014	742
Tax benefit of stock transactions with employees	(2,694)	(642)	(1,961)
Cash flow from common stock issued	$12,054	$4,253	$6,702

Interest And Income Tax Payments

THE BARDEN CORPORATION (OCT)

Consolidated Statement of Cash Flows

	1989	1988	1987
		($000)	
Cash flows from operating activities:			
Net earnings	$5,593	$4,079	$3,635
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	5,076	4,812	4,538
Deferred income taxes	244	57	344
Gain on sale of equipment	(258)	(55)	(29)
Changes in assets and liabilities:			
Accounts receivable	(2,651)	(2,312)	24
Inventories	(3,303)	487	(69)
Accounts payable and accrued expenses	779	1,190	(296)
U.S. and foreign income taxes	(341)	8	(290)
Other, net	(178)	652	(16)
Net cash provided by operating activities	4,959	8,919	7,841
Cash flows from (used for) investing activities:			
Additions to properties, plants and equipment	(7,673)	(7,467)	(5,154)
Proceeds from sale of equipment	293	474	125
Net cash used for investing activities	(7,379)	(6,993)	(5,029)
Cash flows from (used for) financing activities:			
Proceeds from short-term borrowings	2,391		
Principal payments of long-term debt	(555)	(555)	(555)
Proceeds from exercise of stock options	93		
Dividends paid	(1,846)	(1,600)	(1,600)
Net cash from (used for) financing activities	82	(2,155)	(2,155)
Effect of exchange rate changes on cash	(47)	3	206
Net changes in cash and cash equivalents	(2,385)	(225)	862
Cash and cash equivalents at beginning of year	3,583	3,808	2,946
Cash and cash equivalents at end of year	$1,198	$3,583	$3,808
Supplementary cash flow disclosure:			
Interest paid	$ 342	$ 127	$ 129
Income taxes paid	4,496	3,276	2,074

NOTES TO FINANCIAL STATEMENTS

Note A (In Part):

The Company's significant accounting policies are summarized as follows:

Statement of Cash Flows:

For purposes of the Consolidated Statement of Cash Flows, the Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

CUMMINS ENGINE COMPANY, INC. (DEC)

Consolidated Statement of Cash Flows

$ Thousands	1989	1988	1987
Cash flows from operating activities:			
Net earnings (loss)	$ (6,110)	$ (63,410)	$ 13,879
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	135,006	131,845	119,379
Minority interest in earnings	4,535	2,903	4,890
Unusual charges	—	49,020	—
Deferred income taxes	(1,344)	(4,720)	(9,187)
Accounts receivable	(24,235)	(38,188)	20,123
Inventories	26,141	(61,891)	(40,650)
Accounts payable and accrued expenses	45,366	55,363	23,612
Accreted portion of zero coupon notes	13,031	6,083	—
Income taxes payable	5,517	5,337	(4,275)
Other assets and liabilities	10,912	(5,962)	42,572
Total adjustments	214,929	139,790	156,464
Net cash provided by operating activities	208,819	76,380	170,343
Cash flows from investing activities:			
Property, plant and equipment:			
Additions	(137,935)	(150,806)	(133,088)
Disposals	11,489	14,541	3,984
Disposition of marketable securities	1,521	9,933	88,880
Net cash proceeds from the disposition of certain business activities	55,958	—	—
Investments in and advances to unconsolidated companies	(59,105)	(19,630)	(46,740)
Net cash used for investing activities	(128,072)	(145,962)	(86,964)

Cash flows from financing activities:			
Proceeds from borrowings	58,817	201,812	106,555
Payments on borrowings	(99,965)	(115,502)	(144,596)
Net borrowings under credit agreements	11,506	7,521	(5,953)
Payment of dividends to minority shareholders	(1,654)	—	(8,813)
Net proceeds from employee stock plans	155	219	1,911
Common, preferred and preference stock dividend payments	(31,958)	(31,492)	(32,150)
Net cash (used for) provided by financing activities	(63,099)	62,558	(83,046)
Effect of foreign exchange rate changes on cash	(2,176)	(535)	3,189
Net change in cash and cash equivalents	15,472	(7,559)	3,522
Cash and cash equivalents at the beginning of the year	57,739	65,298	61,776
Cash and cash equivalents at the end of the year	$ 73,211	$ 57,739	$ 65,298

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies:

Cash Equivalents: Cash equivalents are highly liquid investments which are readily convertible to known amounts of cash and have original maturities of three months or less.

Note 2: Cash Flow Information:

Payments for interest and income taxes in 1989, 1988 and 1987 were:

$ Millions	1989	1988	1987
Interest	$53.3	$52.1	$52.5
Income taxes	6.5	9.1	3.3

With respect to noncash financing activities, in July 1989, the Board of Directors of the company approved the establishment of an Employee Stock Ownership Plan (ESOP) and the sale of 1,181,103 shares of the company's common stock to the ESOP in exchange for a promissory note for $75 million. Also, in July 1989, the company issued $67.3 million of Convertible Exchangeable Junior Subordinated Notes Due 1994, which subsequently were exchanged for redeemable convertible preferred stock, and 37,426 shares of convertible preferred stock in exchange for 1,623,269 shares of Cummins common stock.

GANNETT CO., INC. (DEC)

Consolidated Statements of Cash Flows

In thousands of dollars	1989	1988	1987
Cash flows from operating activities:			
Net income	$397,509	$364,460	$319,395
Adjustments to reconcile net income to operating cash flows:			
Depreciation	149,893	136,861	124,485
Amortization of intangibles	40,168	40,312	36,595
Deferred income taxes	21,547	16,180	22,891
Gain on sale of assets	(49,553)	(45,954)	(10,528)
Other, net	63,623	51,515	25,887
Changes in assets and liabilities, net of effect of acquisitions:			
Increase in receivables	(22,333)	(8,883)	(40,459)
Decrease (increase) in inventories	23,155	(19,418)	(7,318)
Decrease (increase) in film broadcast rights, net of liabilities	9,412	(29,034)	1,790
Increase (decrease) in accounts payable	(28,173)	15,732	40,365
Decrease in interest and taxes payable	(371)	(439)	(11,378)
Decrease (increase) in other assets and liabilities	(1,486)	552	(46,292)
Net cash provided by operating activities	603,391	521,884	455,433
Cash flows from investing activities:			
Purchase of property, plant and equipment	(194,244)	(193,143)	(240,551)
Payments for acquisitions, net of cash acquired	(22,472)	(198,363)	(223)
Partnership and other investments	(30,554)	(96,389)	(35,157)
Proceeds from sale of assets	39,468	136,711	34,686
Collection of long-term receivables	434	1,959	1,942
Net cash used for investing activities	(207,368)	(349,225)	(239,303)
Cash flows from financing activities:			
Proceeds from long-term debt	220,222	228,119	30,493
Payments of long-term debt	(432,505)	(190,136)	(134,409)
Dividends paid	(174,129)	(161,799)	(148,738)
Common stock transactions, net	(3,058)	(27,145)	5,198
Net cash used for financing activities	(389,470)	(150,961)	(247,456)
Effect of currency exchange rate change	365	80	302
Net increase (decrease) in cash and cash equivalents	6,918	21,778	(31,024)
Cash and cash equivalents at beginning of year	48,677	26,899	57,923
Cash and cash equivalents at end of year	$ 55,595	$ 48,677	$ 26,899

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Statement of Cash Flows

For purposes of this statement, the Company considers its marketable securities, which are readily convertible into cash and consist of short-term investments in government securities, commercial paper and money market funds, as cash equivalents.

Cash paid in 1989, 1988 and 1987 for income taxes and for interest (net of amounts capitalized), was as follows:

In thousands of dollars			
Fiscal year	1989	1988	1987
Income taxes	$223,685	$222,737	$266,175
Interest	$ 98,179	$ 93,100	$ 88,995

In 1989, the company acquired 800,000 shares of its common stock in connection with the sale of its newspaper in Santa Fe, N.M. Refer to Note 2 for further information concerning this transaction. Also in 1989, the Company issued 527,766 shares of its common stock in settlement of previously granted stock incentive rights. The compensation liability recorded for these awards in the amount of $22.2 million was transferred to shareholders' equity at the time the shares were issued. Liabilities recorded in connection with business acquisitions in 1988 totaled $13.5 million.

H.B. FULLER COMPANY (NOV)

Consolidated Statements of Cash Flows

(In thousands)	1989	1988	1987
Cash flows from operating activities:			
Net earnings	$15,671	21,081	25,812
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	23,945	18,822	15,109
Pension costs	2,257	2,028	2,112
Deferred income tax	1,352	163	2,460
Other items	2,354	1,993	2,384
Change in current assets and liabilities:			
(Increase) in accounts receivable	(1,585)	(11,759)	(3,384)
(Increase) in inventory	(3,282)	(7,932)	(9,686)
(Increase) in other current assets	(1,176)	(934)	(398)
Increase in accounts payable	621	8,341	3,292
Increase in accrued expense	335	3,550	4,950
Increase (decrease) in income taxes payable	837	(1,843)	(1,046)
Net cash provided by operating activities	41,329	33,510	41,605
Cash flows from investing activities:			
Purchased property, plant and equipment	(40,925)	(40,187)	(29,617)
Investment in affiliated companies	431	(570)	335
Purchased businesses, net of cash acquired	(1,837)	(59,333)	(1,111)
Net cash used in investing activities	(42,331)	(100,090)	(30,393)
Cash flows from financing activities:			
Increase in long-term debt	53,360	71,034	3,930
Current installments and payments of long-term debt	(50,546)	(6,628)	(9,722)
Increase in notes payable	1,084	2,951	295
Proceeds from sale of stock under stock option plans	207	246	1,488
Repurchase common stock	(3,020)	—	—
Dividends paid	(5,469)	(4,986)	(3,834)
Other	(2,182)	699	747
Net cash provided by financing activities	(6,566)	63,316	(7,096)
Effect of exchange rate changes	19	1,268	1,656
Net change in cash and cash equivalents	(7,549)	(1,996)	5,772
Cash and cash equivalents at beginning of year	17,953	19,949	14,177
Cash and cash equivalents at end of year	$10,404	17,953	19,949
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest expense (net of amount capitalized)	$11,466	8,411	5,218
Income taxes	9,614	14,628	15,473

For purposes of this statement, the Company considers all highly liquid debt instruments purchases with a maturity of three months or less to be cash equivalents.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Statement of Consolidated Cash Flows

	1989	1988	1987
		(In millions)	
Operating Activities			
Net income	$ 734.9	$ 811.9	$ 635.1
Adjustments to net income to arrive at cash (used) provided by operations:			
Depreciation	496.5	495.3	492.7
Amortization of intangible assets	118.1	106.5	107.8
Deferred income taxes	(53.8)	(1,353.4)	387.8
Gain on sales of businesses	(164.3)	(16.7)	(5.6)
Net pension income	(94.0)	(131.3)	(160.3)
Changes in assets and liabilities:			
Receivables	79.3	(247.2)	(276.4)
Inventories	(71.8)	(94.0)	(78.6)
Accounts payable—trade	55.0	(76.4)	124.8
Advance payments from customers	(30.1)	90.4	158.4
Income taxes	(1,036.7)	1,079.3	(95.0)
Other assets and liabilities	(88.1)	34.8	76.0
Cash (used) provided by operations	(55.0)	699.2	1,366.7
Investing Activities			
Property additions	(608.6)	(554.8)	(474.1)
Acquisition of businesses, net of cash balances	(190.0)	(55.5)	(205.1)
Proceeds from the disposition of:			
Businesses, net of cash balances	443.7	92.4	26.9
Property	45.7	52.4	31.3
Cash used for investing activities	(309.2)	(465.5)	(621.0)
Financing Activities			
Purchase of treasury stock	(278.0)	(296.5)	(344.4)
Dividends	(192.2)	(188.6)	(181.2)
(Decrease) increase in short-term debt	(27.5)	68.0	10.4
Reduction in long-term debt	(17.8)	(26.0)	(105.0)
Long-term borrowings	301.2	2.0	207.2
Issuance of common stock	10.8	3.8	13.6
Cash used for financing activities	(203.5)	(437.3)	(399.4)
(Decrease) increase in cash	(567.7)	(203.6)	346.3
Cash at beginning of year	900.1	1,103.7	757.4
Cash at end of year	$ 332.4	$ 900.1	$1,103.7

Cash includes readily convertible time deposits and certificates of deposit of $263.7 million and $783.7 million at September 30, 1989 and 1988, respectively.

Income tax payments were (in millions) $1,493.5 in 1989, $508 in 1988 and $270.7 in 1987. Interest payments related to borrowings and income taxes were (in millions) $184.9 in 1989, $112.5 in 1988 and $217.3 in 1987.

TULTEX CORPORATION (DEC)

Statement of Cash Flows

(In thousands of dollars)	1989	1988	1987
Operating Activities:			
Net income	$ 5,034	$21,235	$28,805
Adjustment for change in fiscal year	754	—	—
Items not requiring (providing) cash:			
Depreciation	13,972	12,080	9,757
Deferred income taxes	(661)	995	1,792
Amortization of excess of fair value of assets acquired over cost	(865)	(865)	(865)
Other deferrals	1,000	498	524
Changes in assets and liabilities:			
Accounts receivable	(9,687)	(6,278)	(9,453)
Inventories	(6,573)	(3,253)	(20,952)
Prepaid expenses	(452)	(115)	1,016
Accounts payable and accrued expenses	3,564	(6,767)	3,381
Income taxes payable	(6,095)	1,131	2,211
Cash provided (used) by operating activities	(9)	18,661	16,216
Investing Activities:			
Additions to property, plant and equipment	(58,958)	(34,205)	(23,627)
Additions to other assets	323	(361)	(2,282)
Retirement of property and equipment	130	1,387	2,320
Cash provided (used) by investing activities	(58,505)	(33,179)	(23,589)
Financing Activities:			
Issuance of short-term borrowings	26,250	28,400	6,600
New long-term debt	50,000	—	—
Payments on long-term debt	(5,268)	(4,174)	(5,975)
Cash dividends (Note 10)	(12,457)	(9,952)	(8,107)
Proceeds from exercise of stock options	384	415	802
Other	—	(234)	(131)
Cash provided (used) by financing activities	58,909	14,455	(6,811)
Net increase (decrease) in cash and equivalents	395	(63)	(14,184)
Cash and equivalents at beginning of year	645	708	14,892
Cash and Equivalents at End of Year	$ 1,040	$ 645	$ 708

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Cash: The Company considers cash on hand, deposits in banks, certificates of deposit and short-term marketable securities as cash and equivalents for the purposes of the statement of cash flows.

Note 14—Supplemental Cash Flow Information

Cash paid for interest and income taxes for fiscal years follows:

(In thousands of dollars)	Dec.30, 1989	Dec. 2, 1988	Nov. 27, 1987
Interest (net of amounts capitalized)	$6,025	$5,464	$ 4,172
Income taxes	$9,236	$9,724	$17,127

OLIN CORPORATION (DEC)

Consolidated Statements of Cash Flows

(In millions)	1989	1988	1987
Operating Activities			
Net Income	$124	$ 98	$ 78
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	116	111	114
Amortization of Intangible Assets	6	6	4
(Gain) Loss on Disposition of Businesses	(32)	14	—
Other Noncash Operating Charges	28	—	—
Change in Assets and Liabilities Net of Purchases and Sales of Businesses:			
Receivables	(35)	(18)	(38)
Inventories	(12)	(5)	(6)
Other Current Assets	(18)	1	(3)
Current Liabilities Other Than Borrowings	27	(7)	5
Noncurrent Liabilities	(52)	(37)	27
Deferred Taxes	—	6	25
Net Operating Activities	152	169	206
Investing Activities			
Capital Expenditures	(142)	(147)	(115)
Dispositions of Property, Plant and Equipment	10	26	2
Businesses Acquired in Purchase Transactions	—	(86)	(31)
Proceeds From Sales of Businesses	160	2	19
Other Investments	(35)	(25)	(38)
Other Transactions	(3)	(1)	6
Net Investing Activities	(10)	(231)	(157)
Financing Activities			
Long-Term Debt:			
Borrowings	40	86	137
Repayments	(84)	(28)	(15)
Short-Term Borrowings (Repayments)	(32)	112	(12)
Purchases of Olin Shares	(100)	(84)	(100)
Issuance of Preferred Stock	100	—	—
Loan to ESOP	(40)	—	—
Stock Options Exercised	4	3	3
Dividends Paid	(43)	(36)	(37)
Net Financing Activities	(155)	53	(24)
Net Increase (Decrease) in Cash	(13)	(9)	25
Cash and Cash Equivalents, Beginning of Period	25	34	9
Cash and Cash Equivalents, End of Period	$ 12	$ 25	$ 34

NOTES TO FINANCIAL STATEMENTS

(In millions, except share data)

Cash and Cash Equivalents

	1989	1988
Cash	$10	$14
Cash Equivalents	2	11
	$12	$25

Cash equivalents consist of short-term deposits and highly liquid marketable securities which are stated at cost and approximate market value.

Supplemental Cash Flow Information

Cash payments during the years ended 1989, 1988 and 1987 included interest of $58 million, $50 million and $34 million and income taxes of $37 million, $47 million and $19 million, respectively. Convertible debt of $98 million in 1987 was converted into common shares.

Details of businesses acquired in purchase transactions

	1989	1988	1987
Fair value of assets acquired	$ —	$212	$57
Liabilities assumed or created	—	126	26
Net cash paid for acquisitions	$ —	$ 86	$31

Details of businesses sold

	1989	1988	1987
Fair value of assets sold	$167	$ 3	$21
Liabilities assumed by the purchaser	7	1	2
Net proceeds from sales of businesses	$160	$ 2	$19

Discontinued Operations

HARLEY-DAVIDSON, INC. (DEC)

Consolidated Statements of Cash Flows

	1989	1988	1987
		(In thousands)	
Cash flows from operating activities:			
Net income	$32,942	$23,912	$21,215
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,007	17,958	15,643
Deferred income taxes	821	(1,375)	(2,875)
Long-term employee benefits	2,741	1,037	(439)
Gain on sale of discontinued operation	(5,513)	—	—
Loss on disposal of long-term assets	28	1,451	1,505
Net changes in current assets and current liabilities	10,051	(30,346)	12,205
Total adjustments	28,135	(11,275)	26,039
Net cash provided by operating activities	61,077	12,637	47,254
Cash flows from investing activities:			
Capital expenditures	(24,438)	(23,786)	(17,027)
Less amounts capitalized under financing leases	819	2,877	—
Net capital expenditures	(23,619)	(20,909)	(17,027)
Proceeds on sale of discontinued operation and other assets	19,475	—	—
Other—net	(2,720)	(1,204)	901
Net cash used in investing activities	(6,864)	(22,113)	(16,126)
Cash flows from financing activities:			
Net increase in notes payable	1,748	1,083	5,891
Reductions in debt	(69,245)	(42,652)	(78,478)
Proceeds from issuance of common stock	—	35,179	18,690
Proceeds from additional borrowings	—	—	70,000
Repurchase of warrants	—	—	(3,594)
Deferred financing costs	—	—	(3,265)
Net cash provided by (used in) financing activities	(67,497)	(6,390)	9,244
Net increase (decrease) in cash and cash equivalents	(13,284)	(15,866)	40,372
Cash and cash equivalents:			
At beginning of year	52,360	68,226	27,854
At end of year	$39,076	$52,360	$68,226

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and cash equivalents—

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

3 (In Part): Additional Balance Sheet and Cash Flow Information

Supplemental cash flow information is as follows:

	1989	1988	1987
		(In thousands)	
Changes in current assets and current liabilities:			
Receivables	$ (2,708)	$(12,230)	$ 2,885
Inventories	2,407	(13,115)	(4,560)
Prepaid expenses	(1,016)	(1,473)	2,017
Net current assets of discontinued operation	1,925	(411)	(1,296)
Accounts payable and accrued expenses	9,443	(3,117)	13,159
	$ 10,051	$(30,346)	$12,205

Noncash financing activities

During 1989, the Company issued 72,909 treasury shares of restricted stock in substitution of $1,523,000 of its long-term incentive plan liability.

Cash paid during the period for interest and income taxes is as follows:

Interest	$ 20,686	$ 24,342	$23,349
Income taxes	$ 16,283	$ 27,319	$ 9,911

HONEYWELL INC. (DEC)

Statement of Cash Flows

(Dollars in Millions)	1989	1988	1987
From Operating Activities			
Net income (loss)	$604.1	$(434.9)	$253.7
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Discontinued operations	(53.8)	(46.6)	(46.4)
Depreciation	247.8	258.4	240.8
Amortization of intangibles	47.0	48.5	58.3
Deferred income taxes	(150.2)	(125.3)	14.9
Gain on sale of assets	(340.1)	(33.7)	
Discontinuance of product lines		150.8	
Equity income, net of dividends received	(30.2)	(7.1)	(4.9)
(Gain) loss on disposition of property, plant and equipment	4.4	(4.1)	(12.2)
Increase in receivables	(56.4)	(63.8)	(116.8)
Increase in inventories	(96.1)	(79.7)	(74.4)
Increase (decrease) in accounts payable	42.2	30.3	(28.6)
Increase (decrease) in accrued income taxes and interest	150.5	193.6	(1.9)
Other changes in working capital, excluding short-term investments and short-term debt	102.4	195.3	(11.6)
Other noncurrent items—net	14.4	28.6	61.5
Net cash flows from operating activities	486.0	110.3	332.4
From Investing Activities			
Proceeds from sale of assets	421.1	82.3	
Proceeds from sale of interest in HIS		76.9	527.0
Proceeds from sale of discontinued product lines	61.3	179.4	
Capital expenditures	(268.0)	(292.4)	(285.4)
Proceeds from sale of property, plant and equipment	5.5	10.4	53.1
Discontinued operations	42.0	98.7	55.2
(Increase) decrease in short-term investments	13.6	2.0	(27.8)
Other—net	(8.1)	4.6	(12.0)
Net cash flows from investing activities	267.4	161.9	310.1
From Financing Activities			
Net decrease in short-term debt	(175.6)	(345.3)	(227.5)
Proceeds from issuance of long-term debt		62.3	216.5
Repayment of long-term debt	(102.5)	(124.2)	(47.1)
Purchase of treasury stock	(350.5)	(31.5)	(323.1)
Proceeds from employee stock plans	52.9	52.7	60.6
Dividends paid	(95.7)	(89.1)	(89.3)
Net cash flows from financing activities	(671.4)	(475.1)	(409.9)
Effect of exchange rate changes on cash	(5.6)	(11.0)	26.5
Increase (decrease) in cash and cash equivalents	76.4	(213.9)	259.1
Cash and cash equivalents at beginning of year	154.2	368.1	109.0
Cash and cash equivalents at end of year	$230.6	$ 154.2	$368.1

NOTES TO FINANCIAL STATEMENTS

(Dollars in Millions Except Per Share Amounts)

1 (In Part): Accounting Policies

Cash Equivalents—Cash equivalents are all highly liquid, temporary cash investments purchased with a maturity of three months or less.

2. Discontinued Operations

In July 1989, Honeywell announced a program to enhance shareholder value, including the reduction of the company's dependence on its weapons businesses. On January 16, 1990 the board of directors approved a formal plan of disposition for the U.S. Defense and Marine Systems Business segment (DMSB). Honeywell expects to sell DMSB; however, if sale cannot be consummated under acceptable terms, alternative strategies will be implemented. Disposition is expected to result in a gain and be completed in 1990.

Operating results for DMSB for 1989, 1988 and 1987 are reported in the consolidated income statement under the caption "Income from discontinued operations" and include:

	1989	1988	1987
Sales	$1,138.1	$1,291.3	$1,098.9
Income before income taxes	77.3	68.0	81.8
Income taxes			
Current	35.7	84.2	18.5
Deferred	(12.2)	(62.8)	16.9
Net income	$ 53.8	$ 46.6	$ 46.4

The net assets of discontinued operations on the statement of financial position of $258.1 at December 31, 1989 and $222.7 at December 31, 1988 consist primarily of DMSB's receivables, inventories, fixed assets, accounts payable and miscellaneous liabilities.

Extraordinary Items

OCCIDENTAL PETROLEUM CORPORATION (DEC)

Consolidated Statements of Cash Flows

(In millions)	1989	1988	1987
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	$ 285	$ 302	$ 240
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary (gain) loss	(29)	11	(56)
Depreciation, depletion and amortization of assets	1,031	990	995
Amortization of debt discount and deferred financing costs	95	131	162
Deferred income tax provision (credit)	58	(31)	(2)
Other noncash charges to income	86	113	176
Gain on disposition of assets and issuances of stock of subsidiaries, net	(81)	(190)	(434)
Exploration expense	144	148	144
Changes in operating assets and liabilities:			
Increase in accounts and notes receivable	(73)	(147)	(178)
Increase in inventories	(52)	(90)	(31)
Increase in prepaid expenses and other assets	(53)	(26)	(49)
Increase (decrease) in accounts payable and accrued liabilities	(4)	389	280
Increase in current domestic and foreign income taxes	260	126	154
Other operating, net	(58)	10	(147)
Net cash provided by operating activities	1,609	1,736	1,254
CASH FLOW FROM INVESTING ACTIVITIES:			
Capital expenditures	(1,388)	(1,193)	(733)
Purchase of businesses	(39)	(1,830)	(98)
Contract impairment payments, net of recoveries	(513)	(721)	(441)
Proceeds from sale of businesses	4	223	1,034
Proceeds from disposals of property, plant, equipment	185	64	104
Investments and advances, net	(58)	(61)	(28)
Decrease (increase) in marketable securities	11	63	(5)
Other investing, net	118	91	(5)
Net cash used by investing activities	(1,680)	(3,364)	(172)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from senior funded debt	1,830	2,027	3,084
Net proceeds from commercial paper and revolving credit agreements	(422)	688	(452)
Principal payments on senior funded debt and capital lease obligations	(1,165)	(1,788)	(4,485)
Proceeds from issuance of preferred and common stocks	57	1,380	1,179
Payments for retirement of preferred and common stocks	—	—	(34)
Decrease in deferred income from sale of future production and other deferred income	—	(33)	(23)
Increase in notes payable, current maturities of senior funded debt and capital lease liabilities	215	24	63
Cash dividends paid	(679)	(607)	(526)
Other financing, net	(18)	(25)	(5)
Net cash provided (used) by financing activities	(182)	1,666	(1,199)
Increase (decrease) in cash and cash equivalents	(253)	38	(117)
Cash and cash equivalents—beginning of year	462	424	541
Cash and cash equivaients—end of year	$ 209	$ 462	$ 424

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents—Cash equivalents consist of highly liquid short-term money market instruments with maturities of three months or less when purchased. Cash equivalents totaled approximately $230 million and $506 million at December 31, 1989 and 1988, respectively.

A cash-management system is utilized to minimize the cash balances required for operations and to invest the surplus cash in liquid short-term money market instruments. This can result in the balance of short-term money market instruments temporarily exceeding cash and cash equivalents.

Supplemental Cash Flow Information—Cash payments during the years 1989, 1988 and 1987 included income taxes of approximately $197 million, $339 million and $485 million, respectively. Interest paid (net of interest capitalized) totaled approximately $748 million, $754 million and $730 million for the years 1989, 1988 and 1987, respectively.

THE KROGER CO. (DEC)

Consolidated Statement of Cash Flows

(In thousands of dollars)	1989	1988	1987
Cash Flows From Operating Activities:			
Net earnings (loss).....	$ (72,722)	$ 34,522	$ 246,644
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Extraordinary loss...	56,471		
Cumulative effect of change in accounting for income taxes.....			(63,345)
Depreciation and amortization......	241,240	253,839	222,976
Deferred operating losses from units to be divested....		(27,769)	
Exchange and replacement of stock options.....		11,164	
Revaluation of various assets........	10,362	16,767	
Gain from restructuring assets disposed.............	(28,405)		
Amortization of discount on Junior Subordinated Debentures..........	103,391	16,332	
Amortization of deferred financing costs..............	16,480		
Loss (gain) on sale of property, plant and equipment...	3,541	(5,266)	591
Gain on assignment of capital leases..	(873)		
LIFO charge..........	52,604	57,408	13,844
Net increase (decrease) in cash from changes in operating assets and liabilities, detailed below....	25,630	171,982	(240,460)
Net cash provided by operating activities..	407,719	528,979	180,250
Cash Flows From Investing Activities:			
Net cash proceeds from disposal of drug stores..........			18,504
Capital expenditures...	(131,334)	(324,150)	(415,797)
Proceeds from sale of property, plant and equipment...........	12,855	92,297	62,424
Decrease (increase) in property held for sale....................	75,209	16,561	(77,037)
Decrease in assets held for sale—restructuring..........	223,852		
Decrease (increase) in marketable investment securities......	(4,836)	3,476	(7,704)
Decrease (increase) in other investments...	(10,198)	8,962	2,110
Other changes, net.....	1,129	(11,554)	8,128
Net cash provided (used) by investing activities.............	166,677	(214,408)	(409,372)
Cash Flows From Financing Activities:			
Debt prepayment costs	(43,529)		
Financing charges incurred................	(131,295)	(94,927)	
Principal payments under capital lease obligations..........	(11,188)	(14,193)	(8,022)
Proceeds from issuance of long-term debt............	4,425,481	4,190,744	141,235
Reductions in long-term debt............	(4,680,882)	(846,537)	(39,710)
Proceeds from issuance of capital stock................	5,232	180,923	12,000
Proceeds from sale of treasury stock.......	10,305		
Redemption of preferred stock..........	(250,000)		
Capital stock reacquired................	(634)	(3,068)	(190,851)
Tax benefit of nonqualified stock options.................	1,864	26,262	1,825
Dividends paid or declared, including related costs..........	(2,290)	(3,347,028)	(90,878)
Increase (decrease) in notes payable........	6,966	(309,149)	304,818
Net cash provided (used) by financing activities.............	(669,970)	(216,973)	130,417
Net increase (decrease) in cash and temporary cash investments.......	(95,574)	97,598	(98,705)
Cash and Temporary Cash Investments:			
Beginning of year......	211,049	113,451	212,156
End of year.............	$ 115,475	$ 211,049	$ 113,451

Increase (decrease) In Cash From Changes In Operating Assets And Liabilities:			
Inventories (FIFO)	$ (136,862)	$ (42,211)	$(275,060)
Receivables..............	(1,012)	(5,696)	8,062
Prepaid and other current assets	42,005	(24,469)	(39,221)
Accounts payable.......	36,750	89,753	92,936
Accrued expenses......	30,722	95,629	81,900
Deferred income taxes.	23,681	12,955	50,417
Other liabilities..........	30,346	46,021	(159,494)
	$ 25,630	$ 171,982	$(240,460)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All dollar amounts are in thousands except per share amounts.

Accounting Policies (In Part)

Consolidated Statement of Cash Flows

For purposes of the Consolidated Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be temporary cash investments.

Cash paid during the year for interest and income taxes was as follows:

	1989	1988	1987
Interest	$536,503	$107,492	$ 88,308
Income taxes	$ 31,188	$ 43,581	$139,730

The Company issued Junior Subordinated Discount Debentures in 1988 with a market value of $702,471 as a portion of the Special Dividend, and entered into capital lease agreements in the amount of $46,088 in 1987.

Cumulative Effect Of Accounting Changes

KELLOGG COMPANY (DEC)

Consolidated Statement of Cash Flows

(millions)	1989	1988	1987
Operating activities			
Net earnings	$470.2	$480.4	$395.9
Items in net earnings not requiring (providing) cash:			
Depreciation	167.6	139.7	113.1
Cumulative effect of change in method of accounting for income taxes	(48.1)		
Deferred income taxes	32.0	34.8	22.4
Other....................................	25.1	(1.4)	(14.9)
Change in operating assets and liabilities:			
Accounts receivable	49.4	(129.5)	(57.6)
Inventories	(31.8)	(51.3)	(45.5)
Prepaid expenses	34.8	(21.7)	(41.1)
Accounts payable	(114.4)	53.4	49.1
Accrued liabilities	(51.3)	(12.1)	102.1
Cash provided by operations	533.5	492.3	523.5
Investing activities			
Additions to properties	(508.7)	(538.1)	(478.4)
Property disposals	15.0	45.6	10.2
Other	(1.5)	5.0	(6.4)
Cash used by investing activities	(495.2)	(487.5)	(474.6)
Financing activities			
Borrowings of notes payable	268.9	240.4	23.8
Reduction of notes payable............	(199.9)	(60.7)	(29.8)
Issuance of long-term debt............	202.5	111.1	52.4
Reduction in long-term debt............	(135.2)	(23.5)	(7.3)
Issuance of common stock............	9.5	5.2	8.8
Purchase of treasury stock	(78.6)	(33.6)	(22.6)
Cash dividends	(209.9)	(187.2)	(159.5)
Other	(.5)	.4	3.7
Cash provided (used) by financing activities....................	(143.2)	52.1	(130.5)
Effect of exchange rate changes on cash	.2	1.9	9.7
Increase (decrease) in cash and temporary investments	(104.7)	58.8	(71.9)
Cash and temporary investments at beginning of year	185.0	126.2	198.1
Cash and temporary investments at end of year	$ 80.3	$185.0	$126.2

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Cash and temporary investments

Temporary investments that are highly liquid with original maturities of less than three months are considered to be cash equivalents.

AMERICAN PETROFINA, INCORPORATED (DEC)

Consolidated Statements of Cash Flows

	1989	1988	1987
		(in thousands)	
Cash flows from operating activities:			
Net earnings	$119,143	132,900	83,284
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Cumulative effect of accounting change	(22,978)	—	—
Depreciation, depletion, amortization, lease impairment and abandonments	170,144	218,778	145,267
Dividends received in excess of (less than) equity in earnings of affiliates	654	5,861	(1,148)
Gain on sale of assets	(1,301)	(3,441)	(5,004)
Changes in assets and liabilities:			
Accounts and notes receivable	(85,912)	95,982	(43,406)
Inventories	32,920	(13,515)	(5,298)
Prepaid expenses and other current assets	(2,885)	(1,451)	30,217
Accounts payable and accrued liabilities	42,215	(45,894)	79,288
Current and deferred income taxes	(7,275)	21,952	54,057
Other	(18,171)	1,197	(2,928)
Total adjustments	107,411	279,469	251,045
Net cash provided by operating activities	226,554	412,369	334,329
Cash flows from investing activities:			
Additions to property, plant and equipment	(227,229)	(203,735)	(206,177)
Proceeds from sales of assets	10,706	8,736	17,059
Investments in and advances to affiliates	(22,601)	—	—
Acquisition	—	(601,700)	—
Net cash used in investing activities	(239,124)	(796,699)	(189,118)
Cash flows from financing activities:			
Additions to long-term debt and lease obligations	9,544	401,178	55,219
Payments of long-term debt and lease obligations	(14,751)	(10,028)	(140,944)
Net change in short-term obligations	(95,100)	26,100	(56,014)
Issuance of common stock (1989 proceeds used to reduce debt)	160,670	445	488
Dividends paid	(49,387)	(34,323)	(6,597)
Net cash provided by (used in) financing activities	10,976	383,372	(147,848)
Net decrease in cash and cash equivalents	(1,594)	(958)	(2,637)
Cash and cash equivalents at beginning of year	5,810	6,768	9,405
Cash and cash equivalents at end of year	$ 4,216	5,810	6,768

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(c) Statements of Cash Flows

For purposes of reporting cash flows, the Company considers all certificates of deposit and short-term highly liquid debt instruments, such as U.S. Treasury bills and notes, with original maturities of three months or less to be cash equivalents.

The Company uses the indirect method to present cash flows from operating activities. Other supplemental cash flow information follows:

	1989	1988	1987
		(in thousands)	
Interest paid (net of amounts capitalized)	$80,854	42,079	47,707
Income taxes paid (refunded)	$71,171	56,967	(15,926)

In conjunction with the acquisition discussed in note 2, the Company assumed $18,851,000 of liabilities in 1988.

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

Statements of Cash Flows

	1989	1988 ($000)	1987
Cash flows from operating activities:			
Net income (loss)	$226	$ (740)	$2,205
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation of property, plant and equipment	724	694	637
Amortization	131	128	122
Provision for bad debts and discounts	1,675	2,448	3,508
Gain on sale of equipment	13	12	
Write-down of equipment to net realizable value	20	80	24
Provision for deferred income taxes	1,128	(46)	(296)
Cumulative effect of change in accounting principle	(1,374)		
Changes in operating assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivable	(2,307)	3,296	(4,158)
Inventories	(2,734)	2,560	(2,044)
Prepaid income taxes	635	(541)	(412)
Prepaid expenses and other current assets	137	121	24
Increase (decrease) in liabilities:			
Drafts and acceptances payable	1,006	(1,321)	331
Accounts payable	(231)	565	(215)
Accrued expenses	235	88	(75)
Total adjustments	(939)	8,086	(2,553)
Net cash provided (used) by operating activities	(712)	7,346	(348)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(238)	(530)	(370)
Proceeds from mortgage receivable			132
Proceeds from sale of equipment	7	1	
Increase in deferred charges, deposits and other	(14)	(10)	(5)
Investment in limited partnership			(31)
Net cash used in investing activities	(245)	(539)	(273)
Cash flows from financing activities:			
Repayment of long-term debt	(1,200)	(2,428)	(1,596)
Proceeds from revolving line of credit	29,819	21,869	39,971
Payment of revolving line of credit	(29,819)	(35,470)	(38,375)
Repayment of life insurance loan			
Proceeds from long-term debt		12,000	7
Purchase of treasury stock		(362)	(240)
Deferred charges for debt acquisition costs		(85)	
Net cash used by financing activities	(1,200)	(4,477)	(233)
Net increase (decrease) in cash and cash equivalents	(2,158)	2,329	(854)
Cash and cash equivalents, beginning of year	3,862	1,533	2,387
Cash and cash equivalents, end of year	$1,704	$ 3,862	$1,533
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes	$ 119	$ 342	$2,093
Interest	$1,583	$ 1,391	$1,628
Acquisition of investment in limited partnership:			
Note payable issued, net of unamortized discount of $246			$ 722

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Statement of cash flows:

For purposes of these statements, cash equivalents include all highly liquid debt instruments, such as repurchase agreements, with a maturity of three months or less purchased in connection with its cash management program. At times, the outstanding checks may exceed the collective bank balances, but not in excess of the cash equivalents.

Sale Of Accounts Receivable

DENNISON MANUFACTURING COMPANY (DEC)

Consolidated Statement of Cash Flows

(in thousands)	1989	1988	1987
Operating Activities			
Net Earnings	$29,100	$37,203	$34,413
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	30,632	26,529	22,741
Provision for losses on accounts receivable	988	1,592	1,449
Deferred income taxes	(127)	3,143	41
Extraordinary Item	450		920
Other non-cash items	571	443	1,028
Increase (decrease) in cash resulting from changes in:			
Accounts receivable	(14,520)	(16,594)	(8,894)
Sale of receivables	20,000		
Inventories	(13,460)	(1,447)	(3,206)
Prepaid expenses and other current assets	(7,586)	14,631	(4,502)
Other assets	(5,372)	414	3,050
Accounts payable	4,705	6,419	78
Other current liabilities	1,697	(7,600)	15,650
Other long-term liabilities	(939)	1,379	(7,933)
Net Cash Provided by Operating Activities	46,139	66,112	54,835
Investment Activities			
Purchase of property, plant, and equipment	(56,963)	(56,988)	(44,851)
Proceeds from sale of property, plant and equipment	669	1,144	1,904
Increase in investment in unconsolidated affiliates	(300)	(888)	(1,350)
Repayment of receivable from Employee Stock Ownership Trust	2,072	1,639	1,076
Loans to ESOT			(20,000)
Purchase of Monarch Industries, Inc., net of cash acquired		(5,811)	
Proceeds from sale of investments and businesses			30,041
Net Cash Used In Investing Activities	(54,522)	(60,904)	(33,180)
Financing Activities			
Proceeds from borrowings	34,746	9,326	28,924
Principal payments on borrowings and capital lease obligations	(3,004)	(14,422)	(11,868)
Proceeds from the issuance of stock	603	252	1,394
Dividends paid to shareholders	(20,843)	(20,147)	(19,317)
Redemption of 5⅛% SFr bonds	(15,082)		(29,452)
Proceeds from ESOT stock acquisition loan			20,000
Net Cash Used In Financing Activities	(3,580)	(24,991)	(10,319)
Effect of Exchange Rate Changes on Cash	(610)	(2,180)	1,378
Increase (Decrease) In Cash and Cash Equivalents	(12,573)	(21,963)	12,714
Cash and Cash Equivalents, Beginning of the Year	37,646	59,609	46,895
Cash and Cash Equivalents, End of the Year	$25,073	$37,646	$59,609

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 95, "Statement of Cash Flows," during 1988, and restated the previously reported statement of changes in consolidated position for 1987.

Note D. Sale of Receivables

In March 1989, the Company entered into a two-year agreement whereby it has the right to sell certain trade accounts receivable, up to a maximum of $100 million, at any one time, with limited recourse provisions. Initially, the Company sold $20 million of receivables. As collections reduced previously sold receivables, new receivables were customarily sold up to the amount of $20 million. At December 31, 1989, $20 million of trade accounts receivable had been sold and remain uncollected under this agreement.

Litigation Settlement

HARMON INDUSTRIES, INC. (DEC)

Consolidated Statements of Cash Flows

(Thousands of dollars)	1989	1988	1987
Cash flows from operating activities:			
Net income	$ 1,160	$2,486	$1,692
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,185	2,834	2,531
Proceeds from litigation settlements (note 5)	3,700	—	—
Gain on litigation settlements (note 5)	(749)	—	—
(Gain) loss on sale of property, plant & equipment	(15)	(225)	24
Deferred tax expense (benefit)	189	(308)	(210)
Minority interest in loss of consolidated subsidiary	(465)	(256)	(44)
Changes in assets and liabilities, net of effects of purchase of Phoenix Data, Inc.			
Trade receivables	(2,073)	1,630	(2,943)
Inventories	402	(1,576)	300
Estimated costs, earnings and billings on contracts	(1,163)	631	309
Note receivable from affiliate	—	(100)	—
Prepaid expenses	5	(140)	(9)
Accounts payable	(1,266)	1,833	1,450
Accrued payroll and benefits	570	1,165	403
Current income taxes payable	(943)	(149)	54
Other liabilities	(1,133)	159	(217)
Other deferred liabilities	451	375	338
Total adjustments	695	5,873	1,986
Net cash provided by operating activities	1,855	8,359	3,678
Cash flows from investing activities:			
Capital expenditures	(4,589)	(9,886)	(3,552)
Acquisition of patents	—	—	(1,158)
Proceeds from sale of property, plant and equipment	359	979	25
Cash acquired in purchase of Phoenix Data, Inc.	12	—	—
Cost in excess of fair value of subsidiary acquired	(127)	—	—
Other investment activities	(298)	(51)	355
Net cash used in investing activities	(4,643)	(8,958)	(4,330)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	12,589	9,927	6,966
Net borrowings under line of credit agreements	(1,415)	1,217	110
Principal payments of long-term debt	(7,980)	(9,812)	(5,987)
Payment of dividends	(578)	(560)	(558)
Net cash provided by financing activities	2,616	772	531
Net increase (decrease) in cash and cash equivalents	(172)	173	(121)
Cash and cash equivalents at beginning of year	534	361	482
Cash and cash equivalents at end of year	$ 362	$ 534	$ 361
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 2,547	$1,796	$1,557
Income taxes	$ 1,372	$1,729	$1,460

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Statement of Cash Flows

For purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

5. Settlement of Litigation

During May 1989 the Company reached an agreement with its largest equipment contractor for Cedrite. Under the terms of the agreement the Company received $3,200,000 in cash and the rights to certain equipment and the contractor was released from further obligations under the contract. The Company reduced the basis of previously purchased Cedrite equipment by $2,738,000 and the remaining $462,000 was credited to income.

In November 1989 the Company was awarded $500,000 by a jury in the United States District Court for the Western District of Missouri in a lawsuit against the former owner of Modern. The Company used $213,000 of the proceeds to recover legal and repair expenses incurred during 1989 and recognized a gain of $287,000, which represented a recovery of a portion of prior year's expenses.

Overdraft

McCORMICK & COMPANY, INCORPORATED (NOV)

Consolidated Cash Flows

	1989	1988	1987
	(dollars in thousands)		
Cash flows from operating activities			
Net income	$135,525	$42,674	$30,578
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	34,818	29,773	30,380
Provision for deferred income taxes	2,787	5,629	4,763
(Gain)/loss on sale of assets and subsidiary	(4,360)	(3,538)	869
Gain on sale of discontinued real estate operations	(83,000)		
Deferred taxes on sale of discontinued real estate operations	11,000		
Share of income from unconsolidated operations	(3,479)	393	(465)
Income from discontinued real estate operations		(721)	(6,145)
Cumulative effect of accounting change		(6,400)	
Other items not requiring or providing cash	2,114	1,892	(2,587)
Changes in operating assets and liabilities net of effects from businesses acquired or sold			
Receivables (increase)/decrease	10,087	(14,062)	(14,198)
Inventories (increase)/decrease	(2,802)	13,367	(25,418)
Prepaid expenses (increase)/decrease	(8,897)	(2,207)	(5,357)
Accounts payable increase/(decrease)	507	13,878	3,308
Bank overdrafts increase/(decrease)	530	4,481	(9,201)
Income taxes payable increase/(decrease)	(16,044)	341	2,492
Other accrued liabilities increase/(decrease)	4,357	13,261	12,899
Other assets	(19,624)	(4,165)	1,474
Dividend received from unconsolidated subsidiary	2,454	333	
Dividend received from discontinued real estate operations			5,000
Net cash provided by operating activities	65,973	94,929	28,392
Cash flows from investing activities			
Acquisitions of businesses	(8,260)	(14,226)	(6,400)
Purchases of property, plant and equipment	(53,427)	(50,350)	(81,746)
Proceeds from sale of assets and subsidiary	23,459	13,195	2,585
Proceeds from sale of discontinued real estate operations	139,230	10,000	
Other investments	(2,452)	1,201	(6,512)
Net cash provided by/(used in) investing activities	98,550	(40,180)	(92,073)
Cash flows from financing activities			
Notes payable increase/(decrease)	(26,381)	(46,983)	30,989
Long-term debt			
Borrowings	8,054	43,940	80,106
Repayments	(29,292)	(11,771)	(14,896)
Common stocks			
Issued	14,983	7,174	16,747
Acquired by purchase	(77,208)	(33,023)	(32,743)
Dividends paid	(14,562)	(12,375)	(12,017)
Net cash provided by/(used in) financing activities	(124,406)	(53,038)	68,186
Effect of exchange rate changes on cash and cash equivalents	198	2,619	(1,970)
Increase/(decrease) in cash and cash equivalents	40,315	4,330	2,535
Cash and cash equivalents at beginning of year	11,265	6,935	4,400
Cash and cash equivalents at end of year	$ 51,580	$11,265	$ 6,935

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies:

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

The Company's central cash management system is designed to maintain zero balances at certain banks. Accounting records classify checks written but not presented to these banks as bank overdrafts.

Cash Surrender Value

ROWE FURNITURE CORPORATION (NOV)

Consolidated Statements of Cash Flows

	1989	1988	1987
		($ thousands)	
INCREASE (DECREASE) IN CASH:			
Cash flows from operating activities:			
Cash received from customers	$83,985	$85,769	$91,608
Cash paid suppliers and employees	(79,430)	(80,536)	(84,435)
Income taxes paid, net of refunds	(612)	(182)	(2,757)
Interest paid	(781)	(886)	(858)
Interest received	272	311	318
Other receipts—net	861	1,077	1,193
Net cash provided by operating activities	4,295	5,553	5,069
Cash flows from investing activities:			
Proceeds from sale of fixed assets	173	41	45
Capital expenditures	(1,399)	(858)	(1,329)
Loss on investment	—	—	(900)
Proceeds from sale of marketable securities	—	137	—
Acquisition of marketable securities	(2)	—	(261)
Purchase of treasury stock	(325)	(233)	(4,198)
Net cash used in investing activities	(1,553)	(913)	(6,643)
Cash flows from financing activities:			
Net borrowings under line of credit	—	(2,400)	2,400
Proceeds from issuance of long-term debt	—	—	2,842
Payments to reduce long-term debt	(1,470)	(1,835)	(3,443)
Dividends paid	(688)	(561)	(513)
Proceeds from issuance of common stock	15	1	108
Decrease in bond fund held in trust for construction	—	592	276
Net cash provided by (used in) financing activities	(2,143)	(4,203)	1,670
Net increase in cash	599	437	96
Cash at beginning of year	1,001	564	468
Cash at end of year	$ 1,600	$ 1,001	$ 564

Reconciliation of Net Income to Net Cash Provided by Operating Activities:			
Net income	$ 1,849	$ 2,277	$ 2,215
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,683	1,702	1,707
Provision for deferred compensation	697	812	364
Payments made against deferred compensation	(218)	(560)	(536)
Provision for losses on accounts receivable	169	383	232
Loss (gain) on disposition of assets	(50)	15	—
Loss on investment	—	—	900
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	1,316	(1,428)	1,105
Decrease (increase) in refundable income taxes	24	816	(840)
Decrease (increase) in inventories	(931)	1,011	(620)
Decrease (increase) in prepaid expenses	96	144	537
Decrease (increase) in cash surrender value of officers' life insurance	(150)	(128)	(253)
Decrease (increase) in other assets	109	106	(412)
Increase (decrease) in accounts payable	288	501	1,066
Increase (decrease) in accrued expenses	(742)	(197)	(622)
Increase (decrease) in deferred income taxes	155	99	226
Total adjustments	2,446	3,276	2,854
Net cash provided by operating activities	$ 4,295	$ 5,553	$ 5,069

CASH FLOWS FROM INVESTING ACTIVITIES

Paragraphs 14-17 of *SFAS No. 95* define those transactions and events which constitute investing cash receipts and payments. With the exception of certain transactions described in paragraphs 12-13, cash receipts and payments should be reported separately and not netted. Examples of reporting cash flows from investing activities follow.

Property Acquisitions/Disposals

GENUINE PARTS COMPANY (DEC)

Consolidated Statements of Cash Flows

(dollars in thousands)	1989	1988	1987
Operating Activities:			
Net income	$199,488	$181,373	$148,292
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,601	24,319	21,573
Gain on sale of property, plant and equipment	(236)	(201)	(171)
Provision for deferred taxes	(1,002)	3,032	2,917
Equity in income from UAP	(2,248)	0	0
Equity in income from partnership	(2,051)	0	0
Income applicable to minority interest	1,560	1,272	1,329
Changes in operating assets and liabilities:			
Trade accounts receivable and notes receivable	(15,596)	(38,051)	(30,636)
Merchandise inventories	(37,353)	(55,837)	(29,437)
Prepaid expenses and other current accounts	1,185	(1,036)	(888)
Trade accounts payable	12,195	6,247	9,071
Income taxes payable and other current liabilities	5,333	1,191	1,619
	(13,612)	(59,064)	(24,623)
Net Cash Provided by Operating Activities	185,876	122,309	123,669
Investing Activities:			
Purchase of property, plant and equipment	(53,249)	(35,027)	(30,331)
Proceeds from sale of property, plant and equipment	6,208	2,774	1,599
Purchase of short-term investments	(18,003)	(6,000)	(20,500)
Proceeds from sale and maturity of short-term investments	2,624	22,688	20,263
Purchase of minority interest	0	(2,785)	0
Investment in UAP	(25,177)	0	0
Other investing activities	(3,657)	(126)	69
Net Cash Used in Investing Activities	(91,254)	(18,476)	(28,900)
Financing Activities:			
Purchase of Treasury Stock	0	(374)	(75,852)
Borrowings on long-term debt	25,928	0	0
Payments on long-term debt and capital lease obligations	(1,017)	(1,302)	(2,158)
Stock options exercised	2,065	2,320	1,412
Dividends paid	(89,821)	(78,072)	(71,283)
Net Cash Used in Financing Activities	(62,845)	(77,428)	(147,881)
Net Increase (Decrease) in Cash and Cash Equivalents	31,777	26,405	(53,112)
Cash and Cash Equivalents at Beginning of Year	109,603	83,198	136,310
Cash and Cash Equivalents at End of Year	$141,380	$109,603	$ 83,198
Supplemental disclosure of cash flow Information:			
Cash paid during the year for:			
Income taxes	$118,089	$110,821	$111,699
Interest	5,415	1,814	2,973

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies

Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

UNISYS CORPORATION (DEC)

Consolidated Statement of Cash Flows

(Millions)	1989	1988	1987
Cash flows from operating activities			
Net income (loss)	$ (639.3)	$ 680.6	$ 578.0
Add (deduct) items to reconcile net income to net cash provided by operating activities:			
Depreciation	533.5	593.2	590.8
Amortization:			
Marketable software	111.5	64.2	30.7
Cost in excess of net assets acquired	59.2	35.0	26.9
(Increase) in long-term receivables, net	(69.3)	(89.6)	(27.9)
Increase (decrease) in deferred income taxes	14.4	66.7	(10.8)
(Increase) decrease in accounts and notes receivable, net	(111.0)	174.3	(481.0)
Decrease (increase) in inventories	722.7	(605.9)	76.0
(Increase) decrease in other current assets	(94.6)	(109.6)	214.1
(Decrease) increase in accounts payable and other accrued liabilities	(11.6)	(424.9)	54.8
(Decrease) increase in estimated income taxes	(90.9)	(101.9)	262.1
Decrease (increase) in other assets	37.6	(88.3)	(53.7)
Other	5.0	(73.3)	170.4
Net cash provided by operating activities	467.2	120.5	1,430.4
Cash flows from investing activities			
Proceeds from investments	3,889.7	4,325.2	2,942.0
Purchase of investments	(3,759.7)	(4,305.9)	(2,949.6)
Proceeds from sales of subsidiaries		311.8	
Proceeds from sales of properties	146.0	54.4	75.6
Investment in marketable software	(195.0)	(183.6)	(114.7)
Capital additions:			
Properties	(364.9)	(418.5)	(473.6)
Rental equipment	(250.5)	(251.4)	(247.3)
Purchase of Convergent, Inc.	(78.4)	(270.6)	
Other	1.0	34.9	1.1
Net cash used for investing activities	(611.8)	(703.7)	(766.5)

(Millions)	1989	1988	1987
Cash flows from financing activities			
Proceeds for issuance of debt	396.8	650.6	406.7
Principal payments of debt	(210.8)	(353.5)	(665.3)
Net proceeds from (reduction in) short-term borrowings	245.7	557.3	(233.0)
Dividends paid on common shares	(158.3)	(150.1)	(129.1)
Dividends paid on preferred shares	(105.9)	(105.7)	(105.8)
Other	(21.5)	(33.5)	56.2
Net cash provided by (used for) financing activities	146.0	565.1	(670.3)
Effect of exchange rate changes on cash and cash equivalents	(18.5)	(10.7)	(3.5)
Decrease in cash and cash equivalents	(17.1)	(28.8)	(9.9)
Cash and cash equivalents, beginning of year	26.3	55.1	65.0
Cash and cash equivalents, end of year	$ 9.2	$ 26.3	$ 55.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

B. Cash equivalents

All short-term investments purchased with a maturity of three months or less are classified as cash equivalents.

Investments

H.J. HEINZ COMPANY (APR)

Consolidated Statements of Cash Flows

(in thousands)	1989	1988	1987
Operating Activities:			
Net income	$440,230	$386,014	$338,506
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	148,104	133,348	109,868
Deferred tax provision	65,271	27,560	82,763
Other items, net	(45,454)	(10,595)	20,109
Changes in current assets and liabilities net of effects from acquisitions and divestitures:			
Receivables	(69,818)	(72)	18,254
Inventories	(134,582)	(12,251)	(3,723)
Prepaid expenses and other current assets	(13,650)	19,908	(30,314)
Accounts payable	25,290	38,145	(11,240)
Accrued liabilities	19,855	18,940	44,645
Income taxes	(18,929)	(33,837)	(62,267)
Cash provided by operating activities	416,317	567,160	506,601
Investing Activities:			
Capital expenditures	(323,325)	(238,265)	(184,730)
Acquisitions, net of cash acquired	(167,470)	(287,597)	(85,918)
Proceeds from divestitures	72,712	18,880	—
Purchases of short-term investments	(382,550)	(513,408)	(434,328)
Sales and maturities of short-term investments	412,365	666,272	311,198
Other items, net	12,627	5,005	(48,079)
Cash (used for) investing activities	(375,641)	(349,113)	(441,857)
Financing Activities:			
Proceeds from long-term debt	227,291	45,108	322,777
Payments on long-term debt	(34,683)	(165,832)	(4,400)
Proceeds (payments) on short-term debt	49,110	(41,305)	(5,354)
Dividends	(178,474)	(154,573)	(132,455)
Purchase of treasury stock	(97,508)	(123,519)	(236,165)
Exercise of stock options	30,393	23,463	9,118
Other items, net	(1,590)	1,589	3,169
Cash (used for) financing activities	(5,461)	(415,069)	(43,310)
Effect of exchange rate changes on cash and cash equivalents	(8,098)	280	(3,727)
Net increase (decrease) in cash and cash equivalents	27,117	(196,742)	17,707
Cash and cash equivalents at beginning of year	75,488	272,230	254,523
Cash and cash equivalents at end of year	$102,605	$ 75,488	$272,230

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Statements of Cash Flows: In 1989, the company adopted FASB Statement No. 95, "Statement of Cash Flows." The Consolidated Statements of Changes in Financial Position for fiscal years 1988 and 1987 have been restated to conform with the new presentation. For purposes of the Statements of Cash Flows, cash equivalents are defined as short-term highly liquid investments with original maturities of 90 days or less.

6. Supplemental Cash Flow Information

(in thousands)	1989	1988	1987
Cash paid during the year for:			
Interest	$ 81,219	$ 79,323	$ 57,770
Income taxes	235,020	249,017	142,301
Details of acquisitions:			
Fair value of assets acquired	$198,946	$377,281	$102,210
Liabilities assumed*	28,853	84,356	13,001
Cash paid	170,093	292,925	89,209
Less cash acquired	2,623	5,328	3,291
Net cash paid for acquisitions	$167,470	$287,597	$ 85,918

*Includes notes to seller.

In January 1989, the company issued 1.2 million shares of common stock in exchange for its 7¼% convertible subordinated debentures due 2015. As a result, long-term debt was reduced by $34.7 million. Further information regarding the debt conversion is included in Note 4.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

Consolidated Statement of Cash Flows

(In millions)	1989	1988	1987
Cash Provided (Used) by Operations			
Net earnings	$117.0	$113.5	$ 21.1
Adjustments to reconcile net earnings to net cash provided by operations			
Depreciation and amortization	62.3	106.7	128.8
Gains on disposals of assets	(17.4)	(61.5)	(5.3)
(Gain) loss on IMC Fertilizer public stock offerings	(28.6)	11.9	
Equity in earnings of IMC Fertilizer	(52.9)	(26.2)	
Common and preferred stock dividends from IMC Fertilizer	24.5	3.7	
Interest on exchangeable subordinated debentures	18.3		
Deferred income taxes	15.3	24.1	1.2
Other, net	(11.9)	(21.7)	10.2
	126.6	150.5	156.0
Changes in components of operating working capital			
Receivables	(10.1)	37.0	(31.1)
Inventories	(23.5)	133.5	21.1
Accounts payable, accrued liabilities, and income taxes	(49.3)	(87.2)	1.7
Effect of disposals and the deconsolidation of IMC Fertilizer	(9.3)	(130.3)	
Other, net	(7.4)	1.0	(.1)
	27.0	104.5	147.6
Cash Provided (Used) by Investing Activities			
Capital expenditures	(82.2)	(69.1)	(31.8)
Businesses acquired	(11.7)	(71.4)	(37.1)
Short-term investments	(55.2)		
Proceeds from IMC Fertilizer public stock offerings and related transactions, net	200.0	558.9	
Proceeds from disposals of assets	32.0	150.3	166.6
IMC Fertilizer investing activity		(49.5)	(92.9)
Other, net	(22.9)	(8.6)	2.4
	60.0	510.6	7.2
Cash Provided (Used) by Financing Activities			
Increase in long-term debt	359.5	8.2	9.5
Decrease in long-term debt	(35.3)	(273.8)	(234.0)
Increase (decrease) in short-term debt	15.6	(75.6)	7.7
Purchases of treasury stock	(215.8)	(112.8)	
Dividends paid	(36.9)	(42.6)	(40.4)
Issuances of common and preferred stock	.3	.7	83.8
	87.4	(495.9)	(173.4)
Increase (decrease) in cash and cash equivalents	174.4	119.2	(18.6)
Cash and cash equivalents at beginning of year	214.7	95.5	114.1
Cash and cash equivalents at end of year	$389.1	$214.7	$ 95.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions except per share amounts)

Accounting Policies (In Part):

Cash and Cash Equivalents

In 1989, the Company adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" and restated prior years. Cash and cash equivalents consist primarily of certificates of deposit, time deposits, and other short-term securities with maturities of three months or less from the date of purchase.

Note A (In Part): Changes in Business

IMC Fertilizer Public Stock Offerings

During fiscal 1989 and 1988 IMC Fertilizer completed two public stock offerings. The Company received net proceeds of $229.2 million from the IPO. This transaction was accounted for as if the Company had sold 53 percent of its common stock investment in IMC Fertilizer. The IPO resulted in a pretax loss to the Company of $11.9 million, $32.5 million after taxes (as a result of a taxable gain), or $1.22 a share. In addition to the proceeds of the offering, IMC Fertilizer paid to the Company dividends of $386 million in 1988 prior to the IPO and the Company paid an amount owed to IMC Fertilizer of $56.3 million.

In July 1988 a second public stock offering of 5 million IMC Fertilizer common shares was completed. This offering reduced IMC's common stock ownership in IMC Fertilizer to 38 percent. The offering was at a price per share in excess of the per share carrying amount of the Company's investment in IMC Fertilizer. In September 1988 the Company received $200 million from IMC Fertilizer in redemption of the Company's holdings of IMC Fertilizer's Preferred Stock, Series A, representing the proceeds of the July 1988 public offering plus internally generated funds. As a result of both of these transactions the Company recognized a gain of $28.6 million, $21.5 million after taxes, or $.89 a share.

At June 30, 1989, the Company's investment in IMC Fertilizer consisted of 10 million common shares which represented a 38 percent interest in the common share equity of IMC Fertilizer and a dividend receivable in an amount equal to the proceeds (but not in excess of $51.9 million) receivable by IMC Fertilizer from an insurance claim related to Canadian potash operations.

Note C. Supplemental Cash Flow Information

	1989	1988	1987
Interest paid	$29.5	$63.4	$81.3
Income taxes paid	$ 8.3	$ 8.9	$ 7.1
Noncash investing and financing activities:			
Issuance of common stock from exercise of stock options, net of cash received	$ 4.4	$10.2	$ 2.8
Purchases of treasury stock from exercise of stock options	$ 3.6	$ 8.7	$ 2.0
Issuance of treasury shares for restricted stock awards and the ESOP distribution	$ .5		$ 4.0
Noncash proceeds from certain divestitures		$ 3.3	
Assumption of liabilities related to acquisitions		$ 3.5	$ 5.0
Capitalized lease transaction related to purchase of property, plant, and equipment			$79.6

McGRAW-HILL, INC. (DEC)

Consolidated Statement of Cash Flows

	(Thousands of dollars) 1989	1988	1987
Cash flows from operating activities			
Net income	$ 47,791	$185,505	$164,794
Adjustments for non-cash items included in income:			
Depreciation	45,892	44,762	42,488
Amortization of goodwill and intangibles	22,984	19,616	21,438
Provision for losses on accounts receivable	44,880	41,650	38,053
Equity earnings net of dividends	(1,637)	(4,712)	(7,843)
Gain on formation of Macmillan/McGraw-Hill joint venture	(27,471)	—	—
Share of profit of Macmillan/McGraw-Hill joint venture	(13,688)	(2,349)	(11,585)
Gain on dispositions—net	(21,345)	(248,275)	(1,696)
Gain on settlement of pension obligation	—	—	(20,124)
Cumulative effect of change in accounting	(8,000)	—	—
Unusual charges	220,000	149,564	—
Other	11,215	624	5,317
Change in assets and liabilities net of effect of acquisitions and dispositions:			
Increase in accounts receivable	(68,096)	(69,818)	(74,272)
(Increase)/decrease in inventories	(18,967)	(25,885)	1,754
(Increase)/decrease in prepaid and other current assets	(87,759)	(1,401)	1,094
Increase in accounts payable and accrued expenses	16,351	9,414	12,554
Increase/(decrease) in unearned revenue	(1,676)	10,327	9,770
Increase/(decrease) in other current liabilities	(11,197)	(9,478)	7,835
Increase/(decrease) in interest and income taxes currently payable	(27,651)	35,662	2,097
Increase/(decrease) in deferred income taxes	5,403	(33,737)	19,140
Net change in other assets and liabilities	(15,732)	906	(15,384)
Cash from operating activities	111,297	102,375	195,430
Investing activities			
Investment in Macmillan/McGraw-Hill School Publishing Company	(288,327)	(78,058)	4,865
Distribution from Macmillan/McGraw-Hill joint venture	30,000	—	—
Acquisition of businesses	(90,459)	(178,705)	(81,575)
Purchase of property and equipment	(58,016)	(41,176)	(50,777)
Disposition of businesses	36,862	317,599	11,683
Disposition of property and equipment	10,320	2,461	1,866
Purchase of short-term investments	—	(24,498)	(19,192)
Sale of short-term investments	—	45,422	10,766
Cash provided by/(used for) investing activities	(359,620)	43,045	(122,364)
Financing activities			
Dividends paid to shareholders	(99,688)	(88,959)	(84,222)
Addition to/(repayment of) debt—net	355,188	(37,848)	131,417
Exercise of stock options	7,929	3,191	6,078
Purchase of treasury shares	—	(48)	(135,082)
Settlement of yen/dollar currency swap	—	(22,870)	—
Other	(4,444)	(3,554)	(2,368)
Cash provided by/(used for) financing activities	258,985	(150,088)	(84,177)
Effect of exchange rate changes on cash	(546)	345	897
Net change in cash and equivalents	10,116	(4,323)	(10,214)
Cash and equivalents at beginning of year	24,470	28,793	39,007
Cash and equivalents at end of year	$ 34,586	$ 24,470	$ 28,793

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Statement of Cash Flows

For purposes of preparing the Statement of Cash Flows, highly liquid investments with maturities of three months or less at the time of purchase are considered to be cash equivalents.

A summary of the supplemental information required by

SFAS 95 follows:

	(Thousands of dollars)		
	1989	1988	1987
Interest and income taxes paid:			
Interest (net of amount capitalized)	$ 35,917	$ 9,064	$ 7,481
Income taxes	120,085	173,527	113,650
Non-cash investing and financing activities:			
Liabilities assumed in conjunction with acquisition of businesses:			
Fair value of assets acquired	115,630	186,961	90,563
Cash paid	90,459	178,705	81,575
Liabilities assumed	25,171	8,256	8,988
Additional common stock issued upon conversion of 3⅞% debentures:			
Debentures converted	115	45	520
Shares of common stock issued (thousands)	4	1	17
Capital lease obligations entered into for automobiles	3,869	2,992	2,722
Increase in yen/dollar currency swap obligation as a result of the strengthening of the yen	$ —	$ —	$ 17,613

PFIZER INC (DEC)

Consolidated Statement of Cash Flows

(millions of dollars)	1989	1988	1987
Operating Activities			
Net income	$ 681.1	$ 791.3	$ 690.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangibles	207.1	194.5	172.2
Deferred income amortization	(99.8)	(105.4)	(20.4)
Provision for loss on the sale of the pigments business	70.0	—	—
Undistributed earnings of affiliates	(6.9)	(7.6)	—
Other—net	27.4	(1.4)	(5.2)
Changes in assets and liabilities, net of effect of businesses acquired:			
Accounts receivable	(221.7)	4.0	(153.0)
Inventories	(77.1)	(54.5)	(58.7)
Prepaid and other assets	(154.0)	(27.3)	(179.6)
Accounts payable and accrued liabilities	184.8	7.1	169.4
Income taxes payable	(3.3)	44.9	37.0
Deferred income	—	24.2	540.6
Other deferred items	48.2	2.8	100.4
Net cash provided by operating activities	655.8	872.6	1,292.9
Investing Activities			
Purchases of property, plant and equipment	(456.5)	(343.7)	(258.3)
Proceeds from disposal of property, plant and equipment	10.8	18.2	29.7
Purchases of short-term investments	(602.7)	(536.2)	(475.3)
Proceeds from redemption of short-term investments	525.6	644.8	552.6
Purchases of long-term investments	(176.1)	(233.2)	(250.9)
Proceeds from redemption of long-term investments	114.2	193.4	78.3
Acquisitions—net of cash acquired	(20.9)	(256.4)	(52.2)
Disbursements for loans	(1,575.2)	(1,741.8)	(1,313.2)
Collection of loan principal	1,554.0	1,297.6	583.2
Net cash used in investing activities	(626.8)	(957.3)	(1,106.1)
Financing Activities			
Proceeds from issuance of long-term debt	9.7	5.1	8.2
Repayment of long-term debt	(11.0)	(25.5)	(44.2)
Increase in short-term debt—net	615.3	290.2	339.7
Employee benefit transactions	38.6	6.4	43.0
Repurchase of common stock	(154.7)	(7.1)	(125.8)
Cash dividends paid	(364.0)	(330.1)	(296.8)
Other	4.9	5.8	4.9
Net cash provided by/(used in) financing activities	138.8	(55.2)	(71.0)
Effect of exchange rate changes on cash	(9.0)	(3.1)	13.8
Net increase/(decrease) in cash	158.8	(143.0)	129.6
Cash balance at beginning of year	666.6	809.6	680.0
Cash balance at end of year	$ 825.4	$ 666.6	$ 809.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

The Company considers demand deposits, certificates of deposit and certain time deposits to be cash. Certain items which meet the definition of cash equivalents but are part of a larger pool of investments are included in short-term investments.

Loans Receivable

ANACOMP, INC. (SEP)

Consolidated Statements of Cash Flows

(Dollars in thousands)	1989	1988	1987
Cash flows from operating activities:			
Net income (loss)	$(168,650)	$ 43,585	$ 26,510
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	56,195	22,334	15,715
Provision for losses on accounts receivable	3,331	1,476	669
Non-cash compensation expense	993	2,397	1,385
(Gain) loss on disposition of assets	127,088	(400)	387
Change in assets and liabilities net of effects from acquisitions:			
Increase in accounts and long-term receivables	(11,447)	(10,221)	(26,848)
Decrease in inventories and prepaid expenses	4,705	7,762	14,520
(Increase) decrease in other assets	10,887	3,281	(6,368)
Increase (decrease) in accounts payable and accrued expenses	38,602	(15,481)	8,626
Decrease in other non-current liabilities	(8,931)	—	—
Net cash provided by operating activities	52,773	54,733	34,596
Cash flows from investing activities:			
Proceeds for marketable securities transactions	—	—	946
Payments received on sale of operating assets	10,335	11,082	3,252
Proceeds from sale of equipment	7,331	2,033	339
Purchases of property, plant and equipment	(36,289)	(17,634)	(4,287)
Proceeds from loans receivable	577	—	—
Payments made to grant loans	(373)	(3,166)	(300)
Payments to acquire companies and customer rights, net of cash acquired	(10,616)	(346,946)	(149,912)
Net cash used in investing activities	(29,035)	(354,631)	(149,962)
Cash flows from financing activities:			
Proceeds from issuance of common stock	6,046	5,009	993
Proceeds from issuance of redeemable preferred stock	—	—	23,869
Proceeds from revolving line of credit and long-term borrowings	20,000	510,097	140,157
Principal payments on long-term debt	(53,949)	(183,724)	(41,144)
Preferred dividends paid	(2,062)	(2,062)	(1,096)
Payments related to the issuance of debt and equity	(760)	(15,484)	(4,542)
Purchase of treasury shares	(51)	(2,416)	(18)
Net cash provided by (used in) financing activities	(30,776)	311,420	118,219
Effect of exchange rate changes on cash	267	104	(74)
Increase (decrease) in cash and cash equivalents	(6,771)	11,626	2,779
Cash and cash equivalents at beginning of year	23,715	12,089	9,310
Cash and cash equivalents at end of year	$ 16,944	$ 23,715	$ 12,089

Supplemental disclosures of cash flow information:

	Year ended September 30,		
(Dollars in thousands)	1989	1988	1987
Cash paid during the year for:			
Interest (net of amount capitalized)	$80,662	$23,758	$14,818
Income taxes	12,133	6,541	4,094

Supplemental schedule of noncash investing and financing activities:

During 1988 and 1987, the Company acquired companies and rights to provide future services. In conjunction with these acquisitions, liabilities were assumed as follows:

	Year ended September 30,	
(Dollars in thousands)	1988	1987
Fair value of assets acquired	$723,112	$174,754
Cash paid for the acquisition	(409,352)	(142,100)
Liabilities assumed	$313,760	$ 32,654

Additional common stock was issued upon the conversion of 10% Senior Subordinated Debentures and other long-term borrowings in the amount of $4,885,000 during 1987.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies:

Statements of Cash Flows

Anacomp considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. These temporary investments are recorded at cost, which approximates market, and totalled $1,430,000, $13,558,000 and $3,563,000 at September 30, 1989, 1988 and 1987, respectively.

SUPER VALU STORES, INC. (FEB)

Consolidated Statements of Cash Flows

	1989	1988	1987
		($000)	
Cash flows from operating activities:			
Net earnings	$135,363	$111,780	$ 89,301
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and intangibles	110,116	103,268	86,215
Amortization of capital leases	7,714	6,970	6,959
Provision for losses on receivables	11,540	4,855	2,368
Loss (gain) on sale of property, plant and equipment	(4,724)	240	(2,496)
Deferred income taxes	2,043	9,317	(5,620)
Minority interest			(3,785)
Change in assets and liabilities net of effects from acquired companies:			
Increase in receivables	(24,147)	(31,662)	(382)
Increase in inventory	(50,775)	(43,375)	(51,173)
Decrease (increase) in prepaid supplies and expenses	545	(907)	7,805
Decrease (increase) in direct finance leases	5,073	(5,467)	(3,542)
Increase (decrease) in checks outstanding, net	521	(26,934)	(19,395)
Increase in accounts payable and accrued expenses	37,282	28,739	53,931
Increase (decrease) in income taxes payable	12,587	(8,444)	15,580
Increase (decrease) in other liabilities	2,159	(1,981)	2,624
Net cash provided by operating activities	245,297	146,399	178,390
Cash flows from investing activities:			
Additions to long-term notes receivable	(38,455)	(46,612)	(36,247)
Payments on long-term notes receivable	28,996	34,294	42,030
Proceeds from sale of property, plant and equipment	31,544	14,575	26,571
Property, plant and equipment additions	(221,288)	(193,745)	(191,732)
Disposal of leased assets	17,852	13,292	15,239
Net assets of acquired companies, net of cash acquired	(57,954)	(19,065)	(65,081)
Other assets	(9,548)	(12,952)	(4,161)
Net cash used in investing activities	(248,853)	(210,213)	(213,381)
Cash flows from financing activities:			
Issuance of short-term notes payable	67,366	16,564	104,134
Proceeds from issuance of long-term debt	3,982	100,100	3,792
Repayment of long-term debt	(5,808)	(9,657)	(19,719)
Reduction of obligations under capital leases	(27,477)	(13,888)	(22,912)
Sale of common stock under option plans and ESOP	1,802	1,910	2,596
Cash dividends paid	(36,284)	(32,477)	(30,511)
Net cash provided by financing activities	3,581	62,552	37,380
Net increase (decrease) in cash	25	(1,262)	2,389
Cash at beginning of year	2,170	3,432	1,043
Cash at end of year	$ 2,195	$ 2,170	$ 3,432
Supplemental cash flow information:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 69,383	$ 59,450	$ 50,767
Income taxes	75,455	83,665	84,742
Noncash investing and financing activities:			
Leased asset additions	40,305	20,174	3,411

UNION CAMP CORPORATION (DEC)

Consolidated Statement of Cash Flows

	($ in thousands)		
	1989	1988	1987
Cash Provided By Operations:			
Net income	$299,400	$295,146	$207,483
Adjustments to reconcile net income to cash provided by operations:			
Depreciation, amortization and cost of company timber harvested	215,992	200,519	189,224
Deferred income taxes	1,644	41,778	60,683
Loss/(gain) on sale of assets	1,149	(6,419)	(12,140)
Changes in current assets and liabilities:			
Receivables	(13,000)	(38,823)	(18,991)
Inventories	(6,219)	(13,731)	(12,980)
Other current assets	(5,714)	501	11,909
Accounts payable, taxes and other liabilities	33,433	40,007	22,073
Cash Provided by Operations.	526,685	518,978	447,261
Cash (Used For) Provided By Investment Activities:			
Purchase of short-term investments	(154,284)	(45,882)	—
Redemption of short-term investments	200,166	—	—
Capital expenditures	(563,420)	(358,671)	(191,561)
Proceeds from sale of assets	5,530	11,141	18,168
Proceeds from long-term notes receivable	7,438	16,505	3,274
Issuance of long-term notes receivable	(12,585)	(11,761)	(9,779)
Other	(7,934)	(10,964)	(6,315)
	(525,089)	(399,632)	(186,213)
Cash (Used For) Provided By Financing Activities:			
Change in short-term loans	13,047	3,140	(15,569)
Proceeds from issuance of long-term debt	144,000	2,805	1,379
Repayments of long-term debt	(81,369)	(18,811)	(18,581)
Dividends paid	(97,753)	(84,327)	(83,931)
Purchase of company's common stock	—	(101,955)	(63,185)
	(22,075)	(199,148)	(179,887)
Effect of exchange rate changes on cash	(897)	276	2,674
Increase (decrease) in cash and cash equivalents	(21,376)	(79,526)	83,835
Balance at beginning of year	77,528	157,054	73,219
Balance at end of year	$ 56,152	$ 77,528	$157,054

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investment instruments with an original maturity of three months or less.

Short-Term Investments

Short-term investments are stated at cost, which approximates market value. Investment instruments with maturities greater than three months but less than one year are classified as short-term investments.

3. Supplemental Cash Flow Information

Cash paid for income taxes was $173.9 million in 1989, $119.1 million in 1988 and $58.0 million in 1987. Cash paid for interest, net of amounts capitalized, was $48.3 million in 1989, $50.4 million in 1988 and $61.8 million in 1987.

Purchase Method Business Combinations

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

Consolidated Statements of Cash Flows

(dollars in thousands)	1989	1988	1987
Cash flows from operations:			
Net earnings	$ 35,134	$ 33,065	$ 18,215
Adjustment to reconcile net earnings to cash provided by (used for) operations:			
Depreciation	21,699	19,462	15,170
Amortization	7,869	4,314	2,627
Deferred income tax expense (benefit)	(8,200)	8,105	6,759
Provision for losses on receivables	2,700	2,960	3,184
Loss on noncurrent receivable from a foreign grain customer	—	—	2,415
Gain on major disposals	(8,940)	(1,764)	—
Equity in (earnings) loss of unconsolidated affiliates, net of dividends received	(850)	284	919
Changes in operating assets and liabilities, net of acquisitions and dispositions of businesses:			
(Increase) decrease in accounts receivable	(14,862)	(13,477)	(3,674)
(Increase) decrease in inventories	(418)	(43,640)	8,712
(Increase) decrease in other current assets	(13,384)	(17,679)	130
Increase (decrease) in accounts payable	12,535	(2,814)	7,315
Increase (decrease) in other current liabilities	(4,347)	(14,629)	16,527
Other, net	6,158	644	5,210
Cash provided by (used for) continuing operations	35,094	(25,169)	83,509
Cash provided by (used for) discontinued operations	382	2,457	(27,244)
Cash provided by (used for) all operations	35,476	(22,712)	56,265
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(41,840)	(39,666)	(27,758)
Capital expenditures	(36,036)	(39,991)	(26,538)
Proceeds from major business dispositions	82,069	2,391	101,118
Net (increase) decrease in short-term investments	9,246	(6,414)	1,096
Purchase of equity securities of another entity	(2,500)	—	(250)
Proceeds from other property disposals	3,458	1,950	1,932
Other, net	(38)	163	1,363
Cash provided by (used for) investing activities	14,359	(81,567)	50,963
Cash flows from financing activities:			
Net increase (decrease) in notes payable and commercial paper	13,001	56,440	(71,177)
Proceeds from long-term debt	390,000	56,427	1,102
Payments on long-term debt	(347,458)	(16,592)	(43,274)
Dividends paid	(16,852)	(17,341)	(16,585)
Proceeds from issuance of common stock	163	964	57,372
Purchase of treasury shares	(54,167)	—	—
Other, net	(51)	(85)	(20)
Cash provided by (used for) financing activities	(15,364)	79,813	(72,582)
Effect of exchange rate changes on cash and cash equivalents	(22,057)	(10)	3,179
Net increase (decrease) in cash and cash equivalents	12,414	(24,476)	37,825
Cash and cash equivalents at beginning of year	19,515	43,991	6,166
Cash and cash equivalents at end of year	$ 31,929	$ 19,515	$ 43,991

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents. At February 28, 1989, $7,359,000 of cash equivalents and $450,000 of short-term investments were pledged as security for certain non-U.S. notes payable.

Businesses Acquired (In Part)

Components of cash used for acquisitions as reflected in the consolidated statements of cash flows are summarized as follows:

(in thousands)	1989	1988	1987
Fair value of current assets, net of cash acquired	$12,650	$24,197	$ 8,163
Fair value of non-current assets, excluding intangibles	20,241	13,425	8,774
Intangibles	33,603	20,713	16,511
Liabilities assumed, principally current	(15,297)	(9,969)	(3,690)
Purchase contract liabilities	(9,357)	(8,700)	(2,000)
Cash paid at closing, net of cash acquired	$41,840	$39,666	$27,758

INGERSOLL-RAND COMPANY (DEC)

Consolidated Statement of Cash Flows

In thousands	1989	1988	1987
Cash flows from operating activities:			
Net earnings	$ 210,751	$ 161,588	$ 117,691
Adjustments to arrive at net cash provided by operating activities:			
Depreciation and amortization	80,558	76,784	72,617
(Gain) loss on sale of assets	(3,282)	704	(1,283)
Equity earnings/loss, net of dividends	(27,436)	(618)	38,222
Deferred income taxes	9,112	1,727	12,169
Cumulative effect of accounting change	—	—	(9,755)
Extraordinary tax benefit	(8,526)	—	—
Other noncash items	8,842	2,753	(4,818)
Changes in assets and liabilities			
(Increase) decrease in:			
Accounts and notes receivable	(36,330)	(80,769)	101,337
Inventories	(6,706)	(96,708)	25,628
Other current and noncurrent assets	(45,976)	(28,324)	72,892
Increase (decrease) in:			
Accounts payable and accruals	19,013	42,961	8,174
Other current and noncurrent liabilities	14,030	13,319	(51,723)
Net cash provided by operating activities	214,050	93,417	381,151
Cash flows from investing activities:			
Capital expenditures	(110,412)	(108,980)	(84,926)
Proceeds from sales of property, plant and equipment	8,914	1,948	13,161
Proceeds from business dispositions	10,132	—	—
Acquisitions, net of cash*	(9,550)	(27,891)	(17,501)
Decrease (increase) in marketable securities	13,921	(8,907)	1,996
Cash invested in or advances to equity companies	(3,738)	15,775	(50,569)
Net cash used by investing activities	(90,733)	(128,055)	(137,839)
Cash flows from financing activities:			
Decrease (increase) in short-term borrowings	(51,895)	68,191	(41,166)
(Repayment to) loan from Dresser-Rand	(100,000)	100,000	—
Proceeds from long-term debt	16,635	—	3,670
Redemption of long-term debt	—	—	(127,845)
Payments of long-term debt	(27,915)	(10,818)	(25,777)
Net change in debt	(163,175)	157,373	(191,118)
Proceeds from sales of treasury stock	—	1,763	4,575
Treasury stock acquired	(386)	(20,073)	(41,296)
Proceeds from exercise of stock options	4,533	2,390	9,075
Dividends paid	(67,157)	(59,930)	(60,105)
Fractional shares from stock split	—	—	(63)
Redemption of preference stock	—	—	(4,545)
Net cash (used in) provided by financing activities	(226,185)	81,523	(283,477)
Effect of exchange rate changes on cash and cash equivalents	3,637	6,965	(13,703)
Net (decrease) increase in cash and cash equivalents	(99,231)	53,850	(53,868)
Cash and cash equivalents—beginning of year	235,639	181,789	235,657
Cash and cash equivalents—end of year	$ 136,408	$ 235,639	$ 181,789
***Acquisitions of businesses:**			
Working capital, other than cash	$ 12,818	$ (14,115)	$ (7,543)
Property, plant and equipment	(15,934)	(1,341)	(4,142)
Other assets	(8,996)	(12,435)	(7,419)
Long-term debt	2,562	—	903
Noncurrent liabilities	—	—	700
Net cash used to acquire businesses	$ (9,550)	$ (27,891)	$ (17,501)
Noncash activity:			
Notes receivable from asset disposals	$ 2,325	$ —	$ —
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 37,150	$ 35,598	$ 43,210
Income taxes	102,944	84,523	21,958

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies:

Cash Equivalents: The company considers all highly liquid investments consisting primarily of treasury bills and notes, time deposits and commercial paper with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are carried at cost, which approximates market. Cash equivalents were $100,337,000 and $189,733,000 at December 31, 1989, and December 31, 1988, respectively.

HERMAN MILLER, INC. (MAY)

Consolidated Statements of Cash Flows

	1989	1988	1987
		(in thousands)	
Cash Flows from Operating Activities:			
Net income	$ 44,675	$ 44,605	$33,265
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation and amortization	22,953	21,480	19,302
Provision for losses on accounts and notes receivable	5,641	2,031	1,411
Loss on sales of property and equipment	622	1,207	1,381
Deferred taxes, noncurrent	770	(104)	195
Deferred compensation	(1,472)	699	177
Changes in assets and liabilities net of effects of acquisitions:			
Decrease (increase) in assets—			
Accounts receivable	(15,208)	(14,745)	(414)
Inventories	701	(4,848)	(7,063)
Prepaid expenses	(3,541)	(278)	(5,265)
Increase (decrease) in liabilities—			
Accounts payable	1,781	4,030	8,281
Accrued liabilities	(739)	7,596	2,703
Total adjustments	11,508	17,068	20,708
Net cash provided by operating activities	56,183	61,673	53,973
Cash Flows from Investing Activities:			
Notes receivable repayments	162,679	78,229	2,737
Notes receivable issued	(177,024)	(114,156)	(11,223)
Net cash received in (disbursed for) acquisitions	1,214	—	(15,276)
Proceeds from sales of property and equipment	420	1,817	350
Property and equipment additions	(56,274)	(44,423)	(30,158)
Other, net	454	219	(2,542)
Net cash used for investing activities	(68,531)	(78,314)	(56,112)
Cash Flows from Financing Activities:			
Long-term debt borrowings	20,006	50,000	—
Long-term debt repayments	(2,288)	(23,887)	(7,551)
Increase (decrease) in short-term debt	17,610	9,708	1,450
Common stock issued	3,792	3,400	3,737
Stock grants earned	258	—	—
Capital lease obligation repayments	(1,211)	(1,075)	(461)
Common stock purchased	(11,449)	(4,075)	(7,379)
Dividends paid	(12,155)	(10,757)	(10,809)
Net cash provided by (used for) financing activities	14,563	23,314	(21,013)
Effect of Exchange Rate Changes on Cash and Short-Term Investments	(693)	358	1
Net Increase (decrease) in cash and short-term investments	1,522	7,031	(23,151)
Cash and Short-Term Investments, beginning of year	9,623	2,592	25,743
Cash and Short-Term Investments, end of year	$ 11,145	$ 9,623	$ 2,592

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting and Reporting Policies (In Part)

Statements of Cash Flows

In fiscal 1989, the company adopted Statement of Financial Accounting Standards No. 95 ("Statement of Cash Flows") which established standards for cash flow reporting. In prior years, the company presented statements of changes in financial position. Prior year statements have been restated to conform with the current year's presentation. For purposes of the statement of cash flows the company considers all short-term investments to be cash equivalents. Short-term investments include all highly liquid debt instruments purchased with a maturity of three months or less. Supplemental disclosures required by SFAS No. 95 are included in the Supplemental Disclosures of Cash Flow Information, page 26.

Supplemental Disclosures of Cash Flow Information

Details of businesses acquired in purchase transactions (in thousands) were as follows:

	1989	1988	1987
Fair value of assets acquired	$ 8,348	$ —	$23,025
Liabilities assumed or created	8,025	—	7,508
Cash paid for acquisitions	317	—	15,517
Less cash acquired	(1,531)	—	(241)
Net cash paid for (received in) acquisitions	$(1,214)	$ —	$15,276

Noncash investing and financing activities (in thousands) were as follows:

	1989	1988	1987
Additions to obligations under capital lease	$ 145	$ 1,929	$ 125
Stock grants issued	1,290	—	—

Cash payments for income taxes and interest (in thousands) were as follows:

	1989	1988	1987
Interest paid	$10,600	$ 7,400	$ 5,500
Income taxes paid	24,500	24,900	25,700

Sale Of Assets

PHILIPS INDUSTRIES INC. (MAR)

Statements of Consolidated Cash Flows

(In Thousands)	1989	1988	1987
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$46,347	$43,257	$33,025
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,102	19,143	17,205
Deferred income taxes	(429)	1,174	2,725
Deferred compensation	(2,952)	3,464	1,911
Other	(127)	(3,822)	2,416
Changes in noncash assets and liabilities net of effects from acquisitions and disposal:			
Accounts receivable	(10,064)	828	(3,223)
Contracts in progress	(16,501)	—	—
Inventories	(7,131)	10,161	(87)
Prepaid expenses	606	251	(111)
Accounts payable	6,623	(10,371)	(7,659)
Accrued liabilities	(4,502)	1,929	(5,436)
NET CASH PROVIDED BY OPERATING ACTIVITIES	35,972	66,014	40,766
CASH FLOWS FROM INVESTING ACTIVITIES:			
Property additions	(24,396)	(22,053)	(20,621)
Proceeds from sale of property	2,090	5,014	473
Acquisitions	(43,887)	(16,587)	(16,146)
Proceeds from sale of line of business	10,000	—	—
Bond fund deposits	951	681	3,248
NET CASH USED IN INVESTING ACTIVITIES	(55,242)	(32,945)	(33,046)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock	2,979	1,011	494
Short-term bank borrowings, net	(2,405)	—	—
Long-term borrowings	50,000	—	—
Repayments of long-term debt	(33,758)	(8,927)	(12,185)
Notes receivable	993	(976)	—
Cash dividends	(14,034)	(11,671)	(9,519)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,775	(20,563)	(21,210)
INCREASE (DECREASE) IN CASH AND SHORT-TERM CASH INVESTMENTS	(15,495)	12,506	(13,490)
CASH AND SHORT-TERM CASH INVESTMENTS AT BEGINNING OF YEAR	17,102	4,596	18,086
CASH AND SHORT-TERM CASH INVESTMENTS AT END OF YEAR	$ 1,607	$17,102	$ 4,596

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash and Short-Term Cash Investments

Interest-bearing deposits and other investments with original maturities of three months or less are considered short-term cash investments. The company has overdraft positions at certain banks caused by outstanding checks. These overdrafts are included in accounts payable.

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

Consolidated Statement of Cash Flows

	(000 omitted)		
	1989	1988	1987
Cash Flows from Operating Activities:			
Net Loss	$ (23,985)	$(37,046)	$(15,251)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation and amortization	9,324	13,376	13,622
Minority interest	(534)	(250)	365
Non-Cash portion of loss from termination of certain operations	1,350	4,200	955
Gain on sale of divisions and segment	(36,355)	(21,918)	(11,012)
Decrease (increase) in assets:			
Receivables	4,705	9,602	(17,521)
Inventories	19,710	(2,157)	1,005
Prepaid expenses and other current assets	1,650	(2,540)	8,270
Other assets	4,383	1,516	(442)
Increase (decrease) in liabilities:			
Trade payables	(2,270)	(6,311)	2,674
Accrued expenses and sundry liabilities	(7,368)	2,432	(16,222)
Income taxes payable	(418)	(162)	1,220
Other—net	1,530	(3,756)	(364)
Net Cash Used for Operating Activities	$ (28,278)	$(43,014)	$(32,701)
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	$ (8,240)	$(11,304)	$ (9,321)
Disposition of property, plant and equipment	1,114	2,453	1,465
Sale of Divisions:			
Proceeds from sale of divisions	124,172	86,134	38,910
Less non-cash proceeds:			
Preferred stock	(10,000)		
Receivables, net	(12,147)	(10,949)	(2,550)
(Increase) decrease in carrying value prior to sale	(11,054)	(10,272)	305
Net Cash Provided by Investing Activities	$ 83,845	$ 56,062	$ 28,809
Cash Flows from Financing Activities:			
Increase in short-term debt	$ 122	$ 590	$ 223
Increase in long-term debt	56,397	10,860	36,790
Decrease in long-term debt	(111,625)	(25,345)	(33,080)
Issuance of stock		20	27
Acquisition of treasury stock			(247)
Net Cash Provided by (Used for) Financing Activities	$ (55,106)	$(13,875)	$ 3,713
Effect of exchange rates on cash	(7)	(3)	(1)
Increase (Decrease) in Cash	$ 454	$ (830)	$ (180)
Cash at beginning of year	1,286	2,116	2,296
Cash at End of Year	$ 1,740	$ 1,286	$ 2,116
Supplemental disclosures of Cash Flow information:			
Interest	$ 37,103	$ 41,844	$ 42,627
Income Taxes	798	(380)	1,877

Hedging Transactions

THE BLACK & DECKER CORPORATION (SEP)

Consolidated Statement of Cash Flows

(Thousands of Dollars)	1989	1988	1987
OPERATING ACTIVITIES			
Net earnings	$ 30,026	$ 97,095	$ 55,566
Adjustments:			
Depreciation and amortization	130,978	93,488	99,036
Trade receivables	(50,841)	(49,299)	(38,389)
Inventories	69,540	(79,339)	8,301
Accounts payable and accrued liabilities	39,688	66,138	(70,523)
Other assets and liabilities	(75,550)	29,388	3,450
Investing and financing activities included in net earnings	(25,751)	(36,401)	(18,113)
CASH FLOW FROM OPERATING ACTIVITIES	118,090	121,070	39,328
INVESTING ACTIVITIES			
Acquisition of Emhart	(2,647,802)	—	—
Businesses held for sale	(42,975)	—	—
Capital expenditures	(112,103)	(98,404)	(58,766)
Proceeds from disposal of assets	8,801	13,203	14,419
Cash inflow from foreign currency hedging	173,545	96,746	39,847
Cash outflow from foreign currency hedging	(172,276)	(88,998)	(56,668)
Tender offer termination payment received net of expenses	—	8,327	—
CASH FLOW FROM INVESTING ACTIVITIES	(2,792,810)	(69,126)	(61,168)
CASH FLOW BEFORE FINANCING ACTIVITIES	(2,674,720)	51,944	(21,840)
FINANCING ACTIVITIES			
Net increase (decrease) in short-term borrowings	1,038,764	(22,510)	17,552
Proceeds from long-term debt	2,104,789	28,365	164,221
Payments on long-term debt	(403,376)	(5,833)	(124,802)
Issuance of common stock	6,376	3,200	4,373
Cash dividends	(23,521)	(23,397)	(23,269)
CASH FLOW FROM FINANCING ACTIVITIES	2,723,032	(20,175)	38,075
Effect of exchange rate changes on cash	2,885	2,127	2,044
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,197	33,896	18,279
Cash and cash equivalents at beginning of year	74,356	40,460	22,181
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 125,553	$ 74,356	$ 40,460

Income tax payments were $31,703, $11,339 and $9,908 for 1989, 1988 and 1987, respectively.

Interest payments were $165,608, $64,220 and $58,061 for 1989, 1988 and 1987, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturities of three months or less.

Lessor Leases

WINNEBAGO INDUSTRIES, INC. (AUG)

Consolidated Statements of Cash Flows

Dollars in thousands	1989	1988	1987
Cash flows from operating activities:			
Net income (loss)	$ (4,675)	$ 2,726	$ 19,976
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation and amortization	11,690	10,817	10,376
Loss on disposal of property	463	—	—
Provision for doubtful receivables	1,263	392	2,352
Provision for lease residual reserve	6,547	4,808	—
Earned income from leases	(1,677)	(2,788)	(3,329)
Deferred income taxes	(1,309)	(11,462)	(3,808)
Deferred compensation	1,079	1,222	1,278
Employee stock bonus plan	456	421	383
Realized and unrealized (gains) and losses on investments, net	(5,656)	5,335	(6,804)
Other	(14)	(309)	(282)
Change in assets and liabilities:			
(Increase) decrease in receivables	(1,975)	12,380	(15,912)
(Increase) decrease in inventories	(6,678)	(23,821)	11,658
(Increase) decrease in prepaid expenses	(355)	(1,026)	460
(Increase) in income tax refund receivable	(7,687)	—	—
Increase (decrease) in accounts payable and accrued expenses	(1,406)	13,125	3,777
Increase (decrease) in income taxes payable	(2,819)	(1,033)	7,098
Increase (decrease) in liability on product warranties	183	(308)	(1,179)
Net cash provided (used) by operating activities	(12,570)	10,479	26,044

Cash flows from investing activities:			
Investments in marketable securities	(119,545)	(258,656)	(214,932)
Proceeds from sale of marketable securities	165,629	240,620	225,263
Purchases of property and equipment	(11,990)	(16,247)	(9,250)
Proceeds from sale of property and equipment	210	237	111
Purchase of subsidiaries, net of cash acquired	—	(56)	(1,632)
Investments in dealer receivables	(150,045)	(123,784)	(132,532)
Proceeds from dealer receivables	134,441	128,270	140,243
Investments in long-term notes receivable and other assets	(4,216)	(4,961)	(2,336)
Proceeds from long-term notes receivable and other assets	1,864	995	9,305
Proceeds from the sale of equipment under direct financing leases	12,317	5,832	6,586
Investment in direct financing and operating leases	(258)	—	(1,956)
Net cash provided (used) by investing activities	$ 28,407	$ (27,750)	$ 18,870
Cash flows from financing activities and capital transactions:			
Net increase (decrease) in notes payable	255	(4,138)	(33,462)
Net increase (decrease) in commercial paper notes payable	(2,186)	41,548	7,914
Payments of long-term debt	(3,250)	(5,460)	(5,291)
Proceeds from issuance of long-term debt	—	403	90
Proceeds from issuance of common and treasury stock	51	74	499
Payments of cash dividends	(9,879)	(9,863)	(7,662)
Purchase of treasury stock	—	(5,293)	(8,835)
Net cash provided (used) by financing activities and capital transactions	(15,009)	17,271	(46,747)
Net increase (decrease) in cash and cash equivalents	828	—	(1,833)
Cash and cash equivalents at beginning of year	—	—	1,833
Cash and cash equivalents at end of year	$ 828	$ —	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Nature of Business and Significant Accounting Policies

Statement of Cash Flows. For purposes of these statements, cash equivalents include all highly liquid debt instruments purchased with a maturity of three months or less. Also, in connection with its cash management program, the Company generally does not report any cash and cash equivalents due to outstanding checks often exceeding the bank balances. Therefore, the excess of checks outstanding over bank balances are included in the accompanying balance sheet as trade accounts payable.

Note 18: Supplemental Cash Flow Disclosure

Cash paid during the year for:

Dollars in thousands	August 26, 1989	August 27, 1988	August 29, 1987
Interest	$8,685	$ 5,791	$ 6,023
Income taxes	8,171	10,953	11,913

The following represents non-cash flow investing and financing activities:

In 1987, the Company issued 56,293 shares of common stock for the purchase of Cycle Video, Inc. (See Note 19).

Long-term debt obligations of $285,000 were incurred to finance the purchase of equipment leased to lessees under direct financing leases in 1987. Lease payments of $14,328,000, $19,864,000, and $17,322,000 were received and paid directly to creditors to reduce long-term debt obligations during fiscal years 1989, 1988, and 1987, respectively. In addition, during fiscal 1989, 1988, and 1987, WAC recorded non-cash interest income and expense of $1,981,000, $3,944,000, and $5,150,000, respectively, related to lessee payments paid directly to certain lenders to service the related debt.

During 1987, WAC received property valued at $6,000,000 subject to a $3,100,000 note payable in settlement of a note receivable. WAC also received property valued at $4,050,000 on settlement of a note receivable.

During 1989 and 1988, $974,000 and $2,545,000, respectively, of direct financing leases matured and were renewed by leases under operating leases.

During 1989, notes receivable of $2,075,000 were received in settlement of the sale of direct financing leases.

WETTERAU INCORPORATED (MAR)

Consolidated Statements of Cash Flows

	1989	1988	1987
		($000)	
Cash Flows From Operating Activities:			
Net earnings	$43,251	38,565	35,040
Noncash items included in income:			
Depreciation and amortization	40,409	33,688	30,797
Net gain on sale of property and equipment	(2,143)	(3,289)	(839)
Deferred income taxes	(5,822)	342	1,818
Other	2,699	5,912	3,716
Changes in assets and liabilities net of effects from acquired companies:			
Increase in receivables, net	(7,320)	(26,659)	(7,904)
Increase in merchandise inventories	(3,225)	(24,113)	(2,839)
Decrease (increase) in prepaid expenses and other current assets	3,468	(4,904)	87
Increase (decrease) in accounts payable and accrued expenses	(8,258)	36,590	5,778
Increase (decrease) in checks outstanding	(11,346)	14,917	5,823
Increase (decrease) in income taxes	3,245	(3,944)	2,582
Other	(551)	15,411	5,196
Net cash provided by operating activities	54,407	82,516	79,255
Cash Flows From Investing Activities:			
Decrease (increase) in notes receivable	(9,572)	10,982	(24,252)
Decrease (increase) in investments	1,282	3,030	(1,294)
Additions to direct financing leases	(5,455)	(1,748)	(12,899)
Payments on direct financing leases	3,455	3,294	3,083
Proceeds from sale of property and equipment	27,675	38,536	22,842
Additions to property and equipment	(63,538)	(55,020)	(60,942)
Acquisitions	(11,915)	(23,299)	(6,735)
Other	(787)	10,929	5,931
Net cash used in investing activities	(58,855)	(13,296)	(74,266)
Cash Flows From Financing Activities:			
Issuance of short-term debt	48,082	70,373	48,564
Payments on short-term debt	(38,883)	(80,288)	(17,008)
Issuance of long-term debt and capitalized leases	39,734	5,787	131,299
Payments on long-term debt and capitalized leases	(45,511)	(32,480)	(66,241)
Dividends	(13,027)	(12,637)	(12,670)
Sale of treasury stock—ESOP	—	31,050	—
Purchase of treasury stock	(19,886)	(42,200)	(61,599)
Net cash provided by (used in) financing activities	(29,491)	(60,395)	22,345
Net increase (decrease) in cash and temporary investments	(33,939)	8,825	27,334
Cash and temporary investments at beginning of year	43,105	34,820	6,946
Cash and temporary investments at end of year	$ 9,166	43,105	34,280
Supplemental cash flow information:			
Cash paid for:			
Interest (net of amount capitalized)	32,991	26,350	21,782
Income taxes	24,015	27,058	21,115

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Financial statement presentation

In fiscal 1989, the company adopted the provisions of Statement of Financial Accounting Standards No. 95, which requires the presentation of a Statement of Cash Flows in place of the Statement of Changes in Financial Position. For purposes of the Statement of Cash Flows, the company considers all temporary investments with a maturity of three months or less to be cash equivalents. Prior year financial statements have been restated to conform with the 1989 presentation.

CASH FLOWS FROM FINANCING ACTIVITIES

Paragraphs 18-20 of *SFAS No. 95* define those transactions and events which constitute financing cash receipts and payments. With the exception of certain transactions described in paragraphs 12-13, cash receipts and payments should be reported separately and not netted. Examples of reporting cash flows from financing activities follow.

Capital Stock Proceeds/Payments

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

Consolidated Statements of Cash Flows

(millions)	1989	1988	1987
Cash flows from operating activities:			
Net earnings	$ 187.6	$ 162.7	$ 150.4
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	134.0	109.2	91.4
Deferred income taxes	(10.6)	14.4	11.5
Gain on sale of discontinued businesses	(21.7)	—	—
Changes in operating assets and liabilities net of effect from dispositions and acquisitions:			
(Increase) in receivables	(9.2)	(12.1)	(34.2)
(Increase) in inventories	(3.2)	(25.3)	(25.9)
(Increase) decrease in other current assets	(7.3)	16.9	(9.9)
(Increase) in other noncurrent assets	(28.8)	(18.4)	(14.7)
Increase in accounts payable and accrued expenses	12.0	17.4	24.8
Increase (decrease) in income taxes payable	3.5	(1.4)	23.7
Other, net	4.1	4.6	(1.5)
Net cash provided by operating activities	260.4	268.0	215.6
Cash flows from investing activities:			
Purchases of property, plant, and equipment	(231.0)	(198.7)	(183.0)
Proceeds from sale of land, facilities, and discontinued businesses	194.7	10.6	3.1
Acquisitions	—	(358.5)	(63.1)
Net cash used for investing activities	(36.3)	(546.6)	(243.0)
Cash flows from financing activities:			
(Decrease) increase in short-term debt	(283.4)	201.4	74.3
Issuance of long-term debt	.2	125.2	4.3
Reduction of long-term debt	(10.7)	(6.0)	(21.5)
Sale of convertible preferred stock	270.0	—	—
Redemption of $3.75 cumulative preferred stock	(10.6)	—	—
Purchase of treasury stock	(167.1)	(2.5)	(40.9)
Cash dividends paid	(57.2)	(45.5)	(42.3)
Purchased tax benefits and other	(15.8)	4.6	11.7
Net cash provided by (used for) financing activities	(274.6)	277.2	(14.4)
Effect of exchange rate changes on cash and cash equivalents	(2.1)	.9	8.5
Net (decrease) in cash and cash equivalents	$ (52.6)	$ (.5)	$ (33.3)
Cash and cash equivalents at beginning of year	$ 69.7	$ 70.2	$ 103.5
Cash and cash equivalents at end of year	$ 17.1	$ 69.7	$ 70.2
Supplemental cash flow information			
Interest paid	$ 42.9	$ 23.6	$ 11.5
Income taxes paid	$ 87.6	$ 93.4	$ 70.0
Supplemental schedule of noncash investing and financing activities			
Liabilities resulting from the acquisition of businesses:			
Fair value of assets acquired	—	$ 401.7	$ 116.3
Cash paid		(358.5)	(63.1)
	—	$ 43.2	$ 53.2

FINANCIAL REVIEW

Balance Sheet Items (In Part)

Cash and cash equivalents were lowered to $17.1 million at the end of 1989 from $69.7 million at the end of 1988. Operating and other factors associated with the decrease in cash and cash equivalents are detailed in the Consolidated Statements of Cash Flows on page 19.

Short-term investments, substantially all of which have maturities of three months or less when purchased, are considered to be cash equivalents and are carried at cost or less, generally approximating market value.

BARNES GROUP INC. (DEC)

Consolidated Statement of Cash Flows

Dollars in thousands	1989	1988	1987
Cash flows from operating activities			
Net income	$12,373	$18,848	$17,840
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	18,167	16,626	15,470
Gain on sale of property, plant and equipment and other assets	(1,542)	(91)	(792)
Translation losses	3,493	2,854	1,432
Changes in operating assets and liabilities:			
Accounts receivable	(10,859)	(6,066)	(10,636)
Inventories	1,726	(4,429)	(9,966)
Accounts payable and accrued liabilities	10,183	4,783	3,430
Accrued income taxes	(82)	(439)	(10,370)
Deferred income taxes	1,456	315	(836)
Other liabilities and assets	(1,814)	(1,477)	3,693
Net cash from operating activities	33,101	30,924	9,265
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and other assets	2,611	3,987	1,645
Capital expenditures excluding capital leases	(18,218)	(21,421)	(22,443)
Payments for the net assets of Flameco	(11,750)	—	—
Other	(3,378)	(1,657)	(1,019)
Net cash used in investing activities	(30,735)	(19,091)	(21,817)
Cash flows from financing activities			
Net increase (decrease) in notes and overdrafts payable	13,357	(3,443)	1,019
Proceeds from the issuance of:			
Long-term debt	1,704	5,347	50,673
Preferred stock	—	(849)	19,685
Common stock	20,545	5,551	925
Payments to:			
Retire long-term debt	(285)	(633)	(16,631)
Acquire treasury stock	(3,267)	(3,314)	(40,011)
Redeem preferred stock	(21,802)	—	—
Other	(177)	(515)	(513)
Dividends paid	(9,435)	(8,731)	(7,356)
Net cash provided (used) by financing activities	640	(6,587)	7,791
Effect of exchange rate changes on cash and cash equivalents	(3,122)	(2,156)	(1,359)
Increase (decrease) in cash and cash equivalents	(116)	3,090	(6,120)
Cash and cash equivalents at beginning of year	18,133	15,043	21,163
Cash and cash equivalents at end of year	$18,017	$18,133	$15,043

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Cash equivalents: The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

SCHLUMBERGER LIMITED (DEC)

Consolidated Statement of Cash Flows

	(Stated in thousands)		
	1989	1988	1987
Cash flows from operating activities:			
Net income	$441,454	$ 476,151	$ 352,640
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	519,727	552,162	534,530
Loss from disposal of discontinued operations	—	—	220,000
Nonrecurring items	—	—	(222,200)
Earnings of companies carried at equity, less dividends received (1989—$49,023; 1988—$20,660; 1987—$10,063)	11,479	(514)	73,542
Gain on sale of subsidiary/investments	(12,783)	(34,871)	(75,834)
Extraordinary gain	(21,500)	(22,287)	(70,080)
Provision for losses on accounts receivable	9,813	17,355	26,574
Other adjustments	(60,661)	(51,613)	(73,732)
Change in operating assets and liabilities:			
(Increase) decrease in receivables	(96,981)	96,340	(74,032)
(Increase) decrease in inventory	(1,281)	(4,672)	38,398
Increase (decrease) in accounts payable and accrued liabilities	11,214	(65,118)	(187,360)
Decrease in estimated liability for taxes on income	(8,147)	(64,665)	(151,497)
Other—net	(21,408)	1,789	23,667
Net cash provided by operating activities	770,926	900,057	414,616

Cash flows from investing activities:			
Purchases of fixed assets	(548,554)	(455,353)	(276,373)
Sales of fixed assets	42,153	76,804	111,100
Proceeds from sale of subsidiary/investments	236,000	62,900	83,994
Investments in affiliated company	—	(25,000)	—
Proceeds from extraordinary item	50,151	—	115,635
Payment for purchase of Neptune International, net of cash acquired ...	—	—	(134,838)
Payment for purchase of GECO A.S. common stock	—	(100,164)	—
Payment for purchase of Thorn Gas Metering (U.K.)	(93,383)	—	—
Decrease in short-term investments	108,397	1,244,627	1,377,944
(Increase) decrease in long-term investments and receivables	1,188	(67,988)	(1,979)
Investment in Compagnie Générale des Eaux shares (1989), debentures (1988).............	(20,332)	(13,336)	—
Net cash provided by (used in) investing activities	(224,380)	722,490	1,275,483
Cash flows from financing activities:			
Dividends paid	(285,423)	(325,415)	(334,662)
Purchase of shares for Treasury	(59,415)	(1,206,578)	(363,616)
Proceeds from employee stock purchase plan ...	26,276	—	—
Proceeds from exercise of stock options	13,513	318	4,567
Proceeds from issuance of long-term debt	124,115	106,863	7,524
Payments of principal on long-term debt..........	(135,527)	(179,516)	(415,840)
Net decrease in short-term debt	(311,446)	(33,622)	(576,246)
Proceeds from issuance of long-term debt relating to Thorn Gas Metering (U.K.).........	93,604	—	—
Net cash used in financing activities.............	(534,303)	(1,637,950)	(1,678,273)
Net increase (decrease) in cash..........................	12,243	(15,403)	11,826
Cash, beginning of year......	41,670	57,073	45,247
Cash, end of year.............	$ 53,913	$ 41,670	$ 57,073

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Short-Term Investments

Short-term investments are stated at cost plus accrued interest, which approximates market, and comprised mainly certificates of deposit and time deposits in U.S. dollars.

For purposes of the Consolidated Statement of Cash Flows, the Company does not consider short-term investments to be cash equivalents as they generally have original maturities in excess of three months.

Supplementary Information (In Part)

Cash paid for interest and income taxes was as follows:

	(Stated in millions)		
Year ended December 31,	1989	1988	1987
Interest...	$ 95	$125	$235
Income taxes.......................................	$120	$172	$234

Debt Proceeds/Repayments

CLARK EQUIPMENT COMPANY (DEC)

Statement of Cash Flows

(Amounts in thousands)	1989	1988	1987
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 68,913	$ 46,091	$ (16,624)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	33,822	31,741	35,066
Net gain on sale of businesses	—	(620)	(3,036)
Exchange (gain) loss	461	8,144	(6,264)
Employee benefit expense funded with treasury stock	1,020	1,978	2,335
Dividends from unconsolidated companies	12,819	107	9,500
(Earnings) loss of unconsolidated companies	(22,527)	(5,638)	35
Increase in receivables and other current assets	(71,787)	(90,763)	(52,525)
Decrease (increase) in inventory	(9,534)	3,446	6,626
Increase in payables and accruals	69,400	87,129	38,625
Restructuring program costs expended	(332)	(7,245)	(14,696)
Decrease (increase) in other non-current assets	8,601	(4,419)	19
Increase (decrease) in other long-term liabilities	(708)	21,423	19,650
Increase (decrease) in deferred income taxes	(3,876)	1,071	252
Other	(1,090)	(2,104)	(2,058)
Net cash provided by operating activities	85,182	90,341	16,905
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of businesses (net of businesses' cash)	—	(181)	202,217
Additions to properties	(44,745)	(46,303)	(30,159)
Sales of properties	2,502	4,062	10,785
Decrease (increase) in investments and advances—associated companies	3,759	34,433	(19,274)
Net cash provided (used) in investing activities	(38,484)	(7,989)	163,569
CASH FLOWS FROM FINANCING ACTIVITIES:			
Funds restricted for payment of long-term debt	8,562	(749)	(69,013)
Additions to long-term borrowings	5,405	4,344	20,083
Payments to long-term debt.	(21,561)	(40,246)	(15,596)
Increase (decrease) in notes payable—current	(12,398)	33,548	(2,709)
Proceeds from sale of stock under option plans	2,485	574	965
Stock repurchased and placed in treasury	(1,533)	—	(51,982)
Other	831	68	(125)
Net cash used in financing activities	(18,209)	(2,461)	(118,377)
Effect of exchange rate changes on cash	(5,869)	(24,507)	(2,082)
Increase in cash and cash equivalents	22,620	55,384	60,015
Cash and cash equivalents at beginning of year	161,783	106,399	46,384
Cash and cash equivalents at end of year	$184,403	$161,783	$ 106,399

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash and Cash Equivalents—Cash equivalents include temporary investments of $178.2 million and $158.8 million at December 31, 1989 and 1988, respectively. Temporary investments are recorded at cost plus accrued interest.

For purposes of the Statement of Cash Flow, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The Company's cash flows from operating activities were reduced by cash paid for interest of $25.1 million, $23.1 million, and $28.3 million and income taxes of $51.5 million, $8.7 million, and $8.9 million during 1989, 1988, and 1987, respectively. The 1989 tax payments include $33.0 million of U.S. taxes relating to prior years tax audit issues. See further discussion on page 39.

COLLINS INDUSTRIES, INC. (OCT)

Consolidated Statements of Cash Flows

	1989	1988	1987
		($000)	
Cash flow from operations:			
Cash received from customers	$ 131,269	$ 124,080	$ 104,528
Cash paid to suppliers and employees	(127,053)	(116,863)	(100,973)
Interest received	201	94	129
Interest paid	(4,173)	(4,132)	(3,862)
Cash provided (used) by operations	$ 243	$ 3,179	$ (177)
Cash flow from investing activities:			
Capital expenditures	$ (2,358)	$ (4,031)	$ (1,784)
Proceeds from sale of fixed assets	159	278	459
Investment in Collins Financial Services	—	—	(400)
Proceeds from sale of assets of discontinued operations	246	2,042	—
Other	(90)	—	—
Cash (used) from investing activities	$ (2,043)	$ (1,710)	$ (1,725)
Cash flow from financing activities:			
Net short-term borrowings (payments)	$ 5,390	$ (1,703)	$ 2,214
Principal payments of long-term debt	(3,988)	(485)	(380)
Principal payments of capitalized leases	(483)	(278)	(411)
Addition to long-term debt & capitalized leases	1,470	1,440	—
Funds held from issue of Industrial Revenue Bonds for the purchase of facilities and equipment (Note 3)	$ (1,250)	—	—
Cash provided (used) from financing activities	$ 1,139	$ (1,027)	$ 1,422
Net increase (decrease) in cash	$ (660)	$ 440	$ (480)
Cash at beginning of year	$ 1,807	$ 1,367	$ 1,847
Cash at end of year	$ 1,147	$ 1,807	$ 1,367

Reconciliation of Net Income to Net Cash Provided by Operating Activities			
Net income (Loss)	$ 1,837	$ (1,143)	$ 1,113
Non cash charges to net income	3,102	3,620	2,623
(Gain) loss from sale of fixed assets	(7)	34	(25)
(Earnings) loss from Collins Financial Services	—	74	(15)
(Increase) in accounts and notes receivable	(3,207)	(1,225)	(983)
(Increase) in inventories	(4,801)	(889)	(948)
(Increase) decrease in prepaid expenses	(607)	24	153
(Increase) in other assets	—	(6)	(35)
Increase (decrease) in accounts payable	3,492	2,526	(2,178)
Increase in accrued expenses	436	164	118
Cash provided (used) by operations	$ 243	$ 3,179	$ (177)
Supplemental Disclosures of Cash Flows Information			
Cash paid during the year for:			
Income taxes	$ —	$ —	$ —

INLAND STEEL INDUSTRIES, INC. (DEC)

Consolidated Statement of Cash Flows

Dollars in Thousands	1989	1988	1987
Operating Activities			
Net income	$119,697	$262,078	$144,976
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation	131,230	134,818	123,389
Deferred income tax	38,730	97,930	—
Deferred employee benefit cost	(24,676)	(13,397)	(8,393)
Common stock issued for coverage of employee benefit plan expense	17,655	9,701	12,276
Gain on redemption of long-term debt	(1,438)	(1,843)	(4,430)
Gain from sales of assets	(1,401)	(402)	(254)
Raw material joint venture costs	(6,262)	(8,856)	(5,270)
Change in:			
Receivables	10,273	33,643	(26,778)
Inventories	2,923	(66,445)	(25,315)
Investment tax credit refund	—	50,000	(50,000)
Accounts payable	(3,390)	4,761	15,676
Accrued salaries and wages	(27,422)	45,893	8,443
Other accrued liabilities	(2,118)	(4,232)	(37,827)
Litigation settlement in excess of amount recognized as income	—	—	21,594
Facilities termination costs	—	—	8,400
Other deferred items	(13,567)	(11,841)	(7,417)
Net adjustments	120,537	269,730	24,094
Net cash provided from operating activities	240,234	531,808	169,070
Investing Activities			
Capital expenditures	(196,470)	(136,524)	(126,933)
Investments in joint ventures	(15,458)	(73,580)	(10,519)
Investment in associated company	(14,637)	—	—
Acquisitions	(28,168)	(50,203)	—
Proceeds from sales of assets	7,674	2,555	39,349
Repayment of advances by joint ventures	—	844	—
Net cash used for investing activities	(247,059)	(256,908)	(98,103)
Financing Activities			
Redemption of preferred stock	(32)	(64,697)	—
Sales of capital stock	—	—	180,329
Sale of redeemable preferred stock	185,000	—	—
Long-term debt issued	3,138	1,335	24,497
Long-term debt retired	(32,825)	(32,366)	(192,090)
Dividends paid	(58,907)	(40,797)	(12,050)
Reduction of short-term debt assumed in acquisitions	(13,363)	(14,200)	—
Acquisition of treasury stock	(144,056)	—	—
Net cash provided from (used for) financing activities	(61,045)	(150,725)	686
Net increase (decrease) in cash and cash equivalents	(67,870)	124,175	71,653
Cash and cash equivalents—beginning of year	305,319	181,144	109,491
Cash and cash equivalents—end of year	$237,449	$305,319	$181,144
Supplemental Disclosures			
Cash paid (received) during the year for:			
Interest (net of amount capitalized)	$ 37,667	$ 46,458	$ 63,163
Income taxes, net	26,718	(39,595)	25,374
Non-cash investing and financing activities:			
Capital lease obligations incurred	697	—	1,052

STATEMENT OF ACCOUNTING AND FINANCIAL POLICIES

Cash Equivalents

Cash equivalents reflected in the Statement of Cash Flows are primarily highly liquid, short-term investments with maturities of approximately three months or less that are an integral part of the Company's cash management portfolio.

Dividend Payments

FEDERAL-MOGUL CORPORATION (DEC)

Consolidated Statements of Cash Flows

	1989	1988	1987
	(Thousands of Dollars)		
Cash Provided From (Used By) Operating Activities:			
Net earnings	$33,360	$41,700	$41,147
Adjustments to reconcile net earnings to net cash provided from operating activities:			
Depreciation and amortization	43,012	45,109	43,330
Increase (decrease) in deferred income taxes	3,429	(1,985)	7,454
Net gain on sale of businesses	(8,310)	(800)	(4,640)
Minority interests in international subsidiaries	(38)	1,442	744
(Increase) decrease in accounts receivable	3,281	(21,926)	(19,231)
Increase in inventories and other current accounts	(15,488)	(23,213)	(14,770)
Increase (decrease) in accounts payable, other accrued expenses and liabilities and income taxes	(38,556)	10,359	(5,195)
Extraordinary loss on extinguishment of debt	0	1,722	0
Other	(3,250)	2,627	2,115
Net Cash Provided From Operating Activities	17,440	55,035	50,954
Cash Provided From (Used By) Investing Activities:			
Expenditures for property, plant and equipment	(54,144)	(61,341)	(73,826)
Proceeds from sale of property, plant and equipment	2,610	3,712	955
Proceeds from sale of businesses	57,839	36,667	16,745
Business investments	(23,579)	(2,435)	0
Payments received on long-term receivables and investments	872	2,859	2,656
Other	648	(2,387)	346
Net Cash Used By Investing Activities	(15,754)	(22,925)	(53,124)
Cash Provided From (Used By) Financing Activities:			
Proceeds from sale and lease-back of assets	0	17,550	20,418
Proceeds from issuance of long-term debt	65,455	1,241	1,992
Principal payments on long-term debt	(4,409)	(37,504)	(2,756)
Net short-term borrowings	24,716	12,680	22,955
Dividends paid to common shareowners	(20,732)	(21,518)	(20,312)
Dividends paid to preferred shareowners	(4,183)	0	0
Dividends paid to minority shareowners	(230)	(910)	(1,210)
Purchases of common stock for treasury	(72,124)	(562)	(8,331)
Other	1,630	314	0
Net Cash Provided From (Used By) Financing Activities	(9,877)	(28,709)	12,756
Effect of exchange rate changes on cash and equivalents	(207)	(329)	865
Increase (Decrease) in Cash and Equivalents	(8,398)	3,072	11,451
Cash and Equivalents at Beginning of Year	18,307	15,235	3,784
Cash and Equivalents at End of Year	$ 9,909	$18,307	$15,235

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Cash and Equivalents—The Company considers all highly liquid investments with a maturity of ninety days or less when purchased to be cash equivalents.

TEXACO INC. (DEC)

Statement of Consolidated Cash Flows

	Millions of dollars		
	1989	1988	1987
Operating Activities			
Net income (loss)	$2,413	$1,304	$(4,135)
Reconciliation to net cash provided by (used in) operating activities			
Depreciation, depletion and amortization	1,662	2,094	2,552
Deferred income taxes	(262)	48	(1,605)
Exploratory expenses	361	545	277
Minority interest in net income	2	85	69
Dividends from nonsubsidiary companies, less than equity in income	(257)	(70)	(130)
(Gains) losses on dispositions of assets	(2,189)	(641)	16
Pennzoil settlement	—	(3,000)	3,000
Restructuring and associated charges	378	185	2,880
Special environmental accruals	446	—	—
Changes in operating working capital			
Accounts and notes receivable	(1,050)	184	(838)
Inventories	407	466	(73)
Accounts payable	327	79	(40)
Accrued liabilities	42	(977)	658
Other—mainly estimated income and other taxes	(1,157)	(130)	106
Other reconciling items (net)	366	249	160
Net cash provided by operating activities	1,489	421	2,897
Investing Activities			
Capital and exploratory expenditures	(1,952)	(2,369)	(1,895)
Proceeds from sales of assets, net of cash and cash equivalents sold	4,789	1,638	355
Purchases of investment instruments	(1,626)	(1,291)	(1,902)
Sales of investment instruments	1,496	1,306	1,794
Reclassification of Texaco Canada's cash and cash equivalents	—	(437)	—
Other investing activities (net)	163	(81)	128
Net cash provided by (used in) investing activities	2,870	(1,234)	(1,520)
Financing Activities			
Proceeds from borrowings having original terms in excess of three months	606	3,702	24
Repayments of borrowings having original terms in excess of three months	(2,485)	(4,964)	(185)
Net increase (decrease) in other borrowings	1,160	(73)	(172)
Issuance of preferred stock	—	500	—
Dividends paid to common stockholders			
Quarterly	(773)	(548)	(181)
Special	(1,862)	—	—
Dividends paid to preferred stockholders	(64)	—	—
Purchases of common stock for treasury	(95)	—	(1)
Other financing activities (net)	(25)	(33)	(18)
Net cash used in financing activities	(3,538)	(1,416)	(533)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(62)	(54)	118
Increase (Decrease) In Cash and Cash Equivalents	759	(2,283)	962
Cash and Cash Equivalents at Beginning of Year	1,390	3,673	2,711
Cash and Cash Equivalents at End of Year	$ 2,149	$ 1,390	$ 3,673

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Description of Significant Accounting Policies

Cash Equivalents

Highly liquid investments with a maturity of three months or less when purchased are generally considered to be cash equivalents.

Note 11. Taxes

Income taxes paid and certain amounts deposited with the Internal Revenue Service amounted to $2,063 million, $896 million and $1,170 million in 1989, 1988 and 1987, respectively.

Note 14 (In Part): Other Financial Information

Interest Paid and Interest Capitalized

Interest paid, net of amounts capitalized, amounted to $754 million in 1989, $1,686 million in 1988 and $303 million in 1987.

Interest capitalized as part of properties, plant and equipment was $48 million in 1989, $46 million in 1988 and $33 million in 1987.

Monetization Of Future Royalties

THE CIRCLE K CORPORATION (APR)

Consolidated Statements of Cash Flows

	1989	1988	1987
		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 15,414	$ 60,411	$ 49,430
Adjustments to reconcile net earnings to net cash provided by operations—			
Depreciation and amortization	93,033	65,659	51,680
Provision for deferred income taxes	48,045	25,094	9,393
(Increase) in taxes receivable (net)	(31,259)	(24,893)	(1,246)
Deferred revenue	(9,248)	(7,720)	(3,418)
Cumulative effect on prior years of change in accounting for income taxes	—	(5,500)	—
Gain on sale of assets (net of taxes)	(19,070)	(5,000)	(3,509)
(Increase) decrease in receivables (net)	3,555	(8,780)	(13,185)
(Increase) in inventories	(29,241)	(30,850)	(24,396)
Increase in accounts payable	5,860	27,580	7,423
(Increase) decrease in other current assets and liabilities, net	(19,322)	(11,668)	2,356
Net cash provided by operating activities	57,767	84,333	74,528
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash used for acquisitions (net of cash acquired)	(68,139)	(147,500)	(79,909)
Purchases of property, plant and equipment	(193,338)	(233,087)	(144,570)
Additions to properties held for sale	—	(35,852)	(119,546)
Proceeds from sale of property, plant and equipment (net of taxes)	38,200	101,406	117,398
Increase in long-term receivable	(3,502)	(10,000)	—
Proceeds from sale of 50% interest in subsidiary	—	20,201	—
Other	(12,156)	(10,527)	(10,468)
Net cash used by investing activities	(238,935)	(315,359)	(237,095)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in due to banks, net	31,000	50,000	(42,000)
Proceeds from long-term debt	349,124	280,969	478,768
Repayments of long-term debt	(239,286)	(50,741)	(249,850)
Proceeds from exercise of warrants and options	2,226	2,045	1,781
Dividends—			
Common stock	(12,150)	(13,015)	(12,959)
Preferred stock	(5,050)	(3,800)	(3,950)
Treasury stock purchases	—	(8,658)	—
Monetization of future royalties (Note 9)	55,488	—	—
Other	(5,912)	(6,343)	(4,349)
Net cash provided by financing activities	175,440	250,457	167,441
NET INCREASE (DECREASE) IN CASH	(5,728)	19,431	4,874
CASH, beginning of year	44,216	24,785	19,911
CASH, end of year	$ 38,488	$ 44,216	$ 24,785
SUPPLEMENTAL DISCLOSURES:			
Cash paid for:			
Interest (net of amounts capitalized)	$ 89,928	$ 49,267	$ 35,904
Taxes	$ 11,233	$ 28,439	$ 38,358
Issuance of Series B Preferred stock	$ 50,000	—	—
Capitalization of lease repurchase obligation	$ 95,000	—	—

NOTES TO FINANCIAL STATEMENTS

9 (In Part). Other Liabilities:

In December 1988, the Company received approximately $55.5 million from several Japanese non-bank financial institutions. In exchange for such funds, the Company assigned for an indefinite term of years, royalties receivable under the Company's license agreement pertaining to the operation of Circle K Stores in Japan and trademarks licensed thereby. The royalties receivable are discounted at 6.1% for approximately the first ten years of the agreement. Thereafter, the discount rate will float at a specified percentage above a referenced Japanese long-term prime lending rate. The assignment is without recourse to the Company unless the Company breaches certain covenants, representations or warranties or materially breaches the license agreement. There is no recourse against the Company for defaults by the licensee obligated to pay the royalties.

Government Grants

DATA-DESIGN LABORATORIES, INC. (JUN)

Consolidated Statement of Cash Flows

	1989	1988	1987
		($000)	
Cash flows from operating activities:			
Net income (loss)	$(12,173)	$7,302	$ 7,165
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation and amortization	4,584	4,226	3,797
(Gain) loss on marketable securities	5,877	—	(9,521)
Debt extinguishment expenses	1,126	—	—
Provision for losses on disposal of assets	1,148	—	—
Increase (decrease) in minority interest	(11)	132	(176)
Increase (decrease) in deferred income taxes	(184)	89	—
Pension credit	(418)	(570)	—
Increase in cash surrender value	(160)	(203)	(207)
Compensation expense on restricted stock awards	93	146	342
Changes in assets and liabilities—			
Increase in accounts receivable	(3,676)	(3,538)	(3,143)
(Increase) decrease in income taxes refundable	(2,936)	—	2,147
(Increase) decrease in inventories	548	(2,050)	(454)
(Increase) decrease in prepaid expenses	191	(194)	(69)
(Increase) decrease in deposits and other assets	(235)	240	6
Increase in accounts payable	1,817	1,160	2,971
Increase (decrease) in accrued payroll and employee benefits	(622)	1,000	265
Increase (decrease) in accrued interest payable	1,121	(29)	44
Increase (decrease) in other accrued liabilities	146	(27)	(652)
Increase (decrease) in income taxes payable	(638)	(484)	1,122
Increase in allowance for estimated losses on contracts	1,597	—	—
Net cash provided (used) by operating activities	(2,805)	7,200	3,637
Cash flows from investing activities:			
Proceeds from sales of property, equipment and improvements	758	188	99
Capital expenditures	(8,901)	(7,125)	(4,157)
Proceeds from sales of marketable securities	—	—	36,405
Purchases of marketable securities	—	—	(36,402)
Proceeds from sale of subsidiary	3,700	—	—
Net cash used by investing activities	(4,443)	(6,937)	(4,055)
Cash flows from financing activities:			
Proceeds from long-term debt	43,280	170	258
Reductions of long-term debt	(23,324)	(3,584)	(1,037)
Debt issue costs and redemption premium	(2,155)	—	—
Increase (decrease) in borrowings under bank lines of credit	(7,950)	3,737	799
Proceeds from government grants	654	558	2,835
Proceeds from sale of common stock	195	236	—
Repurchase of minority interest stock	(242)	—	—
Repurchase of forfeited restricted stock	(150)	(8)	(17)
Cash dividends on common stock	(1,204)	(1,586)	(1,572)
Net cash provided (used) by financing activities	9,104	(477)	1,266
Effect of exchange rate changes on cash	(72)	(20)	13
Net increase (decrease) in cash and cash equivalents	1,784	(234)	861
Cash and cash equivalents at beginning of year	1,396	1,630	769
Cash and cash equivalents at end of year	$ 3,180	$1,396	$ 1,630
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 3,600	$4,272	$ 3,997
Income taxes	204	468	235
Supplemental schedule of noncash investing and financing activities:			
Capital expenditures made from restricted bond proceeds	—	2,830	4,944
Capital expenditures financed by lease obligations	491	632	162
Conversion of 12¼% subordinated debentures	423	—	—
Restricted stock compensation credited to additional paid-in capital	104	313	296

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Cash equivalents: For financial reporting purposes, cash equivalents consist of repurchase agreements and time certificates of deposit with maturities of three months or less.

Note 10 (In Part): Commitments and Contingencies

Through June 30, 1989, the Industrial Development Board for Northern Ireland has reimbursed the Company for qualifying capital expenditures and for certain employment and interest costs in the aggregate amount of $7,776,000. The government grants received by the Company are subject to repayment terms if goals as to growth and employment levels are not achieved and maintained. Management does not believe that the Company has any material exposure under the grant payback provisions.

Sale Of Foreign Exchange Agreements

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

Consolidated Statement of Cash Flows

(Dollars in millions)	1989	1988	1987
Cash Flows from Operating Activities:			
Net Income	$ 206.8	$ 350.1	$ 770.9
Adjustments to reconcile net income to net cash:			
Depreciation	383.5	357.1	382.4
Unusual items	109.7	70.7	4.1
Deferred income tax	38.2	(57.3)	136.6
Asset dispositions—gain	—	—	(447.7)
Accounts and notes receivable	259.0	(132.8)	628.9
Inventories	(120.1)	(169.0)	36.2
Deferred pension plan cost	—	362.2	(52.9)
Prepaid expenses and other current assets	(74.1)	—	16.0
Other assets	27.4	(110.4)	46.2
Accounts payable—trade	169.5	(9.2)	(48.0)
Other liabilities	(182.1)	138.0	(103.4)
Total adjustments	611.0	449.3	598.4
Net cash provided by operating activities	817.8	799.4	1,369.3
Cash Flows from Investing Activities:			
Capital expenditures	(775.7)	(743.7)	(757.8)
Asset dispositions	164.2	41.7	1,504.8
Short term securities acquired	(126.3)	(14.5)	(2.6)
Short term securities redeemed	44.3	3.9	23.9
Other transactions	(9.1)	17.0	(82.3)
Net cash (used in) provided by investing activities	(702.6)	(695.6)	686.0
Cash Flows from Financing Activities:			
Proceeds from sale of foreign currency exchange agreements	75.4	—	—
Short term debt incurred	2,359.8	1,664.2	1,629.8
Short term debt paid	(2,083.5)	(1,030.7)	(2,215.0)
Long term debt incurred	237.9	386.7	3,071.5
Long term debt and capital leases paid	(708.1)	(1,008.5)	(2,348.3)
Common stock issued	17.6	18.5	14.6
Common stock acquired	—	—	(2,027.2)
Dividends paid	(103.8)	(97.3)	(91.0)
Net cash used in financing activities	(204.7)	(67.1)	(1,965.6)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(22.1)	(3.1)	1.6
Net (Decrease) Increase in Cash and Cash Equivalents	(111.6)	33.6	91.3
Cash and Cash Equivalents at Beginning of the Period	234.1	200.5	109.2
Cash and Cash Equivalents at End of the Period	$ 122.5	$ 234.1	$ 200.5

ACCOUNTING POLICIES

Consolidated Statement of Cash Flows

Cash and cash equivalents include cash on hand and in the bank as well as all short term securities held for the primary purpose of general liquidity. Such securities normally mature within three months from the date of acquisition. Cash flows associated with items intended as hedges of identifiable transactions or events are classified in the same category as the cash flows from the items being hedged.

NOTES TO FINANCIAL STATEMENTS

Long Term Debt and Capital Leases (In Part)

The Yen bonds (47.5 billion Yen) due in 1994, 1995 and 1996 and the Swiss Franc bonds (438 million Swiss Franc) due in 2000 and 2006 are hedged by contracts to protect against fluctuations in such foreign currency exchange rates. During the third and fourth quarters of 1989, hedge contracts covering 25 billion Yen were sold generating cash proceeds of $75.4 million. The resulting Yen bond exposure was substantially rehedged in 1989, with the remainder rehedged in January 1990. At December 31, 1989, $141.1 million associated with these hedge contracts was recorded in certain receivable accounts on the Consolidated Balance Sheet.

Interest Expense

Interest expense includes interest and amortization of debt discount and expense less amounts capitalized as follows:

(In millions)	1989	1988	1987
Interest expense before capitalization	$390.3	$364.2	$387.0
Capitalized interest	118.9	126.2	104.5
	$271.4	$238.0	$282.5

The Company made cash payments for interest in 1989, 1988 and 1987 of $383.6 million, $351.2 million and $378.1 million, respectively.

Income Taxes (In Part)

The Company made cash payments for income taxes in 1989, 1988 and 1987 of $333.6 million, $214.5 million and $174.1 million, respectively.

Redemption Of Share Purchase Rights

PHILLIPS PETROLEUM COMPANY (DEC)

Consolidated Statement of Cash Flows

	Millions of Dollars		
	1989	1988	1987
Cash Flows from Operating Activities			
Net income	$ 219	650	35
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion, amortization and retirements	1,106	868	892
Dry hole costs and leasehold impairment	259	202	227
Deferred taxes	(153)	170	18
Decrease (increase) in accounts and notes receivable	(90)	8	(222)
Increase in inventories	(22)	(19)	(36)
Decrease (increase) in prepaid expenses and other current assets	8	(93)	40
Increase (decrease) in accounts payable	224	(10)	92
Increase in taxes and other accruals	61	121	80
Other	42	(32)	36
Net Cash Provided by Operating Activities	1,654	1,865	1,162
Cash Flows from Investing Activities			
Capital expenditures, including dry hole costs	(872)	(797)	(737)
Property dispositions	37	127	30
Investment purchases	(122)	(59)	(35)
Investment sales	19	19	1
Net Cash Used for Investing Activities	(938)	(710)	(741)
Cash Flows from Financing Activities			
Issuance of debt	825	687	—
Repayment of debt	(1,668)	(1,638)	(331)
Issuance of company stock	5	252	—
Purchase of company stock	—	(215)	(69)
Dividends paid	(229)	(168)	(156)
Redemption of Preferred Share Purchase Rights	(20)	—	—
Net Cash Used for Financing Activities	(1,087)	(1,082)	(556)
Increase (Decrease) in Cash and Cash Equivalents	(371)	73	(135)
Cash and cash equivalents at beginning of year	1,079	1,006	1,141
Cash and cash equivalents at end of year	$ 708	1,079	1,006

ACCOUNTING POLICIES

Cash Equivalents—Cash equivalents are highly liquid short-term investments that are readily convertible to known amounts of cash and generally have original maturities within three months from their date of purchase.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7—Preferred Share Purchase Rights

On July 31, 1989, the company redeemed its outstanding Preferred Share Purchase Rights for 8⅓ cents per right and distributed to its shareholders one new Preferred Share Purchase Right (Right) for each outstanding share of the company's common stock. The newly issued Rights enable holders to either acquire additional shares of Phillips common stock or purchase the stock of the acquiring company at a discount, depending on specific circumstances. The Rights, which expire July 31, 1999, will be exercisable only if a person or group acquires 20 percent or more of the company's common stock or announces a tender offer which would result in ownership of 20 percent or more of the common stock. The Rights may be redeemed by the company in whole, but not in part, for one cent per Right. At December 31, 1989, there were 243,895,373 Rights outstanding.

Note 11—Cash Flow Information

	Millions of Dollars		
	1989	1988	1987
Noncash financing and investing activities			
Investment in joint ventures in exchange for noncash assets	$ 24	43	—
Guarantees of LTSSP borrowings	—	250	—
Reduction of guarantees of LTSSP borrowings	25	—	—
Cash payments			
Interest	$604	681	680
Income taxes	448	284	344

Transactions With ESOP

STANDARD MOTOR PRODUCTS, INC. (DEC)

Statements of Consolidated Cash Flows

	1989	1988	1987
	(Dollars in Thousands)		
Cash Flows From Operating Activities:			
Net Income	$13,143	$ 9,257	$16,303
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,344	6,159	5,553
Loss on disposal of property, plant & equipment	466		
(Gain) loss on sale of marketable securities	(179)	490	1,160
Change in assets and liabilities:			
(Increase) in accounts receivable, net	(17,009)	(11,987)	(7,375)
(Increase) in inventories	(20,940)	(44,200)	(7,889)
(Increase) decrease in prepaid taxes based on earnings	2,568	(1,462)	(2,389)
(Increase) decrease in other assets	(5,563)	2,451	(1,645)
Increase (decrease) in accounts payable	(92)	2,571	1,559
Increase (decrease) in taxes based on earnings	(431)	(918)	710
(Decrease) in deferred income taxes	(2,384)	(988)	(2,577)
Increase (decrease) in other current assets and liabilities	(3,095)	1,160	(102)
Increase (decrease) in sundry payables and accrued expenses	(260)	239	2,208
Total adjustments	(39,575)	(46,485)	(10,787)
Net cash provided by (used in) operating activities	(26,432)	(37,228)	5,516
Cash Flows From Investing Activities:			
Proceeds from sales of marketable securities	63,418	66,217	86,643
Purchases of marketable securities	(56,876)	(67,448)	(84,423)
Capital expenditures	(23,239)	(26,764)	(12,893)
Net cash used in investing activities	(16,697)	(27,995)	(10,673)

	1989	1988	1987
Cash Flows From Financing Activities:			
Net borrowings under line-of-credit agreements	13,600	62,200	18,200
Proceeds from issuance of long-term debt	49,229	10,000	
Principal payments of long-term debt	(4,436)	(2,857)	(2,132)
Reduction of loan to E.S.O.P.	1,676		
Proceeds from exercise of employee stock options	567		377
Tax benefits applicable to E.S.O.P.	82		
Loan to E.S.O.P.	(16,779)		
Dividends paid	(4,191)	(4,185)	(4,227)
Purchase of treasury stock			(1,962)
Net cash provided by financing activities	39,748	65,158	10,256
Net increase (decrease) in cash	(3,381)	(65)	5,099
Cash at beginning of year	7,388	7,453	2,354
Cash at end of year	$ 4,007	$ 7,388	$ 7,453
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	16,639	10,891	5,138
Income taxes	4,700	6,037	13,854

FOREIGN CURRENCY CASH FLOWS

Paragraph 25 of *SFAS No. 95* specifies that the effect of exchange rate changes on cash balances held in foreign currencies be reported as a separate part of the Statement of Cash Flows. Examples of reporting foreign currency cash flows follow.

CTS CORPORATION (DEC)

Consolidated Statements of Cash Flows

(In thousands of dollars)	1989	1988	1987
Cash flows from operating activities:			
Net earnings (loss)	$14,253	$ (3,920)	$11,480
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	13,396	26,409	14,040
Gain on sale of property, plant and equipment	(156)	(428)	(74)
Provisions for disposition of operations		4,150	682
Changes in:			
Accounts receivable	1,471	1,513	(48)
Recoverable income taxes		2,445	1,194
Inventories	(122)	3,429	1,065
Deferred taxes	(628)	334	607
Prepaid pension expense	(4,357)	(4,252)	(3,645)
Other	(836)	(251)	2,657
Accounts payable and accrued liabilities	(5,183)	(2,527)	(4,696)
Income taxes payable	(1,195)	2,110	
Translation (gain) loss	(730)	83	(1,431)
Total adjustments	1,660	33,015	10,351
Net cash provided by operating activities	15,913	29,095	21,831
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	869	1,075	2,150
Proceeds from sale of property not used in business	859	90	1,836
Capital expenditures	(10,843)	(10,004)	(13,364)
Cash (used in) provided by discontinued operations	(993)	1,096	2,816
Net cash used in investing activities	(10,108)	(7,743)	(6,562)
Cash flows from financing activities:			
Proceeds from issuance of long-term obligations			227
Payments of long-term obligations	(10,725)	(10,277)	(7,866)
Reductions of notes payable	(1,486)	(2,395)	(748)
Stock options exercised	163	164	147
Purchases of treasury stock	(1,200)	(2,785)	(806)
Dividends declared	(3,410)	(2,779)	(3,530)
Net cash used in financing activities	(16,658)	(18,072)	(12,576)
Effect of exchange rate changes on cash	730	(83)	1,431
Net (decrease) increase in cash	(10,123)	3,197	4,124
Cash at beginning of year	23,403	20,206	16,082
Cash at end of year	$13,280	$ 23,403	$20,206
Supplemental cash flow information			
Cash paid (received) during the year for:			
Interest	$ 1,762	$ 2,288	$ 2,991
Income taxes—net	4,298	(1,513)	1,183

TRW INC. (DEC)

Statements of Cash Flows

In millions	1989	1988	1987
Operating activities			
Net earnings	$263	$261	$243
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	400	349	322
Restructuring	(59)	(106)	(61)
Foreign currency exchange losses	29	54	19
Equity in unremitted losses (earnings) of affiliated companies	3	(3)	(16)
Dividends received from affiliated companies	—	31	10
Deferred income taxes	15	(180)	80
Other—net	3	18	(11)
Changes in assets and liabilities, net of effects of businesses acquired or sold:			
Accounts receivable	(96)	(132)	(211)
Inventories and prepaid expenses	(47)	(42)	16
Accounts payable and other accruals	(4)	74	29
Other—net	(14)	19	(3)
Net cash provided by operating activities	493	343	417
Investing activities			
Capital expenditures	(452)	(417)	(452)
Proceeds from divestitures	28	453	284
Acquisitions, net of cash acquired	(448)	(10)	(26)
Investments in other assets	(67)	(47)	(28)
Proceeds from sales of property, plant, and equipment	14	10	22
Other—net	(14)	(41)	1
Net cash used in investing activities	(939)	(52)	(199)
Financing activities			
Increase (decrease) in short-term debt	450	(179)	(89)
Proceeds from debt in excess of 90 days	259	82	245
Principal payments on debt in excess of 90 days	(156)	(82)	(189)
Dividends paid	(105)	(99)	(97)
Other—net	7	15	15
Net cash provided by (used in) financing activities	455	(263)	(115)
Effect of exchange rate changes on cash	(22)	(46)	(43)
Increase (decrease) in cash and cash equivalents	(13)	(18)	60
Cash and cash equivalents at beginning of year	127	145	85
Cash and cash equivalents at end of year	$114	$127	$145

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Cash Flow Information

In millions	1989	1988	1987
Interest paid (net of amount capitalized)	$131	$163	$116
Income taxes paid	$ 66	$267	$102

For purposes of the statement of cash flows, the company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Interest capitalized as part of the construction of assets was $4 million in 1989, $6 million in 1988, and $5 million in 1987.

NONCASH ACTIVITIES

Paragraph 32 of *SFAS No. 95* requires the disclosure of information about noncash investing and financing activities. Examples of the disclosure of noncash activities follow.

COOPER INDUSTRIES, INC. (DEC)

Consolidated Cash Flows

(000 omitted)	1989	1988	1987
Cash flows from operating activities:			
Net income	$267,804	$224,406	$173,811
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	140,629	121,292	109,599
Amortization	48,314	33,358	25,769
Increase (decrease) in deferred income taxes	29,047	(46,126)	24,951
Employee savings plan expense funded by issuance of Common stock	15,600	20,685	16,932
Changes in assets and liabilities, net of effects of acquisitions and divestitures:			
Receivables	(83,296)	(4,514)	(66,340)
Inventories	17,448	(32,710)	12,769
Accounts payable and accrued liabilities	8,488	(73,758)	125,905
Accrued income taxes	(50,059)	25,756	(2,928)
Other assets and liabilities, net	(96,600)	81,274	(29,884)
Net cash provided by operating activities	297,375	349,663	390,584
Cash flows from investing activities:			
Cash paid for acquired businesses	(702,704)	(447,162)	(272,787)
Cash of acquired businesses	63,242	—	—
Expenditures for plant and equipment	(190,627)	(128,249)	(100,889)
Proceeds from sale of plant and equipment	12,276	16,215	12,099
Proceeds from disposition of businesses held for sale	155,870	—	—
Other	(4,498)	(6,792)	(4,121)
Net cash used for investing activities	(666,441)	(565,988)	(365,698)
Cash flows from financing activities:			
Additions to debt	756,444	553,607	537,870
Reductions of debt	(457,596)	(272,582)	(515,762)
Sale of Common stock to employee stock ownership plan	175,000	—	—
Dividends	(105,238)	(90,896)	(83,092)
Activity under stock option and other plans	23,510	25,570	31,588
Net cash provided by (used for) financing activities	392,120	215,699	(29,396)
Effect of translation on cash and cash equivalents	(1,508)	1,409	2,113
Increase (decrease) in cash and cash equivalents	21,546	783	(2,397)
Cash and cash equivalents, beginning of year	6,969	6,186	8,583
Cash and cash equivalents, end of year	$ 28,515	$ 6,969	$ 6,186

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Major Accounting Policies

Other

For purposes of the statement of Consolidated Cash Flows, the Company considers all investments purchased with original maturities of three months or less to be cash equivalents.

Note 4: Summary of Non-cash Investing and Financing Activities

(millions)	Year Ended December 31, 1989	1988	1987
Increase (decrease) in net assets:			
Dividend in-kind—shares of Aerovox Holding Co.	$ (15.0)	$ —	$ —
Employee stock ownership plan:			
Guarantee of indebtedness	(175.0)	—	—
Principal payments and excess of Company expense over cash contributions	5.3	—	—
Common stock issued for:			
Clopay acquisition	14.1	—	—
Employee stock purchase plan	20.7	—	22.4
Employee savings plan	16.8	20.1	18.2
$8.00 Preferred stock issued for:			
Cameron acquisition	702.2	—	—
Conversions of debentures	10.0	—	—

The above information supplements the disclosures required by SFAS No. 95—Statement of Cash Flows.

MELVILLE CORPORATION (DEC)

Consolidated Statements of Cash Flows

($ in thousands)	1989	1988	1987
Cash Flows from Operating Activities:			
Net earnings	$398,076	$354,510	$285,384
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	97,824	82,228	72,032
Amortization of goodwill	8,445	4,790	3,961
Minority interests in net earnings	42,630	43,134	42,496
Increase in deferred Federal income taxes and other noncash items	5,919	4,047	8,498
Change in assets and liabilities, net of acquisitions:			
Increase in accounts receivable, net	(15,334)	(17,773)	(3,325)
Increase in inventories	(82,147)	(137,836)	(87,070)
Increase in prepaid expenses	(7,890)	(22,203)	(16,033)
(Increase) decrease in deferred charges and other assets	(1,988)	1,493	354
(Decrease) increase in accounts payable	(9,631)	70,696	36,412
Increase in accrued expenses	38,742	51,238	29,621
Increase (decrease) in Federal income taxes payable	16,593	19,069	(10,835)
Net cash provided by operating activities	491,239	453,393	361,495
Cash Flows from Investing Activities:			
Proceeds from the sale or disposal of:			
Property, plant, equipment and leasehold improvements and leased property under capital leases	10,698	12,163	13,061
Additions to property, plant, equipment and leasehold improvements	(202,570)	(188,141)	(129,464)
Acquisitions, net of cash	(29,811)	(254,808)	(63,667)
Net cash used in investing activities	(221,683)	(430,786)	(180,070)
Cash Flows from Financing Activities:			
Issuance of ESOP Preference Stock	357,500	—	—
Issuance of common stock	10,421	5,851	3,981
Repurchase of common stock	(357,492)	—	—
Reduction of long-term debt	(3,010)	(3,031)	(7,968)
Decrease in obligations under capital leases and for closed stores	(3,661)	(3,272)	(3,399)
Dividends paid	(164,765)	(114,366)	(95,680)
Dividends paid to minority interests	(39,181)	(35,259)	(39,903)
Other	1,085	810	74
Net cash used in financing activities	(199,103)	(149,267)	(142,895)
Net increase (decrease) in cash and cash equivalents	70,453	(126,660)	38,530
Cash and cash equivalents at beginning of year	298,352	425,012	386,482
Cash and cash equivalents at end of year	$368,805	$298,352	$425,012

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash and Cash Equivalents: Cash equivalents consist of highly liquid instruments with maturities of three months or less and are stated at cost which approximates market. The Company's cash management program utilizes zero balance accounts. Accordingly, all book overdraft balances have been reclassified to accounts payable.

Supplemental Cash Flow Information

During the years ended December 31, the Company had the following noncash financing and investing activities:

($ in thousands)	1989	1988	1987
Conversion of 4⅞% Convertible Subordinated Debentures	$ 4,403	$ 25	$ 467
Capital leases entered into	—	954	—
Restricted stock award	2,064	1,625	1,365
Fair value of assets acquired	$30,147	$280,920	$ 70,753
Cash paid	29,811	254,808	63,667
Liabilities assumed	$ 336	$ 26,112	$ 7,086

Cash payments for income taxes and interest at December 31 were as follows:

($ in thousands)	1989	1988	1987
Income taxes	$244,566	$225,449	$251,302
Interest (net of amounts capitalized)	8,896	2,994	4,442

O'SULLIVAN CORPORATION (DEC)

Consolidated Statements of Cash Flows

	1989	1988	1987
		($000)	
Cash Flows From Operating Activities:			
Net income	$ 16,098	$ 16,955	$ 12,149
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,344	4,737	3,957
Gain on disposal of assets	(1,253)	(113)	(387)
Change in assets and liabilities:			
(Increase) decrease in trade receivables	4,759	(8,601)	(2,674)
(Increase) decrease in other receivables	(95)	15	(31)
(Increase) decrease in inventories	(468)	(3,788)	3,003
(Increase) decrease in prepaid expenses	(119)	2	(20)
Increase (decrease) in accounts payable	(466)	4,667	(5,843)
Increase (decrease) in accrued expenses	(219)	117	1,007
Increase (decrease) in accrued compensation	(252)	487	605
Increase (decrease) in income taxes payable	(355)	(624)	932
Increase in deferred income taxes	1,149	1,087	1,241
Net cash provided by operating activities	$ 24,121	$ 14,942	$ 13,940
Cash Flows From Investing Activities:			
Proceeds from disposal of assets	$ 1,087	$ 2,635	$ 898
Principal payments received on note for sale of property and equipment	—	1,380	369
Purchase of property and equipment	(33,655)	(12,579)	(11,885)
Purchase of investment securities	—	(1,602)	(810)
Purchase of real estate investments	(847)	(2,290)	—
Other	(262)	17	(303)
Net cash (used in) investing activities	$(33,678)	$(12,438)	$(11,731)
Cash Flows From Financing Activities:			
Proceeds from long-term debt	$ 14,000	$ —	$ 10,000
Payments of long-term debt	(2,000)	(2,000)	(1,500)
Net decrease in notes payable	—	—	(3,500)
Proceeds from issuance of common stock	—	94	—
Purchase of common stock	(1)	(136)	(586)
Cash dividends paid	(4,162)	(3,547)	(3,244)
Net cash provided by (used in) financing activities	$ 7,836	$ (5,589)	$ 1,169
Increase (decrease) in cash and cash equivalents	$ (1,721)	$ (3,085)	$ 3,378
Cash and cash equivalents at beginning of year	4,245	7,330	3,952
Cash and cash equivalents at end of year	$ 2,524	$ 4,245	$ 7,330
Supplemental Disclosure Of Cash Flow Information:			
Cash payments for interest, net of interest capitalized	$ 158	$ 525	$ 361
Cash payments for income taxes	$ 9,208	$ 9,978	$ 7,344

Supplemental Schedule of Non-cash Investment Activities:

A note receivable of $1,500 was received by the Corporation in 1989 for a portion of the proceeds due from the sale of certain real estate investments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Corporation considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

STONE CONTAINER CORPORATION (DEC)

Consolidated Statements of Cash Flows

(in millions)	1989	1988	1987
Cash flows from operating activities			
Net income	$ 285.8	$341.8	$161.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	237.1	148.1	138.7
Deferred taxes	45.3	19.9	50.5
Foreign currency transaction gain	(28.5)	—	—
Gains on sales of businesses	(21.6)	(27.9)	(5.1)
Other—net	16.9	2.3	(3.3)
Changes in current assets and liabilities—net of adjustments for acquisitions and divestitures:			
Increase in accounts and notes receivable—net	(13.2)	(30.6)	(73.8)
Increase in inventories	(102.4)	(16.2)	(58.4)
Decrease (increase) in other current assets	(10.9)	(28.7)	36.9
Increase (decrease) in accounts payable and other current liabilities	(37.6)	44.9	47.6
Net cash provided by operating activities	370.9	453.6	294.4
Cash flows from financing activities			
Long-term debt incurred in connection with acquisitions	2,323.7	89.3	537.1
Other borrowings	489.1	10.0	192.9
Payments made on debt	(548.9)	(477.2)	(475.3)
Issuance of common stock	.2	.6	10.1
Cash dividends	(42.9)	(21.5)	(14.3)
Net cash provided by (used in) financing activities	2,221.2	(398.8)	250.5
Cash flows from investing activities			
Payments made for businesses acquired	(2,372.7)	(23.5)	(530.9)
Proceeds from the sales of businesses	330.4	78.9	75.0
Capital expenditures	(501.7)	(136.6)	(105.7)
Proceeds from dispositions of property, plant and equipment	13.2	10.7	15.2
Investments in affiliates	(55.4)	—	—
Proceeds from sales of timberlands	29.9	26.1	—
Other—net	(21.8)	(10.0)	(5.8)
Net cash used in investing activities	(2,578.1)	(54.4)	(552.2)
Effect of exchange rates changes on cash	.4	—	—
Net cash flows			
Net increase (decrease) in cash and cash equivalents	14.4	.4	(7.3)
Cash and cash equivalents, beginning of period	8.5	8.1	15.4
Cash and cash equivalents, end of period	$ 22.9	$ 8.5	$ 8.1

See Note 4 regarding non-cash financing and investing activities and supplemental cash flow information.

Note 4—Additional Cash Flow Statement Information

The Company's non-cash investing and financing activities and cash payments for interest and income taxes were as follows:

	Year ended December 31,		
(in millions)	1989	1988	1987
Assumption of long-term debt in connection with acquisitions	$587.1	$ 66.3	$245.4
Consolidation of non-recourse debt of affiliates	254.1	—	—
Common stock received from the sale of a business	75.1	—	—
Long-term notes receivable received from the sales of businesses	28.2	—	—
Reacquisition/elimination of common shares held by a subsidiary	2.0	—	—
Assumption of debt by a non-consolidated affiliate	—	6.0	100.0
Conversion of subordinated debt to common stock	—	—	100.2
Conversion of preferred stock to common stock	—	—	96.2
Conversion of redeemable preferred stock to common stock	—	1.5	—
Preferred stock received from the sales of businesses	—	35.0	38.0
Cash paid during the year for:			
Interest (net of capitalization)	$301.8	$105.0	$125.7
Income taxes	178.9	153.6	52.3

USX CORPORATION (DEC)

Consolidated Statement of Cash Flows

(Dollars in millions)	1989	1988	1987
Operating activities:			
Net income	$ 965	$ 756	$ 219
Adjustments to reconcile to net cash provided from operating activities:			
Depreciation, depletion and amortization	1,336	1,369	1,337
Exploratory dry well costs	56	81	30
Inventory market valuation provision	(145)	(23)	8
Pensions	(262)	(252)	(256)
Deferred taxes on income	314	231	30
Gain on disposal of assets	(370)	(176)	(56)
Restructuring credits	—	(50)	(74)
Changes in:			
Current receivables—			
sold	575	—	19
operating turnover	33	(63)	(686)
Inventories	(115)	(115)	(228)
Current accounts payable and accrued expenses	220	295	370
All other items—net	(137)	181	(80)
Net cash provided from operating activities	2,470	2,234	633

Investing activities:			
Capital expenditures	(1,429)	(1,282)	(1,062)
Disposal of assets	988	778	291
Loans to public	(319)	(226)	(329)
Principal collected on loans to public	24	336	402
Sale of loans receivable	240	575	—
Investments in affiliates—net	24	(4)	(60)
Net cash provided from (used in) investing activities	(472)	177	(758)
Financing activities:			
Commercial paper—			
issued	6,028	8,146	5,411
repayments	(5,899)	(8,317)	(5,254)
Other debt—			
borrowings	1,521	102	45
repayments	(3,191)	(813)	(2,132)
Production financing and other agreements—			
advances	105	163	347
repayments	(1,104)	(243)	(149)
Preferred stock issued	—	—	244
Preferred stock repurchased	(157)	(183)	(186)
Common stock repurchased	(168)	(213)	(133)
Dividends paid	(403)	(383)	(379)
Net cash used in financing activities	(3,268)	(1,741)	(2,186)
Effect of exchange rate changes on cash	(1)	1	2
Net increase (decrease) in cash and cash equivalents	(1,271)	671	(2,309)
Cash and cash equivalents at beginning of year	2,057	1,386	3,695
Cash and cash equivalents at end of year	$ 786	$2,057	$1,386
Cash used in operating activities includes:			
Interest and other financial costs paid (net of amount capitalized)	$ 773	$ 822	$1,038
Income taxes paid (refunded)	80	(166)	(29)
Noncash investing and financing activities:			
Preferred stock converted to debt or common stock	$ 250	$ —	$ —
Contribution of assets and liabilities to equity affiliates	188	—	128
Disposal of assets—			
notes received	13	140	10
liabilities assumed by buyers	211	109	194
Acquisition of assets—liabilities assumed by USX	72	8	16
Common stock issued for employee stock plans and Dividend Reinvestment Plan	45	44	54
Capital lease obligations	—	15	7
Debt exchanged for debt	—	—	1,196

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Principal Accounting Policies

Cash and cash equivalents—Cash and cash equivalents includes cash on hand and on deposit and highly liquid debt instruments with maturities generally of three months or less.

CASH AND CASH EQUIVALENTS

A Statement of Cash Flows explains the change during a period in cash and cash equivalents. The amounts of cash and cash equivalents reported on a Statement of Cash Flows should agree with the amounts of cash and cash equivalents reported on a Statement of Financial Position. Paragraph 10 of *SFAS No. 95* requires that an entity disclose what items are treated as cash equivalents. Table 5-5 shows the descriptive terms used by the survey companies to describe a change in cash and cash equivalents.

TABLE 5-5: CASH AND CASH EQUIVALENTS

	1989	1988
Cash and cash equivalents	381	331
Cash and equivalents	24	21
Cash	102	90
Cash and short-term investments	51	50
Cash and short-term cash investments	5	—
Cash and temporary cash investments	11	17
Cash and temporary investments	8	7
Cash and marketable securities	13	16
Other descriptive captions	5	10
Total Companies	**600**	**542**

Section 6: Independent Auditors' Report

This section reviews the format and content of Independent Auditors' Reports appearing in the annual reports of the 600 survey companies. Effective November 1972, *Statement on Auditing Standards No. 1,* issued by the Auditing Standards Board of the AICPA, codified and superseded *Statements on Auditing Procedures Nos. 33–54* previously issued by the Committee on Auditing Procedure. Subsequent to *SAS No. 1,* sixty-three Statements on Auditing Standards have been issued. In April 1988, the Board issued *SAS No. 58* which, effective for auditors' reports issued or reissued on or after January 1, 1989, changes substantially the format and content of an independent auditors' report from that existing prior to *SAS No. 58.*

PRESENTATION IN ANNUAL REPORT

Table 6-1 shows where, in relation to the financial statements and notes thereto, the Independent Auditors' Reports were presented in the annual reports to stockholders.

TABLE 6-1: PRESENTATION IN ANNUAL REPORT

	1989	1988	1987	1986
Follows financial statements and notes	378	396	390	404
Precedes financial statements and notes	193	170	166	154
Between financial statements and notes	14	17	21	20
Other	15	17	23	22
Total Companies	**600**	**600**	**600**	**600**

TITLE

Paragraph 8a of *Statement on Auditing Standards No. 58,* effective for auditors' reports issued or reissued on or after January 1, 1989, states that the title of an auditors' report should include the word *independent.*

The titles of auditors' reports presented in the annual reports of 590 survey companies included the words *independent* and *report.* 293 titles identified the auditors as auditors, 148 as accountants, 110 as public accountants, and 39 as certified public accountants.

ADDRESSEE

Paragraph 9 of *Statement on Auditing Standards No. 58* states:

> The report may be addressed to the company whose financial statements are being audited or to its board of directors or stockholders. A report on the financial statements of an unincorporated entity should be addressed as circumstances dictate, for example, to the partners, to the general partner, or to the proprietor. Occasionally, an auditor is retained to audit the financial statements of a company that is not his client; in such a case, the report customarily is addressed to the client and not to the directors or stockholders of the company whose financial statements are being audited.

Table 6-2 summarizes the addressee mentioned in the Auditors' Reports of the survey companies.

TABLE 6-2: ADDRESSEE OF AUDITORS' REPORT

	1989	1988	1987	1986
Board of Directors and Stockholders	478	463	463	477
Stockholders	61	67	68	68
Board of Directors	47	43	45	42
Company	12	16	17	8
Other, or no addressee	2	11	7	5
Total Companies	**600**	**600**	**600**	**600**

AUDITORS' STANDARD REPORT

Paragraph 8 of *Statement on Auditing Standards No. 58* presents examples of auditors' standard reports for single year financial statements and for comparative two year financial statements. The examples presented in paragraph 8 of *SAS No. 58* follow.

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of X Company as of December 31, 19XX, and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of X Company as of [at] December 31, 19XX, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

[*Signature*]

[*Date*]

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheets of X Company as of December 31, 19X2 and 19X1, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of X Company as of [at] December 31, 19X2 and 19X1, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

[*Signature*]

[*Date*]

Most of the survey companies present a balance sheet for 2 years and the other basic financial statements for 3 years. Appropriate wording in this situation is stated in footnote 7 to paragraph 8. An example of an auditors' standard report for an entity presenting a balance sheet for 2 years and the other basic financial statements for 3 years follows.

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Springs Industries, Inc.:

We have audited the consolidated balance sheet of Springs Industries, Inc. as of December 30, 1989 and December 31, 1988 and the related consolidated statements of income and retained earnings and of cash flows for each of the three fiscal years in the period ended December 30, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 30, 1989 and December 31, 1988, and the results of its operations and its cash flows for each of the three fiscal years in the period ended December 30, 1989 in conformity with generally accepted accounting principles.

REFERENCE TO REPORT OF OTHER AUDITORS

When the opinion of a principal auditor is based in part on the report of another auditor, Section 543 of *Statement on Auditing Standards No. 1* provides guidance to the principal auditor. Paragraph 7 of Section 543 states:

> When the principal auditor decides that he will make reference to the audit of the other auditor, his report should indicate clearly, in both the scope and opinion paragraphs, the division of responsibility as between that portion of the financial statements covered by his own audit and that covered by the audit of the other auditor. The report should disclose the magnitude of the portion of the financial statements audited by the other auditor. This may be done by stating the dollar amounts or percentages of one or more of the following: total assets, total revenues, or other appropriate criteria, whichever most clearly reveals the portion of the financial statements audited by the other auditor. The other auditor may be named but only with his express permission and provided his report is presented together with that of the principal auditor.

Paragraphs 12 and 13 of *SAS No. 58* reaffirm the requirements of Section 543. Paragraph 13 presents an example of an auditors' report referring to the report of other auditors. The example in paragraph 13 and additional examples of auditors' reports referring to the report of other auditors follow.

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated balance sheets of ABC Company as of December 31, 19X2 and 19X1, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of B Company, a wholly-owned subsidiary, which statements reflect total assets of $_______ and $_______ as of December 31, 19X2 and 19X1, respectively, and total revenues of $_______ and $_______ for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for B Company, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABC Company as of December 31, 19X2 and 19X1, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

TABLE 6-3: REFERENCES TO OTHER AUDITORS

	1989	1988	1987	1986
Examination by Other Auditors Covers:				
Statements for branch or consolidated subsidiary....	8	12	12	14
Statements of investee only ..	7	5	12	10
Statements for prior years only	5	6	8	8
Total Companies	**20**	**23**	**32**	**32**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and the Board of Directors,
Ameron, Inc.:

We have audited the accompanying consolidated balance sheets of Ameron, Inc. and subsidiaries as of November 30, 1989 and 1988, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended November 30, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Gifford-Hill-American, Inc., the investment in which is recorded using the equity method of accounting (see Note 5). The investment in this company represents 3 and 2 percent of consolidated assets as of November 30, 1989 and 1988, respectively, and the equity in its earnings represents 15, 5, and 13 percent of consolidated net income for 1989, 1988 and 1987, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this company, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ameron, Inc. and subsidiaries as of November 30, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended November 30, 1989, in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
of McGraw-Hill, Inc.

We have audited the accompanying consolidated balance sheets of McGraw-Hill, Inc. as of December 31, 1989, 1988 and 1987, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Macmillan/McGraw-Hill School Publishing Company, a joint venture partnership, which statements reflect total assets of $1,332.7 million as of December 31, 1989 and total revenues of $286.4 million from the period of inception July 1, 1989 through December 31, 1989. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the data included for the Macmillan/McGraw-Hill School Publishing Company, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of McGraw-Hill, Inc. at December 31, 1989, 1988 and 1987, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Intergroup, Inc.
Pittsburgh, Pennsylvania 15222

We have audited the accompanying consolidated balance sheets of National Intergroup, Inc. and consolidated subsidiaries as of March 31, 1989 and 1988 and the related statements of consolidated operations, stockholders' equity and redeemable preferred stock, and cash flows for each of the three years in the period ended March 31, 1989. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of National Steel Corporation, the Corporation's investment in which is accounted for by use of the equity method. The Corporation's equity of $333,150,000 and $290,937,000 in National Steel Corporation's net assets at March 31, 1989 and 1988, respectively, and of $42,213,000 and $34,759,000 in the net income and $13,050,000 in the net less of National Steel Corporation for the respective years ended March 31, 1989, 1988 and 1987 are included in the accompanying consolidated financial statements. The financial statements of National Steel Corporation were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for National Steel Corporation, is based upon the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the report of other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of National Intergroup, Inc. and consolidated subsidiaries at March 31, 1989 and 1988 and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1989 in conformity with generally accepted accounting principles.

As discussed in Note B to the financial statements, the Corporation changed its method of accounting for certain overhead costs in inventory as of April 1, 1987.

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Whirlpool Corporation
Benton Harbor, Michigan

We have audited the accompanying consolidated balance sheets of Whirlpool Corporation and subsidiaries as of December 31, 1989 and 1988, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 1987 financial statements of Whirlpool Financial Corporation, a consolidated subsidiary, which statements reflect revenues and net earnings constituting 2.2% and 7.0% of the 1987 related consolidated totals. We did not audit the 1989 financial statements of certain Brazilian affiliates used as the basis for recording the Company's equity in net earnings of these affiliates. Whirlpool Corporation's equity in the net assets and net earnings of these affiliates represent 4.1% and 17.0% of 1989 related consolidated total assets and net earnings. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the 1987 amounts included for Whirlpool Financial Corporation and to the 1989 amounts included for the Brazilian affiliates, is based solely on the reports of other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Whirlpool Corporation and subsidiaries at December 31, 1989 and 1988, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

As described in Note 9 to the financial statements, in 1987 Whirlpool Corporation adopted Financial Accounting Standards Board Statement No. 96, "Accounting for Income Taxes."

UNCERTAINTIES

Table 6-4 summarizes the nature of uncertainties for which auditors either expressed qualified opinions as required by *Statement on Auditing Standards No. 2* or expressed unqualified opinions but added explanatory language to their reports as required by *SAS No. 58*. *SAS No. 58,* which is effective for auditors' reports issued or reissued on or after January 1, 1989, does not require auditors to express qualified opinions concerning uncertainties but does require that uncertainties be disclosed in a separate paragraph following the opinion paragraph. Paragraphs 16-33 of *SAS No. 58* and *SAS No. 59* discuss uncertainties. Examples of uncertainty disclosures follow.

Litigation

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders
of The Allen Group Inc.:

We have audited the accompanying consolidated balance sheets of The Allen Group Inc. as of December 31, 1989 and 1988, and the related consolidated statements of income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

TABLE 6-4: UNCERTAINTIES

	1989	1988	1987	1986
Litigation	18	11	10	12
Going concern	12	8	13	11
Valuation or realization of assets	3	2	3	2
Other	9	5	6	13
Total Uncertainties	**42**	**26**	**32**	**38**
Total Companies	**32**	**23**	**24**	**30**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Allen Group Inc. as of December 31, 1989 and 1988, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles.

As discussed in Note 7 to the Consolidated Financial Statements, a jury in Federal District Court found that the Company had willfully infringed a patent and the court subsequently established a reduced award for the plaintiff of approximately $17,200,000 in damages and interest. The Company is appealing the liability issues; accordingly, the outcome of this litigation and the amount of damages, if any, that may ultimately be incurred cannot be determined and no provision for any liability has been made in the accompanying consolidated financial statements.

As discussed in Note 1 to the Consolidated Financial Statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 96 in 1989.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Commitments and Contingencies

In April 1989, a jury in Federal District Court in San Francisco returned a verdict that certain heavy-duty truck radiators manufactured by the G&O Manufacturing Company division of the Company infringed a patent held by Modine Manufacturing Company and that such infringement was willful. On January 19, 1990, the District Court entered a final judgment against the Company in the amount of approximately $17,200,000 including prejudgment interest. The Company is appealing (and furnished an appeal bond in an amount equal to the judgment and post judgment interest through January 19, 1991 which has been secured by a letter of credit) the issues of the patent's validity and inequitable conduct but not the amount of the damages or interest. Modine Manufacturing Company is appealing the issues of damages and attorney fees. The Company has determined, after consultation with counsel, that it is not possible at this time to estimate the amount of damages, if any, that may ultimately be incurred; accordingly, no provision has been made in its consolidated financial statements with respect to this contingent liability.

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
of DSC Communications Corporation:

We have audited the accompanying consolidated balance sheets of DSC Communications Corporation and subsidiaries (the Company) as of December 31, 1989 and 1988 and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 1989 and 1988, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

As described in the "Commitments and Contingencies" note to the consolidated financial statements a class action lawsuit has been filed against the Company, the outcome of which is not certain at this time. Accordingly, no provision for any liability that may result upon adjudication has been made in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)

Litigation

In October 1985, Josette M. Melzer, Bernard Teichler, John L. McFarlane and Seymour Salit each filed suit against the Company in the United States District Court for the Northern District of Texas. In addition, certain of the suits named as individual defendants certain of the Company's officers, all of the members of the Board of Directors of the Company as of the date the suit was filed and the Company's former independent public accounting firm. Each of the above named Plaintiffs purports to be a stockholder of the Company and to represent a class of purchasers of the Company's securities. Each of the Plaintiffs seeks damages in unspecified amounts based upon a variety of theories. The suits arise out of the Company's restatement of its financial results for certain periods of 1984 and 1985. In January 1986, the Plaintiffs filed an Amended and Consolidated Class Action Complaint (the "Amended Complaint") in the United States District Court, Northern District of Texas, Dallas Division, styled "Bernard Teichler, Plaintiff against DSC Communications Corporation, Defendant." The Amended Complaint names as defendants the Company and its former Chairman of the Board, Chief Executive Officer, former Vice President of Finance, each member of its Board of Directors as of the date the suit was filed, its former independent public accounting firm and its former investment banking firm. The consolidated suit purports to be a class action on behalf of a class of persons who purchased securities of the Company during the period from July 20, 1984 through and including October 1, 1985. The Plaintiffs allege that the defendants violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and engaged in fraud and deceit and negligent misrepresentation. The Plaintiffs seek actual and punitive damages in unspecified amounts plus interest and costs. The Company filed its answer to the Amended Complaint in February 1986. In April 1988, the court certified a class of plaintiffs consisting of all persons who purchased common stock and 8% subordinated convertible debentures of the Company between July 20, 1984 and October 2, 1985. Although discovery is not yet completed, based upon its present understanding of the law and the facts, the Company believes that it has meritorious defenses to the Plaintiff's claims and intends to vigorously defend the suit. However, no assurances can be given as to the outcome of this litigation, which could have a material adverse effect on the Company.

The Company is a party to other legal proceedings incidental to its business which, in the opinion of management, are not expected to have a material effect on the Company's consolidated financial position.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Eagle-Picher Industries, Inc.:

We have audited the accompanying consolidated balance sheet of Eagle-Picher Industries, Inc. and subsidiaries as of November 30, 1989 and 1988, and the related consolidated statements of income (loss), shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended November 30, 1989. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Eagle-Picher Industries, Inc. and subsidiaries as of November 30, 1989 and 1988, and the results of their operations and their cash flows for each of the years in the three-year period ended November 30, 1989 in conformity with generally accepted accounting principles.

As discussed in Note K to the consolidated financial statements, the accompanying consolidated financial statements include an estimated liability and amounts due from insurance carriers related to claims associated with the Company's sale of asbestos products. We believe the Company determined these estimates in a reasonable manner. Management's plans to fund these liabilities are also discussed in Note K. The final resolution of actual amounts, however, which may be more or less than the amounts provided, as well as the timing and funding of payments, is dependent upon future events, the outcome of which are not fully determinable at the present time. In addition, as discussed in Note L, the Company is a defendent in various other litigation. A series of resolutions of such pending litigation in any one fiscal year, or an unexpected adverse outcome in any of the noted matters, could have a materially adverse effect on the Company's financial condition because of its limited liquidity. Since the ultimate outcome of such litigation is not presently determinable, no provision for any liability has been recorded in the accompanying financial statements.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
of L. B. Foster Company:

We have audited the accompanying balance sheets of L. B. Foster Company and its subsidiaries as of December 31, 1989 and 1988, and the related statements of consolidated income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of L. B. Foster Company and its subsidiaries at December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles.

As discussed in Note 17 to the consolidated financial statements, the Company is a defendant in litigation relating to a pipeline project. The ultimate outcome of the litigation cannot presently be determined. Resolution of this matter could result in material liabilities which have not been accrued by the Company in the accompanying consolidated financial statements.

As discussed in Note 12 to the consolidated financial statements, in 1988 the Company changed its method of accounting for income taxes to conform with Statement of Financial Accounting Standards No. 96.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Commitments and Contingent Liabilities

In May 1989, Hassell Construction Co., Inc. ("Hassell") filed suit against the Company in the District Court of Harris County, Texas alleging that the Company had failed to provide coated, welded pipe, fittings, and joints in accordance with contract specifications for a pipeline project in the Houston area. On or about September 25, 1989, Hassell filed an amended complaint seeking treble damages under the Texas Deceptive Trade Practices-Consumer Protection Act. Hassell had previously notified the Company that it estimated its actual damages to be $4,153,000. The Company intends to defend itself vigorously against this claim and has joined, as third party defendants, the Company's coating supplier and the consulting engineer for the project. In the event, however, that the Company does not prevail either in its defense to Hassell's claim or in its third party claims, the resolution of this matter could have an adverse impact upon the Company's financial condition.

The Company is subject to other legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
of Nortek, Inc.:

We have audited the accompanying consolidated balance sheet of Nortek, Inc. and subsidiaries as of December 31, 1989 and 1988, and the related consolidated statements of operations, stockholders' investment and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nortek, Inc. and subsidiaries as of December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

As discussed in Note 13, of the Notes to Consolidated Financial Statements, a judgment against the Company in an Oregon state court action involving a dispute with the former selling shareholder of the Company's Bend Millwork Systems operations, is in the process of being appealed. As indicated in Note 13, the Company believes that the judgment is without merit and is contrary to the weight of the evidence and applicable law, but is unable to predict whether the Company will be successful in overturning the judgment. Accordingly, no provision for any liability that may result has been made in the accompanying consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Contingencies

On January 2, 1990, as a result of a jury trial, the Circuit Court of the State of Oregon for the County of Multnomah, entered a judgment for the former selling shareholders (the "Pozzis") of the Company's Bend Millwork Systems business ("Bend") against Nortek, Inc. in the amount of $22.4 million, as actual and punitive damages, plus interest and attorney's fees and costs, in an action in which the Pozzis claimed that the Company committed fraud and failed to act in good faith and deal fairly with respect to the Bend stock purchase agreement and subsequent employment of the Pozzis. In addition, the jury declared that the Company is not entitled to recover indemnity claims against the Pozzis that it had previously asserted in a separate action in federal court. Interest accrues on the $22.4 million judgment at the simple rate of 9% per annum from the date of the judgment. On February 26, 1990, the Circuit Court of the state of Oregon ruled on several post-trial motions. As a result, the punitive damages were eliminated, reducing the judgment to $12.4 million plus legal fees and costs aggregating $1,226,000. Nortek believes that the judgment is without merit and is contrary to the weight of the evidence and applicable law and is pursuing all available remedies to set aside or to reverse the findings. In this connection, the Company expects to file its appeal with the Oregon Court of Appeals by late March 1990.

No provision for loss on the possible outcome of the Pozzi judgment has been reflected in the accompanying consolidated statement of operations, since the outcome of the litigation is not presently determinable. A final decision on Nortek's appeal that affirms all or a significant portion of the $12.4 million judgment could have a material effect on the consolidated financial position and results of operations of Nortek.

The Company is subject to other contingencies, including additional legal proceedings and claims arising out of its businesses that cover a wide range of matters, including, among others, product liability, warranty and product recalls, environmental matters, and contract and employment claims.

At December 31, 1989, the Company is contingently liable for obligations (approximately $13,000,000) under Industrial Revenue Bond agreements related to facilities which were sold.

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits, the aggregate amount of such liability, if any, with the exception of the Pozzi litigation, is not anticipated to be material to the consolidated financial position of the Company.

Going Concern

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Mack Trucks, Inc.:

We have audited the consolidated balance sheets of Mack Trucks, Inc. and consolidated subsidiaries as of December 31, 1989 and 1988, and the related consolidated statements of income (loss), cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies at December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the liquidity of the Company has been adversely affected by recurring losses from operations, and the Company was in default under certain of its loan covenants at December 31, 1989, all of which raises substantial doubt about the Company's ability to continue as a going concern in its present form. Management's plans concerning these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Basis of Presentation

The Company's consolidated financial statements have been presented on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As more fully described under "Management's Discussion and Analysis of Results of Operations and Financial Condition" and in Note 6 below, the liquidity of the Company has been adversely affected during 1989 by significant losses from operations. The Company and all its U.S. bank lenders have reached an agreement on the principal terms for the consolidation of the Company's outstanding U.S. bank debt into a three-year syndicated secured credit agreement, subject to agreement on final documentation and the purchase of $50 million of subordinated debt by its major shareholder, Renault Vehicules Industries ("RVI"). RVI has agreed to purchase $50 million of convertible subordinated debentures, subject to certain conditions including the execution of the new bank credit agreement and satisfactory renegotiation of bank credit agreements of certain of the Company's subsidiaries.

The Company believes that execution of the above agreements will provide sufficient liquidity for it to continue as a going concern in its present form. Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern in its present form.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Munsingwear, Inc.

We have audited the accompanying consolidated balance sheets of Munsingwear, Inc. and subsidiaries as of January 6, 1990 and January 7, 1989 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended January 6, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Munsingwear, Inc. and subsidiaries at January 6, 1990 and January 7, 1989 and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 6, 1990 in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that Munsingwear, Inc. and subsidiaries will continue as a going concern. As more fully described in Note B, the Company has incurred recurring losses which have resulted in a deficiency in stockholders' equity. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued existence is dependent upon its ability to achieve its 1990 operating plan and renew or replace its present asset based loan. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of Munsingwear, Inc. and subsidiaries to continue as a going concern.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B. Basis of Presentation

The Company's consolidated financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company reported net losses of $14,974,000 for the year ended January 6, 1990, and cumulative losses for the past three years of $50,790,000. As a result, a deficit of $52,000 was reported in stockholders' equity at year end.

Additionally, in the fourth quarter of 1989, the Company experienced extreme cash liquidity shortfalls from operations which were resolved through: 1) the sale of certain assets of its Vassarette and Form-O-Uth divisions in early January 1990, 2) a $1,000,000 funding over-advance from its asset based lender and 3) the forbearance of its vendors in accepting significant late payments of outstanding invoices.

The Company's continued existence is dependent upon its ability to achieve its 1990 operating plan and renew or replace its present asset based loan when the existing agreement expires in August 1990. Management begins the new fiscal year with the following positive events to assist the Company in the achievement of this plan:

1) The Company received $12.0 million in cash from the sale of the divisional assets referred to above and an additional $8.5 million in cash through a secured loan from the purchaser of those assets. These proceeds were used to pay down short-term debt, settle past due accounts payable and fund the purchases of new inventory for its remaining domestic divisions. Excess amounts were invested on a short-term basis until used for other working capital needs in the first quarter of 1990.
2) The Company disposed of its poorest performing operating division.
3) The remaining divisions of Men's Apparel, LeRoi Princeton and Munsingwear Canada all reported improved operating results in 1989 and all expect to be profitable in 1990.

If management cannot achieve the 1990 operating plan because of sales shortfalls or other unfavorable events, the Company may find it necessary to dispose of additional assets or operating entities, or undertake other actions as may be appropriate.

Realization Of Assets

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and the Board of Directors
Quixote Corporation

We have audited the accompanying consolidated balance sheets of Quixote Corporation and Subsidiaries as of June 30, 1989 and 1988, and the related consolidated statements of operations, shareholders' equity, and cash flows for the three years ended June 30, 1989. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Quixote Corporation and Subsidiaries as of June 30, 1989 and 1988, and the consolidated results of their operations and their cash flows for the three years ended June 30, 1989, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, there is uncertainty concerning the collectibility of the note receivable related to the 1988 disposition of LaserVideo, Inc. Further, the realizability of the note receivable may be dependent upon the ultimate value of Quixote Corporation's collateral if claiming the collateral becomes necessary in lieu of collection. The value of the collateral is not presently determinable. There has been no provision for loss, nor reclassification of assets, which could result if the full amount due on the note receivable is not realized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Dispositions

On December 31, 1987, the Company sold the stock of LaserVideo, Inc., its compact disc manufacturing subsidiary, to LaserVideo Acquisition Corporation (LVAC), a wholly-owned subsidiary of Disctronics Australia Limited (DAL). The sale price of $55.5 million consisted of $29 million in cash and a $26.5 million non-interest bearing note originally due January 15, 1989. The purchase price and note were reduced by $663,000 at June 30, 1988 for certain purchase price adjustments. The original note balance was also discounted by $1.3 million to yield an effective interest rate of approximately 5% through January 15, 1989.

As a result of LVAC's failure to pay the note when due on January 15, 1989, the Company pursued legal action against LVAC, DAL and Quatro Limited (Quatro), an Australian company with a majority interest in DAL and a guarantor of the note. Pursuant to a settlement agreement, LVAC, DAL and Quatro made a $1.5 million principal payment and restated the remaining amount of the note to $25 million payable on October 3, 1989, with interest at 10.5% per annum from March 3, 1989 to October 3, 1989. In addition, LVAC, DAL and Quatro paid $1.6 million as prepaid interest for the above period, forfeited a $500,000 escrow deposit to the Company, agreed to pay an additional $200,000 to the Company on October 3, 1989 for legal and other costs, and pledged all of the outstanding stock of LVAC and its wholly-owned subsidiary, Disctronics Manufacturing, Inc. (DMI), to the Company. The prepaid interest is being amortized to income on a straight-line basis over the March 3, 1989 to October 3, 1989 period.

The note receivable balance of $23.6 million at June 30, 1989 represents the original balance of $26.5 million net of: a) the $663,000 purchase price adjustment, b) the $1.5 million principal payment and c) $763,000 of prepaid interest for the period July 1, 1989 through October 3, 1989. Amounts collected on the note in excess of the recorded balance, if any, will be recognized as income at that time.

Quatro, DAL and LVAC are pursuing alternative financing strategies to fund the payment of the amounts due the Company on October 3, 1989. There is uncertainty concerning the collectibility of the note receivable. Although management of the Company believes that the note receivable is ultimately realizable, such realizability may be dependent upon the ultimate value of the Company's collateral if claiming the collateral becomes necessary in lieu of collection. The value of the collateral is not presently determinable. There has been no provision for loss, nor reclassification of assets, which could result if the full amount due on the note receivable is not realized.

LaserVideo's results of operations to the date of sale and the gain on its sale are presented as discontinued operations in the 1988 and 1987 consolidated statements of operations. Interest expense included in discontinued operations consists of interest on debt incurred directly by LaserVideo and an allocation of corporate interest based on the amount of corporate debt incurred to fund LaserVideo's capital requirements. The income tax benefits, relating to the results of discontinued operations for the years ended June 30, 1988 and 1987 were $1,440,000 and $1,843,000, respectively. The gain on the sale of $439,000 is net of a tax benefit of $2,847,000, of which $1,640,000 is due to the reversal of deferred taxes provided in prior periods that are not required due to a basis differential in reporting the sale for financial reporting and tax purposes. Net sales of LaserVideo for the six months ended December 31, 1987 were $9,395,000, and for the year ended June 30, 1987 were $12,904,000.

In June 1988, the Company sold the assets of Amtel Systems, a division of the Stenograph Systems Segment, for $1 million in cash and future royalties. A gain of $236,000 was recognized on the sale and is included in other income in the consolidated statements of operations. Amtel manufactures office messaging equipment for the general business environment.

Environmental Matter

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors
of The Barden Corporation

We have audited the accompanying consolidated balance sheets of The Barden Corporation and subsidiaries as of October 29, 1989 and October 30, 1988, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three fiscal years in the period ended October 29, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Barden Corporation (U.K.) Limited, a consolidated subsidiary, which statements reflect assets of 19.3% as of October 29, 1989 and 19.8% as of October 30, 1988, and net sales of 16.6% in 1989, 19.9% in 1988 and 17.9% in 1987 of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Barden Corporation (U.K.) Limited, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Barden Corporation and subsidiaries as of October 29, 1989 and October 30, 1988, and the results of their operations and their cash flows for each of the three fiscal years in the period ended October 29, 1989, in conformity with generally accepted accounting principles.

As discussed in Note K, the Company has been informally advised that it is likely to be listed, along with numerous others, as a potentially responsible party in an environmental matter, the outcome of which cannot be predicted at this time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—The Barkhamsted-New Hartford Landfill, a site operated by Regional Refuse Disposal District #1 in the State of Connecticut, has recently been added to the National Priorities List established pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980. Winsted Precision Ball Company (as well as numerous others) deposited waste at the site. The Company is not aware of any evidence that waste it sent to the site was hazardous. The matter is at a preliminary stage; the Company understands that the EPA has not completed development of a list of potentially responsible parties in connection with the site. The Company has not received any note from the EPA in connection with the landfill; however, the Company has been informally advised that they are likely to be listed with numerous others as a potentially responsible party. The ultimate outcome of this matter cannot be predicted at this time.

Government Contracts

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders
of Harsco Corporation:

We have audited the accompanying consolidated balance sheets of Harsco Corporation and subsidiary companies as of December 31, 1989 and 1988, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harsco Corporation and subsidiary companies as of December 31, 1989 and 1988, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles.

As discussed in Note 10 to the consolidated financial statements, the Company has experienced production delays and is subject to the Government exercising additional options under certain contracts. If the Government exercises these options or future production delays occur, additional losses could be incurred by the Company. Also, the Company has filed or is in the process of filing various claims against the Government relating to these contracts. The ultimate outcome of these matters cannot presently be determined. Accordingly, no provision for such potential additional losses or recognition of possible recovery from such claims (other than relating to the Federal Excise Tax Claim) has been reflected in the accompanying financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments and Contingent Liabilities

As collateral for performance and advances on long-term contracts, the Company is contingently liable, in the amount of $223,307,000, under standby letters of credit and bonds.

In 1989 the Company recorded a $60 million loss provision on its five-ton truck contract with the U.S. Government. Of this amount, $15 million was recorded in the fourth quarter, reflecting, among other things, the impact of delays in the production schedule, the exercise of additional options by the government and the costs associated with securing alternative sources for major components of the trucks. The Company's current commitment is to build 20,380 trucks. If this number should increase due to the government exercising additional options, or if future production delays occur, additional losses could result, the magnitude of which would depend on the time frame for production, cost of this production and final price for the trucks. Currently, however, the Company has filed or is the process of filing claims in excess of $40 million (the final amount cannot yet be determined) with respect to contract changes, untimely exercise of options, inadequate technical data package, and delays and disruptions. No recognition of any possible recovery on these claims is reflected in the recorded earnings.

Subsequent to the award of the five-ton truck contract, the Federal Excise Tax law, which was due to expire on October 1, 1988, was extended. The Company submitted its contract proposal in accordance with a general provision in the contract which directed the contractor to exclude from its price any contingency for excise taxes which were not in effect at the time of the award. The Company and its legal counsel consider that the excise tax required to be paid by the extension of the law constitutes an after-imposed tax and therefore is subject to recovery by a price adjustment. The Government has denied the Company's request for an equitable adjustment and this matter is now pending before the Armed Services Board of Contract Appeals. The Company continues to anticipate a favorable resolution with respect to the Federal Excise Tax (FET) claim (currently estimated at $57 million but the ultimate amount will depend on the number of trucks sold that are subject to payment of FET) and has included this anticipated recovery in estimating the loss provision requirements on this contract. To the extent that any portion of the FET is not recovered, additional losses on this contract will have to be recognized.

In January 1989, the U.S. Army purported to exercise options three and four under the Armored Combat Earthmover (ACE) contract. The Company and its legal counsel are of the opinion that the U.S. Government did not exercise the first of these options in a timely manner with the result that the unit price for options three and four as well as any subsequently exercised options would be subject to renegotiation. Claims reflecting the Company's position have been filed with respect to options three and four and are in the process of being filed for option five, which together with other claims on this program will in the aggregate be in excess of $70 million. No recognition has been given in reported earnings for any recovery on these claims. Pending a final resolution of this matter, the Company has recorded losses to date of $49 million for the purportedly exercised options, $25 million of which was recorded in 1989 and $24 million in 1988. Of the 1989 amount, $21 million was recorded in the fourth quarter as a result of the U.S. Army exercising one of the two then remaining options (132 vehicles each) in January 1990. Should the remaining option be exercised an additional loss of at least $21 million would be incurred unless the Company's claims are favorably resolved beforehand.

Government Antitrust Investigation

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Varian Associates, Inc.

We have audited the accompanying consolidated balance sheets of Varian Associates, Inc. and subsidiary companies as of September 29, 1989 and September 30, 1988, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three fiscal years in the period ended September 29, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Varian Associates, Inc. and subsidiary companies as of September 29, 1989 and September 30, 1988, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended September 29, 1989 in conformity with generally accepted accounting principles.

As discussed in the contingencies note to the consolidated financial statements, the Company and a number of its employees received grand jury subpoenas in connection with a U.S. Department of Justice antitrust investigation. The likely outcome of the inquiry or the effect thereof cannot be determined at this time and thus the Company had made no provision for any liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

The Company is currently a defendant in a number of legal actions and could incur an uninsured liability in one or more of them. In the opinion of management, the outcome of such litigation will not have a material adverse effect on the financial condition of the Company.

The suspension of the Company's Continental Electronics Division from contracting with any agency of the Executive Branch of the Federal Government was terminated on January 20, 1989, under a settlement agreement with the Department of the Navy, a copy of which is included in Form 10K, filed with the Securities and Exchange Commission.

On September 21, 1988, Rodney Shields, who purports to be a stockholder of the Company, filed a stockholder's derivative action in the Superior Court of the State of California, County of Santa Clara. The complaint alleges that the Company obtained certain defense contracts by illegal means and overcharged the government in connection with other defense contracts. Mr. Shields further alleged that certain named individuals, including 14 directors and 3 additional present or former officers of the Company, breached their fiduciary duties and violated various provisions of the California Business and Professions Code. On June 26, 1989, the court dismissed the complaint with leave to amend. Thereafter, Mr. Shields amended his complaint, and the Company has moved to dismiss the amended complaint. The motion to dismiss is pending.

In addition to the foregoing, in August 1989 the Company and a number of its employees received grand jury subpoenas in connection with a U.S. Department of Justice antitrust investigation of the power-grid tube industry. This follows earlier civil investigative demands made to the Company and others in March 1989. The likely outcome of the inquiry or the effect thereof cannot be determined at this time.

The Company is involved in various stages of investigation and cleanup relative to environmental protection matters, some of which relate to past disposal practices. Some of these matters are being overseen by state or federal agencies. Management believes that the final disposition of these matters will not have a material adverse effect on the financial condition of the Company.

LACK OF CONSISTENCY

Table 6-5 summarizes the accounting changes for which auditors either expressed qualified opinions as to consistency as required by Section 546 of *Statement on Auditing Standards No. 1* or expressed unqualified opinions but added explanatory language to their reports as required by *SAS No. 58*. *SAS No. 58*, which is effective for auditors' reports issued or reissued on or after January 1, 1989, does not require auditors to express qualified opinions as to consistency but does require that accounting changes having a material effect on the financial statements be disclosed in a separate paragraph following the opinion paragraph. Paragraphs 34-36 of *SAS No. 58* discuss lack of consistency. Examples of lack of consistency disclosures follow.

TABLE 6-5: LACK OF CONSISTENCY

	1989	1988	1987	1986
Income taxes	94	96	29	—
Reporting entity	16	44	11	4
Pension cost determination	14	66	170	141
Inventories:				
Capitalization of costs formerly expensed	17	17	10	1
LIFO adopted	2	3	6	6
LIFO discontinued	—	4	2	1
Other	1	—	2	2
Statement of cash flows	10	10	—	—
Depreciation method	4	3	3	4
Insurance company contracts	2	5	—	—
Other—described	14	18	22	23
Total References/Qualifications	**174**	**266**	**255**	**182**
Total Companies	**158**	**198**	**215**	**164**

Income Taxes

REPORT OF INDEPENDENT AUDITORS

To the Stockholders and Board of Directors
Ashland Oil, Inc.
Ashland, Kentucky

We have audited the accompanying consolidated balance sheets of Ashland Oil, Inc. and subsidiaries as of September 30, 1989 and 1988, and the related consolidated statements of income, common stockholders' equity and cash flows for each of the three years in the period ended September 30, 1989. These financial statements are the responsibility of Ashland's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above (appearing on pages 41 to 55 of this Annual Report) present fairly, in all material respects, the consolidated financial position of Ashland Oil, Inc. and subsidiaries at September 30, 1989 and 1988, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1989, in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, in fiscal 1988 Ashland changed its method of accounting for income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Income taxes

Effective October 1, 1987, Ashland adopted Financial Accounting Standards Board Statement No. 96, "Accounting for Income Taxes." The cumulative effect of the change in accounting for income taxes at that date amounted to $40,193,000 ($.72 per share). In addition, paid-in capital was charged for deferred income taxes of $24,701,000 applicable to a 1981 credit to paid-in capital from a sale of stock by a subsidiary. The effect of the new statement on income before the cumulative effect of the change in accounting for income taxes for 1988 was not significant.

Allowable investment and other tax credits (including credits on qualified progress expenditures) are recognized currently as a reduction of the provision for income taxes.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Cyclops Industries, Inc.:

We have audited the accompanying Statements of Consolidated Financial Position of Cyclops Industries, Inc. and subsidiaries as of December 31, 1989 and 1988, and the related Statements of Consolidated Income, Cash Flows and Stockholders' Equity for the years ended December 31, 1989 and 1988 and for the six months ended December 31, 1987. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cyclops Industries, Inc. and subsidiaries as of December 31, 1989 and 1988, and the results of their operations and their cash flows for the years ended December 31, 1989 and 1988 and for the six months ended December 31, 1987 in conformity with generally accepted accounting principles.

As discussed in Note 8 (Income Taxes) to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," effective January 1, 1989.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Income Taxes

Effective January 1, 1989, the Company adopted the provisions of the SFAS No. 96, "Accounting for Income Taxes," which changed the criteria for measuring the provision for income taxes and recognizing deferred tax assets and liabilities on the Statements of Consolidated Financial Position. Under the provisions of SFAS No. 96, current and deferred tax assets and liabilities are determined based on tax rates and laws enacted as of the balance sheet date rather than the historical tax rates.

In accordance with the provision of this statement, the Company elected not to restate prior years and has determined that the cumulative effect of implementation was not significant. However, as a result of adopting SFAS No. 96, net income was increased by approximately $7.1 million or $.98 per share in 1989 primarily as a result of the recognition of Eastern's net operating loss carryforwards as a reduction of income tax expense. In 1988 and 1987, the Company accounted for income taxes using APBO No. 11. The adoption of SFAS No. 96 has no effect on cash flows.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
of Golden Enterprises, Inc.

We have audited the accompanying consolidated balance sheets of Golden Enterprises, Inc. and subsidiaries as of May 31, 1989 and 1988, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended May 31, 1989. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Golden Enterprises, Inc. and subsidiaries as of May 31, 1989 and 1988, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 31, 1989, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company and its subsidiaries changed the method of accounting for income taxes in fiscal 1988 to comply with the provisions of Statement of Financial Accounting Standards No. 96.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Change in Accounting Principle

In fiscal 1988, the Company and its subsidiaries adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." Under the provisions of Statement No. 96, deferred tax liability is computed based on current tax rates. The previous balance of deferred tax liability had been established in prior years at higher tax rates. The Company elected to reflect the effect of this accounting principle change as a cumulative adjustment during fiscal year 1988. The effect of this change was to increase net income by $1,025,000, or $0.08 per share.

INDEPENDENT AUDITOR'S REPORT

MAPCO Inc., its Directors and Stockholders:

We have audited the accompanying consolidated balance sheets of MAPCO Inc. and its subsidiaries as of December 31, 1989 and 1988, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MAPCO Inc. and its subsidiaries at December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles.

As discussed in Note 5 to the financial statements, in 1987 the Company changed its method of accounting for income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Income Taxes

In 1987, MAPCO adopted Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes, and elected to report the effect of applying this Statement as a cumulative effect of a change in accounting principle as of January 1, 1987. The effect in 1987 of adopting this Statement was to increase net income by $51.1 million, or $1.23 per share.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Stockholders and Board of Directors
of McKesson Corporation:

We have audited the accompanying consolidated balance sheets of McKesson Corporation and subsidiaries as of March 31, 1989, 1988 and 1987 and the related statements of consolidated income, consolidated stockholders' equity and consolidated cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of McKesson Corporation and subsidiaries at March 31, 1989, 1988 and 1987 and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 11 to the consolidated financial statements, in 1989 the Corporation retroactively changed its method of accounting for income taxes, effective for all periods presented, to conform with Statement of Financial Accounting Standards No. 96.

FINANCIAL NOTES

11 (In Part): Taxes on Income

In fiscal 1989, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes." The Company elected to retroactively apply the provisions of SFAS No. 96 to all periods after March 31, 1983 by restating the financial statements of prior periods. Applying the new accounting standard had the effect of increasing income from continuing operations and net income by $2.1 million in fiscal 1989, $1.8 million in fiscal 1988 and $5.5 million in fiscal 1987. The per share effects were as follows:

Earnings Per Common Share	1989	1988	1987
Fully diluted	$.04	$.04	$.11
Primary	.05	.05	.13

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
UNC Incorporated:

We have audited the consolidated balance sheets of UNC Incorporated and subsidiaries as of December 31, 1989 and 1988 and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1989. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UNC Incorporated and subsidiaries at December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1989, in conformity with generally accepted accounting principles.

As discussed in Note 11 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 96, Accounting for Income Taxes in 1988.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Income Taxes

In 1988, the Company adopted SFAS No. 96, Accounting for Income Taxes, and elected to report the effects of its application as a cumulative effect of a change in accounting principle as of January 1, 1988. The effect of adopting this statement was to increase net earnings by $3.9 million. In addition, in 1989 and 1988, under SFAS No. 96, the effects of utilization of net operating loss carryforwards reduce the income tax provision of continuing and discontinued operations. In prior years, recognition of the benefits of net operating loss carryforwards was reported as an extraordinary item.

REPORT OF INDEPENDENT AUDITORS

To the Stockholders
of The Williams Companies, Inc.

We have audited the accompanying consolidated balance sheet of The Williams Companies, Inc. as of December 31, 1989 and 1988, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Williams Companies, Inc. at December 31, 1989 and 1988, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

As discussed in Note 2, the 1988 and 1987 financial statements have been restated for the change in the method of accounting for income taxes during 1989.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Accounting Changes

During the second quarter of 1989, Williams adopted SFAS No. 96, Accounting for Income Taxes, by restating financial results subsequent to December 31, 1985. The new standard requires, among other things, that an asset and liability approach be applied in accounting for income taxes. As a result, income tax expense will increase or decrease in the periods in which income-tax rate changes occur. Financial statements, notes and disclosures included herein have been restated to reflect the results of this change. As a result of the restatement, income from continuing operations increased $19.1 million ($.50 per share) in 1988 and $29.4 million ($.82 per share) in 1987. Net income increased $18.4 million ($.49 per share) in 1988 and $63.1 million ($1.77 per share) in 1987.

The primary effects of the adoption of the new standard on the balance sheet at December 31, 1988, were to increase deferred taxes by $145 million, increase deferred income and other liabilities by $68 million and decrease stockholders' equity by $230 million. The interstate natural gas pipeline subsidiaries are required to record a regulatory liability for the previously recorded excess deferred federal income taxes resulting from the reduction of the income-tax rate from 46 percent to 34 percent. This liability, which is included in deferred income and other liabilities, is amortized over the lives of the related depreciable assets.

In 1987, Williams Natural Gas changed to a calendar-month basis of accounting for gas sales and purchases resulting in the cumulative effect shown in the Consolidated Statement of Income.

Pension Costs

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders
of Lone Star Industries, Inc.:

We have audited the consolidated balance sheets of Lone Star Industries, Inc. and Consolidated Subsidiaries as of December 31, 1989 and 1988, and the related consolidated statements of income, changes in common shareholders' equity and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the foreign operations and Tarmac-LoneStar, Inc., a former joint venture of the company, which financial statements reflect total assets of 18% and 15% of the consolidated assets as of December 31, 1989 and 1988, respectively, and total revenues of 11%, 11%, and 5% of the consolidated revenues for 1989, 1988 and 1987, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the foreign operations and Tarmac-LoneStar, Inc., is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lone Star Industries, Inc. and Consolidated Subsidiaries as of December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

In 1987, the company changed its method of accounting for pension costs and income taxes as discussed in Notes 24 and 26, respectively, to the consolidated financial statements.

As discussed in Note 28 to the consolidated financial statements, the company is involved in various proceedings, the ultimate outcome of which cannot presently be determined. Accordingly, no provision for any liability that may result upon resolution has been made in the accompanying financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24 (In Part): Pension Plans

At January 1, 1987, the company adopted Statement of Financial Accounting Standards No. 87 and No. 88, "Employers' Accounting for Pensions" and "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits." As a result, the company recognized a pre-tax gain in 1987 of $13,873,000 relating to excess assets that were recovered in 1984 from the termination and re-establishment of its salaried defined benefit plan.

26 (In Part): Income Taxes

Effective January 1, 1987, the company and its consolidated domestic subsidiaries and domestic joint ventures adopted the liability method of accounting for income taxes pursuant to Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS No. 96). As a result of adoption, the company recorded a cumulative effect of a change in accounting principle of $9,900,000 in 1987. The company's foreign subsidiaries and foreign joint ventures have not yet adopted SFAS No. 96. The company's share of the cumulative effect of the change in accounting principle for these entities would approximate $30,000,000 at December 31, 1989, resulting in an increase in deferred tax liabilities for the operations involved. This amount is subject to future variations caused by changes in foreign tax rates and the difference between the rate of devaluation versus local indexation. Currently, the adoption of SFAS No. 96 is not required until 1992, and the statement is currently under review by the Financial Accounting Standards Board. The year and method of adoption by these entities has not yet been determined.

INDEPENDENT AUDITORS' REPORT

To the Shareholders
of H. H. Robertson Company:

We have audited the accompanying consolidated balance sheets of H. H. Robertson Company and its subsidiaries as of December 31, 1989 and 1988, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the above-mentioned financial statements present fairly, in all material respects, the financial position of H. H. Robertson Company and its subsidiaries at December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles.

As discussed in Note 14 to the financial statements, in 1989 the Company changed its method of accounting for certain foreign pension plans to conform with Statement of Financial Accounting Standards No. 87.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Retirement Benefits

Effective January 1, 1989 the Company adopted, for all significant defined benefit pension plans outside North America, Statement of Financial Accounting Standards No. 87 (SFAS No. 87), "Employers Accounting for Pensions." This standard was previously adopted in 1987 for the Company's United States and Canadian plans. Adoption of the statement, which is accounted for prospectively without adjustments to prior years, increased net income by approximately $1,800,000 or $.28 per share in 1989. For years prior to 1989, pension expense for foreign plans is reported under the previous accounting principles.

In addition, in accordance with the provisions of SFAS No. 87, the Company recorded during 1989 $1,902,000 as an additional minimum pension liability for its U.S. plans. This liability is offset by a $1,791,000 intangible asset and a $111,000 direct reduction of shareholders' equity.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors and Shareowners
Sparton Corporation

We have audited the accompanying consolidated balance sheets of Sparton Corporation and subsidiaries at June 30, 1989 and 1988, and the related consolidated statements of operations, shareowners' equity and cash flows for each of the three years in the period ended June 30, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sparton Corporation and subsidiaries at June 30, 1989 and 1988, and the consolidated results of operations and cash flows for each of the three years in the period ended

June 30, 1989, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for pensions in 1988.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Statement of Significant Accounting Policies

Pension Costs—Effective July 1, 1987, the Company changed its method of accounting for pension costs to conform with Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions." This change increased net income by approximately $432,000 ($.05 per share) in 1988.

Consolidation Policy

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Binks Manufacturing Company:

We have audited the accompanying consolidated balance sheets of Binks Manufacturing Company and consolidated subsidiaries as of November 30, 1989 and 1988, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended November 30, 1989. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Binks Manufacturing Company and consolidated subsidiaries at November 30, 1989 and 1988, and the results of their operations and their cash flows for each of the years in the three-year period ended November 30, 1989, in conformity with generally accepted accounting principles.

As discussed in Note 1(a) to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 94, *Consolidation of All Majority-Owned Subsidiaries* in 1989.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

(a) Principles of Consolidation

Effective September 1, 1989, Binks Manufacturing Company (Company) changed its consolidation policy by adopting the provisions of Statement of Financial Accounting Standards No. 94, *Consolidation of all Majority-Owned Subsidiaries.*

The consolidated financial statements include the accounts of the Company and consolidated subsidiaries in the United States, United Kingdom, Canada, Belgium, Italy, West Germany, Japan and France (see note 7 for information relating to the unconsolidated subsidiaries). The subsidiary in the United Kingdom is included on the basis of its September 30 fiscal year end. All material intercompany balances and transactions have been eliminated in consolidation.

The quarterly data for 1989 and previous years' financial statements, including quarterly data and other footnote information, have been restated to conform to the new basis of presentation. The restatement had no effect on previously reported net income or earnings per share amounts. Net sales, increased by approximately $15,055,000 and $11,598,000 in 1988 and 1987, respectively, compared to previously reported sales due to the restatement.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
Winnebago Industries, Inc.
Forest City, Iowa

We have audited the consolidated balance sheets of Winnebago Industries, Inc. and subsidiaries as of August 26, 1989 and August 27, 1988, and the related consolidated statements of operations, cash flows and changes in stockholders' equity for each of the three years in the period ended August 26, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Winnebago Industries, Inc. and subsidiaries at August 26, 1989 and August 27, 1988, and the results of their operations and cash flows for each of the three years in the period ended August 26, 1989 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1989 the Company retroactively changed its method of consolidation to conform with Statement of Financial Accounting Standards No. 94.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

In October 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 94 "Consolidation of all Majority-Owned Subsidiaries" which was adopted by the Company in fiscal 1989. The financial statements for fiscal 1988 and fiscal 1987 have been restated to consolidate Winnebago Acceptance Corporation (WAC); such restatement did not affect the Company's stockholders' equity or results of operations; however, consolidated assets, liabilities, revenues, and expenses increased due to the consolidation of WAC (see Note 2).

Inventories

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Athlone Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Athlone Industries, Inc. and subsidiaries as of December 31, 1989 and 1988, and the related statements of consolidated earnings, changes in common stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Athlone Industries, Inc. and subsidiaries at December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 1989, in conformity with generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, the Company changed its method of accounting for certain supplies and materials in 1987.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Inventories

Inventories are summarized as follows:

(In thousands) As of December 31	1989	1988
Raw materials and supplies	$14,210	$15,558
Work in process	20,374	25,368
Finished goods	37,341	37,238
Total	$71,925	$78,164

In 1987, the Company changed the method of accounting for certain supplies and materials of the specialty steel operation of Jessop Steel. Previously, such items were charged to earnings when purchased while, under the change, they are charged to earnings when used or consumed. The change improves the matching of costs of these supplies and materials to the benefits derived from their usage and, accordingly, is a preferable method of accounting. While the buildup of these inventories was gradual and occurred over a long period of time, the resulting accumulated understatement of assets had become significant.

The change in accounting principle increased net earnings for the year ended December 31, 1987 by $2,839,000, representing the cumulative effect of the change on prior years (to December 31, 1986). The effect on operations in 1989, 1988 and 1987 was not material.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Signal Apparel Company, Inc.

We have audited the accompanying consolidated balance sheets of Signal Apparel Company, Inc. as of December 31, 1989 and 1988, and the related statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Signal Apparel Company, Inc. at December 31, 1989 and 1988, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, in 1989 the Company changed its method of accounting for applying the lower of cost or market principle to inventories.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Inventories

Effective January 1, 1989, the Company changed its method of applying the lower of cost or market principle to inventories accounted for on the last-in, first-out (LIFO) method from a specific item approach to an aggregate approach except for discontinued product lines for which the Company will continue to evaluate the need for write-downs on an item by item basis. The aggregate method is preferable since LIFO cost is below current cost in the aggregate, and the income statement reflects current cost and therefore no additional charges for specific goods are necessary to properly report income. The effect of the change on the 1989 loss before cumulative effect of accounting change was an increase of approximately $141,000 ($.05 per share). This accounting change resulted in a gain of $443,000 ($292,000 or $.09 per share after tax). The pro forma amounts shown in the Consolidated Statements of Operations have been adjusted for the effect of retroactive application of the new method adjusted for related income taxes.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and the Board of Directors
of TransTechnology Corporation:

We have audited the accompanying consolidated balance sheets of TransTechnology Corporation and its subsidiaries as of March 31, 1989 and 1988 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1989. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies at March 31, 1989 and 1988 and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1989 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, in 1988 the Company changed its method of accounting for manufacturing overhead in inventory.

NOTES TO FINANCIAL STATEMENTS

2. Change in Accounting Principle

The Company changed its accounting policy effective April 1, 1987, to include in inventory certain manufacturing overhead which was previously charged directly to expense. The change in accounting principle is preferable in that it provides for a better matching of expenses with revenues. The cumulative effect of the accounting change for periods prior to April 1, 1987, resulted in an increase in net earnings (net of income taxes of $749,000) of $1,010,000, or $.19 per share. The accounting change did not have a material effect on operations for the year ended March 31, 1988, or March 31, 1987, had the change been applied retroactively.

Postretirement Benefit Costs

INDEPENDENT AUDITORS' REPORT

The Shareholders
of Vulcan Materials Company:

We have audited the accompanying consolidated balance sheets of Vulcan Materials Company and its subsidiary companies as of December 31, 1989, 1988 and 1987 and the related consolidated statements of earnings, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Vulcan Materials Company and its subsidiaries at December 31, 1989, 1988 and 1987 and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Notes 7 and 8 to the financial statements, in 1989 the Company changed its method of accounting for income taxes to conform with Statement of Financial Accounting Standards No. 96, and changed its method of accounting for postretirement benefits other than pensions from the cash to an accrual method.

NOTES TO FINANCIAL STATEMENTS

7 (In Part): Income Taxes

Effective January 1, 1989, the Company adopted SFAS No. 96, *Accounting for Income Taxes,* which required a change from the deferred method to the liability method of accounting for income taxes. The cumulative effect of applying the new accounting method to years prior to 1989 increased net earnings by $11,052,000 ($.27 per share), which was reflected separately in the consolidated statement of earnings for the first quarter of 1989. The cumulative effect is not included in any of the summary information provided below. Implementation of the new method had no material impact on 1989 earnings from continuing operations.

8 (In Part): Pension, Other Postretirement Benefit and Incentive Compensation Plans

Effective January 1, 1989, the Company changed to an accrual method of accounting for the aforementioned postretirement benefits based on actuarially determined costs to be accrued over the period from the date of hire to the full eligibility date of employees who are expected to quality for benefits. With one exception, the adopted method is consistent with the standards proposed in an exposure draft on accounting for postretirement benefits issued February 14, 1989 by the Financial Accounting Standards Board. In the first quarter of 1989, the Company recorded the full amount of its estimated accumulated postretirement benefit obligation, which represents the present value of the estimated future benefits payable to current retirees and a pro rata portion of estimated benefits payable to active employees after retirement. The exposure draft, in contrast, requires the unrecognized accumulated postretirement benefit obligation (transition obligation) to be amortized over an extended future period. The pretax charge to 1989 earnings was $15,331,000, with a net earnings effect of $9,562,000 ($.23 per share). These amounts are reflected as cumulative effects of the accounting change in the consolidated statement of earnings. The pro forma effect of retroactive application of the change on the financial statements for the years prior to 1989 has not been presented because the new method did not have a material effect on the earnings or financial position reported for those years.

The cost of providing postretirement benefits under the new accrual method amounted to $2,549,000 in 1989. In prior years the Company recognized the cost of providing postretirement benefits by expensing the contributions when made. Amounts included in expense for 1988 and 1987 under the previous method approximated $629,000 and $477,000, respectively. If the 1989 expense had been determined under the previous method, the amount recognized would have approximated $977,000.

The Company funds the postretirement benefits plan each year through contributions to a trust fund for health care benefits and through payments of premiums to providers of life insurance. All assets of the plan relate to the life insurance and are composed of reserves held by the insurer.

Cash Flows

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Hurco Companies, Inc.
Indianapolis, Indiana

We have audited the accompanying consolidated balance sheet of Hurco Companies, Inc. and subsidiaries as of October 31, 1989 and 1988, the related consolidated statements of operations and changes in shareholders' equity for the three years in the period ended October 31, 1989, the consolidated statement of cash flows for the years ended October 31, 1989 and 1988, and the consolidated statement of changes in financial position for the year ended October 31, 1987. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hurco Companies, Inc. and Subsidiaries as of October 31, 1989 and 1988, the consolidated results of their operations for each of the three years in the period ended October 31, 1989, their consolidated cash flows for the years ended October 31, 1989 and 1988, and the consolidated changes in their financial position for the year ended October 31, 1987 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company implemented Statement of Financial Accounting Standards No. 95, Statement of Cash Flows, in 1988 on a prospective basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Statement of Cash Flows. As of October 31, 1988, the Company adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," which requires a statement of cash flows as part of a full set of financial statements in place of a statement of changes in financial position. As permitted in SFAS No. 95, the Company's consolidated statement of changes in financial position for the year ended October 31, 1987 is shown as originally presented. For the purpose of the statement of cash flows, the Company considers all highly liquid investments, generally with a maturity of three months or less, to be cash equivalents.

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
International Proteins Corporation

We have audited the accompanying Consolidated Balance Sheets of International Proteins Corporation and subsidiaries as of December 31, 1989 and 1988, and the related Consolidated Statements of Operations and Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 1989, the Consolidated Statements of Cash Flows for the years ended December 31, 1989 and 1988 and the Consolidated Statement of Changes in Financial Position for the year ended December 31, 1987. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of International Proteins Corporation and subsidiaries at December 31, 1989 and 1988, and the consolidated results of their operations for each of the three years in the period ended December 31, 1989, their cash flows for the years ended December 31, 1989 and 1988 and changes in their financial position for the year ended December 31, 1987 in conformity with generally accepted accounting principles.

As discussed in Note 7 of the Notes to Consolidated Financial Statements, in 1988 the Company adopted the provisions of Financial Accounting Standards Board Statement No. 95, "Statement of Cash Flows." As permitted by the Statement, the Company has presented a statement of cash flows for 1989 and 1988 and a statement of changes in financial position for 1987.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7—Supplemental Cash Flow Information

In 1988, the Company adopted Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows." As permitted by Statement 95, the Company has presented Consolidated Statements of Cash Flows for the years ended December 31, 1989 and 1988 and a Consolidated Statement of Changes in Financial Position for the year ended December 31, 1987.

Cash payments for interest for the years ended December 31, 1989 and 1988 were $8,065,000 and $2,844,000, respectively. Cash payments for income taxes for the years ended December 31, 1989 and 1988 were $3,299,000 and $1,865,000, respectively. Cash received for interest for the years ended December 31, 1989 and 1988 were $756,000 and $648,000, respectively.

Long-Duration Insurance Contracts

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors
of Harcourt Brace Jovanovich, Inc.:

We have audited the accompanying consolidated balance sheets of Harcourt Brace Jovanovich, Inc. and subsidiary companies as of December 31, 1989 and 1988, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harcourt Brace Jovanovich, Inc. and subsidiary companies as of December 31, 1989 and 1988, and the results of their operations and cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for certain prepublication costs in 1987 and, effective January 1, 1989, the Company has given retroactive effect to the change in accounting for certain long-duration insurance contracts.

As further discussed in Note 12, certain individuals have filed lawsuits against the Company which the Company intends to contest. The outcome of these matters is uncertain and the effect, if any, on the accompanying consolidated financial statements cannot be estimated at this time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Effective January 1, 1989, the Company's Insurance operations adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments." The Company has restated its prior years' financial statements to reflect this change in accounting. SFAS No. 97 requires the use of the retrospective deposit method of accounting for the Company's universal life, limited-payment life, deferred annuity, and guaranteed investment contracts (including immediate annuity contracts that do not involve a significant mortality or morbidity risk). The effect of adopting SFAS No. 97 was to decrease consolidated retained earnings as of January 1, 1987 by approximately $125,000; the effect on consolidated net income or loss for each year presented was not material. Furthermore, previously reported Insurance revenues were reduced by $122,954,000 and $114,141,000 for 1988 and 1987, respectively.

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In 1987, HBJ changed its method of accounting for certain prepublication costs to conform the accounting practices within its publishing business. Under the new method, which provides a preferable means of matching revenues to expenses, certain costs previously expensed as incurred are now capitalized and amortized over the life of the product. The cumulative effect of this accounting change was to increase 1987 income by $29,737,000 before applicable tax effects of $11,431,000.

EMPHASIS OF A MATTER

Paragraph 37 of *Statement on Auditing Standards No. 58* states:

> In some circumstances, the auditor may wish to emphasize a matter regarding the financial statements, but nevertheless intends to express an unqualified opinion. For example, he may wish to emphasize that the entity is a component of a larger business enterprise or that it has had significant transactions with related parties, or he may wish to emphasize an unusually important subsequent event or an accounting matter affecting the comparability of the financial statements with those of the preceding period. Such explanatory information should be presented in a separate paragraph of the auditor's report. Phrases such as "with the foregoing explanation" should not be used in the opinion paragraph in situations of this type.

Examples of auditors' reports which include explanatory information about the financial statements follow.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Insilco Corporation:

We have audited the accompanying consolidated balance sheet of Insilco Corporation and subsidiaries as of December 31, 1989, and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Insilco Corporation and subsidiaries as of December 31, 1989, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 1 to the consolidated financial statements, effective October 6, 1988, INR Acquisition Corp. acquired substantially all of the outstanding common stock of Insilco Corporation in a business combination accounted for as a purchase. As a result of the Acquisition, the consolidated financial information for the periods after the Acquisition is presented on a different cost basis than that for the periods before the Acquisition and, therefore, is not comparable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(a) Basis of Presentation

On October 6, 1988, INR Acquisition Corp. ("INR") acquired 95% (on fully diluted basis) of the outstanding shares of common stock, par value $1.00 per share, of Insilco Corporation, a Connecticut corporation, pursuant to a tender offer ("Tender Offer"). On December 12, 1988, INR was merged into Insilco Corporation with Insilco Corporation being the surviving entity (the "Merger"). The Tender Offer and the Merger are referred to herein as the "Acquisition." Insilco Corporation prior to and including September 30, 1988 is referred to as the Predecessor and Insilco Corporation from and after October 1, 1988 is referred to as the Successor or the Company. The financial information contained herein relates to the Successor with respect to financial position at December 31, 1989 and 1988, and results of operations and cash flows for the year ended December 31, 1989 and the three-month period ended December 31, 1988, and for the Predecessor with respect to information for other periods. The financial information of the Successor reflects purchase accounting in which the purchase price is allocated to the underlying assets and liabilities of the Predecessor based upon their respective estimated fair values. The financial information of the Predecessor is prepared using the Predecessor's historical cost. As a result, the consolidated financial information for September 30, 1988 and prior periods is presented on a different cost basis than for the periods subsequent to September 30, 1988 and, therefore, is not comparable.

DEPARTURES FROM UNQUALIFIED OPINIONS

Statement on Auditing Standards No. 58, which is effective for auditors' reports issued on or after January 1, 1989, does not require auditors to express qualified opinions as to the effects of uncertainties or as to lack of consistency. Under *SAS No. 58,* departures from unqualified opinions include opinions qualified because of a scope limitation or a departure from generally accepted accounting principles, adverse opinions, and disclaimers of opinion. Paragraphs 38-72 of *SAS No. 58* discuss these departures. None of the auditors' reports issued in connection with the financial statements of the survey companies contained a qualified opinion as defined by *SAS No. 58.* An auditors' report qualified because of a scope limitation which was issued in connection with the financial statements of a company not included in this survey follows.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Customedix Corporation
Califon, New Jersey

We have audited the accompanying consolidated balance sheets of Customedix Corporation as of June 30, 1989 and 1988, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company has notes receivable with an aggregate face value of $9,500,000 bearing interest at 10% per annum with principal and interest repayable in 2006. At June 30, 1989 the notes are carried on the Company's balance sheet at $1,542,418, net of allowance for possible losses. As discussed in Note 5, the entity liable under the notes is involved in a lawsuit, as a consequence of which it is not prepared to release financial or other information that would enable the Company to assess the continuing net realizable value of the notes. Accordingly, the Company is unable to determine, and we are unable to conclude, whether any additional adjustment against the notes is required.

In our opinion, except for the effects on the 1989 financial statements of such adjustments, if any, as might have been determined to be necessary had information regarding the net realizable value of the notes receivable been available, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Customedix Corporation as of June 30, 1989 and 1988, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 1989, in conformity with generally accepted accounting principles.

As discussed in Note 12 to the consolidated financial statements, the Company changed its method of computing pension expense in 1988.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5—Sale of Notes Receivable

Effective January 1, 1986, the Company sold certain assets, liabilities and the business of its subsidiary, Custom Wellhead Services, Inc. ("CWS") to Petrotec-Corco, Inc. ("P-C") for notes receivable of an affiliate (aggregate face value of $9,500,000, bearing interest at 10% per annum with principal and interest repayable in 2006) and a 7% reduction to 27% of its equity investment in P-C. At June 30, 1986, due to the adverse market conditions in the oil field, the Company's 27% investment in P-C, with an approximate book value of $1,209,000, was written off. A loss of approximately $1,362,000 was realized. The notes are collateralized by the assignment of cash flow from certain oil and gas properties and third-party guarantees. In the fall of 1986, production from certain of the oil and gas properties mentioned above was substantially reduced. Accordingly, during the year ended June 30, 1987, the Company provided an allowance for possible losses of $2,100,000.

The entity liable under the notes is involved in a lawsuit as a consequence of which, it is not prepared to release financial or other information that would enable the company to assess the continuing net realizable value of the notes. Accordingly, the Company is unable to determine whether any additional adjustment is required.

REPORTS ON COMPARATIVE FINANCIAL STATEMENTS

Paragraphs 74-83 of *Statement on Auditing Standards No. 58* discuss Reports on Comparative Financial Statements. In this survey, there were no auditors' reports which included different opinions for the comparative financial statements presented, and there were no auditors' reports which included opinions on prior period financial statements different from opinions previously expressed. Seven auditors' reports indicated that a change in auditors had occurred in either the current year or one of the two preceding years. Examples of disclosures of changes in auditors follow.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders
of Avon Products Inc.

We have audited the accompanying consolidated balance sheet of Avon Products Inc. and subsidiaries as of December 31, 1989, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of Avon's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The consolidated financial statements of Avon Products Inc. and subsidiaries as of December 31, 1988 and for each of the years in the two-year period ended December 31, 1988, were audited by other auditors whose report, dated February 3, 1989, on those statements included an explanatory paragraph that described the 1988 change in accounting for income taxes described in Note 1 to the consolidated financial statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Avon Products Inc. and subsidiaries at December 31, 1989, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Stockholders and Board of Directors
National Presto Industries, Inc.

We have audited the accompanying consolidated balance sheet of National Presto Industries, Inc. and Subsidiaries as of December 31, 1989, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of National Presto Industries, Inc. and Subsidiaries as of December 31, 1988 and for the years ended December 31, 1988 and 1987, were audited by other auditors whose report dated February 17, 1989, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1989 financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Presto industries, Inc. and Subsidiaries as of December 31, 1989, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sundstrand Corporation

We have audited the accompanying consolidated balance sheet of Sundstrand Corporation and subsidiaries as of December 31, 1989, and the related consolidated statements of earnings, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Sundstrand Corporation and subsidiaries for the years ended December 31, 1988 and 1987, were audited by other auditors whose report dated February 15, 1989, except for the note "Joint Venture" as to which the date is March 1, 1989, expressed an unqualified opinion on those statements and included an explanation that described the Company's change in its policy of accounting for long-term contracts, effective January 1, 1988.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1989 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sundstrand Corporation and subsidiaries at December 31, 1989 and the consolidated results of their operations and their cash flows for the year ended December 31, 1989, in conformity with generally accepted accounting principles.

OPINIONS EXPRESSED ON SUPPLEMENTAL FINANCIAL INFORMATION

Table 6-6 shows that occasionally the auditors' reports issued in connection with the financial statements of the survey companies express an opinion on information supplemental to the basic financial statements.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders
of Omnicom Group Inc.:

We have audited the accompanying consolidated balance sheets of Omnicom Group Inc. and subsidiaries as of December 31, 1989 and 1988, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

TABLE 6-6: OPINION EXPRESSED ON SUPPLEMENTAL FINANCIAL INFORMATION

	Number of Companies			
	1989	1988	1987	1986
Financial statement schedules	22	13	18	13
Financial statements of subsidiaries	2	1	5	9
Historical summaries or five year summaries of operations	—	1	1	2
Other	2	3	4	4

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Omnicom Group Inc. and subsidiaries as of December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages S-1 through S-5 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REPORTS OF AUDIT COMMITTEES AND MANAGEMENT

Fourteen survey companies presented a Report of An Audit Committee and 320 survey companies presented a Report of Management. Examples of such reports follow.

Reports Of Audit Committee

ABBOTT LABORATORIES

AUDIT COMMITTEE CHAIRMAN'S REPORT

The Audit Committee of the Board of Directors is composed of five non-employee directors. The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Committee held two meetings during 1989. In fulfilling its responsibility, the Committee recommended to the Board of Directors, subject to shareholder approval, the selection of the Company's independent public accountants. The Audit Committee discussed with the internal auditors and the independent public accountants the overall scope and specific plans for their respective audits. The Committee also discussed the Company's consolidated financial statements and the adequacy of the Company's internal controls. During the Audit Committee meetings the Committee met with the internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The meetings also were designed to facilitate any private communication with the Committee desired by the internal auditors or independent public accountants.

Chairman, Audit Committee

MERCK & CO., INC.

AUDIT COMMITTEE'S REPORT

The Audit Committee of the Board of Directors is comprised of five outside directors. The members of the Committee are: Paul G. Rogers, Chairman, Albert W. Merck, Vice Chairman, Charles E. Exley, Jr., Jacques Genest, C.C., M.D., and John K. McKinley. The Committee held three meetings during 1989.

The Audit Committee meets with the independent public accountants, management, and internal auditors to assure that all are carrying out their respective responsibilities. The Audit Committee reviews the performance of the independent public accountants prior to recommending their appointment and meets with them, without management present, to discuss the scope and results of their audit work, including the adequacy of internal controls and the quality of financial reporting. Both the independent public accountants and the internal auditors have full access to the Audit Committee.

Chairman
Audit Committee

Reports Of Management

AMP INCORPORATED AND PAMCOR, INC.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements and other financial information contained in this Annual Report are the responsibility of management. They have been prepared in accordance with generally accepted accounting principles applied on a materially consistent basis and are deemed to present fairly the combined financial position of AMP Incorporated and its subsidiaries and Pamcor, Inc., and the results of their combined operations. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality.

As a means of fulfilling its responsibility for the integrity of financial information included in this Annual Report, management relies on the Company's system of internal controls. This system has been established to ensure, within reasonable limits, that assets are safeguarded, that transactions are properly recorded and executed in accordance with management's authorization and that the accounting records provide a solid foundation from which to prepare the financial statements. It is recognized that no system of internal controls can detect and prevent all errors and irregularities. Management believes that the established system provides an acceptable balance between benefits to be gained and their related cost.

It has always been the policy and practice of the Company to conduct its affairs ethically and in a socially responsible manner. Employee awareness of these objectives is achieved through regular and continuing key written policy statements. Management maintains a systematic program to ensure compliance with these policies.

As part of their audit of the financial statements, the Company's independent public accountants review and assess the effectiveness of selected internal accounting controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied. In addition, the Company maintains a staff of internal auditors who work with the independent public accountants to ensure adequate auditing coverage of the Company and who conduct operational audits of their own design. Management emphasizes the need for constructive recommendations as part of the auditing process and implements a high proportion of their suggestions.

The Audit Committee of the Board of Directors meets with the independent public accountants, internal auditors and management periodically, to review their respective activities and the discharge of each of their responsibilities. Both the independent public accountants and the internal auditors have free access to the Audit Committee, with or without management, to discuss the scope and results of their audits and the adequacy of the system of internal controls.

BAKER HUGHES INCORPORATED

MANAGEMENT REPORT OF FINANCIAL RESPONSIBILITIES

The management of Baker Hughes Incorporated is responsible for the preparation and integrity of the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and include amounts that are based on management's informed judgments and estimates.

In fulfilling its responsibilities for the integrity of financial information, management maintains and relies on the Company's system of internal control. This system includes written policies, an organizational structure providing division of responsibilities, the selection and training of qualified personnel and a program of financial and operational reviews by a professional staff of corporate auditors and the independent public accountants. The system is designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and accounting records are reliable as a basis for the preparation of the consolidated financial statements. Management believes that, as of September 30, 1989, the company's internal control system provides reasonable assurance that material errors or irregularities will be prevented or detected within a timely period and is cost effective.

Management recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in the Company's Code of Ethical Conduct which is distributed throughout the Company. Management maintains a systematic program to assess compliance with the policies included in the code.

The Board of Directors, through its Audit/Ethics Committee composed solely of non-employee directors, reviews the Company's financial reporting, accounting and ethical practices. The Audit/Ethics Committee recommends to the Board of Directors the selection of independent public accountants and reviews their fee arrangements. It meets periodically with the independent public accountants, management and the corporate auditors to review the work of each and the propriety of the discharge of their responsibilities. The independent public accountants and the corporate auditors have full and free access to the Audit/Ethics Committee, without management present, to discuss auditing and financial reporting matters.

Chairman, President
and Chief Executive Officer

Senior Vice President and
Chief Financial Officer

Controller

CINCINNATI MILACRON INC.

RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Cincinnati Milacron Inc. is responsible for the integrity and objectivity of the financial statements and other financial information contained in the annual report. The financial statements and related information were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's informed judgments and estimates.

In fulfilling its responsibilities for the integrity of financial information, management maintains accounting systems and related controls. These controls provide reasonable assurance, at appropriate costs, that assets are safeguarded against losses and that financial records are reliable for use in preparing financial statements. These systems are enhanced by written policies, an organizational structure providing division of responsibilities, careful selection and training of qualified people and a program of financial, operational and systems reviews coordinated by both the internal and the independent auditors.

Management recognizes its responsibility for conducting the company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized by and included in key policy statements. Management maintains a systematic program to assess compliance with these policies.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets with the independent auditors, management and internal auditors periodically to review the work of each and ensure that each is properly discharging its responsibilities. The independent auditors and the company's internal auditors have free access to this committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financing reporting.

Chairman and
Chief Executive Officer

Vice President-Finance

GIANT FOOD INC.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management has prepared the financial statements and other data included in this annual report and has primary responsibility for the integrity and objectivity of the financial information. The financial statements contained herein have been prepared in conformity with generally accepted accounting principles, applying certain estimates and judgments as required.

The Company maintains a control structure to provide reasonable assurance that the books and records reflect the authorized transactions of the Company. Limitations exist in any control structure based on the recognition that the cost of the structure should not exceed the benefits derived. The Company believes its control structure, augmented by its internal auditing function, appropriately balances the cost/benefit relationship.

The independent auditors provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the control structure and perform such tests and other procedures as they deem necessary to reach and express an opinion on the fairness of the financial statements.

The Board of Directors pursues its responsibility for the Company's financial statements through its Audit Committee, which is comprised solely of directors who are not officers or employees of the Company. The Audit Committee meets periodically with the independent auditors, management and the internal auditors. The independent auditors have direct access to the Audit Committee, with or without the presence of management representatives, to discuss the scope and results of their audit work and their comments on the adequacy of the control structure and the quality of financial reporting.

We believe that these policies and procedures provide reasonable assurance that our operations are conducted in conformity with the law and with a high standard of business conduct.

Chairman of the Board,
President and Chief
Executive Officer

Secretary, Treasurer and
Senior Vice President
Finance

Appendix of 600 Companies

List of 600 Companies on Which Tabulations Are Based

(In this edition, companies have been assigned the same number as in the Forty-third (1989) edition. Forty-two companies in the 1989 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 736 to 775, inclusive. Companies numbered out of alphabetical order are shown in *italics* and have been given an additional listing in alphabetical order.)

Co. No.		*Month in which fiscal year ends
1	ADDSCO Industries, Inc.	6
2	AEL Industries, Inc.	2
4	AM International, Inc.	7
5	AMAX Inc.	12
6	AMETEK, Inc.	12
7	AMP Incorporated and Pamcor, Inc.	12
9	ASARCO Incorporated	12
10	Abbott Laboratories	12
	Acclaim Entertainment, Inc.—*see 736*	
11	Acme-Cleveland Corporation	9
	Acme Steel Company—*see 651*	
13	Action Industries, Inc.	6
	Advanced Micro Devices, Inc.—*see 652*	
	Affiliated Publications, Inc.—*see 653*	
16	Air Products and Chemicals, Inc.	9
	Alberto-Culver Company—*see 601*	
17	Albertson's, Inc.	1
18	Alco Standard Corporation	9
19	Allegheny International, Inc.	9
	The Alien Group Inc.—*see 602*	
20	Allied-Signal Inc.	12
22	Allis-Chalmers Corporation	12
23	Alpha Industries, Inc.	3
24	Aluminum Company of America	12
25	Amcast Industrial Corporation	8
	Amdahl Corporation—*see 603*	
26	Amerada Hess Corporation	12
28	American Biltrite Inc.	12
29	American Brands, Inc.	12
30	American Building Maintenance Industries, Inc.	10
32	American Cyanamid Company	12
33	American Greetings Corporation	2
35	American Home Products Corporation	12
36	American Maize-Products Company	12
37	American Medical International, Inc.	8
39	American Petrofina, Incorporated	12
40	The American Ship Building Company	9
42	American Stores Company	1
43	American Telephone and Telegraph Company	12

Co. No.		*Month in which fiscal year ends
44	Ameron, Inc.	11
45	Amoco Corporation	12
46	Ampco-Pittsburgh Corporation	12
	Anacomp, Inc.—*see 696*	
48	Analogic Corporation	7
51	Anheuser-Busch Companies, Inc.	12
	Anthony Industries, Inc.—*see 737*	
52	Apple Computer, Inc.	9
53	Archer Daniels Midland Company	6
54	Arden Group, Inc.	12
55	Armada Corporation	12
56	Armco Inc.	12
57	Armstrong World Industries, Inc.	12
59	Arvin Industries, Inc.	12
60	Ashland Oil, Inc.	9
62	Astrosystems, Inc.	6
63	Athlone Industries, Inc.	12
64	Atlantic Richfield Company	12
	Ault Incorporated—*see 738*	
	Avery International Corporation—*see 604*	
65	Avnet, Inc.	6
66	Avon Products Inc.	12
67	BMC Industries, Inc.	12
68	Badger Meter, Inc.	12
70	Baker Hughes Incorporated	9
71	Ball Corporation	12
	Banner Industries, Inc.—*see 656*	
73	The Barden Corporation	10
	Barnes Group Inc.—*see 605*	
	Bassett Furniture Industries, Incorporated—*see 606*	
74	Bausch & Lomb Incorporated	12
75	Baxter International, Inc.	12
78	Becton, Dickinson and Company	9
79	Belding Heminway Company, Inc.	12
81	Bemis Company, Inc.	12
82	Bergen Brunswig Corporation	8
83	Bethlehem Steel Corporation	12
	Betz Laboratories, Inc.—*see 698*	
	Binks Manufacturing Company—*see 739*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
84	Bird Incorporated	12
85	The Black & Decker Corporation	9
	Blount, Inc.—*see 699*	
87	The Boeing Company	12
88	Boise Cascade Corporation	12
89	Borden, Inc.	12
	Bowater Incorporated—*see 607*	
91	Bowne & Co., Inc.	10
92	Brenco, Incorporated	12
93	Briggs & Stratton Corporation	6
94	Bristol-Myers Squibb Company	12
96	Brown & Sharpe Manufacturing Company	12
	Brown-Forman Corporation—*see 657*	
97	Brown Group, Inc.	1
98	Browning-Ferris Industries, Inc.	9
99	Brunswick Corporation	12
	Burlington Resources Inc.—*see 700*	
102	*Unisys Corporation*	12
103	CBI Industries, Inc.	12
104	CBS Inc.	12
	CLARCOR Inc.—*see 658*	
105	CMI Corporation	12
	CONSTAR International Inc.—*see 615*	
106	CPC International Inc.	12
107	CSP Inc.	8
	CTS Corporation—*see 701*	
108	Cabot Corporation	9
109	Caesars World, Inc.	7
	CalMat Co.—*see 608*	
	Cameron Iron Works, Inc.—*see 609*	
110	Campbell Soup Company	7
111	Capital Cities/ABC, Inc.	12
	Carpenter Technology Corporation—*see 610*	
112	Castle & Cooke, Inc	12
113	Caterpillar Inc.	12
115	*Ekco Group, Inc.*	12
116	CertainTeed Corporation	12
	Champion Enterprises, Inc.—*see 740*	
117	Champion International Corporation	12
	Chesapeake Corporation—*see 659*	
121	Chevron Corporation	12
	Chiquita Brands International, Inc.—*see 557*	
124	Chock Full o'Nuts Corporation	7
126	Chrysler Corporation	12
	Chyron Corporation—*see 702*	
127	Cincinnati Milacron Inc.	12
	The Circle K Corporation—*see 741*	
	Liz Claiborne, Inc.—*see 611*	
128	Clark Equipment Company	12
130	Cleveland-Cliffs Inc.	12
131	The Clorox Company	6
132	The Coastal Corporation	12
133	The Coca-Cola Company	12
	Coca-Cola Enterprises Inc.—*see 660*	
	Coherent, Inc.—*see 742*	
135	Colgate-Palmolive Company	12
137	Collins Industries, Inc.	10
140	Commercial Metals Company	8
	Compaq Computer Corporation—*see 661*	
142	ConAgra, Inc.	5
143	Concord Fabrics Inc.	8
144	Consolidated Papers, Inc.	12
145	Control Data Corporation	12
146	Cooper Industries, Inc.	12
147	Adolph Coors Company	12
148	Copperweld Corporation	12
149	Corning Incorporated	12
150	Courier Corporation	9
152	Crane Co.	12
	Cross & Trecker Corporation—*see 703*	
153	Crown Central Petroleum Corporation	12
154	Crown Cork & Seal Company, Inc.	12
156	Culbro Corporation	12
157	Cummins Engine Company, Inc.	12
158	Curtiss-Wright Corporation	12
159	Cyclops Industries, Inc.	12
	Cyprus Minerals Company—*see 662*	
160	DSC Communications Corporation	12
161	Dana Corporation	12
	Danaher Corporation—*see 664*	
163	Data General Corporation	9
165	Dayton Hudson Corporation	1
166	Dean Foods Company	5
167	Deere & Company	10
168	Deluxe Corporation	12
169	Dennison Manufacturing Company	12
	Dep Corporation—*see 743*	
170	Designcraft Industries, Inc.	2
171	*Maxus Energy Corporation*	12
173	Digital Equipment Corporation	6
174	The Walt Disney Company	9
	Dixie Yarns, Inc.—*see 665*	
	Donaldson Company, Inc.—*see 744*	
175	R. R. Donnelley & Sons Company	12
	Doskocil Companies Incorporated—*see 745*	
176	Dover Corporation	12
177	The Dow Chemical Company	12
178	Dow Jones & Company, Inc.	12
180	Dravo Corporation	12
181	Dresser Industries, Inc.	10
182	The Dun & Bradstreet Corporation	12
183	Duplex Products Inc.	10
184	E.I. du Pont de Nemours and Company	12
	The Duriron Company, Inc.—*see 666*	
185	Durr-Fillauer Medical, Inc.	12
186	Dynamics Corporation of America	12
	E-Systems, Inc.—*see 616*	
187	EG & G, Inc.	12
	ERLY Industries Inc.—*see 746*	
188	Eagle-Picher Industries, Inc.	11
190	The Eastern Company	12
191	Eastman Kodak Company	12
192	Eaton Corporation	12
193	Echlin Inc.	8
	Ecolab Inc.—*see 617*	
	Ekco Group, Inc.—*see 115*	
194	Elcor Corporation	6
195	Emerson Electric Co.	9

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
196	Emerson Radio Corp.	3
198	Engelhard Corporation	12
	Esselte Business Systems Inc.—*see 667*	
199	Ethyl Corporation	12
202	Exxon Corporation	12
203	FMC Corporation	12
205	Fansteel Inc.	12
	Farr Company—*see 705*	
206	Fedders Corporation	12
208	Federal-Mogul Corporation	12
	Federal Paper Board Company, Inc.—*see 618*	
	Federal Screw Works—*see 747*	
	Fieldcrest Cannon, Inc.—*see 619*	
	Figgie International Inc.—*see 706*	
211	Fischbach Corporation	9
212	Fleetwood Enterprises, Inc.	4
213	Fleming Companies, Inc.	12
214	Flowers Industries, Inc.	6
215	John Fluke Mfg. Co., Inc.	9
216	Fluor Corporation	10
219	Ford Motor Company	12
	L.B. Foster Company—*see 669*	
221	Foster Wheeler Corporation	12
	The Foxboro Company—*see 620*	
222	Freeport-McMoRan Inc.	12
	Fruit of the Loom, Inc.—*see 670*	
	H.B. Fuller Company—*see 621*	
224	Fuqua Industries, Inc.	12
227	GTI Corporation	12
228	Gannett Co., Inc.	12
	Garan, Incorporated—*see 671*	
230	GenCorp Inc.	11
231	General Cinema Corporation	10
232	General Dynamics Corporation	12
233	General Electric Company	12
235	General Host Corporation	1
236	General Instrument Corporation	2
237	General Mills, Inc.	5
238	General Motors Corporation	12
240	General Signal Corporation	12
241	Genesco Inc.	1
242	Genuine Parts Company	12
	Georgia Gulf Corporation—*see 748*	
243	Georgia-Pacific Corporation	12
244	Gerber Products Company	3
245	Giant Food Inc.	2
246	The Gillette Company	12
247	Golden Enterprises, Inc.	5
248	The BFGoodrich Company	12
249	The Goodyear Tire & Rubber Company	12
251	Goulds Pumps, Incorporated	12
252	W.R. Grace & Co.	12
253	W.W. Grainger, Inc.	12
254	The Great Atlantic & Pacific Tea Company, Inc.	2
256	Greif Bros. Corporation	10
257	The Greyhound Corporation	12

Co. No.		*Month in which fiscal year ends
258	Grumman Corporation	12
	Guardsman Products, Inc.—*see 749*	
259	Guilford Mills, Inc.	6
261	Gulf Resources & Chemical Corporation	12
263	HON INDUSTRIES Inc.	12
264	Halliburton Company	12
266	Hampton Industries, Inc.	12
267	Handy & Harman	12
	M.A. Hanna Company—*see 672*	
	Harcourt Brace Jovanovich, Inc.—*see 622*	
	Harley-Davidson, Inc.—*see 673*	
	Harmon Industries, Inc.—*see 475*	
268	Harnischfeger Industries, Inc.	10
269	Harris Corporation	6
270	Harsco Corporation	12
271	Hartmarx Corporation	11
	Hasbro, Inc.—*see 623*	
273	Hecla Mining Company	12
275	H.J. Heinz Company	4
	The Henley Group, Inc.—*see 750*	
276	Hercules Incorporated	12
277	Hershey Foods Corporation	12
278	Hewlett-Packard Company	10
	Hillenbrand Industries, Inc.—*see 624*	
	Hills Department Stores, Inc.—*see 674*	
280	Homasote Company	12
281	Honeywell Inc.	12
282	Geo. A. Hormel & Company	10
283	Hughes Supply, Inc.	1
285	Humana Inc.	8
286	Hunt Manufacturing Co.	11
287	Hurco Companies, Inc.	10
	Hyde Athletic Industries, Inc.—*see 675*	
	IBP, Inc.—*see 751*	
288	*Whitman Corporation*	12
289	ICOT Corporation	7
	IMC Fertilizer Group, Inc.—*see 752*	
	INTERMEC Corporation—*see 710*	
290	IPCO Corporation	6
291	ITT Corporation	12
	Illinois Tool Works Inc.—*see 625*	
	J.P. Industries, Inc.—*see 711*	
292	Ingersoll-Rand Company	12
293	Inland Steel Industries, Inc.	12
294	Insilco Corporation	12
	Inspiration Resources Corporation—*see 676*	
295	Intel Corporation	12
296	Interco Incorporated	2
	Interface, Inc.—*see 753*	
297	The Interlake Corporation	12
298	International Business Machines Corporation	12
	International Flavors & Fragrances Inc.—*see 627*	
299	*Navistar International Corporation*	10
300	International Minerals & Chemical Corporation	6
301	International Multifoods Corporation	2

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
302	International Paper Company	12
	International Proteins Corporation—*see 677*	
305	JLG Industries, Inc.	7
	Jacobs Engineering Group Inc.—*see 754*	
307	James River Corporation of Virginia	4
308	Johnson & Johnson	12
309	Johnson Controls, Inc.	9
310	Johnson Products Co., Inc.	8
311	Joslyn Corporation	12
312	Jostens, Inc.	6
	Juno Lighting, Inc.—*see 712*	
314	K mart Corporation	1
	Kaman Corporation—*see 629*	
317	Kellogg Company	12
318	Kelly Services, Inc.	12
319	Kerr Glass Manufacturing Corporation	12
320	Kerr-McGee Corporation	12
321	Kevlin Microwave Corporation	5
322	Keystone Consolidated Industries, Inc.	12
324	Kimberly-Clark Corporation	12
326	Knape & Vogt Manufacturing Company	6
327	Knight-Ridder, Inc.	12
329	The Kroger Co.	12
330	Kuhlman Corporation	12
	LADD Furniture, Inc.—*see 755*	
331	The LTV Corporation	12
332	LaBarge, Inc.	6
333	Laclede Steel Company	12
	Lafarge Corporation—*see 678*	
	The Lamson & Sessions Co.—*see 713*	
336	Lee Enterprises, Incorporated	9
337	Leggett & Platt, Incorporated	12
338	*TRINOVA Corporation*	12
339	Eli Lilly and Company	12
340	Litton Industries, Inc.	7
341	Lockheed Corporation	12
	Loctite Corporation—*see 756*	
342	Lone Star Industries, Inc.	12
	Loral Corporation—*see 630*	
343	The Louisiana Land and Exploration Company	12
344	Lowe's Companies, Inc.	1
345	The Lubrizol Corporation	12
	Lufkin Industries, Inc.—*see 714*	
347	Lukens Inc.	12
348	Lynch Corporation	12
	Lyondell Petrochemical Company—*see 757*	
349	M/A-COM, Inc.	9
350	MAPCO Inc.	12
351	MCA INC.	12
353	Mack Trucks, Inc.	12
	MagneTek, Inc.—*see 758*	
357	Manville Corporation	12
	Marion Laboratories, Inc.—*see 715*	
	Mark IV Industries, Inc.—*see 759*	
358	Marriott Corporation	12
359	Martin Marietta Corporation	12
360	Masco Corporation	12
361	Mattel, Inc.	12

Co. No.		*Month in which fiscal year ends
	Maxus Energy Corporation—*see 171*	
	Maxxam Inc.—*see 760*	
362	The May Department Stores Company	1
363	Maytag Corporation	12
364	McCormick & Company, Incorporated	11
365	McDermott International, Inc.	3
366	McDonald's Corporation	12
367	McDonnell Douglas Corporation	12
368	McGraw-Hill, Inc.	12
369	McKesson Corporation	3
370	The Mead Corporation	12
	Media General, Inc.—*see 631*	
371	Medtronic, Inc.	4
372	Melville Corporation	12
373	Merck & Co., Inc.	12
374	Meredith Corporation	6
375	Met-Pro Corporation	1
377	Herman Miller, Inc.	5
378	Milton Roy Company	12
379	Minnesota Mining and Manufacturing Company	12
	Minntech Corporation—*see 679*	
380	Mobil Corporation	12
	Molex Incorporated—*see 716*	
383	Monsanto Company	12
385	Morton International, Inc.	6
386	Mosinee Paper Corporation	12
387	Motorola, Inc.	12
389	Munsingwear, Inc.	12
390	Murphy Oil Corporation	12
	NACCO Industries, Inc.—*see 403*	
392	NCR Corporation	12
	NIKE, Inc.—*see 401*	
	Nashua Corporation—*see 761*	
394	*Quantum Chemical Corporation*	12
396	National Intergroup, Inc.	3
397	National Presto Industries, Inc.	12
398	National Semiconductor Corporation	5
399	National Service Industries, Inc.	8
	Navistar International Corporation—*see 299*	
400	The New York Times Company	12
	Newell Co.—*see 680*	
401	*NIKE, Inc.*	5
402	Nortek, Inc.	12
403	*NACCO Industries, Inc.*	12
405	Northrop Corporation	12
406	Norton Company	12
	Nucor Corporation—*see 633*	
407	Oak Industries Inc.	12
408	Occidental Petroleum Corporation	12
409	Ogden Corporation	12
410	*SIMETCO, Inc.*	12
411	Olin Corporation	12
	Omnicom Group Inc.—*see 682*	
	Optical Coating Laboratory, Inc.—*see 683*	
412	Orion Pictures Corporation	2
413	O'Sullivan Corporation	12
414	Outboard Marine Corporation	9

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
415	Owens-Corning Fiberglas Corporation	12
417	Oxford Industries, Inc.	5
	PACCAR Inc.—*see 419*	
418	PPG Industries, Inc.	12
419	*PACCAR Inc.*	12
421	Pall Corporation	7
424	Parker Hannifin Corporation	6
426	The Penn Central Corporation	12
427	The Penn Traffic Company	1
428	J.C. Penney Company, Inc.	1
430	Pennzoil Company	12
	Pentair, Inc.—*see 684*	
432	PepsiCo, Inc.	12
433	The Perkin-Elmer Corporation	7
434	Pettibone Corporation	3
435	Pfizer Inc.	12
436	Phelps Dodge Corporation	12
437	Philip Morris Companies Inc.	12
	Philips Industries Inc.—*see 685*	
438	Phillips Petroleum Company	12
	Phillips-Van Heusen Corporation—*see 634*	
	Photo Control Corporation—*see 686*	
440	Pioneer Hi-Bred International, Inc.	8
441	Pitney Bowes Inc.	12
442	The Pittston Company	12
	Plasma-Therm, Inc.—*see 762*	
443	Polaroid Corporation	12
446	Potlatch Corporation	12
448	Pratt & Lambert, Inc.	12
	Premark International, Inc.—*see 635*	
450	Premier Industrial Corporation	5
451	The Procter & Gamble Company	6
453	The Quaker Oats Company	6
454	Quaker State Corporation	12
455	Quanex Corporation	10
	Quantum Chemical Corporation—*see 394*	
458	Ralston Purina Company	9
	Rawson-Koenig, Inc.—*see 763*	
	Raychem Corporation—*see 638*	
461	Raytheon Company	12
	Republic Gypsum Company—*see 718*	
466	Reynolds Metals Company	12
	Robbins & Myers, Inc.—*see 764*	
468	H. H. Robertson Company	12
469	Rockwell International Corporation	9
470	Rohm and Haas Company	12
	Rohr Industries, Inc.—*see 640*	
	Rorer Group Inc.—*see 641*	
471	Rowe Furniture Corporation	11
472	Rubbermaid Incorporated	12
473	Russ Togs, Inc.	1
	Rykoff-Sexton, Inc.—*see 719*	
474	Rymer Foods Inc.	10
475	*Harmon Industries, Inc.*	12
477	SPS Technologies, Inc.	12
	SPX Corporation—*see 642*	
	Sanmark-Stardust Inc.—*see 720*	

Co. No.		*Month in which fiscal year ends
479	Sara Lee Corporation	6
480	Savannah Foods & Industries, Inc.	12
481	Schering-Plough Corporation	12
482	Schlumberger Limited	12
	Scientific Industries, Inc.—*see 765*	
484	Scope Industries	6
485	Scott Paper Company	12
	Seagate Technology—*see 687*	
486	Sears, Roebuck and Co.	12
	Sequa Corporation—*see 519*	
487	Service Corporation International	12
	Shaw Industries, Inc.—*see 643*	
490	The Sherwin-Williams Company	12
	SIMETCO, Inc.—*see 410*	
	Simpson Industries,Inc.—*see 689*	
494	A. O. Smith Corporation	12
	Smithfield Foods, Inc.—*see 690*	
496	Snap-on Tools Corporation	12
	Sonoco Products Company—*see 691*	
	Southdown, Inc.—*see 766*	
498	Sparton Corporation	6
499	Spectrum Control, Inc.	11
	Speizman Industries, Inc.—*see 721*	
502	Springs Industries Inc.	12
503	Square D Company	12
507	Standard Motor Products, Inc.	12
	The Standard Products Company—*see 722*	
509	The Standard Register Company	12
	Standex International Corporation—*see 767*	
510	Stanhome Inc.	12
511	The Stanley Works	12
512	The L. S. Starrett Company	6
	Steel Technologies Inc.—*see 723*	
	Stewart & Stevenson Services, Inc.—*see 768*	
517	Stone Container Corporation	12
519	*Sequa Corporation*	12
520	Sun Company, Inc.	12
	Sun Microsystems, Inc.—*see 769*	
521	Sundstrand Corporation	12
	Sunrise Medical Inc.—*see 724*	
522	Super Valu Stores, Inc.	2
524	Super Equipment & Systems Corp	7
525	Syntex Corporation	7
	The TJX Companies, Inc.—*see 770*	
	TRINOVA Corporation—*see 338*	
526	TRW Inc.	12
527	Talley Industries, Inc.	12
	Tandem Computers Incorporated—*see 692*	
528	Tandy Corporation	6
529	Tasty Baking Company	12
530	Tecumseh Products Company	12
531	Teledyne, Inc.	12
532	Temple-Inland Inc.	12
533	Temtex Industries, Inc.	8
534	Tenneco Inc.	12
535	Tesoro Petroleum Corporation	9
536	Texaco Inc.	12
	Texas Industries, Inc.—*see 725*	
537	Texas Instruments Incorporated	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
538	Textron Inc.	12
	Thomas & Betts Corporation—*see 771*	
	Thorn Apple Valley, Inc.—*see 644*	
540	Time Warner Inc.	12
541	The Times Mirror Company	12
542	The Timken Company	12
	Tokheim Corporation—*see 693*	
543	Tonka Corporation	12
	The Toro Company—*see 726*	
544	Tosco Corporation	12
	Toys "R" Us, Inc.—*see 772*	
	TransTechnology Corporation—*see 727*	
547	Tribune Company	12
	Trinity Industries, Inc.—*see 646*	
548	Tultex Corporation	11
	Twin Disc, incorporated—*see 728*	
	Tyco Laboratories, Inc.—*see 773*	
549	Tyler Corporation	12
550	Tyson Foods, Inc.	9
551	UNC Incorporated	12
552	USG Corporation	12
	UST Inc.—*see 563*	
	USX Corporation—*see 561*	
553	Unifi, Inc.	6
554	Union Camp Corporation	12
555	Union Carbide Corporation	12
	Union Texas Petroleum Holdings, Inc.—*see 694*	
	Unisys Corporation—*see 102*	
557	*Chiquita Brands International, Inc.*	12
558	United Foods, Inc.	2
559	United Merchants and Manufacturers, Inc.	6
560	The United States Shoe Corporation	1
561	*USX Corporation*	12
562	United States Surgical Corporation	12
563	*UST Inc*	12
564	United Technologies Corporation	12
565	Univar Corporation	2
566	Universal Corporation	6
567	Universal Voltronics Corporation	6
568	Unocal Corporation	12
569	The Upjohn Company	12
570	VF Corporation	12
	Valero Energy Corporation—*see 647*	
	Valhi, Inc.—*see 729*	
571	Varian Associates, Inc.	9
	Vishay Intertechnology, Inc.—*see 731*	
573	Vulcan Materials Company	12
	Wal-Mart Stores, Inc.—*see 648*	
574	Walbro Corporation	12
575	Walgreen Co.	8
577	Wang Laboratories, Inc.	6
579	Warner-Lambert Company	12
	The Washington Post Company—*see 649*	
580	Waste Management, Inc.	12
581	Wausau Paper Mills Company	8
	Waxman Industries, Inc.—*see 732*	
	Western Digital Corporation—*see 733*	
583	Westinghouse Electric Corporation	12

Co. No.		*Month in which fiscal year ends
	Westmoreland Coal Company—*see 774*	
584	Westvaco Corporation	10
585	Wetterau Incorporated	3
586	Weyerhaeuser Company	12
587	Wheeling-Pittsburgh Steel Corporation	12
588	Whirlpool Corporation	12
	Whitman Corporation—*see 288*	
589	Whittaker Corporation	10
590	Willamette Industries, Inc.	12
591	The Williams Companies, Inc.	12
593	Winn-Dixie Stores, Inc.	6
594	Winnebago Industries, Inc.	8
595	Witco Corporation	12
	Wolverine World Wide, Inc.—*see 734*	
596	Woolworth Corporation	1
	Worthington Industries, Inc.—*see 735*	
597	Wm. Wrigley Jr. Company	12
599	Xerox Corporation	12
600	Zenith Electronics Corporation	12
	Zurn Industries, Inc.—*see 775*	

COMPANIES ADDED FOR 1987 EDITION

601	*Alberto-Culver Company*	9
602	*The Allen Group Inc.*	12
603	*Amdahl Corporation*	12
604	*Avery International Corporation*	11
605	*Barnes Group Inc.*	12
606	*Bassett Furniture Industries, Incorporated*	11
607	*Bowater Incorporated*	12
608	*CalMat Co.*	12
609	*Cameron Iron Works, Inc.*	6
610	*Carpenter Technology Corporation*	6
611	*Liz Claiborne, Inc.*	12
615	*CONSTAR International Inc.*	12
616	*E-Systems, Inc.*	12
617	*Ecolab Inc.*	6
618	*Federal Paper Board Company, Inc.*	12
619	*Fieldcrest Cannon, Inc.*	12
620	*The Foxboro Company*	12
621	*H.B. Fuller Company*	11
622	*Harcourt Brace Jovanovich, Inc.*	12
623	*Hasbro, Inc.*	12
624	*Hillenbrand Industries, Inc.*	11
625	*Illinois Tool Works Inc.*	12
627	*International Flavors & Fragrances Inc.*	12
629	*Kaman Corporation*	12
630	*Loral Corporation*	3
631	*Media General, Inc.*	12
633	*Nucor Corporation*	12
634	*Phillips-Van Heusen Corporation*	1
635	*Premark International, Inc.*	12
638	*Raychem Corporation*	6
640	*Rohr Industries, Inc.*	7
641	*Rorer Group Inc.*	12
642	*SPX Corporation*	12
643	*Shaw Industries, Inc.*	6
644	*Thorn Apple Valley, Inc.*	5

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
646	*Trinity Industries, Inc.*	3
647	*Valero Energy Corporation*	12
648	*Wal-Mart Stores, Inc.*	1
649	*The Washington Post Company*	12

COMPANIES ADDED FOR 1988 EDITION

651	*Acme Steel Company*	12
652	*Advanced Micro Devices, Inc.*	12
653	*Affiliated Publications, Inc.*	12
656	*Banner Industries, Inc.*	6
657	*Brown-Forman Corporation*	4
658	*CLARCOR Inc.*	11
659	*Chesapeake Corporation*	12
660	*Coca-Cola Enterprises Inc.*	12
661	*Compaq Computer Corporation*	12
662	*Cyprus Minerals Company*	12
664	*Danaher Corporation*	12
665	*Dixie Yarns, Inc.*	12
666	*The Duriron Company, Inc.*	12
667	*Esselte Business Systems Inc.*	12
669	*L.B. Foster Company*	12
670	*Fruit of the Loom, Inc.*	12
671	*Garan, Incorporated*	9
672	*M.A. Hanna Company*	12
673	*Harley-Davidson, Inc.*	12
674	*Hills Department Stores, Inc.*	1
675	*Hyde Athletic Industries, Inc.*	12
676	*Inspiration Resources Corporation*	12
677	*International Proteins Corporation*	12
678	*Lafarge Corporation*	12
679	*Minntech Corporation*	3
680	*Newell Co.*	12
682	*Omnicom Group Inc.*	12
683	*Optical Coating Laboratory, Inc.*	10
684	*Pentair, Inc.*	12
685	*Philips Industries Inc.*	3
686	*Photo Control Corporation*	6
687	*Seagate Technology*	6
689	*Simpson Industries, Inc.*	12
690	*Smithfield Foods, Inc.*	4
691	*Sonoco Products Company*	12
692	*Tandem Computers Incorporated*	9
693	*Tokheim Corporation*	11
694	*Union Texas Petroleum Holdings, Inc.*	12

COMPANIES ADDED FOR 1989 EDITION

696	*Anacomp, Inc.*	9
698	*Betz Laboratories, Inc.*	12
699	*Blount, Inc.*	2
700	*Burlington Resources Inc.*	12
701	*CTS Corporation*	12
702	*Chyron Corporation*	6
703	*Cross & Trecker Corporation*	9
705	*Farr Company*	12
706	*Figgie International Inc.*	12

Co. No.		*Month in which fiscal year ends
710	*INTERMEC Corporation*	3
711	*J.P. Industries, Inc.*	12
712	*Juno Lighting, Inc.*	11
713	*The Lamson & Sessions Co.*	12
714	*Lufkin Industries, Inc.*	12
715	*Marion Laboratories, Inc.*	6
716	*Molex Incorporated*	6
718	*Republic Gypsum Company*	6
719	*Rykoff-Sexton, Inc.*	4
720	*Sanmark-Stardust Inc.*	6
721	*Speizman Industries, Inc.*	6
722	*The Standard Products Company*	6
723	*Steel Technologies Inc.*	9
724	*Sunrise Medical Inc.*	6
725	*Texas Industries, Inc.*	5
726	*The Toro Company*	7
727	*TransTechnology Corporation*	3
728	*Twin Disc, Incorporated*	6
729	*Valhi, Inc.*	12
731	*Vishay Intertechnology, Inc.*	6
732	*Waxman Industries, Inc.*	6
733	*Western Digital Corporation*	6
734	*Wolverine World Wide, Inc.*	12
735	*Worthington Industries, Inc.*	5

COMPANIES ADDED FOR 1990 EDITION

736	*Acclaim Entertainment, Inc.*	8
737	*Anthony Industries, Inc.*	12
738	*Ault Incorporated*	5
739	*Binks Manufacturing Company*	11
740	*Champion Enterprises, Inc.*	2
741	*The Circle K Corporation*	4
742	*Coherent, Inc.*	9
743	*Dep Corporation*	7
744	*Donaldson Company, Inc.*	7
745	*Doskocil Companies Incorporated*	12
746	*ERLY Industries Inc.*	3
747	*Federal Screw Works*	6
748	*Georgia Gulf Corporation*	12
749	*Guardsman Products, Inc.*	12
750	*The Henley Group, Inc.*	12
751	*IBP, Inc.*	12
752	*IMC Fertilizer Group, Inc.*	6
753	*Interface, Inc.*	12
754	*Jacobs Engineering Group Inc.*	9
755	*LADD Furniture, Inc.*	12
756	*Loctite Corporation*	6
757	*Lyondell Petrochemical Company*	12
758	*MagneTek, Inc.*	6
759	*Mark IV Industries, Inc.*	2
760	*Maxxam Inc.*	2
761	*Nashua Corporation*	12
762	*Plasma-Therm, Inc.*	11
763	*Rawson-Koenig, Inc.*	9
764	*Robbins & Myers, Inc.*	8
765	*Scientific Industries, Inc.*	6
766	*Southdown, Inc.*	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
767	*Standex International Corporation*	6
768	*Stewart & Stevenson Services, Inc.*	1
769	*Sun Microsystems, Inc.*	6
770	*The TJX Companies, Inc.*	1
771	*Thomas & Betts Corporation*	12
772	*Toys "R" Us, Inc.*	1
773	*Tyco Laboratories, Inc.*	5
774	*Westmoreland Coal Company*	12
775	*Zurn Industries, Inc.*	3

Companies Included in Forty-Third Edition Not Included in this Edition of the Survey

12 Acme Precision Products, Inc.
15 Adams-Russell Electronics Co., Inc.
118 Champion Spark Plug Company
134 Coleco Industries, Inc.
139 Combustion Engineering, Inc.
172 DiGiorgio Corporation
197 Emhart Corporation
200 Everest & Jennings International Ltd.
204 Fairchild Industries, Inc.
207 Holly Farms Corporation
217 The Fluorocarbon Company
223 Fruehauf Corporation
255 Great Northern Nekoosa Corporation
303 Interstate Bakeries Corporation
304 Iroquois Brands, Ltd.
315 Kaiser Aluminum & Chemical Corporation
420 Pacific Resources, Inc.
422 Pantasote Inc.
429 Pennwalt Corporation
439 The Pillsbury Company
444 PORTEC, Inc.
447 Prab Robots, Inc.
493 Slattery Group Inc.
495 SmithKline Beckman Corporation
504 Squibb Corporation
578 Warner Communications Inc.
582 West Point-Pepperell, Inc.
592 Wilson Foods Corporation
628 Jefferson Smurfit Corporation
636 Publix Super Markets, Inc.
639 A.H. Robins Company, Incorporated
645 Transtech Industries, Inc.
654 Anchor Glass Container Corporation
668 Fisher Scientific Group Inc.
681 Noxell Corporation
688 Shaklee Corporation
697 Berkshire Hathaway Inc.
704 Electro-Nucleonics, Inc.
707 GF Corporation
708 Galaxy Carpet Mills, Inc.
709 Himont Incorporated
730 Vipont Pharmaceutical, Inc.

*Months numbered in sequence, January through December

Company Index

C

D

E

F

G

T

U

V

W

X

Subject Index

A

B

C

D

E

F

G

H

I

J

L

M

N

O

P

Q

R

S

T

U

W

Y

Z

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