University of Mississippi
eGrove

Accounting Trends and Techniques

American Institute of Certified Public Accountants (AICPA) Historical Collection

1991

Accounting trends and techniques, 45th annual survey, 1991 edition

American Institute of Certified Public Accountants

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_att

Part of the Accounting Commons, and the Taxation Commons

Recommended Citation

American Institute of Certified Public Accountants, "Accounting trends and techniques, 45th annual survey, 1991 edition" (1991). *Accounting Trends and Techniques*. 36.
https://egrove.olemiss.edu/aicpa_att/36

This Book is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Accounting Trends and Techniques by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

1991 Accounting Trends & Techniques

AICPA

1991
Forty-Fifth Edition

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA
American Institute of Certified Public Accountants

1991

Forty-Fifth Edition

Accounting Trends & Techniques

Forty-fifth 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, 1991.

Edited by

Jack Shohet, CPA

Senior Technical Manager, Technical Information Division

Richard Rikert

Coordinator-Editor

American Institute of Certified Public Accountants

Copyright © 1991 by the American Institute of Certified Public Accountants, Inc.
1211 Avenue of the Americas, New York, N.Y. 10036–8775

Library of Congress Catalog Card Number: 48-2517

Notice to readers: This book is a publication of the staff of the American Institute of Certified Public Accountants and is not to be regarded as an official pronouncement of the Institute.

PREFACE

Accounting Trends & Techniques—1991, Forty-fifth 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 23, 1990 and February 3, 1991.

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. 405 of the companies were listed in the fortieth (1986) edition and each retained the number assigned in that edition. The other 195 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 776 through 795 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.

John F. Hudson, Vice President, Technical Standards and Services
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Trends (212) 575-6394
NAARS (212) 575-6393
Order Department
(800) 334-6961 (Except New York)
(800) 248-0445 (New York Only)

AICPA Technical Hotline
(800) 223-4158 (Except New York)
(800) 522-5430 (New York Only)

Table of Contents

Section 1: General

Companies Selected for Survey 1
Information Required by Rule 14a-3 2
Segment Information 22
Natural Business Year 34
Comparative Financial Statements 38
Rounding of Amounts 38
Notes to Financial Statements 39
Disclosure of Accounting Policies 39
Accounting Changes:
  Change in Accounting Estimates 43
  Change in Accounting Principles 45
  Reporting Entity 51
Consolidation Policies 52
Business Combinations 66
Contingencies and Commitments:
  Loss Contingencies 73
  Gain Contingencies 95
  Commitments 97
Subsequent Events 114
Related Party Transactions 124
Inflation Accounting 126

Section 2: Balance Sheet

Balance Sheet Title 127
Balance Sheet Format 127
Cash 127
Marketable Securities in Current Assets 129
Current Receivables:
  Receivables Other Than Trade Receivables 135
  Receivables Used for Financing 140
  Allowance for Doubtful Accounts 143
Inventories 143
Prepaid Expenses 150
Other Current Asset Captions 151

Property, Plant and Equipment 156
Investments 161
Noncurrent Receivables 170
Intangible Assets 173
Other Noncurrent Asset Captions 185
Current Liabilities:
Short-Term Debt 194
Trade Accounts Payable 197
Employee Related Liabilities 198
Income Tax Liability 199
Current Amount of Long-Term Debt 199
Other Current Liabilities 200
Long-Term Debt 207
Credit Agreements 215
Long-Term Leases 218
Other Noncurrent Liabilities 225
Reserves—Use of Term "Reserve" 233
Title of the Stockholders' Equity Section 233
Capital Structures 233
Common Stock 233
Preferred Stock 234
Additional Paid-In Capital 240
Retained Earnings 240
Stock Option and Stock Purchase Plans:
Stock Option Plans 241
Stock Purchase Plans 245
Treasury Stock 246
Other Accounts Shown in Stockholders' Equity Section 249

Section 3: Income Statement

Income Statement Title 263
Income Statement Format 263
Revenues and Gains:
Revenues 264
Gains 266
Expenses and Losses:
Expenses 273
Losses 276

Employee Retirement Benefits:
Pension Plans 288
Other Postretirement Benefits 311
Compensatory Plans 316
Depreciation Expense 325
Income Taxes:
Presentation of Income Taxes 330
Operating Loss and Tax Credit Carryforwards 340
Taxes on Undistributed Earnings 342
Long-Term Contracts 347
Discontinued Operations 350
Charges or Credits Shown After Income Tax Caption 355
Extraordinary Items 357
Earnings Per Share 360
Social Awareness Expenditures 364

Section 4: Stockholders' Equity

Retained Earnings:
Presentation of Changes in Retained Earnings 367
Dividends 367
Adjustments to Opening Balance of Retained Earnings 377
Other Changes in Retained Earnings 381
Additional Paid-In Capital:
Presentation of Changes in Additional Paid-In Capital 387
Stock Splits 387
Changes in Additional Paid-In Capital 393
Foreign Currency Translation 414

Section 5: Statement of Cash Flows

Presentation in Annual Report 419
Title 419
Cash Flows From Operating Activities 420
Cash Flows From Investing Activities 443
Cash Flows From Financing Activities 463
Foreign Currency Cash Flows 477
Noncash Activities 479
Cash and Cash Equivalents 484

Section 6: Independent Auditors' Report

Presentation in Annual Report 485
Title 485
Addressee 485
Auditors' Standard Report 486
Reference to Report of Other Auditors 487
Uncertainties 489
Lack of Consistency 500
Emphasis of a Matter 506
Departures From Unqualified Opinions 507
Reports on Comparative Financial Statements 507
Opinions Expressed on Supplementary Financial Information 511
Reports of Audit Committees and Management 512

Appendix of 600 Companies 515
Company Index 523
Subject Index 529

Section 1: General

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 amount of revenue.

TABLE 1-1: INDUSTRY CLASSIFICATIONS

	1990	1989	1988	1987
Foods:				
Meat products	6	7	7	8
Dairy products	2	2	2	3
Canning, etc.	4	4	4	4
Packaged and bulk	15	16	17	17
Baking	2	2	3	3
Sugar, confections	3	3	3	4
Beverages	7	7	7	7
Tobacco products	5	4	4	5
Textiles	23	21	23	25
Paper products	21	23	25	25
Printing, publishing	20	19	19	20
Chemicals	32	31	28	25
Drugs, cosmetics	26	25	30	29
Petroleum	30	29	30	29
Rubber products	8	8	10	12
Shoes—manufacturing, merchandising	8	8	7	7
Building:				
Cement	5	4	4	4
Roofing, wallboard	7	9	9	10
Heating, plumbing	3	3	3	2
Other	17	17	17	15
Steel and iron	19	20	20	17
Metal—nonferrous	17	17	16	16
Metal fabricating	20	21	20	21
Machinery, equipment and supplies	35	37	38	37
Electrical equipment, appliances	21	20	17	19
Electronic equipment	36	34	33	31
Business equipment and supplies	22	22	21	21
Containers	7	7	8	8
Autos and trucks (including parts, accessories)	26	26	27	27
Aircraft and equipment, aerospace	12	12	13	12
Railway equipment, shipbuilding	5	5	5	5
Controls, instruments, medical equipment, watches and clocks	25	25	23	20
Merchandising:				
Department store	4	4	4	4
Mail order stores, variety stores	2	2	2	2
Grocery stores	13	12	12	13
Other	8	8	6	6
Motion pictures, broadcasting	4	4	5	5
Widely diversified, or not otherwise classified	80	82	78	82
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-2: REVENUE OF SURVEY COMPANIES

	1990	1989	1988	1987
Less than $100,000,000	51	50	50	43
Between $100,000,000 and $500,000,000	103	110	115	119
Between $500,000,000 and $1,000,000,000	89	90	95	104
Between $1,000,000,000 and $2,000,000,000	117	128	114	121
More than $2,000,000,000	240	222	226	213
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 meetings 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 22-33.

Quarterly Financial Data

CASTLE & COOKE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Quarterly Financial Information (Unaudited)

The following table presents summarized quarterly results.

(in thousands, except per share data)

	Revenue	Gross Margin	Net Income	Earnings Per Common Share
1990				
First Quarter	$ 657,960	$124,373	$ 18,075	$ .30
Second Quarter	792,459	155,311	38,924	.66
Third Quarter	879,022	185,822	44,039	.74
Fourth Quarter	673,772	119,130	19,417	.33
Year	$3,003,213	$584,636	$120,455	$ 2.03
1989				
First Quarter	$ 563,072	$ 99,388	$ 12,485	$ .21
Second Quarter	693,032	151,074	35,213	.59
Third Quarter	761,618	156,907	23,413	.40
Fourth Quarter	700,099	143,717	23,813	.40
Year	$2,717,821	$551,086	$ 94,924	$ 1.60

Note: Each of the quarters in 1990 and 1989 includes 12 weeks except for the third quarter which has 16 weeks.

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

L. Quarterly Financial Data (unaudited):
Summarized quarterly financial data for 1990, 1989, and 1988 are as follows (in thousands, except share data):.

	Three months ended (1990)			
	Nov. 30	Feb. 28	May 31	Aug. 31
Net sales	$276,886	$273,926	$282,902	$290,412
Gross profit	30,600	28,800	32,445	31,567
Net earnings	7,026	5,430	6,300	7,164
Net earnings per share	.62	.47	.55	.65
	Three months ended (1989)			
	Nov. 30	Feb. 28	May 31	Aug. 31
Net sales	$326,114	$315,943	$334,930	$317,933
Gross profit	31,690	30,870	30,628	29,522
Net earnings	8,306	6,881	6,207	7,057
Net earnings per share	.72	.60	.53	.61
	Three months ended (1988)			
	Nov. 30	Feb. 29	May 31	Aug. 31
Net sales	$234,914	$295,698	$300,194	$298,366
Gross profit	22,903	29,491	31,997	24,161
Earnings before extraordinary item and accounting change	4,028	7,066	8,069	5,644
Earnings per share before extraordinary item and accounting change	.33	.62	.70	.49
Net earnings	10,118	7,066	8,069	(804)
Net earnings per share	.87	.61	.69	(.07)

The quantities and costs used in calculating cost of goods sold on a quarterly basis include estimates of the annual LIFO effect. The actual effect cannot be known until the year-end physical inventory is completed and quantity and price indices developed. The quarterly cost of goods sold above includes such estimates.

As a result of the Company's adoption of SFAS 96 in the fourth quarter of 1988, earnings of $6,090 were required to be presented as if earned in the first quarter of 1988.

Significant items decreasing the fourth quarter of 1988 net earnings are as follows:

Extraordinary item—litigation settlement	$(6,448)
LIFO effect	(5,608)

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Quarterly Results of Operations (unaudited)

(in thousands except per share amounts)

1990 Quarters:	First	Second	Third	Fourth
Sales	$51,880	$49,854	$47,053	$50,097
Other revenues	1,078	6,680	4,814	2,864
Gross profit	19,585	17,018	15,757	13,883
Net earnings (loss)	4,382	7,248	(8,812)	4,066
Net earnings (loss) per common share	.87	1.45	(1.75)	.80
1989 Quarters: (a)				
Sales	$46,175	$47,698	$47,914	$45,296
Other revenues	6,069	4,221	13,260	1,679
Gross profit	15,085	17,707	13,673	15,648
Earnings before cumulative effect on prior years of a change in accounting for income taxes	7,725	6,796	12,993	1,662
Cumulative effect on prior years of a change in accounting for income taxes	1,237			
Net earnings	8,962	6,796	12,993	1,662
Earnings per common share:				
Earnings before cumulative effect on prior years of a change in accounting for income taxes	1.55	1.36	2.60	.33
Cumulative effect on prior years of a change in accounting for income taxes	.25			
Net earnings	1.80	1.36	2.60	.33

(a) Quarterly results for 1989 have been restated to reflect the full impact of the adoption of SFAS No. 96 as a first quarter adjustment. This restatement did not have a material effect on the results as originally reported. The restatements for the 1989 quarters, as well as the year, also reflect the treatment of tax benefits resulting from the utilization of a capital loss carryforward as components of the provision for income taxes, rather than as the extraordinary credits as originally reported in 1989.

1990

Net earnings in the first quarter of 1990 were reduced by the recognition of unrealized losses in short-term equity securities of $4,573,000 or $.91 per share and the accelerated amortization of a restricted stock bonus amounting to $1,094,000 or $.22 per share.

The second quarter of 1990 includes revenue received in connection with the 1984 sale of the Corporation's rotary engine business to John Deere Technologies International, Inc., adding $1,250,000 or $.25 per share to net earnings for the quarter.

The third quarter 1990 includes a provision for environmental clean-up costs of $21,000,000, reducing net earnings by $13,860,000 or $2.76 per share for the quarter.

1989

The third quarter 1989 includes a gain on the sale of a

common stock investment in International Minerals & Chemical Corporation adding $10,210,000 or $2.05 per share to net earnings for the quarter.

The fourth quarter 1989 includes the settlement of a condemnation litigation resulting in additional net earnings of $3,077,000 or $.62 per share, and the recognition of unrealized losses in short-term equity securities of $7,893,000 or $1.58 per share, reducing net earnings for the quarter by those amounts.

OAK INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Quarterly Results of Operations (Unaudited):

The following is a summary of the unaudited quarterly results of operations for 1990 and 1989, (Dollars in thousands, except per share data):

	Quarter Ended				
1990	March 31	June 30	September 30	December 31	Full Year
Net sales	$38,020	$37,810	$33,089	$ 30,406	$139,325
Gross margin	$ 8,320	$ 8,017	$ 7,603	$ 4,668	$ 28,608
Income (loss) from continuing operations	$ 110	$ 1,543	$ 568	$ (832)	$ 1,389
Net income (loss)	$ 550	$ 1,801	$ 7,850	$ (532)	$ 9,669
Income (loss) per common share:					
Continuing operations	$ —	$ .02	$ .01	$ (.01)	$ .02
Net income (loss)	$ .01	$ .02	$ .10	$ (.01)	$ .12
1989	March 31	June 30	September 30	December 31	Full Year
Net sales	$37,887	$37,626	$32,286	$ 30,933	$138,732
Gross margin	$ 8,001	$ 7,719	$ 6,156	$ 5,152	$ 27,028
Loss from continuing operations	$ (141)	$ (5,829)	$ (894)	$ (13,358)	$ (20,222)
Net loss	$ (511)	$ (7,078)	$ (710)	$ (17,182)	$ (25,481)
Loss per common share:					
Continuing operations	$ —	$ (.07)	$ (.01)	$ (.17)	$ (.25)
Net loss	$ (.01)	$ (.09)	$ (.01)	$ (.21)	$ (.31)

Continuing Operations

Fourth Quarter—1990

The Company recognized a $550,000 charge for costs related to the consolidation of certain operations within the frequency control group.

The Company recognized $294,000 of losses and anticipated losses on discontinued products.

Second Quarter—1990

The Company settled certain patent litigation with Zenith Electronics Corporation resulting in a gain of $1,224,000.

First Quarter—1990

The Company sold its interest in a film joint venture resulting in a gain of $901,000.

The Company's Switch Division wrote-off $852,000 related to the discontinuance of a product line.

Fourth Quarter—1989

The Company released $3,446,000 of excess reserves and related accrued interest no longer considered necessary. Goodwill totaling $13,578,000 was written-off during the quarter (see Note 1).

Second Quarter—1989

The Company was involved in a proxy contest which resulted in the election of five new board members. As a result of the contest, the Company incurred $1,861,000 in related expenses. The new board's subsequent reorganization of the Corporate headquarters resulted in additional expense of $955,000.

The Company's wholly owned subsidiary, Harper-Wyman Company, wrote-off $679,000 of obsolete inventory and established an environmental cleanup reserve for the Princeton, Illinois manufacturing facility of $577,000.

First Quarter—1989

The Company sold undeveloped property in Oceanside, California in March, 1989, realizing a gain of $970,000.

Discontinued Operations (see Note 2).

WOLVERINE WORLD WIDE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—Quarterly Results of Operations (unaudited)
The following is a tabulation of the unaudited quarterly results of operations:

(Thousands of Dollars Except Per Share Data)	Net Sales and Other Operating Income	Gross Margin	Earnings (Loss) Before Income Taxes	Net Earnings (Loss)	Net Earnings (Loss) Per Share
Fiscal year 1990:					
First quarter	$ 68,095	$20,203	$ 362	$ 251	$ .04
Second quarter	69,273	20,839	326	222	.03
Third quarter	82,865	22,927	(12,912)	(10,347)	(1.55)
Fourth quarter	101,937	33,445	5,984	4,153	.62
	$322,170	$97,414	$ (6,240)	$ (5,721)	$ (.86)
Fiscal year 1989:					
First quarter	$ 64,190	$19,043	$ 1,078	$ 851	$ .13
Second quarter	66,176	19,446	628	462	.07
Third quarter	85,331	25,386	2,713	2,050	.30
Fourth quarter	107,894	32,755	5,868	3,924	.58
	$323,591	$96,630	$ 10,287	$ 7,287	$ 1.08

The Company reports its quarterly results of operations on the basis of 12-week periods for each of the first three quarters and a 16-week period for the fourth quarter.

The Company recognized a pre-tax provision of $13,600,000 in the third quarter of 1990 for restructuring and other nonrecurring charges, which amounted to $10,600,000 ($1.59 per share) after related income taxes (see Note I). Additional nonrecurring charges of $2,600,000 were recognized in the fourth quarter of 1990 and were substantially offset by nonrecurring fourth quarter income items. Net sales for the fourth quarter of 1989 include $5,900,000 relating to product lines discontinued and retail stores closed at the end of the third quarter of 1990.

The Company recognized adjustments in the fourth quarter of 1989 related principally to the liquidation of LIFO inventories (see Note B) which increased earnings before income taxes by $1,700,000 and net earnings by $900,000 ($.13 per share).

Selected Information For Five Years

DSC COMMUNICATIONS CORPORATION (DEC)

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

	1990(2)	1989	1988	1987(1)	1986
	(Dollars in thousands, except per share data)				
SUMMARY OF OPERATIONS FOR THE YEAR ENDED:					
Revenue	$519,298	$429,730	$339,671	$266,332	$195,031
Gross profit	191,667	175,360	145,302	107,815	75,946
Operating costs and expenses:					
Research and product development	51,792	43,944	44,990	40,137	44,096
Selling, general and administrative	86,782	77,892	69,026	58,185	43,080
Nonrecurring charges	7,544	—	1,000	—	—
Other operating costs	1,977	—	—	—	—
Interest and other expense, net	16,341	9,156	5,921	7,352	9,201
Income (loss) from continuing operations before extraordinary items	20,331	34,164	20,015	634	(20,821)
Income (loss) from discontinued operations	—	(840)	(8,303)	13,928	31,859
Extraordinary items, net	(209)	—	856	3,806	5,913
Net income	$ 20,122	$ 33,324	$ 12,568	$ 18,368	$ 16,951
Income (loss) per share:					
Continuing operations	$ .47	$ .81	$ .48	$ .02	$ (.49)
Discontinued operations	—	(.02)	(.20)	.33	.76
Extraordinary items, net	—	—	.02	.09	.14
Net income	$ .47	$ .79	$ .30	$ .44	$ .41
FINANCIAL POSITION AT YEAR END:					
Working capital	$153,331	$233,604	$111,289	$97,876	$162,825
Property and equipment, net	187,456	146,510	124,668	104,046	110,833
Total assets	759,424	569,995	429,250	368,349	406,338
Notes payable to banks	56,750	—	3,800	15,000	—
Long-term debt, including current maturities	258,964	190,840	107,234	62,302	136,020
Shareholders' equity	279,221	253,916	215,914	210,840	201,339
OTHER FINANCIAL INFORMATION:					
Book value per share of common stock	$ 6.86	$ 6.32	$ 5.53	$ 5.28	$ 4.91
Ratio of current assets to current liabilities	1.6	2.8	1.9	2.0	3.3
Ratio of long-term debt to shareholders' equity	92.7%	75.2%	49.7%	29.6%	67.6%
OTHER DATA:					
Shares used to compute income (loss) per share (in thousands)	42,874	42,319	41,893	41,531	41,850
Common shares outstanding at year end (in thousands)	40,695	40,169	39,027	39,901	40,966
Shareholders of record at year end	6,001	4,934	5,518	6,125	6,175
Total employees at year end	4,043	3,317	2,766	2,543	2,365

(1) Reflects the change to the current method of accounting for income taxes. See "Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements.

(2) See Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

FLUOR CORPORATION (OCT)

Selected Financial Data

In millions, except per share amounts	1990	1989	1988	1987	1986
Operating Results					
Revenues from continuing operations	$7,446.3	$6,227.6	$5,132.5	$3,924.5	$4,341.7
Earnings (loss) from continuing operations before income taxes	189.9	174.7	90.9	(126.1)	(55.0)
Earnings (loss) from continuing operations	138.9	108.5	56.4	(75.3)	(18.6)
Net earnings (loss)	146.9	108.5	56.4	26.6	(60.4)
Earnings (loss) per share					
Continuing operations	1.71	1.35	0.71	(0.95)	(0.23)
Net earnings (loss)	$ 1.81	$ 1.35	$ 0.71	$ 0.33	$ (0.76)
Return on average shareholders' equity	18.6%	16.5%	10.0%	3.3%	(6.0)%
Cash dividends per common share	$ 0.24	$ 0.14	$ 0.02	$ 0.10	$ 0.40
Financial Position					
Current assets	$1,222.8	$1,036.4	$1,001.0	$1,213.5	$ 922.1
Current liabilities	984.0	797.7	786.1	698.0	656.8
Working capital	238.8	238.7	214.9	515.5	265.3
Bond portfolio	150.1	151.6	154.8	4.0	—
Property, plant and equipment, net	925.3	775.3	729.8	735.2	1,301.8
Total assets	2,475.8	2,154.3	2,075.7	2,061.2	2,565.4
Capitalization					
Long-term debt	57.6	62.5	95.0	217.8	511.5
Shareholders' equity	864.0	720.4	601.7	531.7	950.2
Total capitalization	$ 921.6	$ 782.9	$ 696.7	$ 749.5	$1,461.7
Percent of total capitalization					
Long-term debt	6.3	8.0	13.6	29.1	35.0
Shareholders' equity	93.7	92.0	86.4	70.9	65.0
Shareholders' equity per common share	$ 10.75	$ 9.03	$ 7.61	$ 6.74	$ 11.99
Common shares outstanding at October 31	80.4	79.8	79.1	78.9	79.3
Other Data					
New awards	$7,632.3	$7,135.3	$5,955.2	$4,059.7	$2,992.2
Backlog at year-end	9,557.8	8,360.9	6,658.6	4,667.3	4,291.4
Capital expenditures	155.7	139.2	86.3	99.8	91.6
Cash provided (utilized) by operating activities	$ 353.1	$ 265.1	$ 17.7	$ 57.3	$ (224.2)
Permanent employees	22,188	20,059	17,876	14,351	22,309

See Management's Discussion and Analysis on pages 25 to 27, Consolidated Statement of Earnings on page 29 and Notes to Consolidated Financial Statements and Quarterly Financial Data for information relating to significant items affecting the results of operations.

At October 31, 1987, a quasi-reorganization was effected which resulted in a net reduction in shareholders' equity of $438 million.

Dividends were resumed in the fourth quarter of 1988 following a suspension which began in the second quarter of 1987. The quarterly dividend was increased from $.02 per share to $.04 per share in the second quarter of 1989, to $.06 per share in the first quarter of 1990 and to $.08 per share in the first quarter of 1991.

GENERAL CINEMA CORPORATION (OCT)

Five-Year Summary (unaudited)

(In thousands except for per share data)

	1990	1989	1988	1987	1986
Revenues					
Specialty retail operations	$1,688,611	$1,467,504	$1,223,162	$ —	$ —
Theatre operations	460,919	446,300	379,685	365,015	351,346
Total	2,149,530	1,913,804	1,602,847	365,015	351,346
Operating Earnings					
Specialty retail operations	99,191	83,212	63,023	—	—
Theatre operations	(11,449)	9,201	16,449	17,633	26,735
Theatre restructuring charges	(34,000)	—	—	—	—
Total	53,742	92,413	79,472	17,633	26,735
Corporate Activities					
Administrative expenses-net	(26,886)	(30,156)	(26,238)	(15,573)	(9,399)
Interest expense	(103,747)	(88,817)	(91,730)	(58,718)	(37,576)
investment income	123,486	123,811	48,668	67,060	56,883
Gain on sale of securities	129,298	82,864	33,281	26,087	4,069
Total	122,151	87,702	(36,019)	18,856	13,977
Earnings from continuing operations before income taxes and minority interest	175,893	180,115	43,453	36,489	40,712
Income taxes	61,357	70,971	14,037	(3,064)	1,000
Minority interest	3,278	3,269	3,265	—	—
Earnings from continuing operations	111,258	105,875	26,151	39,553	39,712
Earnings from discontinued operations	—	865,935	61,593	29,889	86,108
Net earnings	$ 111,258	$ 971,810	$ 87,744	$ 69,442	$ 125,820
Depreciation and amortization	$ 62,545	$ 58,627	$ 54,078	$ 13,813	$ 12,598
Capital expenditures	106,440	137,652	76,699	45,775	35,305
Cash dividends paid	32,272	29,367	26,449	22,475	18,709
Total assets	3,068,395	3,403,568	1,838,729	1,647,418	1,042,389
Total long-term debt (a)	803,136	749,766	860,680	686,693	313,248
Shareholders' equity	1,629,040	1,548,929	604,950	542,299	494,395
Number of shares outstanding (b)	73,823	73,842	73,557	73,579	73,420
Per share data					
Earnings from continuing operations	$ 1.51	$ 1.43	$ .36	$ .54	$ .54
Net earnings	1.51	13.16	1.19	.94	1.71
Common dividends paid	.45	.41	.37	.32	.26
Book value	22.11	21.06	8.25	7.42	6.78

(a) General Cinema is not responsible for NMG debt of $354.7 million in 1990, $308.5 million in 1989, $180.4 million in 1988 and $130.6 million in 1987.

(b) Weighted average number of common shares and common share equivalents outstanding.

MET-PRO CORPORATION (JAN)

Five Year Financial Summary

YEARS ENDED JANUARY 31,	1991	1990	1989	1988	1987
Selected Operating Statement Data:					
Net sales	$38,939,499	$37,912,249	$31,107,085	$27,085,062	$24,730,524
Income from operations	4,553,405	5,369,075	3,637,224	2,905,770	2,096,461
Net income	3,009,131	3,421,547	2,441,971	1,793,626	1,152,746
Net income per share	1.01	1.15	.83	.62	.40
Average common shares outstanding	2,979,109	2,968,292	2,930,364	2,901,297	2,897,114
Cash dividend per share	.25	.20	.27	.10	.10
Selected Balance Sheet Data:					
Current assets	$18,910,499	$18,521,209	$16,533,135	$16,002,497	$12,806,961
Current liabilities	5,183,915	5,650,460	6,270,254	4,623,366	2,430,492
Working capital	13,726,584	12,870,749	10,262,881	11,379,131	10,376,469
Current ratio	3.6	3.3	2.6	3.5	5.3
Capital expenditures	2,981,591	921,866	2,405,677	616,325	494,869
Depreciation	939,167	936,755	929,009	877,228	940,288
Total assets	30,943,427	28,694,139	26,842,429	23,336,229	20,437,245
Return on average total assets	10.1	12.3	9.7	8.2	5.7
Long-term debt and capital lease obligations	1,800,467	2,208,333	2,602,715	2,598,937	3,129,873
Net stockholders' equity	23,959,045	20,802,246	17,966,160	15,927,926	14,638,880
Return on average stockholders' equity	13.4	17.7	14.4	11.7	8.1
Book value per share	8.09	7.15	6.17	5.49	5.05

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

APPLE COMPUTER, INC (SEP)

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

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto. All information is based on Apple's fiscal calendar. (Tabular information: Dollars in millions, except per share amounts)

Results of Operations	1990	Change	1989	Change	1988
Net sales	$5,558	5%	$5,284	30%	$4,071
Gross margin	$2,952	14%	$2,589	24%	$2,080
Percentage of net sales	53.1%		49.0%		51.1%
Operating expenses	$2,240	15%	$1,955	34%	$1,460
Percentage of net sales	40.3%		37.0%		35.9%
Net income	$ 475	5%	$ 454	13%	$ 400
Earnings per share	$ 3.77	7%	$ 3.53	15%	$ 3.08

Net Sales

In 1990, Apple's revenues grew 5% over the prior year, compared with revenue growth of 30% in 1989 over 1988. The reduced rate of revenue growth in 1990 reflects both lower demand for the Company's more established Apple Macintosh and Apple II family computers and the slow pace of business in the U.S. and certain international markets. These factors were offset by strong demand for newer modular Apple Macintosh computers. Net sales of LaserWriter® printers increased slightly over 1989. As a result of these demand patterns, the combined number of computer and LaserWriter printer units sold during 1990, and the average aggregate revenue per unit, increased slightly compared with 1989.

During 1990, international net sales grew 23% over the prior year, representing 42% of total net sales in 1990, compared with 36% in 1989. Domestic sales decreased in 1990 compared with 1989, primarily reflecting reduced sales of the Company's more established products and an overall slow-down in growth of the U.S. personal computer industry.

On October 15, 1990, Apple introduced three new, low-cost personal computers—the compact Macintosh Classic, and the Macintosh LC and Macintosh IIsi modular computers. These computers are designed to appeal to new customers in

various markets, including business, government, and education, because of their lower prices and enhanced features. It is anticipated that a significant portion of the Company's future revenues will come from these new products. However, there can be no assurance that these new products will receive favorable market acceptance, and the Company cannot determine the ultimate effect these new products will have on its sales or results of operations.

In 1989, the 30% increase in net sales over 1988 was primarily attributable to sales of new products—the Macintosh IIcx and the Macintosh SE/30—in both domestic and international markets.

Gross Margin

Gross margin as a percentage of net sales improved to 53.1% in 1990 from 49.0% in 1989. This improvement resulted primarily from lower component costs and stronger sales of newer Apple Macintosh products relative to more established, lower-margin products. Favorable foreign currency effects on sales, as a result of the weaker U.S. dollar in 1990, also contributed to the improvement of gross margin as a percentage of net sales compared with 1989. Gross margins declined to 49.0% in 1989 from 51.1% in 1988 because of the high cost of dynamic random-access memory (DRAM) in early 1989 and, to a lesser extent, the negative effect on sales of a stronger U.S. dollar in 1989.

The Company anticipates lower gross margins as a percentage of net sales in 1991, compared with 1990, because of its more aggressive pricing strategies, which are intended to increase unit volumes.

Operating Expenses	*1990*	*Change*	*1989*	*Change*	*1988*
Research and development	$ 478	14%	$ 420	54%	$ 273
Percentage of net sales	8.6%		8.0%		6.7%

The increase in research and development expenditures in 1990 and 1989 over the preceding years primarily reflects additions to the Company's engineering staff and related costs to support its continued emphasis on developing new products and enhancing existing products in the areas of hardware and peripherals, system software, and networking and communications. The Company believes that continued investments in research and development are critical to its future growth and competitive position in the marketplace and are directly related to continued, timely development of new and enhanced products. The Company anticipates that research and development expenditures will continue to increase in 1991.

	1990	*Change*	*1989*	*Change*	*1988*
Selling, general and administrative	$1,762	15%	$1,535	29%	$1,188
Percentage of net sales	31.7%		29.0%		29.2%

Selling expenses increased as a percentage of net sales in 1990 to strengthen Apple's marketing, sales, and support operations in its growing international markets, and as a result of increased international and domestic promotional activity. To a lesser extent, general and administrative expenses increased because of higher facilities costs, employment levels and compensation expenses, and legal costs. The Company also recorded a $34 million charge in the first quarter of 1990 related to cost-reduction programs and, to a lesser extent, facilities and equipment damages resulting from the October 1989 earthquake in the San Francisco Bay Area. The cost-reduction programs were implemented in response to slowing growth in the U.S. personal computer industry. These actions will not affect the Company's ability to market or deliver its products.

The combined selling and general and administrative expenses were slightly lower as a percentage of net sales in 1989, compared with 1988, because of lower discretionary marketing expenses, principally promotional activities and advertising, which were offset slightly by increased costs for the Company's information and control systems.

One of the challenges the Company faces in 1991 is to manage expense growth in the selling and general and administrative areas, particularly in light of the Company's anticipation of lower gross margins as a percentage of net sales and increased research and development expenditures.

Interest and Other Income, Net	*1990*	*Change*	*1989*	*Change*	*1988*
Interest and other income, net	$ 67	–40%	$ 110	207%	$ 36
Percentage of net sales	1.2%		2.1%		0.9%

Interest and other income, net, in 1989 included a $79 million gain from the Company's sale in July 1989 of its common stock holdings of Adobe Systems Incorporated. Excluding this one-time gain, interest and other income, net, increased from $31 million in 1989 to $67 million in 1990. The increased interest and other income resulted primarily from additional interest income generated from a higher level of investments, and lower interest expense. The decline in 1989 (excluding the one-time gain) compared with 1988 was principally due to an increase in interest expense and higher costs incurred to hedge foreign currency positions.

Provision for Income Taxes	*1990*	*Change*	*1989*	*Change*	*1988*
Provision for income taxes	$ 304	5%	$ 290	13%	$ 256
Effective tax rate	$ 39%		39%		39%

The Company's federal income tax returns for 1981 through 1986 have been examined by the Internal Revenue Service (IRS). Tax deficiencies have been assessed by the IRS for the years 1981 through 1983, and the Company has made prepayments thereon. Various issues have been resolved, and the Company is pursuing judicial remedies for the remaining issues. During 1990, the IRS proposed tax deficiences for the years 1984 through 1986. The Company is contesting these alleged deficiencies and is pursuing administrative and judicial remedies. Management believes that adequate provision has been made for any adjustments that may result from these examinations.

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 103, becomes effective no later than the beginning of the Company's 1993 fiscal year. The Company believes that FAS 96, when adopted, will not have a material effect on its financial position or results of operations.

Factors That May Affect Future Results

A number of uncertainties exist that may affect the Company's future operating results, including the possibility of a further slowing of the rate of growth of the personal computer market, uncertain general economic conditions, market acceptance of the Company's new products, generally weak financial conditions of third-party computer resellers, the Company's ability to manage expense growth, the availability and cost of components, and numerous competitive factors.

On October 15, 1990, Apple introduced three new, low-cost personal computers. The success of these new products is dependent on a number of factors, including market acceptance and the Company's ability to manufacture the products in sufficient quantity to meet anticipated demand. It is anticipated that a significant portion of the Company's future revenues will come from these new products, which generally have lower gross margins than the Company's other products. However, the Company cannot determine the ultimate effect that these new products will have on its sales or results of operations.

Apple's primary means of distribution is through third-party computer resellers. The Company's business and financial results could be adversely affected in the event that the generally weak financial condition of third-party computer resellers worsens.

Operating results could be adversely affected should the Company be unable to manage expense growth in the selling and general administrative areas, particularly in light of the Company's anticipation of lower gross margins as a percentage of net sales and increased research and development expenditures.

Certain components for the Company's products are currently available only from single sources, such as Motorola microprocessors. Any interruption in supplies of components could adversely affect the Company's business and financial results. The Company has also from time to time experienced significant price increases and limited availability of certain components, such as DRAM. Any similar occurrences in the future could have an adverse effect on the Company's operating results.

New products anticipated from and introduced by the Company could create uncertainty in the marketplace and cause customers to defer or alter buying decisions. In addition, new products or product enhancements from competitors of the Company, or significant pricing pressures, could have an adverse impact on the Company's operating results. Operating results could also be adversely affected should the Company be unable to introduce new products, or to increase or reallocate its manufacturing capacity for existing products, quickly enough to respond to changing customer demands.

Apple's U.S. manufacturing plant, the majority of its research and development activities, its corporate headquarters, and other critical business operations are located near major earthquake faults. Operating results could be materially adversely affected in the event of a major earthquake. The Company has the ability to increase manufacturing capacity at its plants in Cork, Ireland, and in Singapore, but there can be no assurance that the available capacity would be sufficient to meet the demand for the Company's products.

Because of the foregoing, as well as other factors affecting the Company's operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. In addition, the Company participates in a highly dynamic industry, which often results in significant volatility of Apple's common stock price.

Liquidity and Capital Resources	*1990*	*1989*	*1988*
Cash, cash equivalents, and short-term investments	$ 997	$ 809	$546
Working capital	$1,376	$1,399	$956
Cash generated by operations	$ 964	$ 507	$294
Cash used for investment activities, excluding short-term investments	$ 322	$ 206	$186
Cash used for financing activities	$ 454	$ 38	$128

Apple's financial condition remained strong as of September 28, 1990. Cash generated internally exceeded cash required to support the Company's operations. As a result, cash, cash equivalents, and short-term investments increased $188 million during 1990 to a year-end balance of $997 million.

Net cash generated by operations during 1990 totaled $964 million, of which $678 million resulted from net income plus noncash depreciation and amortization. Active management of inventory levels resulted in inventory declining by $120 million between 1990 and 1989. Accounts receivable declined $31 million between 1990 and 1989 because of slightly reduced sales levels in the fourth quarter of 1990 versus the prior year, offset somewhat by an increase in days sales outstanding—from 46 days in 1989 to 51 days in 1990. The net increase of $133 million, in current liabilities, income taxes, and other assets reflects overall growth in the Company's operations.

Excluding short-term investments, net cash used for investment activities during 1990 totaled $322 million, of which $224 million was invested in property, plant, and equipment, primarily as a result of increases in manufacturing machinery and equipment and worldwide office occupancy costs. The Company leases the majority of its facilities and certain of its equipment under noncancelable operating leases. In 1990, rent expense under all operating leases was approximately $139 million. The Company's future lease commitments are discussed in the Notes to Consolidated Financial Statements. The Company anticipates that its capital spending level in 1991 will increase somewhat compared with 1990. The actual level of spending will be dependent on a variety of factors, including general economic conditions and the Company's requirements.

Net cash used for financing activities during 1990 totaled $454 million, of which $570 million and $54 million was used to repurchase common stock of the Company and to pay cash dividends, respectively. During 1990, the Company repurchased approximately 14.7 million shares in the open market under stock repurchase programs. The Company is authorized to purchase up to 10 million additional shares of its common stock in the open market under a repurchase program authorized by the Board of Directors in September 1990. Issuance of common stock and related tax benefits, and an increase in short-term borrowings, generated an additional $104 million and $66 million, respectively, in cash from financing activities during 1990.

The Company expects that it will continue to incur short-term borrowings from time to time to finance U.S. working capital needs, because a substantial portion of the Company's cash, cash equivalents, and short-term investments is held by foreign subsidiaries, generally in U.S. dollar-denominated holdings. Amounts held by foreign subsidiaries would be subject to U.S. income taxation upon repatriation to the U.S. to meet domestic cash needs; the Company's financial statements fully provide for any related tax liability.

The Company believes the resolution of any tax liability for proposed tax deficiencies by the Internal Revenue Service for the years 1984 through 1986 will occur over the course of the next several years. Payment of any assessment would generally not occur until the end of such process, and is therefore not expected to immediately affect the liquidity of the Company.

The Company believes that its balances of cash, cash equivalents, and short-term investments, together with funds generated from operations and borrowing capabilities, will be sufficient to meet its operating cash requirements in the foreseeable future.

CINCINNATI MILACRON INC. (DEC)

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

Results of Operations

The company's financial results for the last three years, presented on page 22, are discussed below.

1990 Compared to 1989

Sales and Other Income (Expense)
Sales in 1990 were $838 million, which represented a 2% increase over the $820 million recorded in 1989. Sales of the machine tool segment increased by 9% due primarily to higher shipments of the new *Sabre 750* vertical machining center and advanced manufacturing systems. The increase in machine tools more than offset a decrease in plastics machinery that was caused by reduced demand for injection molding machines and price discounting in the domestic market. The industrial products segment achieved a 4% sales increase in 1990 after excluding the $8 million of 1989 sales of the company's semiconductor materials operations which were sold early in 1989. This increase resulted from record sales of the company's metalworking fluids.

Sales of all segments to foreign markets totaled $247 million in 1990, compared to $229 million in 1989. Export shipments from the United States increased 6% after excluding 1989 exports of the semiconductor materials operations. The sales of the company's foreign operations to non-U.S. markets increased by $17 million due mainly to higher shipments of the British-built *Sabre 750* and the appreciation of most foreign currencies in relation to the U.S. dollar.

Other income (expense) represented a net expense of $3.1 million in 1990, compared to income of $1.8 million in 1989. The latter amount included a gain of $3.4 million on the sale of the semiconductor materials operations. After reduction for income taxes of $2.6 million (including $1.2 million of investment tax credit recapture), the effect of the sale was to increase net earnings by $.8 million, or $.03 per share.

New Orders and Backlog
New orders in 1990 totaled $788 million, compared to $800 million in 1989, with a majority of the decrease occurring in the machine tool segment. The overall decrease was reflective of economic uncertainty and lower levels of spending in the domestic capital goods market, especially by the automotive industry. The year-end 1990 backlog was $284 million, compared to $334 million at the end of 1989.

Margins, Costs and Expenses
The company's manufacturing margin for 1990 was 22.7% compared to 23.7% in 1989. Price discounting, reduced demand for injection molding equipment and costs related to new manufacturing capacity resulted in lower margins in the plastics machinery segment. Price discounting for standard machine tools also contributed to the overall decrease. Grinding machine margins improved during 1990 but were still inadequate due in part to excess capacity. The appreciation of the British pound in relation to the U.S. dollar reduced the profitability of coordinate measuring machines and machining centers sourced in the United Kingdom. The impact of inflation on margins was not significant due to the moderate level of inflation during the year and the use of the LIFO inventory method, which matches current costs with revenues.

Selling and administrative expense increased from $143 million in 1989 to $157 million in 1990 due to higher selling costs. This increase resulted from the mix of orders sold through dealers and distributors, higher costs associated with efforts to increase domestic and European market share for plastics machinery products, and the effects of currency exchange rate fluctuations. Interest expense decreased by approximately $3 million in relation to 1989, due principally to the repayment of domestic short-term debt from the proceeds of an equity offering completed in June, 1990.

Special Charge
In the fourth quarter of 1990, the company recorded a pretax special charge of $32.8 million to improve manufacturing efficiency and to accelerate the phase-out of certain product lines. Approximately one-half of the charge related to the reorganization of grinding machine operations, including the elimination of older products and the implementation of new cost-reduction measures at the company's domestic focus factory, and the closing of its European grinding machine manufacturing operation in The Netherlands. The balance of the $26.6 million for the machine tool segment related primarily to the discontinuance of certain machining center products manufactured in the United Kingdom. The remaining $6.2 million of the charge related to the reorganization of *LK Tool*, the company's coordinate measuring machine business, including the elimination of older products and the consolidation and reorganization of the domestic marketing organization.

Income Taxes
The 1990 provision for income taxes consisted primarily of currently payable U.S. federal, and state and local income taxes. Because of the unavailability of current tax benefits for a majority of the special charge, the company had a U.S. net operating loss carryforward for financial reporting purposes of approximately $14 million at the end of 1990. The company's effective tax rate in 1989 was 47.4% and exceeded the U.S. federal statutory rate due primarily to the combined effects of state and local income taxes, investment tax credit recapture arising from the sale of the semiconductor materials operations, and certain foreign losses for which no tax benefits were available.

Earnings
Due to the special charge, the company incurred a loss from continuing operations in 1990 of $22.1 million, or $.87 per share, compared to earnings of $19.1 million, or $.77 per share, in 1989. As described above, reduced margins and increased selling expense contributed to the decline.

The losses from discontinued operations of $2.1 million, or $.08 per share, in 1990 and $7.4 million, or $.30 per share, in 1989 related to the sales of the company's industrial robot and laser machine businesses. The 1990 amount includes a $1.7 million provision for sale of the robot business and the phase-out of the manufacture of industrial robots, while the 1989 amount includes a provision for loss on the sale of the laser machine business of $4.5 million.

Incuding the loss from discontinued operations, the company's net loss in 1990 was $24.2 million, or $.95 per share, compared to earnings of $17.4 million, or $.70 per

share, in 1989. Included in the 1989 amount is an extraordinary tax benefit of $5.7 million, or $.23 per share, from utilization of a net operating loss carryforward that originated in 1987.

1989 Compared to 1988

Sales and Other Income (Expense)
Sales of $820 million in 1989 represented a modest increase from the 1988 level, as gains in plastics machinery and machine tool shipments offset a decline in industrial products shipments. The sale of the semiconductor materials operations early in 1989 resulted in a decrease in sales of $34 million. Other income (expense) in 1989 included a $3.4 million gain from this sale.

Plastics machinery sales of $287 million were 9% higher than the 1988 level, principally due to increased demand for the segment's U.S.-produced injection molding machines. The machine tool segment's sales of $394 million were 4% greater than the 1988 level, due to increased sales of standard machines and electronic controls, which were partially offset by reduced sales of large integrated metalcutting systems. Excluding the sales of the semiconductor materials operations, industrial products sales increased by 4%. Included in this segment are sales for the company's metalworking fluids operations, which set a new record in 1989.

Sales of all segments to foreign markets totaled $229 million in 1989, compared to $224 million in 1988. This increase resulted from the company's foreign operations, which were partially offset by reduced U.S. exports of $82 million, compared to $88 million in 1988.

New Orders and Backlog
New orders of $800 million in 1989 declined 9% from the 1988 level. Over half of the decrease was related to the sale of the semiconductor materials operations, while the remainder was due principally to a softening in demand for certain machine tool products—especially from the automative industry. At year-end 1989, the backlog was $334 million, compared to $364 million at year-end 1988. The principal reasons for the decrease were the sale of the semiconductor materials operations and shipments in excess of new orders in plastics machinery.

Margins, Costs and Expenses
In 1989, the company's manufacturing margin fell to 23.7% from 25.4% in 1988, as improved performances in plastics machinery and metalworking fluids were offset by declines in certain machine tool lines and coordinate measuring machines. The decline in machine tool margins resulted from the implementation of new manufacturing processes and technologies at a time of greatly increased demand. This situation led to temporary but costly delays and, when production did increase, the result was shipment of lower-margin products. By the end of the year, the company had increased production significantly in all its machine tool focus factories but continued to address manufacturing efficiency, especially in its grinding machine operations, where losses persisted. Inflation did not have a significant effect on the company's margins in either 1989 or 1988.

Selling and administrative expenses of $143 million increased by 2% from the 1988 level, as the company continued to implement cost-control procedures which substantially offset the effects of inflation. Interest expense in 1989 was approximately equal to the 1988 level, as average debt declined and the company's average borrowing rate rose slightly.

Income Taxes
The company's effective tax rate increased to 47.4% in 1989, compared to 42.5% in 1988. The increase was primarily a result of investment tax credit recapture and foreign losses on which no tax benefits were available.

Earnings
Earnings from continuing operations before extraordinary item were $19.1 million, or $.77 per share, compared to $27.3 million, or $1.12 per share, in 1988. Net earnings in 1989 included losses of $7.4 million, or $.30 per share, from the company's discontinued industrial robot and laser machine businesses, including a loss of $4.5 million, or $.18 per share, on the sale of the laser machine operation. Net earnings in 1989 also included an extraordinary tax benefit from loss carryforward of $5.7 million, compared to $12.1 million in 1988. This U.S. net operating loss carryforward was fully utilized during 1989. Net earnings of $17.4 million, or $.70 per share, were $19.7 million lower than the 1988 level of $37.1 million, or $1.52 per share.

Outlook

While the rate of new business increased in the second half of 1990, compared to low levels in the first half, many orders are for longer lead-time products. Consequently, shipments in the first quarter of 1991 will decline from the level of the fourth quarter of 1990, and the company expects to report an operating loss.

The outlook for the balance of the year is uncertain, as it depends to a large extent on the length of the recession and the timing of an increase in capital spending. In particular, strong demand by aircraft manufacturers continues to be offset by general slowness in the U.S. economy and low levels of spending on the part of the automakers. Therefore, while the company's prospects are good for aerospace machine tools and in many plastic machinery specialty areas, demand remains soft for other machine tool products and injection molding machines. Overall, however, assuming some improvement in the automative and consumer goods sectors, the company is more optimistic about the rest of the year.

Liquidity and Sources of Capital

Early in the third quarter of 1990, the company completed a public offering of three million additional common shares. The net proceeds of the sale of approximately $51 million are being used principally to support the company's *Wolfpack* product development, process improvement and modernization programs, as well as for general corporate purposes, including the reduction of short-term debt.

During 1990, cash and cash equivalents increased from $33 million to $45 million and total debt decreased by $26 million, due in part to the proceeds of the equity offering. Programs to reduce inventory and accounts receivable levels also contributed to the overall liquidity improvement, as did the proceeds from the sales of the company's industrial robot and laser machine businesses. Net working capital decreased by $6 million during the

year but the current ratio remained constant in relation to year-end 1989 at 2.1.

Capital expenditures totaled $34 million in both 1990 and 1989, compared to $21 million in 1988. The 1990 amount included additional capital spending related to the continuation of an expansion and modernization of parts-manufacturing capacity for plastics machinery begun in 1989. Capital spending in both 1990 and 1989 also included increased expenditures in the machine tool segment in support of the *Wolfpack* program. Capital expenditures are expected to be approximately $30 million in 1991.

The ratio of debt to total capital (debt and equity) was 41% at the end of 1990, compared to 46% at year end 1989. The improvement in 1990 is due principally to the completion of the equity offering and the related reductions of domestic short-term borrowings. At year-end 1990, the company had unused lines of credit with major U.S. and foreign banks totaling $223 million, of which approximately $70 million was available under the terms of the company's most restrictive debt covenants.

THE EASTERN COMPANY (DEC)

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

Net income from continuing operations increased in 1990 to $3,524,191 or $1.27 per share from $2,628,845 or $.95 per share in 1989. In 1988 it was $3,267,852 or $1.15 per share. Total net income increased $91,711 or 6% over 1989 and decreased $905,536 or 35% from the 1988 level. Cash from operating activities totaling $6,468,297 was sufficient to cover dividends, capital expenditures, partial prepayment of long-term debt and normal operating needs.

During the second quarter of 1990 the Company announced the phase out of the malleable iron castings operation at the Alloy Foundries Division. The stainless steel and high alloy casting business remained intact and is expected to grow. Total after tax cost of this discontinued operation was $1,807,872 or $.65 per share.

Results of Operations

The 1990 sales from continuing operations of $64,181,243 decreased $1,429,111 or 2% and $2,835,108 or 4%, respectively, from the reclassified 1989 and 1988 levels. New products in the stainless steel metalcasting, industrial hardware and locking device areas contributed 1% in increased sales over 1989. Price increases contributed 3% in increased sales. Lower volumes decreased sales by 6%. Fourth quarter 1990 sales were down 4% from the 1989 fourth quarter. While price increases and new products both contributed 2% in sales, sales volume decreased 8% in the comparable fourth quarter periods.

Volume increases in the roof fastener and some of the Company's lock areas were not sufficient to offset the reduced sales levels in the industrial, vehicular, marine and military locking and latching device areas as well as the construction materials area. While some marketing restructuring is taking place in the locking device and construction product lines, these areas are expected to be slow until an upturn in the economy takes place.

Other income in 1990 included $485,321, versus $502,190 in 1989, in sales commissions received from Birmingham Bolt under a six-year sales agreement.

Total 1990 income was 6% higher than 1989 in spite of lower sales. This increase was primarily due to product mix, improved margins through increased efficiency and control of operating costs. Total 1990 income was lower than 1988 because of lower sales and the higher discontinued operation costs.

Total 1990 fourth quarter earnings from continuing operations were $868,473 or $.31 per share on sales of $15,116,592 versus $855,340 or $.31 per share on sales of $15,790,581. The fourth quarter profit in 1988 was $.21 per share or $576,064 on sales of $16,561,753. Profits were the same in the fourth quarter 1990 and 1989 in spite of lower sales because of product mix, improved margins, increased efficiencies and control of costs.

The costs of products sold were 76.3% of 1990 sales; 78.3% of 1989 sales and 78.9% of 1988 sales. Improved margins were due to product mix, reduced direct and indirect labor through improved efficiency, lower payroll charges, depreciation and overhead costs. Significantly contributing to the margin improvement were the substantial cost reductions experienced in the security products' areas in the custom lock operations. Also contributing was the increased capacity and improved labor efficiency of the Company's roof fastener facility as the result of its capital investment program.

The Company plans to continue to improve margins through the concentration of profitable segments, continued improvement in operating efficiencies through capital expenditure programs, additional product development cost reduction programs and additional price increases where possible. The program of increasing capacity and reducing labor and overhead costs at the Company's highly automated mine roof fastener plant and the emphasis on the expanded use of our worldwide facilities as cost efficient suppliers will continue. A concentrated marketing effort to expand the remaining specialty high alloy steel casting business is taking place. While the construction business remains soft, efforts are being made to expand its product line.

In 1990 research and development costs were $561,436 versus $637,034 in 1989 and $437,381 in 1988. The Company continues to emphasize the importance of worthwhile research and development projects. The 1990 expenditures were on projects involving mine roof fasteners, transportation and industrial hardware, and locking device hardware.

The 1990 selling and administrative costs increased $300,532 or 3% over 1989 and $736,235 or 8% over 1988 levels. The increases were primarily due to normal wage, fringe benefit and other administrative costs. Also included was a $97,723 increase in the provision for doubtful accounts representing a 1% increase in 1990 over both 1989 and 1988. Continued attempts are being made to control selling and administrative costs.

Interest costs in 1990 were $486,006 versus $614,390 in 1989 and $565,980 in 1988 representing a 21% and 14% decrease because of advanced principal payments made during the year.

Federal, foreign and state income tax rates collectively were 37.7%, 38.2% and 36.6% of income from continuing operations. The slight reduction between 1990 and 1989 was primarily due to lower foreign taxes on lower foreign income. The increase between 1990 and 1988 was due to

the recapture of some investment tax credit and higher state income taxes.

Each year's fourth quarter earnings are affected by year-end adjustments to bring estimated accruals, LIFO provisions and book inventories to actual. In 1990 such adjustments for continuing operations had the effect on increasing income by $.05 per share versus $.08 per share in 1989 and $.03 in 1988.

Liquidity and Sources of Capital

The Company's Balance Sheet continues to be strong with a ratio of current assets to current liabilities of 3.3 at the end of 1990 compared to 3.5 at the end of 1989 and 3.1 at the end of 1988. Working capital continues at a healthy level with strong management controls on receivables and inventories. Accounts receivable and inventories decreased $470,927 and $72,227, respectively, between 1990 and 1989. Accounts receivable collections and inventory turns were approximately the same as the previous year.

Current financial resources including the flexibility of the short-term line of credit financing and anticipated funds from operations are expected to be adequate to meet normal requirements for the year ahead. The Company currently has a line of credit of $3,000,000, none of which was used in 1990.

In February and November 1990 the Company made advanced payments of $500,000 each against its $5,000,000 long-term note lowering the balance to $4,000,000. As a result, the $250,000 quarterly installments covering principal payments initially due January 1, 1991 will not become due until January 1, 1992.

The Company in its long-term cash planning normally covers capital expenditures with funds generated internally. Where abnormally large capital expenditure programs are involved, long-term financing vehicles are sometimes used.

Additions to property, plant and equipment from continuing operations during the year totaled $3,975,677 versus $1,877,279 in 1989. 1990 capital expenditures included the replacement of equipment and the major capital investment program at our Frazer & Jones facility. Total 1991 capital expenditures will exceed the $2,200,000 level of depreciation and will include the completion of the final stage of the capital investment program at our Frazer & Jones mine roof fastener facility increasing its production capacity and improving production efficiency. The Company feels that funds generated internally should be sufficient to finance the capital expenditure program.

Impact of Inflation and Changing Prices

Inflation, while not quite as significant as in previous years, continues to be a factor and the Company is continually seeking ways to cope with its impact. To the extent permitted by competition, the Company passes increased costs on by increasing sales prices over time. Price increases for both 1990 and 1989 were 2.3% and 2.8%, respectively.

The Company uses the LIFO method of accounting for its U.S. inventories. Under this method, the cost of products reported in the financial statements approximates current costs and thus reduces distortion in reporting income due to increasing costs.

The charges to operations for depreciation represent the allocation of historical costs incurred over past years, and are significantly less than if they were based on the current cost of productive capacity being consumed. Provision for depreciation is generally computed using the straight-ine method based upon estimated useful lives of the assets.

Approximately 70% of the Company's properties have been acquired over the last five years and have a remaining useful life ranging from two years for equipment to twenty-five years for buildings.

Assets acquired in prior years will be replaced at higher costs, but this will take place over many years. While these new assets will result in higher depreciation charges, in many cases, there will be operating savings due to technological improvements, improved efficiency and increased productivity. The Company considers these matters in setting its pricing policies.

KUHLMAN CORPORATION (DEC)

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS AND OPERATIONS

Introduction

In its recent history Kuhlman Corporation operated in two major markets—electrical and automotive. Product offerings included transformers and a variety of blow molded plastic products, including fuel tanks, assorted springs, spring assemblies, fasteners and marine hardware. Competition was and is fierce in each business area. Management was faced with a variety of choices. The ultimate decision was to refocus. . . on the flagship business; that of supplying products and services to the electrical utility industry; and to dispose of the blow molded plastics operations.

For the three years ended December 31, 1990, the Company's pre-tax earnings from continuing operations have risen in an increasingly competitive business environment. Much of this success is attributable to the Company's focus on its competitive position which has resulted in stronger operating performance. Management's strategic emphasis is on total quality and operating efficiency. Accompanying the earnings growth, the cash dividends per share have also increased the past two years.

Kuhlman Corporation's strategic emphasis is to enhance shareholder value by achieving a superior and sustained rate of return on equity. The Company continued its progress in this regard during 1990. Book value per share increased 17% to $8.06 from the 1989 level. The return on average shareholder's investment rose from 14% in 1989 to 22% in 1990.

Liquidity and Capital Resources

As of June 30, 1990, Kuhlman Corporation sold its interest in the blow molded plastics operations to Solvay America, Inc. The Company received as partial consideration, cash in the amount of $21,774,000 and the elimination of $7,805,000 in debt, which was assumed by Solvay. Additionally, the Company will receive $1,250,000 annually for the next five years in exchange for a covenant not to com-

pete. This transaction enhanced the Company's liquidity and provided a significant amount of borrowing capacity for future expansion.

The Company measures its liquidity by its current ratio. At December 31 of each year it was as follows: 1988 2.0:1, 1989 2.1:1 and 1990 3.2:1.

On December 31, 1990, Kuhlman's total outstanding debt was $10,008,000, a reduction of $11,582,000 from December 31, 1989. At the end of December 1990, $5,008,000 was outstanding under Industrial Revenue Bond financings for Associated Engineering Company and the Power Transformer Division, and $5,000,000 in a note payable to banks. The $10,008,000 includes a short term portion of $532,000.

In order to pursue its business strategy, the Company spent $5,213,000 for capital assets including the commencement of construction of a new instrument transformer plant in North Carolina. This project is being financed by the aforementioned Industrial Revenue Bond.

Historically, Kuhlman Corporation has relied on a variety of internally-generated and borrowed funds to finance its expansion strategies. The Company plans to grow internally and through acquisition over the next few years. It believes that its present working capital position combined with forecasted cashflows and available borrowing capacity will be sufficient to meet its anticipated cash requirements for operating needs and capital expenditures.

Results of Operations

Consolidated Net Sales from continuing operations in 1990 were $117,578,000, which represents a decline of $5,860,000 or 4.7% from 1989. Lower demand for distribution transformers due to the level of housing starts and a decline in automotive production and boat building were the primary causes. Indeed, sales of certain power and instrument transformers fulfilled management's expectations and outstripped prior year record levels.

In 1989, sales from continuing operations were $123,438,000, virtually the same as the previous year. Sales of transformers and related electrical apparatus increased 5.6% over 1988 due in part to the re-facilitization of substations throughout the United States.

Cost of Sales as a percentage of sales diminished from 78.8% in 1989 to 78.0% in 1990. The cost of sales percentage for electrical apparatus eased 0.8 percentage points from 79.3% in 1989. The improvements were driven by decreased costs from the availability of higher-quality production materials and supplies, continuing benefits of procurement and process improvement programs, ongoing cost control efforts and a unified corporate effort at eliminating waste, along with the favorable effect on margin of more fully utilizing the relatively fixed resources at some operating units.

Cost of sales as a percentage of sales decreased from 83.6% in 1988 to 78.8% in 1989. The cost of sales percentage in 1989 for electrical apparatus decreased by 5.9 percentage points from 85.2% in 1988. The improvement in this segment reflected improved pricing, a better product mix, and cost reductions related to materials and manufacturing overhead.

Selling and Administrative Expenses in 1990 were lowe. . both dollars and as a percent of sales from the previous year. Selling expense rose due to the expansion and strengthening of the sales organization, the establishment of a customer communications center in Lexington, Kentucky, and greater outbound freight charges associated with higher fuel prices and an expanded volume of shipments in some freight-intensive operations.

1990 administrative expenses were 20% below those of the previous year. The contributing factors were a substantial reduction in employee hiring and relocation expenses, lower professional fees, and the incurrence of expense for training programs in 1989 which were virtually completed by 1990. Included in administrative expense is the gain on the sale of the headquarters building which was largely offset by provisions for the headquarters relocation.

Selling and administrative expenses rose from $13,697,000 or 11.1% of sales in 1988 to $14,778,000 or 12.0% of sales in 1989. Selling expense declined in dollars and percent because of unreplaced personnel and administrative expense increased due to incentive compensation and the absence during 1989 of a significant gain on the sale of assets.

Interest Expense from continuing operations contracted 23.2% from $1,945,000 in 1989 to $1,493,000 in 1990. This was a result of the reduction of consolidated debt and the general weakening of interest rates. Due to the favorable terms and conditions of existing debt, it is not anticipated that there will be early retirements of the principal balance. The 1990 average interest rate of 7.6% was almost two points lower than the 1989 average rate.

Interest Income rose dramatically from $91,000 in 1989 to $667,000 in 1990. The increase in interest income was primarily attributable to larger investments which were made possible by the surplus cash generated from the sale of the Kuhlman plastics operations.

The Income Tax Rate for 1990 reflects a rate in excess of the U.S. Federal statutory rate primarily due to the inclusion of state income taxes as well as additional taxes for possible results of a recent IRS audit. The effective rate of 21% in 1989 was favorably affected by the recognition of future tax deductions that were not benefited in 1988 and the exercise of stock options. See Note 5 of the Notes to Consolidated Financial Statements for a reconciliation of the effective income tax rate.

1990 Net Earnings From Continuing Operations were $5,807,000 or 4.9% of sales. The Company experienced unusually high tax rates substantially reducing the level of pretax earnings of $10,505,000 or 8.9% of sales.

Net earnings from continuing operations for 1989 were $7,215,000, which were $3,752,000 more than the previous year and resulted from improved volume and pricing in the transformer business, a more favorable mix of products and better utilization of the Company's relatively fixed resources.

Earnings (Loss) From Discontinued Operations is composed of two elements. . . net earnings from operations and the after-tax gain on the sale of the plastics business. They are substantially better than the $2,103,000 loss incurred in 1989, which included the startup costs of the Bristol, Pennsylvania plastics operation.

The loss in 1988 was due primarily to restructuring costs associated with the closing of the Borse plant and the performance of the plastics operations.

The gain on the sale of the assets of the blow molded plastics business and certain other assets which totalled $3,215,000 is addressed in Note 3 of the Notes to Consolidated Financial Statements. With the divestiture of the plastics operations, the Company operates in one primary, reportable business segment instead of two.

Net Earnings (Loss) Per Share were $1.67 in 1990 and arose from the operating performance of the Company and gain on the sale of certain assets to Solvay America, Inc. and is based on the weighted average number of shares outstanding of 5,651,608.

The Outlook for 1991 is good. The Company is enjoying a record backlog of orders for its electrical products. Management believes that the recession will not seriously affect the construction and replacement plans of the domestic public utilities so that sales will increase over 1990. The electrical apparatus segment is by and large the most significant portion of the Company's business.

The Company's products are highly material-intensive. For the past two years the prices paid for base materials have been relatively stable and management does not see anything on the horizon that would significantly alter the present condition. In the event of elevated inflation, the Company's plan would be to protect itself by hedge-buying all or a portion of its significant production materials.

The UAW contract covering the employees at the Versailles, Kentucky plant will expire in April, 1991. The Company does not expect a work stoppage or interruption of production.

While 1990 net earnings were bolstered by interest income on invested cash, this could decline dramatically were the Company to utilize the cash for reinvestment in the business. Federal income tax rates in future years are more likely to approximate the statutory rate than those of the past several years.

Labor Relations

During 1990, at Quality Spring/Togo Inc., a one year extension of the contract was negotiated with the UAW, with no increase in wages or benefits. The current contract will expire in November, 1991.

Retiree Medical Benefit Costs

Kuhlman Corporation currently provides continued medical benefit coverage for retirees, subject to a monthly payment by the retiree which may be increased from time to time based on cost experience. We are currently evaluating the projected future liabilities under this program in accordance with the recent Financial Accounting Standards Board standard on accounting for non-pension, post-retirement benefits.

Inflation

Management believes that inflation did not have a material effect on the results of operations or the financial condition in 1990.

MAXUS ENERGY CORPORATION (DEC)

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

In 1990, Maxus achieved profitability and continued to strengthen its financial position. Overall price improvements combined with lower interest and debt expenses and depreciation, depletion and amortization resulted in positive earnings. Higher net cash provided by operating activities, coupled with the issuance of Common Stock and the repurchase and restructuring of $9.75 Preferred Stock, strengthened the Company's financial position by permitting the implementation of a $309.2 million exploration and development program with essentially no increase in long-term debt.

Financial Condition

Maxus continued to realize strong improvements in net cash provided by operating activities over the three-year period, reporting $236.6 million, $153.5 million and $134.3 million for the years 1990, 1989 and 1988, respectively. The significant ($83.1 million) increase in 1990 over 1989 was largely attributable to a general improvement in prices and lower cash interest costs. The 14% improvement in 1989 from the 1988 level was mainly attributable to stronger prices and increased crude oil volumes in Indonesia.

Working capital (current assets less current liabilities) decreased $59.6 million from year-end 1989, reflecting the use of year-end 1989 cash and cash equivalents to partially fund the Company's exploration and development program, specifically, the development of the Intan and Widuri fields in Southeast Sumatra. The decrease in accounts payable, due to the timing of certain payments and accruals, was partially offset by an increase in accrued liabilities resulting from development expenditures in the Southeast Sumatra area of Indonesia and an increase in the Indonesian overlift liability.

In June 1990, the Company issued 9,000,000 shares of Common Stock and received net proceeds of $89.8 million, after deducting related fees and expenses. The Company used $69.0 million of the net proceeds to fund its obligations under an agreement dated April 12, 1990 between the Company and The Prudential Insurance Company of America ("Prudential"). Pursuant to the agreement, the Company repurchased 500,000 of the 3,000,000 shares of redeemable, convertible $9.75 Preferred Stock owned by Prudential. In addition, Prudential waived the right to convert 750,000 of the remaining 2,500,000 shares of $9.75 Preferred Stock and will receive an additional cash payment of $.25 per share per quarter (subject to increase to $.50 per share in certain circumstances) on the 750,000 shares of $9.75 Preferred Stock. Further, certain covenants relating to the $9.75 Preferred Stock were waived or amended.

The remaining net proceeds from the issuance of the Common Stock ($20.8 million) combined with the 1990 net cash provided by operating activities ($236.6 million) and 1989 year-end cash and cash equivalents ($72.4 million) were used to fund the Company's 1990 expenditures for property and equipment, including dry hole costs, ($272.9 million) and preferred dividend payments ($44.0 million).

Cash proceeds from the sale of assets amounted to $316.8 million in 1989, representing $141.6 million from the sale of the stock of the Company's Canadian subsidiary and approximately $100.0 million from the sale of stock of a wholly owned foreign subsidiary which owned a 10% interest in a production sharing contract in the Northwest Java area of Indonesia. The remaining balance was primarily due to sales of nonstrategic United States oil and gas properties. The 1989 proceeds from the sale of assets plus the net cash provided by operating activities was more than sufficient to cover the $165.8 million of expenditures for property and equipment, including dry hole costs, and preferred dividend payments of $46.6 million, while allowing for a $129.8 million net cash debt reduction and an increase in cash and cash equivalents of $83.1 million during 1989.

Cash proceeds from asset sales in 1988, primarily from the sale of oil and gas properties, totaled $74.9 million. The 1988 net cash provided by operating activities and asset sales was primarily used for property and equipment expenditures of $160.3 million (including dry hole costs) and preferred dividend payments of $46.6 million.

For the year 1990, expenditures for property and equipment, including dry hole costs, were $272.9 million, as compared to $165.8 million in 1989. The increase was the result of the aggressive drilling and development program and the completion in late 1990 of the permanent processing facility in the Southeast Sumatra area of Indonesia, which allowed production from the Widuri field to come on stream in December. Higher exploration expenditures in the United States also contributed to the increase over 1989. The $5.5 million increase in spending in 1989 over 1988 was the net result of higher Indonesian exploration and development spending.

In January 1991, a shelf registration statement filed by the Company with the Securities and Exchange Commission became effective for a public offering of up to $150.0 million in medium-term notes which are issuable in one or more series, have maturities ranging from nine months to fifteen years from the date of issuance and bear interest at rates established by the Company at the date of issuance. While the Company has no current specific plan for the proceeds, the principal reason for the offering will be to make funds available for general corporate purposes which may, depending upon market conditions, include repayment of certain existing indebtedness. Currently, the Company has issued no notes pursuant to the registration statement.

Effective July 31, 1990, the Company entered into a $150.0 million revolving credit agreement which replaced the $110.0 million amended and restated credit agreement. The new bank credit agreement terminates on June 1, 1993 and requires an annual commitment fee of .50% on any unused portion of the commitment. The interest rate on borrowing is based, at the Company's option, on the prime rate, Eurodollar rate or certificate of deposit rate. At December 31, 1990, borrowings under the credit agreement were $20.0 million.

On February 16, 1989, the Company issued subordinated zero-coupon convertible notes having an aggregate principal at maturity of $287.5 million due February 16, 2004. The Company received net proceeds in the amount of $80.0 million which were used to repay certain existing indebtedness. The rate of accretion on the principal is 8.5% per annum. Each $1,000 note is convertible, at the option of the holder, at any time until maturity unless previously redeemed or otherwise repurchased, into 35.639 shares of Common Stock. The zero-coupon convertible notes had an aggregate accreted balance of $96.3 million at December 31, 1990.

At the end of 1990, the long-term debt to market capitalization ratio (the relationship between debt and the market value of debt plus equity) was 37%, as compared to 33% and 45% at year-end 1989 and 1988, respectively. The increase in the ratio in 1990 primarily reflects the effect of the general downward trend in exploration and production company stock prices in the last quarter of the year.

In December 1990, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 106 ("SFAS 106"), "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires the accrual, during the years that the employee renders the necessary service, of the expected cost of providing postretirement benefits other than pensions (most notably, postretirement medical benefits) to the employee and the employee's beneficiaries and covered dependents. The FASB requires adoption of SFAS 106 in 1993. The transition obligation can be recognized upon adoption or on a delayed basis, amortized over 20 years. Management has begun preliminary evaluation of the impact of adoption based upon current benefit plans, historical experience and possible future plan amendments.

Environmental Matters

Substantially all of the Company's operations are subject to various laws relating to the handling of hazardous substances and requiring the cleanup of deposits and spills of hazardous substances. In addition, the Company has retained responsibility for certain liabilities of its chemicals company ("Chemicals") sold to Occidental Petroleum Corporation in 1986 and certain other businesses which have been disposed of or otherwise discontinued, including certain environmental liabilities. In addition, the Company is subject to a number of legal proceedings and other contingent liabilities arising out of its continuing business and businesses that have been disposed of or otherwise discontinued. See "Commitments and Contingencies" in the Financial Summary accompanying the Consolidated Financial Statements for a description of legal proceedings and other contingent liabilities.

In the opinion of the Company, environmental remediation has been substantially completed at all discontinued plant sites where remediation is required, except for the Newark and Kearny plants located in New Jersey which are discussed below.

The Company will be responsible for remediation at the former agricultural chemical plant in Newark under a consent decree entered in November 1990 with the U.S. Environmental Protection Agency and the New Jersey Department of Environmental Protection (the "DEP").

The Company will perform remedial investigation, feasibility studies and remediation under an Administrative Consent Order issued by the DEP in April 1990 covering sites in Kearny and Secaucus, New Jersey where chromite ore residue from the Kearny plant was utilized, as well as the plant site. The Company has provided financial assurance for performance under the order in the form of, and limited to, a $20.0 million letter of credit and a

$31.5 million working capital fund, which will be established incrementally through April 1, 1993.

The Company will also have responsibility for Chemicals' share of the cost of remediation for a number of other sites, off of the Company's properties, where wastes from plant operations by Chemicals were allegedly disposed of or have come to be located, including several commercial waste disposal sites.

The Company's total expenditures for environmental compliance were approximately $25.0 million in 1990 and are expected to be approximately $30.0 million in 1991. The increased level of such expected expenditures in 1991 as contrasted to the prior year is primarily attributable to the expectation that the Newark project and parts of the Kearny project will be moving from the preliminary engineering to the advanced engineering and construction phase in 1991. The Company's environmental compliance expenditures included in 1990, and are expected to include for 1991, expenditures such as installation of environmental control facilities, as well as costs incurred for on-site and off-site environmental remediation and for compliance with applicable environmental laws in respect of both current and discontinued or disposed of operations, including contractual indemnity obligations arising in respect of Chemicals and other disposed of businesses.

The Company will continue to incur costs for environmental compliance, especially those associated with Chemicals; however, in the opinion of the Company, the material probable environmental costs which can be reasonably estimated are adequately covered by reserves or cost sharing arrangements with its former subsidiary Diamond Shamrock R&M, Inc. (now known as Diamond Shamrock, Inc.) which was spun off to the Company's stockholders in 1987.

Results of Operations

Maxus reported net income in 1990 of $7.3 million as compared to net losses of $31.0 million and $131.6 million in 1989 and 1988, respectively. The 1989 results included gains on the sales of assets in the amount of $76.9 million; excluding these gains, the improvement in 1990 over 1989 was $115.2 million. The increased net income in 1990 was attributable to improved prices, lower depreciation, depletion and amortization and reduced interest and debt expenses. The 1988 results included a one-time cumulative adjustment of $70.0 million to reflect a change in the accounting for income taxes as required by Statement of Financial Standards No. 96, which the Company adopted in 1988.

Sales and operating revenues were $685.4 million in 1990, $600.8 million in 1989 and $571.8 million in 1988. The 14% improvement in 1990 sales over 1989 was due to increased prices ($110.4 million positive price variance) partially offset by reduced volumes ($25.8 million negative volume variance). The increase in sales from 1988 to 1989 was due to increased production of crude oil from Indonesian operatons ($54.2 million) combined with a $2.38 per barrel increase in worldwide crude price realizations ($29.2 million). Improvement in natural gas price realization ($8.6 million) was another positive factor. These gains were offset in part by the loss in revenue during 1989 due to the sale of the Canadian subsidiary ($21.0 million), the sale of the 10% interest in the production sharing contract in Northwest Java, (representing a reduction of approximately $13.1 million in revenues) and the sales of certain non-strategic United States properties.

Net worldwide crude oil production was 52.1 thousand barrels ("MB") per day in 1990, compared to the 1989 level of 54.9 MB per day. Maxus' share of the total Indonesian production was 41.9 MB per day in 1990, down from 44.0 MB per day in 1989. This volume decrease reflected the effect of higher worldwide prices for crude oil on the cost recovery portion of net entitlements. (The price increase equated to an 8.0 MB per day decrease in volumes.) The 1989 worldwide crude oil production, relatively flat from the 1988 level, included the mid-year start-up of the Intan field in the Southeast Sumatra area of Indonesia, offset by the effect of property sales and changes in Indonesian cost recovery barrels. The average worldwide realized price received for crude oil in 1990 was $21.50 per barrel as compared to $17.60 per barrel in 1989 and $15.21 per barrel in 1988.

The Company's United States natural gas sales for 1990 were 295 million cubic feet ("MMCF") per day, as compared to 296 MMCF per day for 1989 and 306 MMCF per day for 1988. Production volume declines in the Texas Panhandle in 1990, as compared to 1989, were offset by increased volumes from offshore properties. The lower 1989 sales, as compared to 1988, were the result of United States asset sales, normal declines and voluntary curtailments. The average price received for natural gas was $1.76 per thousand cubic feet ("MCF"), $1.68 per MCF and $1.64 per MCF during the years 1990, 1989 and 1988, respectively.

Natural gas liquids sales in the United States in 1990 were 16.2 MB per day as compared to 17.9 MB per day in 1989 and 21.2 MB per day in 1988. Normal production declines of natural gas in the Texas Panhandle area were largely responsible for the gas liquids decline. Average prices received for natural gas liquids increased to $13.56 per barrel in 1990 from $9.27 per barrel in 1989 and $8.82 per barrel in 1988.

In addition to gathering and processing a substantial part of the Company's own natural gas, the Company also purchases, gathers and processes other natural gas, primarily in the Texas Panhandle and western Oklahoma, for resale. The average daily sales of purchased natural gas, which were included in the sales volumes discussed above, amounted to 61 MMCF per day, 60 MMCF per day and 61 MMCF per day in 1990, 1989 and 1988, respectively. The average daily sales of natural gas liquids, extracted from purchased natural gas, also included in the volumes discussed above were 7.7 MB per day in 1990, 8.6 MB per day in 1989 and 10.3 MB per day in 1988.

Other revenues, net were $15.2 million, $62.9 million and $25.3 million for the years 1990, 1989 and 1988, respectively. The 1989 other revenues, net incuded a gain of $27.7 million from the sale of the Canadian subsidiary and a $34.8 million gain from the sale of the stock of the foreign subsidiary which owned a 10% interest in the production sharing contract in the Northwest Java area of Indonesia. In 1988, the Company recorded an $11.3 million gain on the sale of the Dutch North Sea properties, a $12.5 million provision for relocation costs and a favorable settlement of two disputes involving natural gas sales contracts.

Purchases and operating expenses were $243.2 million in 1990. The 10% increase over 1989 was primarily the

result of new platforms which came on production in the Southeast Sumatra area of Indonesia during 1990. The 1989 purchases and operating expenses of $221.9 million were down from the 1988 level of $236.7 million reflecting a reduction in production, operating and maintenance expenses due to the sale of higher cost producing properties and lower gas volumes.

Exploration costs, including exploratory dry holes, were $65.4 million in 1990, as compared to $49.8 million in 1989 and $54.0 million in 1988. The increase in 1990 over 1989 resulted from higher geological and geophysical expenditures in new foreign exploration areas including Bolivia, Colombia and Spain and from increased dry hole costs. The dry hole costs were $21.7 million, $16.0 million and $14.9 million for the years 1990, 1989 and 1988, respectively. The increase in dry hole costs in 1990 over 1989 was a result of overall higher exploration activity in North America.

The Company has continued to realize substantial reductions in depreciation, depletion and amortization ("DD&A") over the three-year period; the expense was $190.5 million, $234.0 million and $268.7 million in 1990, 1989 and 1988, respectively. This favorable trend has been largely due to the impact of lower relative finding costs from 1988 to 1990 (cumulative DD&A rate effect of $48.5 million) and lower lease and well impairments ($17.0 million total from 1988 to 1990). On a worldwide per barrel of oil equivalent basis, the DD&A rate dropped from $6.02 per barrel produced in 1988 to $4.63 per barrel produced in 1990.

General and administrative expenses were $32.5 million in 1990, relatively unchanged from the 1989 level and slightly improved from the $34.8 million recorded in 1988. The Company continues to successfully monitor and control its general and administrative expenses.

Interest and debt expenses were $80.6 million in 1990, significantly down from 1989 due to lower average debt levels in 1990 as compared to debt levels throughout 1989. The 1989 interest and debt expenses of $93.8 million remained flat from 1988 as the higher debt level in early 1989 was substantially reduced later in the year through the use of proceeds from asset sales.

The 1990 provision for income taxes of $62.0 million primarily represents foreign taxes. The 1989 provision for income taxes of $45.4 million represented foreign taxes and United States alternative minimum tax, partially offset by tax benefits attributed to prior year operating losses. The income tax expense increase in 1990, as compared to 1989, was largely the result of increased taxable revenue in Southeast Sumatra which more than offset the reduction in tax caused by the sale of the partial interest in the production sharing contract in Northwest Java. In 1988 the Company recorded a tax benefit of $44.9 million, largely the result of losses from United States operations.

Future Outlook

The oil and gas exploration and production industry is highly competitive and subject to volatile oil and gas prices which have fluctuated substantially in recent years as a result of numerous factors, including changes in worldwide production and demand levels which are outside of the Company's control. The invasion of Kuwait by Iraq is the latest of these events with an immediate rise in worldwide crude oil prices, resulting in a positive effect on the Company's sales and operating revenues, and then a subsequent fall in prices. Upon resolution of the Persian Gulf situation, significant price instability could occur until supply and demand come into balance.

Natural gas prices also continue to be volatile, primarily due to weather and regional supply and demand imbalances. Although mild weather and high inventory levels caused recent drops in spot pricing, the Company believes the desirability of natural gas as a fuel alternative will result in continued growth in demand as well as a general upward trend in prices. The Company has been able to realize premium gas prices by focusing its marketing efforts and by aggregating supply in order to offer large volumes backed by diversified supply sources.

While planning is uncertain in this environment, management is of the opinion that the Company has the financial resources and the flexibility to meet anticipated needs for future operations, absent significant price declines.

The exploration and development program budget is $292.0 million for 1991, compared to $309.2 million spent in 1990. The decrease reflects the completion in late 1990 of the permanent processing facility in Southeast Sumatra, offset in part by increases in other international areas and in the United States. The Company expects to spend approximately $51.0 million in Southeast Sumatra and $47.0 million in the Northwest Java area of Indonesia. The United States program spending for 1991 is planned to be $145.0 million, representing an increase over the $123.1 million spent in 1990. Spending for other worldwide activities is anticipated to be up $29.0 million to $49.0 million, $17.0 million of which will be dedicated to the development program in Ecuador. This is a well-balanced, worldwide exploration and development program targeted at growing the reserve base at a competitive finding and development cost. This program is flexible and spending could be adjusted if there were significant changes in oil and gas prices or other economic factors.

Entering 1991, the Company has new Indonesian crude volumes on stream (a projected increase in Indonesian operations of 30.0 MB per day from 1990), new reserve additions in North America to be developed and an inventory of attractive acreage, both domestically and internationally, to exploit. By continuing to focus on its strengths, management believes Maxus is well positioned for growth and continued improvement in financial strength.

SEGMENT INFORMATION

Statement of Financial Accounting Standards No. 14 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, its foreign operations and export sales, and its 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 1990 financial statements of the survey companies.

TABLE 1-3: SEGMENT INFORMATION

	Number of Companies			
	1990	**1989**	**1988**	**1987**
Industry segments				
Revenue	371	366	397	412
Operating income or loss	336	334	358	381
Identifiable assets	368	366	383	406
Depreciation expense	365	363	383	401
Capital expenditures	367	355	374	397
Geographic areas				
Revenue	216	210	202	211
Operating income or loss	171	162	167	173
Identifiable assets	207	205	204	213
Depreciation expense	17	14	8	13
Capital expenditures	21	13	18	14
Export sales	131	127	121	107
Sales to major customers	151	148	139	127

Industry Segments

BAUSCH & LOMB INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Industry Segment and Geographic Information

The company's operations are classified into two 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 services 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. This segment also includes optical thin film coating services.

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 1990, 1989 and 1988.

Industry Segment

Dollar Amounts in Thousands	Healthcare	Optics	Corporate and Other	Consolidated
1990				
Sales	$856,414	$512,166	$ —	$1,368,580
Operating earnings	142,275	112,417	—	254,692
Depreciation	33,902	13,660	2,628	50,190
Identifiable assets	918,429	357,612	401,333	1,677,374
Capital expenditures	70,876	36,653	845	108,374
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

Geographic Area

Dollar Amounts in Thousands	United States	Europe	Asia and Pacific	Other International	Consolidated
1990					
Sales to unaffiliated customers	$794,843	$287,976	$200,599	$85,162	$1,368,580
Inter-area sales to affiliates	118,952	47,095	91	1,420	167,558
Operating earnings	145,640	61,532	33,920	13,600	254,692
Identifiable assets	826,348	632,396	158,286	60,344	1,677,374
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

ADOLPH COORS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Segment Information

The Company's operations include four reportable segments: beer business, ceramics business, aluminum business and packaging business. The beer segment is composed of those operations principally involved in the manufacture, sale and distribution of malt beverage products. The ceramics segment is made up of those operations which manufacture ceramic products. The aluminum segment is involved in the manufacture of aluminum rigid container sheet products and reclamation and recycling of used beverage containers and other secondary metals. The packaging segment produces high-performance flexible packaging and folding cartons. Other businesses include those subsidiaries that acquire and develop oil and gas properties; produce corn syrup, vitamin products and other food ingredients; and develop innovative products and processes

based on expertise in engineering and technology. The operating results for the beer business in 1990 included a special charge for remediation costs associated with the Lowry Landfill Superfund site, as discussed in Note 7.

The operating loss for other businesses in 1989 includes asset write-downs at Coors Energy Company and Coors BioTech, Inc. as discussed in Note 7.

Intersegment activity is composed of sales, receivables and profit on the transfer of inventory between segments. Operating income (loss) for reportable segments is exclusive of certain unallocated corporate expenses.

Financial information by reportable business segment is included in the following summary:

	Net sales	Operating income (loss)	Assets	Depreciation, depletion and amortization	Additions to properties
		(In thousands)			
1990					
Beer business—continuing	$1,477,271	$100,662	$1,084,839	$ 90,757	$175,199
—Special charge	—	(30,000)	—	—	—
Ceramics business	181,673	(457)	168,317	10,207	15,051
Aluminum business	138,233	16,322	227,355	7,620	83,236
Packaging business	155,809	9,804	139,868	9,141	4,187
Other businesses	103,670	(7,013)	151,290	11,832	19,855
Intersegment activity	(193,302)	1,531	(163,403)	—	—
Corporate	—	(16,465)	153,398	819	4,493
	$1,863,354	$ 74,384	$1,761,664	$130,376	$302,021
1989					
Beer business	$1,366,108	$ 71,081	$ 967,486	$ 85,249	$ 81,499
Ceramics business	166,749	11,721	153,464	8,361	33,430
Aluminum business	167,327	9,110	93,572	6,822	15,826
Packaging business	136,848	772	110,961	8,281	3,108
Other businesses	103,541	(45,209)	128,013	12,451	13,934
Intersegment activity	(176,703)	(2,300)	(36,946)	—	—
Corporate	—	(11,429)	114,233	1,275	1,819
	$1,763,870	$ 33,746	$1,530,783	$122,439	$149,616
1988					
Beer business	$1,271,906	$ 82,794	$ 981,716	$ 78,101	$ 97,531
Ceramics business	151,983	12,517	118,375	8,005	17,849
Aluminum business	97,330	3,939	96,042	6,096	9,134
Packaging business	77,434	(2,149)	115,675	5,223	9,398
Other businesses	76,340	(12,356)	163,707	12,609	18,595
Intersegment activity	(153,296)	(295)	(19,398)	—	—
Corporate	—	(14,908)	114,648	1,398	5,488
	$1,521,697	$ 69,542	$1,570,765	$111,432	$157,995

GRUMMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Segment Information

The company's operations are classified into four business segments as follows:

"Aerospace"—Includes the design and production of military aircraft, space systems and commercial aircraft components and subassemblies, as well as the modernization or conversion of previously completed aircraft.

"Electronics systems"—Includes the design, manufacture and integration of sophisticated electronics for aircraft, computerized test equipment and other defense related products, such as airborne surveillance systems.

"Information and other services"—Includes electronic data processing services for affiliates and other customers as well as real estate, insurance and leasing services. It also includes technical services that help ready the space shuttle for flight, provide space station program support, service and maintain flight simulators and trainers and support Grumman aircraft.

"Special purpose vehicles"—Includes fabrication of long life vehicles for the U.S. Postal Service, aluminum truck bodies, and fire trucks.

Information about the company's operations in its different industry segments for the past three years is as follows:

	Sales	Operating Income (Loss)	Identifiable Assets	Depreciation and Amortization	Capital Expenditures
1990					
Aerospace	$2,922,398	$157,218	$1,558,625	$ 72,924	$ 34,586
Electronics systems	493,040	13,031	289,013	11,518	4,621
Information and other services	642,635	34,287	445,698	14,694	9,097
Special purpose vehicles	390,789	24,927	148,493	4,566	1,030
Corporate items and eliminations	(407,556)	(2,700)	12,295	1,579	385
Consolidated	$4,041,306	226,763	$2,454,124	$105,281	$ 49,719
Interest expense		98,791			
Income before federal income taxes		$127,972			
1989					
Aerospace	$2,532,547	$132,395	$1,717,785	$ 80,525	$ 44,756
Electronics systems	445,805	8,337	303,561	14,285	7,501
Information and other services	589,568	46,593	462,743	15,898	9,483
Special purpose vehicles	399,370	15,639	146,191	4,832	3,572
Corporate items and eliminations	(408,470)	(1,573)	(39,218)	1,915	413
Consolidated	$3,558,820	201,391	$2,591,062	$117,455	$ 65,725
Interest expense		105,327			
Income before federal income taxes		$ 96,064			
1988					
Aerospace	$2,643,086	$140,455	$1,630,934	$ 82,178	$ 87,648
Electronics systems	514,378	8,547	314,550	14,088	11,351
Information and other services	544,272	58,096	484,504	16,487	14,315
Special purpose vehicles	380,682	10,918	166,958	4,536	4,437
Corporate items and eliminations	(433,526)	(2,657)	(30,961)	1,822	368
Consolidated	$3,648,892	215,359	$2,565,985	$119,111	$118,119
Interest expense		84,894			
Income before federal income taxes		$130,465			

Sales to the U.S government and its agencies (including sales to foreign governments through foreign military sales contracts with U.S. government agencies) for the years 1990, 1989, and 1988 amounted to $3,618,284, $3,066,896 and $3,201,679, respectively.

A summary of export sales by geographic areas follows:

	1990	1989	1988
Far East	$106,712	$117,336	$ 87,511
Middle East	17,073	40,813	40,350
Europe	62,592	44,752	38,377
Western Hemisphere	7,265	11,765	10,314
	$193,642	$214,666	$176,552

THE DUN & BRADSTREET CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollar amounts in millions

Note 13. Operations by Business Segments

Financial information for each of the Company's six segments is set forth below:

Year Ended December 31, 1990	Risk-Management[1] Information Services	Directory Information Services	Marketing[2] Information Services	Financial Information Services	Software Services	Business Services	Total
Operating Revenue	$ 955.7	$449.9	$1,937.5	$344.7	$538.7	$591.2	$4,817.7
Restructuring (Expense) Income—Net[3]	$ (38.0)	$ (5.5)	$ (15.2)	$ .8	$ (24.7)	$ 85.1	$ 2.5[4]
Segment Operating Income	$ 112.7	$178.0	$ 316.4	$106.1	$ 16.6	$145.4	$ 875.2
General Corporate Expenses							(104.3)[4]
Non-Operating Expense—Net							(19.1)
Income Before Provision for Income Taxes							$ 751.8
Segment Depreciation and Amortization	$ 60.2	$ 12.4	$ 119.7	$ 25.8	$ 71.6	$ 50.2	$ 339.9
Segment Capital Expenditures	$ 64.8	$ 8.0	$ 116.3	$ 18.1	$ 24.7	$ 37.8	$ 269.7
Identifiable Assets at December 31, 1990	$ 827.2	$429.5	$1,572.8	$385.2	$814.9	$400.1	$4,429.7
Year Ended December 31, 1989							
Operating Revenue	$ 953.6	$437.1	$1,714.7	$325.0	$232.6	$658.8	$4,321.8
Restructuring (Expense) Income—Net[3]	$ (7.3)	$ (23.8)	$ 33.5	$ (1.8)	$ .2	$ (25.5)	$ (24.7)[4]
Segment Operating Income	$ 261.6	$137.8	$ 345.3	$105.1	$ 35.5	$ 55.1	$ 940.4
General Corporate Expenses							(74.7)[4]
Non-Operating Income—Net							49.0
Income Before Provision for Income Taxes							$ 914.7
Segment Depreciation and Amortization	$ 56.4	$ 15.3	$ 102.2	$ 20.0	$ 23.7	$ 55.6	$ 273.2
Segment Capital Expenditures	$ 86.0	$ 6.5	$ 137.6	$ 12.4	$ 11.0	$ 55.7	$ 309.2
Indentifiable Assets at December 31, 1989	$ 711.5	$413.3	$1,332.9	$360.2	$778.5[5]	$685.8	$4,282.2
Year Ended December 31, 1988							
Operating Revenue	$ 891.8	$442.1	$1,611.0	$292.7	$201.4	$828.4	$4,267.4
Restructuring (Expense) Income—Net	$(161.4)	$ (39.4)	$ (344.3)	$ (11.4)	$ (25.6)	$591.9	$ 9.8[4]
Segment Operating Income (Loss)	$ 89.4	$122.6	$ (73.3)	$ 89.8	$ (12.8)	$721.5	$ 937.2
General Corporate Expenses							(167.5)[4]
Non-Operating Income—Net							21.0
Income Before Provision for Income Taxes							$ 790.7
Segment Depreciation and Amortization	$ 42.4	$ 13.8	$ 86.7	$ 20.2	$ 25.0	$ 56.3	$ 244.4
Segment Capital Expenditures	$ 57.1	$ 9.2	$ 137.8	$ 25.4	$ 12.7	$ 74.6	$ 316.8
Identifiable Assets at December 31, 1988	$ 675.7	$395.6	$1,224.9	$399.2	$213.3	$735.1	$3,643.8

[1]Operating revenue from worldwide credit services was $766.7 in 1990, $802.9 in 1989 and $797.1 in 1988.
[2]Nielsen Marketing Research's operating revenue was $940.2 in 1990, $794.2 in 1989 and $735.0 in 1988.
[3]See Note 3 to the Consolidated Financial Statements.
[4]General Corporate Expenses include $(2.5), $24.7 and $(41.9) of restructuring income (expense) in 1990, 1989 and 1988, respectively.
[5]Includes assets of MSA, acquired in December 1989.

Amortization of goodwill and certain other intangible assets previously classified as a non-operating expense, has now been classified as an operating expense and totaled in 1990, 1989 and 1988, respectively: $7.3, $4.3 and $3.1 for Risk-Management Information Services; $2.4, $2.3 and $2.6 for Directory Information Services; $9.5, $9.0 and $7.8 for Marketing Information Services; $5.5, $4.3 and $5.2 for Financial Information Services; $20.5, $2.4 and $5.3 for Software Services; $6.1, $8.4 and $8.3 for Business Services; and $.9, $1.4 and $1.5 for Corporate.

Non-operating assets of $324.7 million, $1,033.7 million and $1,379.9 million at December 31, 1990, 1989 and 1988, respectively, included primarily cash and cash equivalents and marketable securities. These assets are not identified with business segments and represent the reconciling item between the identifiable assets shown and the Company's total assets.

THE WALT DISNEY COMPANY (SEP)

Consolidated Statement of Income

(In millions, except per share data)

	1990	1989	1988
Revenues			
Theme parks and resorts	$3,019.6	$2,595.4	$2,042.0
Filmed entertainment	2,250.3	1,587.6	1,149.2
Consumer products	573.8	411.3	247.0
	5,843.7	4,594.3	3,483.2
Costs and Expenses			
Theme parks and resorts	2,130.3	1,810.0	1,477.2
Filmed entertainment	1,937.3	1,331.1	962.9
Consumer products	350.6	224.2	113.3
	4,418.2	3,365.3	2,553.4
Operating Income			
Theme parks and resorts	889.3	785.4	564.8
Filmed entertainment	313.0	256.5	186.3
Consumer products	223.2	187.1	133.7
	1,425.5	1,229.0	884.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Business Segments

(In millions)	1990	1989	1988
Capital Expenditures			
Theme parks and resorts	$ 519.8	$ 665.4	$ 559.0
Filmed entertainment	39.5	27.2	16.9
Consumer products	34.3	21.6	6.6
Corporate	122.7	35.4	13.2
	$ 716.3	$ 749.6	$ 595.7
Depreciation Expense			
Theme parks and resorts	$ 177.4	$ 172.4	$ 137.2
Filmed entertainment	12.9	12.2	6.8
Consumer products	5.8	3.1	.6
Corporate	7.0	3.8	4.0
	$ 203.1	$ 191.5	$ 148.6
Identifiable Assets			
Theme parks and resorts	$4,420.3	$4,066.9	$3,195.6
Filmed entertainment	1,672.8	1,252.1	631.2
Consumer products	236.4	193.1	148.8
Corporate	1,692.8	1,145.1	1,133.3
	$8,022.3	$6,657.2	$5,108.9
Supplemental Revenue Data			
Theme Parks and Resorts			
Admissions	$1,179.9	$1,021.7	$ 816.3
Merchandise, food and beverage	1,113.5	1,019.5	829.1
Filmed Entertainment			
Theatrical product	1,545.7	1,090.1	824.9

Export revenues by domestic operations for the three years ended September 30, 1990, 1989 and 1988, were $938.8 million, $653.3 million and $400.1 million, respectively.

Foreign Operations

COMPAQ COMPUTER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12—Certain Market and Geographic Data:

Compaq Computer Corporation designs, develops, manufactures and markets personal computers for business and professional users. The Company has subsidiaries in various foreign countries which manufacture and sell the Company's products in their respective geographic areas. Summary information respecting the Company's geographic operations in 1990, 1989 and 1988 follows:

	United States and Canada	Europe	Other countries	Eliminations	Consolidated
			(in thousands)		
1990					
Sales to dealers	$1,657,640	$1,807,499	$133,629		$3,598,768
Intercompany transfers	1,018,891	26,540	329,653	($1,375,174)	
	$2,676,621	$1,834,039	$463,282	($1,375,174)	$3,598,768
Income from operations	$ 414,297	$ 169,280	$121,713	($ 29,327)	$ 675,963
Corporate expenses, net					34,530
Pretax income					$ 641,433
Identifiable assets	$1,565,876	$ 662,942	$129,403	($ 75,392)	$2,282,829
General corporate assets					434,700
Total assets					$2,717,529
1989					
Sales to dealers	$1,569,611	$1,201,638	$104,813		$2,876,062
Intercompany transfers	796,944	31,220	250,354	($1,078,518)	
	$2,366,555	$1,232,858	$355,167	($1,078,518)	$2,876,062
Income from operations	$ 402,316	$ 85,476	$ 71,521	($ 32,123)	$ 527,190
Corporate expenses, net					42,651
Pretax income					$ 484,539
Identifiable assets	$1,352,086	$ 510,214	$ 90,472	($ 23,696)	$1,929,076
General corporate assets					161,313
Total asssets					2,090,389
1988					
Sales to dealers	$1,269,036	$ 734,502	$ 62,024		$2,065,562
Intercompany transfers	540,880	13,108	156,560	($ 710,548)	
	$1,809,916	$ 747,610	$218,584	($ 710,548)	$2,065,562
Income from operations	$ 291,497	$ 81,009	$ 42,820	(19,790)	$ 395,536
Corporate expenses, net					28,689
Pretax income					$ 366,847
Identifiable assets	$ 936,894	$ 348,366	$ 62,244	($ 38,686)	$1,308,818
General corporate assets					281,179
Total assets					$1,589,997

In each year, the Company's hedging activities offset much of the effects of changes in the value of the United States dollar relative to the currencies of those countries where the Company's foreign subsidiaries operate.

Products are transferred between countries at prices which are intended to approximate those that would be charged to unaffiliated customers in the respective countries. Transactions with one of the Company's Authorized Dealers accounted for 10%, 11% and 13% of consolidated sales in 1990, 1989 and 1988, respectively.

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Geographic Segment Data in thousands

The company's operations involve a single industry segment—the design, manufacture, and sale of general purpose computer systems, including peripheral equipment, software, communications systems, and related products and services.

Financial information, summarized by geographic area, is as follows:

	United States	Europe	Far East	Other International	Eliminations	Consolidated
Year ended September 29, 1990:						
Total revenues:						
Unaffiliated customers	$ 622,593	$398,773	$ 80,470	$114,565		$1,216,401
Interarea transfers	214,423	—	62,174	3,872	$(280,469)	—
Total	$ 837,016	$398,773	$142,644	$118,437	$(280,469)	$1,216,401
Loss from operations	$ (64,561)	$ (36,567)	$ (9,140)	$ (20,855)	$ (1,517)	$ (132,640)
Identifiable assets	$ 583,388	$277,194	$126,115	$ 71,743	$(177,168)	$ 881,272
Corporate assets						28,165
Total assets						$ 909,437
Year ended September 30, 1989:						
Total revenues:						
Unaffiliated customers	$ 675,979	$394,498	$111,259	$132,659		$1,314,395
Interarea customers	290,803	—	90,658	4,393	$(385,854)	—
Total	$ 966,782	$394,498	$201,917	$137,052	$(385,854)	$1,314,395
Income (loss) from operations	$ (109,183)	$ (24,569)	$ 6,119	$ 2,858	$ (2,590)	$ (127,365)
Identifiable assets	$ 664,389	$292,035	$ 159,177	$ 86,698	$ (239,904)	$ 962,395
Corporate assets						77,770
Total assets						$1,040,165
Year ended September 24, 1988:						
Total revenues:						
Unaffiliated customers	$ 736,739	$391,526	$109,965	$126,504		$1,364,734
Interarea transfers	275,018	—	117,994	8,851	$(401,863)	—
Total	$1,011,757	$391,526	$227,959	$135,355	$(401,863)	$1,364,734
Income (loss) from operations	$ (9,286)	$ (3,818)	$ (3,361)	$ 8,631	$ 1,962	$ (5,872)
Identifiable assets	$ 700,740	$236,227	$176,693	$ 78,471	$(181,468)	$1,010,663
Corporate assets						67,050
Total assets						$1,077,713

United States interarea transfers primarily represent shipments of equipment and parts to international subsidiaries. Far East and Other International interarea transfers primarily represent shipments of work in process and finished goods inventory from manufacturing facilities to domestic operations. These interarea shipments are made at transfer prices which approximate prices charged to unaffiliated customers and have been eliminated from consolidated net revenues. United States revenues from unaffiliated customers include direct export sales. Corporate assets consist primarily of temporary cash investments.

Total liabilities of international subsidiaries, before intercompany eliminations, were $384,768 at September 29, 1990 and $286,269 at September 30, 1989. Cumulative retained earnings (deficits) of international subsidiaries were $(4,956) at September 29, 1990 and $63,733 at September 30, 1989.

CPC INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Operations by business segment and geographic area
Information concerning operations by business segment and geographic area appears on pages 40 and 41.

Geographic Financial Information

$ Millions	1990	1989	1988
Sales to unaffiliated customers			
United States	$2,322.2	$2,259.6	$2,043.5
Canada	247.6	222.5	191.8
North America	2,569.8	2,482.1	2,235.3
Europe	2,115.9	1,690.9	1,641,6
Latin America	904.6	760.2	677.8
Asia	190.8	169.9	145.3
	5,781.1	5,103.1	4,700.0
Sales interarea			
United States	12.1	7.5	4.5
Canada	67.3	63.3	48.0
North America	79.4	70.8	52.5
Europe	15.7	25.4	28.9
Latin America	.3	.3	1.5
Asia	.1	.1	.5
	95.5	96.6	83.4
Operating income			
United States	335.5	294.3	244.3
Canada	36.3	24.5	18.9
North America	371.8	318.8	263.2
Europe	232.2	185.6	165.9
Latin America	122.8	119.9	120.4
Asia	36.6	32.6	24.5
Corporate expenses	(17.1)	(14.2)	(12.8)
	746.3	642.7	561.2
Assets at December 31			
United States	1,430.3	1,410.0	1,420.6
Canada	277.2	249.8	225.0
North America	1,707.5	1,659.8	1,645.6
Europe	1,974.0	1,278.0	1,020.4
Latin America	583.7	502.8	465.9
Asia	112.5	98.7	83.1
Corporate	112.6	165.4	127.0
	4,490.3	3,704.7	3,342.0

Interarea sales generally are priced with reference to prevailing market prices.

MCDONALD'S CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Segment and geographic information
The Company operates exclusively in the foodservice industry. Substantialy all revenues result from the sale of menu products at restaurants operated by the Company, its franchisees or affiliates.

(In millions of dollars)	1990	1989	1988
U.S.	$ 3,871.0	$3,887.3	$3,700.6
Europe	1,635.8	1,164.1	1,018.9
Canada	650.7	618.4	535.3
Pacific	339.9	289.9	200.1
Latin America	142.2	105.9	65.9
Total revenues	$ 6,639.6	$6,065.6	$5,520.8
U.S.	$ 986.2	$ 989.0	$ 916.9
Europe	325.3	192.0	162.5
Canada	129.5	116.9	108.0
Pacific	120.8	111.0	93.9
Latin America	34.1	28.8	6.3
Operating income	1,595.9	1,437.7	1,287.6
Interest expense	381.2	301.9	237.3
Other nonoperating income (expense)—net	31.6	21.4	(3.8)
Income before provision for income taxes	$ 1,246.3	$1,157.2	$1,046.5
U.S.	$ 6,059.8	$5,645.9	$5,147.7
Europe	2,925.8	2,062.9	1,702.6
Canada	600.9	561.7	510.6
Pacific	837.1	732.7	677.6
Latin America	243.9	171.8	120.2
Total assets	$10,667.5	$9,175.0	$8,158.7

Operating income includes the Company's share of operating results of affiliates. All intercompany revenues and expenses are eliminated in computing revenues and operating income. Fees received in the U.S. from subsidiaries outside of the U.S. were: 1990—$134.1 million; 1989—$98.3 million; 1988—$79.7 million.

UNISYS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Business segment information
The Company operates primarily in one business segment —information systems and related services and supplies. This segment represents more than 90% of consolidated revenue, operating profit and identifiable assets. The Company's operations are structured to achieve consolidated objectives. As a result, significant interdependencies and overlaps exist among the Company's operating units.

Accordingly, the revenue, operating profit and identifiable assets shown for each geographic area may not be indicative of the amounts which would have been reported if the operating units were independent of one another.

Sales and transfers between geographic areas are generally priced to recover cost plus an appropriate mark-up for profit. Operating profit is revenue less related costs and direct and allocated operating expenses, excluding interest and the unallocated portion of corporate expenses. Corporate assets are those assets maintained for general purposes, principally short-term investments, costs in excess of net assets acquired and corporate facilities.

No single customer accounts for more than 10% of revenue except that revenue from various agencies of the U.S. Government approximated $2,472, $2,344 and $2,518 million in 1990, 1989 and 1988, respectively.

A summary of the Company's operations by geographic area is presented below:

(Millions)	1990	1989	1988
United States			
Customer revenue	$ 4,870.9	$ 5,136.3	$ 5,367.8
Affiliate revenue	1,706.6	1,906.5	2,012.9
Total	$ 6,577.5	$ 7,042.8	$ 7,380.7
Operating profit (loss)	$ (60.9)	$ (267.4)	$ 1,044.5
Identifiable assets	3,696.7	4,677.0	5,377.6
Europe			
Customer revenue	$ 3,088.1	$ 2,935.3	$ 2,887.9
Affiliate revenue	164.1	155.9	136.1
Total	$ 3,252.2	$ 3,091.2	$ 3,024.0
Operating profit (loss)	$ (196.0)	$ (31.7)	$ 240.0
Identifiable assets	2,194.8	2,124.3	2,281.0
Americas/Pacific			
Customer revenue	$ 2,152.3	$ 2,025.3	$ 1,679.5
Affiliate revenue	271.0	273.9	234.0
Total	$ 2,423.3	$ 2,299.2	$ 1,913.5
Operating profit	$ 556.4	$ 320.3	$ 295.6
Identifiable assets	1,305.6	1,229.0	1,127.4
Adjustments and eliminations			
Affiliate revenue	$ (2,141.7)	$ (2,336.3)	$ (2,383.0)
Operating profit	66.3	51.8	(159.6)
Identifiable assets	(173.4)	(240.3)	(322.4)
Consolidated			
Revenue	$10,111.3	$10,096.9	$ 9,935.2
Operating profit	$ 365.8	$ 73.0	$ 1,421.4
General corporate expenses	(256.4)	(201.6)	(158.3)
Interest expense	(446.7)	(425.7)	(304.5)
Income (loss) before income taxes	$ (337.3)	$ (554.3)	$ 958.6
Identifiable assets	$ 7,023.7	$ 7,790.0	$ 8,463.6
Corporate assets	3,264.9	2,961.0	3,071.0
Total assets	$10,288.6	$10,751.0	$11,534.6

Major Customers

HASBRO, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Dollars Except Share Data)

14. Segment Reporting

Industry and Geographic Information

The Company operates primarily in one industry segment which includes the development, manufacture and marketing of toys and related items and the licensing of certain toy related properties.

Information about the Company's operations in different geographic locations for the three fiscal years ended in December 1990 is shown below. The Company's areas of operation outside of the United States include Canada, Western Europe, Australia and New Zealand and Hong Kong. As the foreign areas have similar business environments and the Company's operations in those areas are similar, they are presented as one category. Revenues from unaffiliated customers represent total net revenues from the respective geographic areas after elimination of intercompany transactions which are not material. Operating profit is net revenues less operating costs and expenses pertaining to specific geographic areas. Identifiable assets are those assets used in the geographic areas and are reflected after elimination of intercompany balances.

	1990	1989	1988
Revenues from unaffiliated customers:			
United States	$ 938,771	954,306	925,125
Foreign	581,261	455,372	432,770
	$1,520,032	1,409,678	1,357,895
Operating profit:			
United States	$ 63,600	100,263	82,846
Foreign	96,692	69,816	71,213
	$ 160,292	170,079	154,059
Identifiable assets:			
United States	$ 911,977	944,243	790,653
Foreign	372,788	302,242	321,255
	$1,284,765	1,246,485	1,111,908
Capital expenditures:			
United States	$ 23,453	29,949	34,679
Foreign	12,715	12,319	19,755
	$ 36,168	42,268	54,434
Depreciation and amortization:			
United States	$ 47,918	47,442	52,005
Foreign	12,339	12,477	10,969
	$ 60,257	59,919	62,974

Other Information

The Company markets its products primarily to customers in the retail sector. Although the Company closely monitors the creditworthiness of its customers, adjusting credit

policies and limits as needed, a substantial portion of its debtors' ability to discharge amounts owed is dependent upon the retail economic environment.

The Company does not believe that it is dependent upon any single customer. Sales to the Company's largest customer, Toys R Us, Inc., amounted to 14% of consolidated net revenues during 1990 and 1989 and 13% in 1988.

LORAL CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Sales to Principal Customers and Export Sales:
The Company operates primarily in one industry segment, defense electronics. Sales to principal customers for the years ended March 31, 1990, 1989 and 1988 are as follows:

(In thousands)	1990	1989	1988
U.S. Government Agencies	$ 708,474	$ 803,077	$ 651,088
Foreign (principally foreign governments)	188,372	137,864	111,717
Other (principally U.S. Government end use)	377,460	246,101	372,887
	$1,274,306	$1,187,042	$1,135,692

Export sales by geographic area for the years ended March 31, 1990, 1989 and 1988 are as follows:

(In thousands)	1990	1989	1988
Asia	$ 96,150	$ 93,618	$ 68,475
Europe	58,758	35,944	36,734
Other	26,521	8,302	6,508
	$181,429	$137,864	$111,717

Export Sales

BRIGGS & STRATTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Industry Segments:
Certain information concerning the Company's industry segments is presented below (in thousands of dollars):

	Year Ended June 30		
	1990	1989	1988
SALES—			
Engines & parts	$ 931,638	$802,872	$854,825
Locks	71,219	73,507	59,232
	$1,002,857	$876,379	$914,057
INCOME (LOSS) FROM OPERATIONS—			
Engines & parts	$ 61,246	$ (13,638)	$ 44,756
Locks	5,035	(2,475)	(1,439)
	$ 66,281	$ (16,113)	$ 43,317
ASSETS—			
Engines & parts	$456,927	$479,132	$448,026
Locks	39,698	36,387	32,471
Unallocated	38,415	45,297	30,103
	$ 535,040	$560,816	$510,600
DEPRECIATION EXPENSE—			
Engines & parts	$ 38,080	$ 36,825	$ 27,595
Locks	1,809	2,170	2,360
	$ 39,889	$ 38,995	$ 29,955
EXPENDITURES FOR PLANT AND EQUIPMENT—			
Engines & parts	$ 35,010	$ 76,204	$ 55,230
Locks	2,787	3,309	1,771
	$ 37,797	$ 79,513	$ 57,001

Unallocated assets include cash, prepaid employee health care, income taxes receivable, future tax benefits and other assets.

Export sales for fiscal 1990 were $214,431,000 (21% of total sales), for fiscal 1989 were $232,580,000 (27%) and for fiscal 1988 were $180,864,000 (20%). These sales were principally to customers in European countries and Canada.

In the fiscal years 1990, 1989, and 1988 there were sales to three major engine customers that exceeded 10% of total net sales. Sales to these customers were:
1990—customer A $168,421,000 (17%) and customer B $109,087,000 (11%);
1989—customer A $117,443,000 (13%);
1988—customer A $117,161,000 (13%) and customer C $103,629,000 (11%).

JOSLYN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Segment of Business Reporting:

The operations of the Corporation are divided into the following business segments for financial reporting purposes:

Electrical Technologies: Electronic protection equipment, connector accessories and switchgear are designed and produced for use by the telecommunications, industrial, aerospace, defense, electric utility and petrochemical industries. These products include communication electronic transient suppression devices, electric switching and interrupting systems, starters, contactors, fire pump controllers, sulfur hexafluoride switches and air pressurization and dehydration products for insulated cables, antenna lines and waveguides and similar systems. The Corporation's defense products include electromagnetic pulse protection applications, electrical connector accessories and air and gas dehydration and purification systems for the military.

Utility Systems: Construction and maintenance materials and electric power protection equipment are designed and produced principally for electric power distribution and for overhead telephone communication lines. These products are manufactured and assembled from metal, rubber and porcelain and include hardware, earth anchors, power surge arresters, fused cutouts, cable accessories, electrical terminating devices and other products. In addition, the Corporation sells complementary goods produced by other manufacturers.

Inter-segment sales are not material. Foreign operations of the Corporation, which are not material, are located in Canada and primarily serve markets in that country. No single customer accounts for 10% or more of the Corporation's sales. General Corporate assets are principally cash, cash equivalents, prepaid expenses and land.

Financial information by business segments is as follows:

(in thousands)

	Net Customer Sales	Income from Business Segments	Identifiable Assets	Depreciation	Capital Expenditures
1990					
Electrical Technologies	$109,606	$13,044	$ 62,300	$2,738	$2,136
Utility Systems	87,400	8,510	42,049	2,031	2,158
General Corporate	—	—	34,870	147	37
Consolidated	$197,006	$21,554	$139,219	$4,916	$4,331
1989					
Electrical Technologies	$114,592	$ 6,515	$ 87,334	$2,993	$3,980
Utility Systems	97,382	10,329	43,978	1,804	2,238
General Corporate	—	—	33,106	134	168
Consolidated	$211,974	$16,844	$164,418	$4,931	$6,386
1988					
Electrical Technologies	$116,594	$15,939	$ 97,350	$2,716	$3,468
Utility Systems	89,435	9,445	47,905	1,703	1,836
General Corporate	—	—	18,331	93	98
Consolidated	$206,029	$25,384	$163,586	$4,512	$5,402

Export sales from the Corporation's United States operations to unaffiliated customers were as follows:

(in thousands)

	1990	1989	1988
Asia	$ 8,916	$ 7,362	$ 6,683
Europe	6,624	5,704	4,769
Western Hemisphere	4,686	5,807	5,445
Other	1,076	1,402	1,087
Total	$21,302	$20,275	$17,984

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 ends 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 survey companies use a 52-53 week fiscal year.

During 1990, ten 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

	1990	1989	1988	1987
January	22	22	20	23
February	15	15	13	13
March	14	16	15	14
April	7	8	7	8
May	16	15	16	14
June	62	57	54	42
July	16	16	14	14
August	17	16	15	15
September	33	37	38	37
October	21	20	22	23
November	17	17	15	16
Subtotal	**240**	**239**	**229**	**219**
December	360	361	371	381
Total Companies	**600**	**600**	**600**	**600**

Change in Date of Fiscal Year Ending

THE BLACK & DECKER CORPORATION

Consolidated Balance Sheet

Dec. 31, 1990	Sept. 24, 1989

Consolidated Statement of Earnings

Year Ended	Transition	Year Ended	
Dec. 31, 1990	Period	Sept. 24, 1989	Sept. 25, 1988

Consolidated Statement of Cash Flows

Year Ended	Transition	Year Ended	
Dec. 31, 1990	Period	Sept. 24, 1989	Sept. 25, 1988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of Dollars Except Per Share Data)

Note 2: Change in Fiscal Year

The Corporation changed its fiscal year from a fiscal year ended on the last Sunday in September to a fiscal year ended on December 31, effective for the 1990 fiscal year ended December 31, 1990. The Consolidated Statement of Earnings and the Consolidated Statement of Cash Flows for the period from September 25, 1989 to December 31, 1989 (Transition Period) are presented in the financial statements. The Consolidated Statement of Earnings and the Consolidated Statement of Cash Flows for the three months ended December 25, 1988 are as follows:

Consolidated Statement of Earnings	(Unaudited) Three Months Ended Dec. 25, 1988
Revenues	
Product sales	$705,519
Information systems and services	—
Total Revenues	705,519
Cost of revenues	
Products	448,089
Information systems and services	—
Marketing and administrative expenses	193,308
Total operating costs and expenses	641,397
Operating Income	64,122
Interest expense (net of interest income of $9,178)	12,053
Other expense	2,609
Earnings Before Income Taxes	49,460
Income taxes	11,100
Net Earnings	$ 38,360
Net Earnings Per Share	$ .65

Net earnings and allocated after-tax interest expense of $36,232 and $30,580 for businesses held for sale, as more fully explained in Note 3, "Acquisition of Emhart," were excluded from the results of operations for the Transition Period.

The pro forma results for the Transition Period and three months ended December 25, 1988, respectively, are: Total Revenues of $1,337,400 and $1,314,700; Net Earnings of $6,000 and $25,000; and Earnings Per Share of $.10 and $.42. The above unaudited pro forma results are prepared on a basis consistent with the pro forma disclosures in Note 3, "Acquisition of Emhart."

For the Transition Period, the Corporation has domestic taxable losses due primarily to acquisition-related interest expense on which tax benefits were recorded. These benefits were more than offset, however, by tax expense recorded on foreign earnings. For the three-month period ended December 25, 1988 tax benefits of approximately $6,300 or $.11 per share were recorded as a result of utilizing net operating loss carryforwards.

Consolidated Statement of Cash Flows	(Unaudited) Three Months Ended Dec. 25, 1988
Cash Flow From Operating Activities	$ 60,132
Investing Activities	
Businesses held for sale	—
Proceeds from disposal of assets	873
Capital expenditures	(20,683)
Cash inflow from investing and hedging activities	26,159
Cash outflow from investing and hedging activities	(26,614)
Cash Flow From Investing Activities	(20,265)
Cash Flow Before Investing Activities	39,867
Financing Activities	
Net decrease in short-term borrowings	(9,671)
Proceeds from long-term debt (including revolving credit facility)	68,790
Payments on long-term debt (including revolving credit facility)	(73,300)
Issuance of common stock	2,609
Cash dividends	(5,868)
Cash Flow From Financing Activities	(17,440)
Effect of exchange rate changes on cash	12,976
Increase in Cash and Cash Equivalents	35,403
Cash and cash equivalents at beginning of period	74,356
Cash and Cash Equivalents at End of Period	$109,759

Cash flow from operating activities is summarized as follows:

	(Unaudited) Three Months Ended Dec. 25, 1988
Operating Activities	
Net earnings	$38,360
Adjustments to reconcile net earnings to cash flow from operating activities:	
Depreciation and amortization	23,562
Changes in selected working capital items:	
Inventories	(2,257)
Trade receivables	(34,688)
Trade payables	2,962
Other assets and liabilities	35,191
Investing and financing activities included in net earnings	(2,998)
Cash Flow From Operating Activities	$60,132

Income tax and interest payments for the three-month period ended December 25, 1988 were $4,569 and $20,075, respectively.

REPORT OF INDEPENDENT AUDITORS

To the Stockholders and Board of Directors of The Black & Decker Corporation:

We have audited the accompanying Consolidated Balance Sheets of The Black & Decker Corporation and Subsidiaries as of December 31, 1990 and September 24, 1989 and the related Consolidated Statements of Earnings and Cash Flows for the years ended December 31, 1990, September 24, 1989 and September 25, 1988 and for the three-month period ended December 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Black & Decker Corporation and Subsidiaries at December 31, 1990 and September 24, 1989, and the consolidated results of their operations and their cash flows for the years ended December 31, 1990, September 24, 1989 and September 25, 1988, and for the three-month period ended December 31, 1989, in conformity with generally accepted accounting principles.

JAMES RIVER CORPORATION OF VIRGINIA

Consolidated Balance Sheets

December 30, 1990	April 29, 1990

Consolidated Statements of Income

35 Weeks Ended December 30, 1990	52 Weeks Ended April 29, 1990	53 Weeks Ended April 30, 1989	52 Weeks Ended April 24, 1988

Consolidated Statements of Cash Flows

35 Weeks Ended December 30, 1990	52 Weeks Ended April 29, 1990	53 Weeks Ended April 30, 1989	52 Weeks Ended April 24, 1988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fiscal Year

During 1990, the Company changed its fiscal year from one ending on the last Sunday in April to one ending on the last Sunday in December. Accordingly, the Com-

pany's transition period which ended on December 30, 1990, includes the 35 weeks from April 30 to December 30, 1990 ("Transition 1990"). The Company's full fiscal years include either 52 or 53 weeks. Fiscal 1990 and 1988 each include 52 weeks while 1989 includes 53 weeks. Certain foreign subsidiaries and affiliates have been included on the basis of earlier closing dates.

Note 2. Change in Fiscal Year

During 1990, the Company changed its fiscal year from one ending on the last Sunday in April to one ending on the last Sunday in December. Accordingly, results of operations for the transition period which ended December 30, 1990, cover a 35-week period. The following are selected financial data for Transition 1990 and for the comparable 34-week period of the prior year:

(in thousands, except per share amounts)	December 30, 1990 (35 weeks)	December 24, 1989 (34 weeks)
		(Unaudited)
Net sales	$3,391,481	$3,890,960
Cost of goods sold	2,564,024	3,012,243
Selling and administrative expenses	499,922	544,312
Restructuring charge	199,976	
Income from operations	127,559	334,405
Interest expense	104,207	118,515
Other income, net	28,135	32,946
Income before income taxes	51,487	248,836
Income tax expense	41,809	95,792
Net income	$ 9,678	$ 153,044
Preferred dividend requirements	16,578	13,580
Net income (loss) applicable to common shares	$ (6,900)	$ 139,464
Fully diluted income (loss) per common share and common share equivalent	$(.08)	$1.70
Weighted-average number of common shares and common share equivalents	81,783	81,816

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Shareholders
James River Corporation of Virginia:

We have audited the accompanying consolidated balance sheets of James River Corporation of Virginia and Subsidiaries as of December 30, 1990, and April 29, 1990, and the related consolidated statements of income, cash flows, and changes in capital accounts for the transition period (35 weeks) ended December 30, 1990, and each of the three fiscal years in the period ended April 29, 1990. These financial statements are the responsibility of the management of James River Corporation of Virginia. 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 James River Corporation of Virginia and Subsidiaries as of December 30, 1990, and April 29, 1990, and the consolidated results of their operations and their cash flows for the transition period (35 weeks) ended December 30, 1990, and each of the three fiscal years in the period ended April 29, 1990, in conformity with generally accepted accounting principles.

CULBRO CORPORATION

Consolidated Balance Sheet

	Dec. 1, 1990	Dec. 30, 1989

Consolidated Statement of Operations

	1990 48 weeks	1989	1988

Consolidated Statement of Cash Flows

	1990 48 weeks	1989	1988

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

In 1990, the Corporation changed its fiscal year end to the Saturday nearest November 30, from the Saturday nearest December 31. Fiscal 1990 ended December 1, 1990 and included 48 weeks. The 1989 and 1988 fiscal years ended on December 30, 1989 and December 31, 1988, respectively, and each year included 52 weeks.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands except per share data)

Note 1—Change in Fiscal Year

The change in the Corporation's fiscal year end resulted in a 48 week period in 1990. Unaudited pro forma condensed consolidated results of operations for the comparable 1989 and 1988 periods are as follows:

	48 weeks		
	1990	1989	1988
Net sales and other revenue	$908,395	$859,156	$852,183
Gross profit	116,130	116,173	110,471
Income taxes	2,073	818	685
Income from continuing operations	$ 3,109	$ 1,739	$ 1,027
Income per share from continuing operations	$ 0.72	$ 0.40	$ 0.24

The unaudited pro forma results have been prepared for comparative purposes only and may not necessarily reflect the results of operations had the 1989 and 1988 fiscal periods actually included 48 weeks.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Directors of Culbro Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of Culbro Corporation and its subsidiaries at December 1, 1990 and December 30, 1989 and the results of their operations and their cash flows for the 48 weeks ended December 1, 1990 and for each of the two fiscal years in the period ended December 30, 1989, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of Culbro Corporation; 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.

KNIGHT-RIDDER, INC.

Consolidated Balance Sheet

	Dec. 30 1990	Dec. 31 1989	Dec. 31 1988

Consolidated Statement of Income

	Year Ended		
	Dec. 30 1990	Dec. 31 1989	Dec. 31 1988

Consolidated Statement of Cash Flows

	Year Ended		
	Dec. 30 1990	Dec. 31 1989	Dec. 31 1988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Beginning in 1990, the company changed its reporting period from a calendar year to a fiscal year ending the last Sunday in the calendar year. Results for 1990 are for the 52 weeks ended Dec. 30, 1990. The new fiscal period has been adopted prospectively. Beginning in 1991, each quarter will be 13 weeks in length.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Shareholders
Knight-Ridder, Inc.

We have audited the accompanying consolidated balance sheet of Knight-Ridder, Inc., and subsidiaries as of Dec. 30, 1990 and Dec. 31, 1989 and 1988, and the related consolidated statements of income, cash flows and shareholders' equity 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 consolidated financial position of Knight-Ridder, Inc., and subsidiaries at Dec. 30, 1990 and Dec. 31, 1989 and 1988, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Definition of Fiscal Year

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 1990, 1989 and 1988 ended on February 2, 1991, February 3, 1990, and January 28, 1989, respectively. Fiscal year 1990 included 52 weeks, 1989 included 53 weeks, and 1988 included 52 weeks.

DUPLEX PRODUCTS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

The Company's fiscal year ends on the last Saturday in October. The fiscal years ended October 27, 1990, October 28, 1989, and October 29, 1988, were comprised of fifty-two weeks.

FLEETWOOD ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

h. Accounting period: The Company's fiscal year ends on the last Sunday in April. The year ending dates for the past three fiscal years were April 29, 1990, April 30, 1989 and April 24, 1988, respectively. The fiscal year for Fleetwood Credit Corp., the Company's wholly owned finance subsidiary, always ends on April 30.

JOHNSON & JOHNSON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Annual Closing Date

The Company follows the concept of a fiscal year which ends on the Sunday nearest to the end of the month of December. Normally each fiscal year consists of 52 weeks, but every five or six years, as was the case in 1987, the fiscal year consists of 53 weeks.

J.C. PENNEY COMPANY, INC.

SUMMARY OF ACCOUNTING POLICIES

Definition of fiscal year. The Company's fiscal year ends on the last Saturday in January. Fiscal year 1990 ended January 26, 1991, 1989 ended January 27, 1990, and 1988 ended January 28, 1989. They each comprised 52 weeks. The accounts of JCPenney Insurance and JCPenney National Bank are on a calendar year basis.

TEKTRONIX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Fiscal Year The Company's fiscal year is the 52 or 53 weeks ending the last Saturday in May. The 52 week years are composed of 13 four week accounting periods separated into two 12 week quarters ending during August and November, a 16 week quarter ending during March, and a 12 week quarter ending during May.

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 (315 companies) or a statement showing changes in retained earnings (53 companies). 181 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. Beginning in 1986 certain survey companies did not present their financial statements on consecutive pages but interspersed the Management's Discussion and Analysis of Financial Condition and Results of Operations 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 auditor's report and was not presented in lieu of notes. In 1990, 25 survey companies did not present their financial statements on consecutive pages.

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

	1990	1989	1988	1987
To nearest dollar	55	56	55	55
To nearest thousand dollars:				
Omitting 000	360	365	367	368
Presenting 000	34	39	41	44
To nearest million dollars	151	140	137	133
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.

TABLE 1-6: NOTES TO FINANCIAL STATEMENTS

	1990	1989	1988	1987
General reference only	382	385	367	359
General and direct references	210	210	226	233
Direct reference only	4	2	3	4
No reference to notes	4	3	4	4
Total Companies	600	600	600	600

TABLE 1-7: DISCLOSURE OF ACCOUNTING POLICIES

	Number of Companies			
	1990	1989	1988	1987
Consolidation policy	579	582	582	579
Depreciation methods	579	580	575	579
Inventory pricing	559	555	560	554
Property	484	472	482	488
Cash equivalents	446	398	351	—
Interperiod tax allocation	437	455	482	496
Earnings per share calculation	435	420	412	407
Amortization of intangibles	376	354	338	334
Translation of foreign currency	256	244	233	225
Employee benefits	161	162	190	223
Research and development costs	132	127	125	110
Hedge contracts	132	48	N/C	N/C
Fiscal years	112	99	96	92
Capitalization of interest	73	73	59	59

N/C—Not Compiled.

DISCLOSURE OF ACCOUNTING POLICIES

APB Opinion No. 22 requires that the significant accounting policies of an entity be presented as an integral part of the financial statements of the entity. *Opinion No. 22* sets 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.

AMERICAN GREETINGS CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars except per share amounts)

Note A—Accounting Policies

Consolidation:
The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All significant intercompany transactions are eliminated.

Reclassifications:
Certain amounts in the 1989 and 1988 financial statements have been reclassified to conform with the 1990 presentation.

Cash Equivalents:
The Corporation considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents.

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.

Investment in Purchased Tax Benefits:
The cost of purchased tax credits and deductions is accounted for as an investment. Realized tax benefits are

applied first to reduce the investment to equal the remaining unamortized interest cost related to the transaction, and then to the establishment of deferred tax liabilities. Interest expense is amortized over the life of the investment.

Investment in Life Insurance:
The Corporation's investment in corporate owned life insurance policies is recorded net of policy loans in Other Assets. The net life insurance expense, including interest expense, is included in Administrative and General in the Consolidated Statement of Income. The related interest expense is $7,334, $2,481 and $1,033 in fiscal 1990, 1989 and 1988, respectively.

Property and Depreciation:
Property, plant and equipment is carried at cost. Depreciation and amortization of buildings, equipment and fixtures is computed principally by the straight-line method over the useful lives of the various assets or, in the case of certain property under capital lease, over the lesser of the useful life or the lease term.

Income Taxes:
Deferred income taxes are provided for timing differences between financial and tax accounting, principally for depreciation, sales returns, and non-deductible reserves.

Income Per Share:
Income per share information is based on the average number of shares considered outstanding during each year. For the periods presented, stock options have an immaterial dilutive effect.

BORDEN, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In thousands except share and per share data)

1. Summary of Significant Accounting Policies

Significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles.

Principles of Consolidation—The consolidated financial statements include the accounts of Borden, Inc. and its subsidiaries, after elimination of material intercompany accounts and transactions. The Company's proportionate share of the net earnings of unconsolidated 20% to 50% owned companies is included in income. The carrying value of these companies approximates Borden's interest in their underlying net assets. Investments of less than 20% ownership are carried at cost.

Cash and Cash Equivalents/Statements of Cash Flows—The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company has determined that the effect of exchange rate changes on cash flows is not material.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined using the average cost and first-in, first-out methods.

Property and Equipment—Land, buildings and machinery and equipment are carried at cost.

Depreciation is recorded on the straight-line basis by charges to costs and expenses at rates based on estimated useful lives of properties (average rates for buildings 3.7%; machinery and equipment 6.9%).

Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, related cost and accumulated depreciation are removed from the accounts.

Intangibles—The excess of purchase price over net tangible assets of businesses acquired is carried as intangibles in the Consolidated Balance Sheets. It is the Company's policy to carry intangibles arising prior to November 1970 at cost until such time as there may be evidence of diminution in value or the term of existence of such value becomes limited. Intangibles arising after October 1970 are being amortized on a straight-line basis generally over a forty-year period.

Income Taxes—The provision for income taxes includes Federal, foreign, state and local income taxes currently payable and those deferred because of timing differences between income for financial statements and income for tax purposes. A substantial portion of the undistributed earnings of subsidiaries, primarily outside the United States, has been reinvested and is not expected to be remitted to the parent company. Accordingly, no additional Federal income taxes have been provided and at December 31, 1990, the cumulative amount of reinvested income was approximately $504,000.

In December 1987 the Financial Accounting Standards Board issued FASB Statement No. 96, "Accounting for Income Taxes," which requires the use of the liability method of accounting for deferred income taxes. The Statement is currently under review and the required implementation date has been postponed to first quarter 1992. Under current provisions of the Statement, the effect of adoption may be accounted for either prospectively in the year of adoption or through restatement of one or more prior years. Because of potential changes and/or interpretations that may be forthcoming, the Company has not yet determined when it will adopt FASB Statement No. 96 or whether it will be applied prospectively or retroactively. The effect such adoption will have on the Company's operating results has not yet been determined.

Pension, Retirement Savings and Certain Postretirement Benefits Plans—Substantially all of the Company's domestic and Canadian employees are covered under one of the Company's pension plans or one of the union-sponsored plans to which the Company contributes. Pension expense is determined pursuant to the provisions of FASB Statement No. 87, "Employer's Accounting for Pensions." The Company funds pension costs in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

Substantially all domestic and Canadian salaried and nonbargaining hourly employees participate in the Company's retirement savings plans. The Company's cost of providing the retirement savings plans represents its matching of eligible contributions made by participating employees and is recognized as a charge to income in the year the cost is incurred.

The Company provides certain health and life insurance benefits for eligible domestic and Canadian retired employees. The cost of providing these benefits to retired employees under Company plans is recognized as a charge to income in the year the benefits are paid. In December 1990 the Financial Accounting Standards Board issued FASB Statement No. 106, "Employers'

Accounting for Postretirement Benefits Other Than Pensions." The Statement requires employers to accrue the cost of postretirement benefits during employees' working careers. The Statement must be adopted no later than first quarter 1993. The initial liability can be recognized immediately upon adoption or amortized prospectively. Since a substantive plan at the required adoption date could be different than the current plan, the Company can not yet determine the effect of the Statement on its results of operations or financial condition.

Earnings Per Share—Earnings per common share are computed based on the weighted average number of common shares outstanding.

CAPITAL CITIES/ABC, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of all significant subsidiaries. Investments in other companies which are at least 20% owned are reported on the equity method. All significant intercompany accounts and transactions have been eliminated.

Property, Plant and Equipment—Depreciation—Depreciation is computed on the straight-line method for financial accounting purposes and on accelerated methods for tax purposes. Estimated useful lives for major asset categories are 10-55 years for buildings and improvements, 4-20 years for broadcasting equipment and 5-20 years for publishing machinery and equipment. Leasehold improvements are amortized over the terms of the leases.

Intangible Assets—Intangible assets consist of amounts by which the cost of acquisitions exceeded the values assigned to net tangible assets. The broadcasting and publishing intangible assets, all of which may be characterized as scarce assets with very long and productive lives, have historically increased in value with the passage of time. In accordance with *Accounting Principles Board Opinion No. 17*, substantially all of these intangible assets are being amortized over periods of up to 40 years, even though in the opinion of management there has been no diminution of value of the underlying assets.

Program Licenses and Rights—Program licenses and rights and the related liabilities are recorded when the license period begins and the program is available for use. Television network and station rights for theatrical movies and other long-form programming are charged to expense primarily on accelerated bases related to the usage of the program. Television network series costs and multi-year sports rights are charged to expense based on the flow of anticipated revenue.

Unearned Subscription Revenue—Subscription revenue is recorded as earned over the life of the subscriptions. Costs in connection with the procurement of subcriptions are generally charged to expense as incurred.

Postretirement Benefits Other Than Pensions—In December 1990, *Financial Accounting Standards Board Statement No. 106* was issued which requires a change in the method of accounting for postretirement benefits other than pensions. The Company is evaluating the impact of this standard which must be implemented by 1993. The impact of such adoption on the consolidated financial statements is expected not to be material.

Short-term Investments—Short-term investments consists of highly liquid U.S. Government instruments with original maturities in excess of three months, and are carried at cost, which approximates market. Short-term investments which have a maturity of three months or less at the time of purchase are considered cash equivalents.

Reporting Year—The Company's reporting year is a year ending on December 31. Prior to 1989, the Company's reporting year was a fiscal year ending the Sunday closest to December 31.

THE DOW CHEMICAL COMPANY (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, revenues and expenses of all majority-owned subsidiaries. Investments in companies 20%-50% owned are carried on the equity basis.

Foreign Currency Translation

Primarily, the local currency has been used as the functional currency throughout the world. Where the U.S. dollar is used as the functional currency, foreign currency gains and losses are reflected in income currently. Translation gains and losses of those operations that use local currencies as the functional currency, and the effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included as a separate component of stockholders' equity.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits and readily marketable securities with original maturities of three months or less.

Inventories

Inventories are stated at the lower of cost or market. The method of determining cost is used consistently from year to year at each subsidiary and varies between the last-in, first-out (LIFO) method; the first-in, first-out (FIFO) method; and the average cost method.

Plant Properties and Depreciation

Land, buildings and equipment, including property under capital lease agreements, are carried at cost less accumulated depreciation. Depreciation is based on the estimated service lives of depreciable assets and is generally provided using the declining balance method.

Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. In the case of disposals, assets and related depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

Goodwill

The excess of the cost of investments in subsidiaries over the carrying value of assets acquired is shown as goodwill, which is then amortized on a straight-line basis over a maximum of 40 years.

Interest Rate Derivative Instruments

Interest differentials on swaps and forward rate agreements are accrued as interest rates change over the con-

tract period. Swaption premiums are amortized over the option period for each purchased and sold swaption.

Taxes on Income
The Company and its subsidiaries compute and record income taxes currently payable based upon determination of taxable income which may differ from pretax accounting income. These differences may arise from recording in pretax accounting income transactions which enter into determination of taxable income in another period. The tax effect of these timing differences is recognized by adjustment of the provision for taxes.

Provision is made for taxes on unremitted earnings of related companies and foreign subsidiaries to the extent that such earnings are not deemed to be permanently invested.

Certain foreign countries provide incentive payments which are granted to encourage new investment. Generally, such grants are credited to income as earned.

The Financial Accounting Standards Board Statement No. 96, "Accounting for Income Taxes" and subsequent amendments mandated a change in the method of accounting for income taxes to be effective for fiscal years beginning after December 15, 1991. The impact of this new standard has not been completely determined, but preliminary estimates indicate that the change will have no material effect assuming no increase in tax rates from current levels. The Company plans to adopt the new method in 1992.

Earnings per Common Share
The calculation of earnings per share is based on the weighted average number of common shares outstanding during the applicable period.

GREYHOUND DIAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A: Significant Accounting Policies
The financial statements are prepared in accordance with generally accepted accounting principles. Described below are those accounting policies which are particularly significant to Greyhound Dial Corporation and subsidiaries ("Greyhound Dial" unless otherwise indicated), including those selected from acceptable alternatives.

Principles of Consolidation
The consolidated financial statements include the accounts of Greyhound Dial and all its subsidiaries, except for discontinued insurance subsidiaries which are carried at equity in net assets at date of discontinuance less reserves provided for estimated losses on liquidation. All material intercompany transactions and accounts are eliminated in consolidation.

Prior to 1988, results of Financial Group subsidiaries were included on the equity basis as one line in total income and net assets. This was permissible under accounting rules in effect before 1988. Because Financial Group subsidiaries' operations are so different in nature from and essentially unrelated to operations of other Greyhound Dial businesses, management believed that financial statements were more understandable if Financial Group subsidiaries' financial statements were shown separately. It should be emphasized that, under both current and prior procedures, consolidated net income and stockholders' equity are the same for all periods presented. Also as a result of this change, Greyhound Dial adopted an unclassified consolidated balance sheet.

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

Greyhound Dial and Consolidated Subsidiaries
The consolidated financial statements and notes represent the consolidation of Greyhound Dial and non-Financial Group subsidiaries and Financial Group subsidiaries. However, it is necessary to eliminate transactions between the two to arrive at the consolidated totals. Such eliminations and reclassifications are described in Note B on notes to consolidated financial statements.

Greyhound Dial and Non-Financial Group Subsidiaries
This is essentially the pre-1988 basis of consolidation. Transactions among companies within this group have been eliminated.

Financial Group Subsidiaries
The group is comprised primarily of Greyhound Financial Corporation and Greyhound European Financial Services. These subsidiaries and their respective affilliates are combined in the Financial Group subsidiaries columns with transactions among them eliminated.

Cash Equivalents
For purposes of the Statement of Consolidated Cash Flows, Greyhound Dial considered all highly liquid investments with maturities of three months or less from date of purchase as cash equivalents.

Investment in Financing Transactions
For loans and other financing contracts, earned income is recognized over the life of the contract using the interest method.

Substantially all leases are direct financing leases and are classified as such, except those that are financed by nonrecourse borrowings and meet certain other criteria, which are classified as leveraged leases.

For direct financing leases, the difference between (a) aggregate lease rentals and (b) the cost of the related assets, less estimated residual value at the end of the lease term, is recorded as unearned income. Earned income is recognized over the life of the contracts using the interest method.

For leveraged leases, aggregate rentals receivable are reduced by the related nonrecourse debt service obligation including interest (net rentals receivable). The difference between (a) net rentals receivable and (b) the cost of the asset less estimated residual value at the end of the lease term is recorded as unearned income. Earned income is recognized over the life of the lease at a constant rate of return on the positive net investment which includes the effects of deferred income taxes.

Income recognition is suspended for leases and other contracts at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful.

Repossessed assets are carried at the lower of cost or estimated net realizable value.

Inventories
Generally, inventories are stated at the lower of cost (first-in, first out and average cost methods) or market.

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

New Model Design Costs
Costs of new product design and engineering and production start-up for new bus models of Transportation Manufacturing are capitalized and amortized on a units of production basis over the expected model lives (usually 6-10 years). Such costs are included in the consolidated balance sheet under the caption "Other investments and assets."

Intangibles
Intangibles are carried at cost less applicable amortization of $73,670,000 at December 31, 1990 and $58,861,000 at December 31, 1989. Intangibles of $167,394,000 at December 31, 1990 and $170,476,000 at December 31, 1989, which arose prior to October 31, 1970, will not be amortized unless there is deemed to be a permanent diminution in value of the related investments. Intangibles arising after October 31, 1970 are amortized on the straight-line method over the periods of expected benefit, but not in excess of 40 years.

Pensions and Other Benefits
Trusteed, noncontributory pension plans cover substantially all employees. Benefits are based primarily on final average salary and years of service. Greyhound Dial and its U.S. subsidiaries' net periodic pension cost is based on the provisions of SFAS No. 87, "Employers' Accounting for Pensions." Net periodic pension cost for foreign-based pension plans in 1990 and 1989 is based on the provisions of SFAS No. 87; in 1988, net periodic pension cost was based on the provisions of APB Opinion No. 8. Funding policies provide that payments to pension trusts shall be at least equal to the minimum funding required by applicable regulations. Costs of medical and life insurance benefits under employee group plans, including similar benefits for qualified retirees, are generally charged to income as incurred. Such benefits applicable to eligible retirees of discontinued businesses were recorded on an estimated present value basis at the date of discontinuance.

In December 1990, the Financial Accounting Standards Board issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This Statement will require accruing costs of postretirement benefits (such as life insurance and health care benefits) during the years an employee provides services. The impact of this new standard has not been fully determined, but the change likely will result in greater current expense being recognized for provision of these benefits. Greyhound Dial plans to adopt this Statement in 1993, the required effective date.

Income Taxes
Income taxes are provided based upon the provisions of SFAS No. 96, "Accounting for Income Taxes," which, among other things, requires that recognition of deferred income taxes be measured by the provisions of enacted tax laws in effect at the date of the financial statements.

Net Income Per Share
Net income per common and equivalent share is based on net income after preferred stock dividend requirements and the weighted average number of common shares outstanding during each year after giving effect to stock options considered to be dilutive common stock equivalents. Fully diluted net income per share is not materially different from primary earnings per share.

Principal Business Segment and Geographic Information
Principal business segment and geographic information of Greyhound Dial for the three years ended December 31, 1990 is presented elsewhere in this report.

Certain reclassifications have been made to the prior years' financial statements to conform to 1990 classifications.

ACCOUNTING CHANGES

APB Opinion No. 20 "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 1990 annual reports of the survey companies.

The 19 survey companies indicated in Table 1-8 as adopting *Statement of Financial Accounting Standards No. 87* did so for their pension plans covering foreign employees. Examples of accounting changes follows.

TABLE 1-8: ACCOUNTING CHANGES

	Number of Companies			
	1990	1989	1988	1987
Pension Costs:				
Actuarial assumptions	122	189	119	176
Minimum liability recognized	42	77	11	—
SFAS 87 adopted	19	57	82	157
Income taxes	16	31	98	37
Reporting entity	6	29	90	17
Inventories:				
Capitalization of costs formerly expensed	—	4	11	15
LIFO adopted	1	2	2	5
LIFO discontinued	3	2	7	4
Other	3	3	1	2
Depreciable lives	5	4	3	6
Depreciation method	3	3	1	4
Insurance companies contracts	—	1	6	—
Loan originating fees	—	—	7	3
Software costs	—	—	—	6
Other—described	13	16	20	16

CHANGE IN ACCOUNTING ESTIMATES

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 and equipment are depreciated based on a 14½-year life.

It is the company's policy to review periodically fixed asset lives. A study completed during 1990 indicated that actual lives for certain asset categories generally were longer than the useful lives used for depreciation purposes in the company's financial statements. Therefore, during the third quarter of 1990, the company revised the estimated useful lives of certain categories of property retroactive to January 1, 1990. The effect of this change in estimate was to reduce 1990 depreciation expense by $211 million and increase 1990 net income principally in the U.S., by $135 million or $0.29 per share.

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 is amortized over periods of time representing the productive use of such tools. Preproduction costs incurred in connection with new facilities are expensed as incurred.

STONE CONTAINER CORPORATION (DEC)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant, Equipment and Depreciation:
Property, plant and equipment is stated at cost. Expenditures for maintenance and repairs are charged to income as incurred. Additions, improvements and major replacements are capitalized. The cost and accumulated depreciation related to assets sold or retired are removed from the accounts and any gain or loss is credited or charged to income.

For financial reporting purposes, depreciation is provided on the straight-line method over the estimated useful lives of depreciable assets, or over the duration of the leases for capitalized leases, based on the following annual rates:

Type of Asset	Rates
Machinery and equipment	5% to 33%
Buildings and leasehold improvements	2% to 7%
Land improvements	4% to 7%

Effective January 1, 1990, the Company changed its estimates of the useful lives of certain machinery and equipment at its paper mills. Mill asset depreciation lives that previously averaged 16 years were increased to an average of 20 years, while mill asset depreciation lives that previously averaged 10–12 years were increased to an average of 14–16 years. These changes were made to better reflect the estimated periods during which such assets will remain in service. The change had the effect of reducing depreciation expense by $39.8 million and increasing net income by $20.2 million, or $.34 per common share, in 1990.

TYSON FOODS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment and Depreciation
Depreciation is provided primarily by the straight-line method using estimated lives for buildings and leasehold improvements of 10 to 33 years; machinery and equipment—3 to 12 years; and other—3 to 20 years. Depreciation expense was $97.7 million in 1990, $80.9 million in 1989 and $70.1 million in 1988.

In the first quarter of 1990, the company made a prospective change in the estimated useful lives of certain property and equipment. For assets acquired subsequent to September 30, 1989, including those acquired by Holly Farms Corporation (Holly), depreciation is calculated using estimated useful lives of 33 years for buildings and improvements and 10 years for processing machinery and equipment. Prior to the acquisition of Holly, the company's useful lives were generally 18 to 25 years for buildings and improvements and 5 to 7 years for processing machinery and equipment. Holly's useful lives were 33 years for buildings and improvements and 12 years for machinery and equipment, and have not been changed for assets acquired by Holly before September 30, 1989. Excluding assets acquired with Holly, the remaining depreciable balance of those assets acquired prior to September 30, 1989, are depreciated based upon the revised useful lives. The remaining categories of property and machinery and equipment have not changed. This change was adopted after internal evaluations were made of existing property and equipment and is believed to more accurately reflect current planned future utilization considering current business practices. This change increased 1990 net income $23.9 million or $.36 cents per share.

The company capitalized interest costs of $1.5 million in 1990, $1.3 million in 1989 and $1.2 million in 1988 as part of the cost of major asset construction projects.

Approximately $45 million will be required to complete construction projects in progress at September 29, 1990.

STANDARD MOTOR PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Change in Accounting Estimate

The Company has traditionally deferred certain costs associated with the acquisition of new customer accounts and amortized them over their estimated useful life. For costs incurred after January 1, 1989, the estimated useful life of these costs was extended from six months to twelve months reducing amortization in 1989 by $4,060,000 and increasing net income $2,436,000, $.19 per share. In 1990, the Company conformed its treatment of other customer acquisition costs, which had previously been expensed, so that customer acquisition costs are consistently capitalized and amortized over a twelve-month period. The effect of this change in accounting estimate in 1990 was to reduce amortization in 1990 by $3,175,000 and increase net income $1,905,000, $.15 per share.

CHANGE IN ACCOUNTING PRINCIPLES

Pension Plan—Minimum Liability Recognized

JOHNSTON INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (in Part): Employee Benefit Plans

The Company has two non-contributory defined benefit pension plans covering substantially all hourly and salaried employees. The plan covering salaried employees provides benefit payments based on years of service and the employees' final average ten years' earnings. The plan covering hourly employees generally provides benefits of stated amounts for each year of service. The Company's current policy is to fund retirement plans in an amount that falls between the minimum contribution required by ERISA and the maximum tax deductible contribution. Plan assets consist primarily of bonds, convertible securities, growth equity securities, cash and cash equivalents and unallocated insurance contracts.

Effective July 1, 1987, the Company adopted Financial Accounting Standards Board Statement No. 87, "Employers' Accounting for Pensions" (SFAS No. 87), electing transition rules which permitted delaying the adoption of certain provisions. Such provisions, which were implemented in the current fiscal year, require recognition in the balance sheet of the additional minimum liability and related intangible asset for pension plans with accumulated benefits in excess of plan assets. This resulted in the recognition at June 30, 1990 of an additional liability of $2,892,000 and an intangible asset of equal amount; there was no effect on earnings, stockholders' equity, or cash requirements to fund the pension plan. In accordance with SFAS No. 87, prior balance sheets have not been restated.

NAVISTAR INTERNATIONAL CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

Note 3 (in Part): Retirement Benefits

Pension Assets and Liabilities

Provisions of SFAS 87 required the Company in 1990 to record an additional pension liability and intangible asset. The additional liability is based on the excess of accumulated benefit obligations over the fair value of assets of the Company's underfunded pension plans while the intangible asset represents previously incurred pension costs not yet expensed. The difference between the additional liability and the intangible asset represents net accumulated gains and losses from actuarial valuations, investment experience and changes in assumptions subsequent to the adoption of SFAS 87. This difference resulted in accumulated charges to equity of $55 million as of October 31, 1990.

ROBBINS & MYERS, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension Plans (in Part)

The company and its subsidiaries have several pension plans covering most of their employees. Plans covering salaried employees provide pension benefits that are based primarily on years of service and employees' pay near retirement. Plans covering hourly employees generally provide benefits of stated amounts for each year of service. The company's funding policy is consistent with the funding requirements of applicable Federal regulations. At August 31, 1990, pension plan assets were invested in short and long-term interest bearing obligations and equity securities, including 94,000 shares of the company's common stock.

During 1990 the company recorded an adjustment of $2,857,000 to recognize the minimum pension liability required by the final provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions." The adjustment, which had no effect on 1990 income, was offset by recording an Intangible Asset in the amount of $2,627,000 and decreasing Shareholders' Equity by $230,000.

Pension Plan Assets

LACLEDE STEEL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (in Part): Employee Benefits:

In order to reflect more accurately the historical investment performance of the assets of the company-sponsored pension plans, in 1990 the Company changed its method of determining the market-related value of such plan assets for purposes of calculating annual pension cost under FASB statement No. 87. As a result of this change, net pension cost for 1990 and future years has been reduced. There is no impact on prior years as a result of the change. Annual pension plan funding, which

is based on the range of deductible contributions permitted by ERISA regulations and on the Company's current income tax situation, will not be affected by the change. This change reduced 1990 net pension costs by $1,863,000, which increased net earnings by $840,000 or $.20 per share.

Income Taxes

ATLANTIC RICHFIELD COMPANY (DEC)

Consolidated Statement of Income

	1990	1989	1988
Millions of dollars except per share amounts			
Income before cumulative effect of change in accounting principle	$1,688	$1,953	$1,583
Cumulative effect of change in accounting for income taxes	323	—	—
Net Income	$2,011	$1,953	$1,583

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in Part): Taxes

Effective January 1, 1990, the Company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." The cumulative effect of this accounting change on years prior to 1990 was a $323 million reduction in the Company's deferred tax liability as of December 31, 1989. The reduction resulted in an increase in net income for 1990 of $323 million or $1.95 per share. The effect of the change on 1990 net income, excluding the cumulative effect upon adoption, was not material.

STEEL TECHNOLOGIES INC. (SEP)

Consolidated Statements of Income

	1990	1989	1988
Income before cumulative effect of accounting change	$6,413,418	$5,905,895	$7,502,276
Cumulative effect of change in accounting for income taxes (Note 6)	250,000	—	—
Net income	$6,663,418	$5,905,895	$7,502,276

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in Part): Income Taxes:

Effective October 1, 1989, the Company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." The Statement requires, among other things, a change from the deferred to the liability method of computing deferred income taxes. The cumulative effect, through September 30, 1989, of this change in accounting amounted to $250,000, or $.03 per share, and was included in net income during the first quarter ended December 31, 1989. The effect of this change on operating results for the year ended September 30, 1990, excluding the cumulative effect discussed above, was not material.

CYPRUS MINERALS COMPANY (DEC)

Consolidated Statement of Income

(In thousands except per share data)	1990	1989	1988
Income Before Cumulative Effect of Change in Accounting for Income Taxes	$111,031	$234,828	$170,030
Cumulative Effect of Change in Accounting for Income Taxes	—	(69,950)	—
Net Income	111,031	164,878	170,030

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes

—In the fourth quarter of 1990, Cyprus retroactively changed its method of accounting for income taxes as a result of adopting Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." This 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. As a result of this change, $85.2 million ($2.19 per primary share and $1.81 per fully diluted share) was charged against previously reported net income for the year ended December 31, 1989. About $70 million represented the cumulative effect on the Company's accumulated deficit for periods prior to January 1, 1989, and $15.2 million ($.39 per primary share and $.32 per fully diluted share) represented the impact on 1989 income tax expense. The change increased net income for 1990 over that which would have been reported under the Company's previous method by $21.3 million ($.53 per primary share and $.44 per fully diluted share).

SUPER VALU STORES, INC. (FEB)

Consolidated Statements of Stockholders' Equity

	Common Stock		Capital in Excess of	Retained
	Shares	Amount	Par Value	Earnings
Balances at February 28, 1987	74,547,967	$74,548,000	$3,524,000	$518,144,000
Cumulative effect of accounting change (Note A)				(17,941,000)
Balances at February 28, 1987, as restated	74,547,967	74,548,000	3,524,000	500,203,000
Net earnings				113,012,000
Sales of common stock under option plans	178,643	179,000	1,693,000	
Retirement of common stock	(28,859)	(29,000)	(683,000)	
Sales of common stock under Employee Stock Ownership Plan	26,517	26,000	724,000	
Cash dividends declared on common stock—$.435 per share				(32,477,000)
Balances at February 27, 1988, as restated	74,724,268	74,724,000	5,258,000	580,738,000
Net earnings				137,468,000
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—$.485 per share				(36,284,000)
Balances at February 25, 1989, as restated	74,882,232	74,882,000	6,902,000	681,922,000
Net earnings				147,746,000
Sales of common stock under option plans	289,979	290,000	4,399,000	
Retirement of common stock	(86,757)	(87,000)	(2,286,000)	
Cash dividends declared on common stock—$.585 per share				(43,877,000)
Balances at February 24, 1990	75,085,454	$75,085,000	$9,015,000	$785,791,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (in Part): Summary of Significant Accounting Policies:

Change in accounting method for income taxes:
The company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," in the fourth quarter of the fiscal year ended February 24, 1990, and has elected to apply the provisions retroactively to its fiscal year ended February 28, 1987. It was not practical to restate years prior to 1987. Accordingly, retained earnings at February 28, 1987 have been reduced by $17.9 million, the cumulative effect of the change in the method of accounting for income taxes. The consolidated financial statements for the fiscal years ended February 27, 1988 and February 25, 1989 have been restated for the effect of adopting the statement as follows:

	Year Ended	
	February 25, 1989	February 27, 1988
Net earnings as previously reported	$135,363,000	$111,780,000
Adjustment for effect of adoption of Statement No. 96	2,105,000	1,232,000
Net earnings as restated	$137,468,000	$113,012,000
Earnings per share:		
Net earnings per share as previously reported	$1.81	$1.50
Adjustment for effect of adoption of Statement No. 96	.03	.01
Net earnings per share	$1.84	$1.51

Inventories

BINKS MANUFACTURING COMPANY (NOV)

Consolidated Statements of Earnings

	1990	1989	1988
Earnings before cumulative effect of a change in accounting principle	$5,786,419	$9,607,196	$7,043,612
Cumulative effect to December 1, 1989 and December 1, 1987 of changing overhead recorded in inventory	930,000	—	375,000
Net earnings	$6,716,419	$9,607,196	$7,418,612

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Change in the Application of an Accounting Principle
In the fourth quarter of 1990 the Company changed its method of applying overhead to inventory. Historically, the Parent company used a single overhead rate in valuing

the ending inventory, determined by comparing the total manufacturing overhead expenses for the year with total direct labor costs for the year. In 1990 the Company performed an extensive study to precisely determine the manufacturing overhead to be applied to specific product lines.

The Company believes that the change in the application of this accounting principle is preferable because it provides a better determination of overhead costs in inventory and thus improves the matching of production costs with related revenues in reporting operating results.

The change in the application of this accounting principle resulted in an increase in net earnings of $930,000 (after reduction of income taxes of $570,000), reflecting the cumulative effect of this change for the periods prior to December 1, 1989. In accordance with generally accepted accounting principles, the cumulative effect of the change on prior years has been recorded in the first quarter of fiscal 1990. The effect of the change on the current year's net earnings before cumulative effect of a change in accounting principle is not material.

In accordance with generally accepted accounting principles, pro forma amounts, assuming the new accounting principle was applied retroactively, are presented below;

	1990	1989	1988
Net earnings	$5,786,000	$9,297,000	$7,605,000
Net earnings per share	1.97	3.22	2.67

In 1988 the Company changed its accounting procedures to include in inventory certain manufacturing overhead costs previously charged to operations as incurred. Such costs included in inventory are production engineering costs and costs incurred in transporting manufactured inventory to the point of sale. The Company believes this method is preferable because it more accurately reflects total product costs and improves the matching of cost of sales with related revenues in reportig operating results. The change in accounting procedure resulted in an increase in net earnings of 1988 of $375,000 (after reduction for income taxes of $225,000), reflecting the cumulative effect of this change for the periods prior to December 1, 1987.

KMART CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (in Part): Merchandise Inventories

During 1990, the company changed its method of accounting for LIFO inventories in U.S. Kmart stores. Prior to 1990, the company used the U.S. Department of Labor's Department Store Price Index to measure inflation in retail prices. In 1990, the company developed and used internal price indices to measure inflation in the retail prices of its merchandise inventories. The company believes the use of internal indices results in a more accurate measurement of the impact of inflation in the prices of merchandise sold in its stores. This change reduced the LIFO charge in 1990 by $105 million net of tax, or $.52 per share. The company was not able to determine the cumulative effect of this change nor the impact on any individual year prior to 1990.

THE PENN CENTRAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Inventories

Inventories consist of the following:

December 31,	(In Millions) 1990	1989
Raw materials	$ 75.2	$ 64.8
Work-in-progress	115.6	88.0
Finished goods	165.0	127.8
Total	$355.8	$280.6

Effective January 1, 1990, the Company changed its method of valuing a significant component of its communications wire and cable inventories from the FIFO to the LIFO method. Management believes the LIFO method results in a better matching of current costs with current revenues.

The effect of the change in 1990 was to decrease net income by $1.6 million, or $.03 per share. The cumulative effect of this accounting change and the pro forma effects on prior years' earnings have not been included because such effects are not reasonably determinable.

At December 31, 1990 and 1989, $113.2 million and $54.9 million, respectively, of inventories were valued using the LIFO method. Approximate replacement cost of inventories valued using the LIFO method totaled $130.3 million at December 31, 1990 and $69.6 million at December 31, 1989.

SPS TECHNOLOGIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Change in Accounting Principle

During the first quarter of 1990, the Company changed its basis of valuing inventories in the United States from the last-in, first-out (LIFO) method to the average cost method. In 1989 and prior years, the cost of substantially all inventories in the United States, except tools, was determined using the LIFO method. The change to the average cost method will conform all inventories of the Company to the same method of valuation. The Company believes that the average cost method of inventory valuation provides a more meaningful presentation of the financial position of the Company since it reflects more recent costs in the balance sheet. Under the current economic environment of low inflation and an expected reduction in inventories and lower production costs, the Company believes that the average cost method also results in a better matching of current costs with current revenues.

The effect of the change in accounting principle was to reduce the net loss reported for 1990 by $318,000, or $.06 per share. The change has been applied to prior years by retroactively restating the financial statements as required by generally accepted accounting principles. The effect of this restatement was to increase retained earnings as of January 1, 1988 by $9,579,000. The restatement decreased 1989 net earnings by $1,871,000, or $.37 per share, and increased 1988 net earnings by $2,234,000, or $.45 per share.

Depreciation Method

SNAP-ON TOOLS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in Part): Summary of Accounting Policies

G. Property and equipment

Land, buildings, machinery and equipment are carried at original cost. Depreciation and amortization are provided for primarily by using accelerated depreciation methods on all property acquired prior to December 31, 1989. For financial statement purposes, the Company adopted the straight-line depreciation method for all property acquired after December 30, 1989. The Company believes the new method will more accurately reflect its financial results by better matching costs of new property over the useful lives of these assets. In addition, the new method more closely conforms with that prevalent in the industry. The effect of the change was not material to the 1990 financial results.

The estimated service lives of property and equipment are as follows:

Buildings and improvements	5 to 45 years
Machinery and equipment	3 to 15 years
Furniture and fixtures	3 to 15 years
Transportation vehicles	2 to 5 years

The costs and related accumulated depreciation of the Company's property and equipment values were as follows for fiscal years ended:

(Amounts in thousands)	1990	1989
Land	$ 21,075	$ 20,120
Buildings and improvements	112,194	103,974
Machinery and equipment	213,911	193,713
	347,180	317,807
Less accumulated depreciation	(136,766)	(122,787)
Property and equipment—net	$210,414	$195,020

Postretirement Benefits

DAYTON HUDSON CORPORATION (JAN)

Consolidated Results of Operations

(Millions of Dollars, Except Per-Share Data)	1991	1990	1989
Earnings Before Cumulative Effects of Accounting Changes	$410	$410	$287
Cumulative Effects of Accounting Changes:			
Income taxes	54	—	—
Postretirement health care benefits	(52)	—	—
Net Earnings	$412	$410	$287

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of Dollars, Except Per-Share Data)

Cumulative Effects of Accounting Changes

At the beginning of the 1990 fiscal year, the provisions of Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes" were adopted. The Statement requires the liability method of accounting for income taxes rather than the deferred method previously used. The cumulative effect of this accounting change was to increase net earnings by $54 million or $.72 per share. The impact of this accounting change on the 1990 income tax provision was not material.

The Corporation also changed to the accrual method of accounting for postretirement health care benefits at the beginning of fiscal year 1990. In prior years, expense was recognized when claims were paid. The projected benefit obligation of $48 million (net of tax) relating to prior service cost was recognized as a cumulative effect of accounting change as of beginning-of-year 1990. In December 1990, SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," was issued. Following this, the Corporation increased the beginning-of-year net charge by $4 million. The method of accounting for postretirement health care benefits conforms to the provisions of the new standard. The total cumulative effect of this accounting change was to decrease net earnings by $52 million or $.69 per share.

Maintenance Shutdown Costs

SUN COMPANY, INC. (DEC)

Consolidated Statements of Income

For the Years Ended December 31	1990	1989	1988
(Millions of Dollars Except Per Share Amounts)			
Income before cumulative effect of change in accounting principle	$199	$98	$7
Cumulative effect of change in accounting principle (Note 6)	30	—	—
Net Income	$229	$98	$7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. (in Part): Summary of Significant Accounting Policies

Refinery Maintenance Shutdowns

Effective January 1, 1990, Sun changed its method of accounting for the cost of maintenance and repairs incurred in connection with major maintenance shutdowns at its refineries. Under the new method, such costs on projects exceeding $500 thousand are capitalized when incurred and then charged against income over the period benefitted by the major maintenance shutdown (Note 6).

6. Change in Accounting Principle

Effective January 1, 1990, Sun changed its method of accounting for the cost of maintenance and repairs incurred in connection with major maintenance shutdowns at its

refineries (turnaround costs). Turnaround costs are comprised principally of amounts paid to third parties for materials, contract services and other related items. Under the new method, turnaround costs on projects exceeding $500 thousand are capitalized when incurred and then charged against income over the period benefitted by the major maintenance shutdown (usually 3 to 4 years). Prior to this change in accounting, turnaround costs were charged against income as incurred. Sun believes that the new method of accounting is preferable in that it provides for a better matching of turnaround costs with future refined product revenues. Decisions regarding major maintenance shutdowns are generally based on engineering studies and economic analyses (such as discounted cash flow techniques) performed in connection with the capital budgeting process. As a result, management of Sun believes that the investment in turnaround costs enhances the reliability and performance of the refinery unit and therefore economically benefits future periods.

The cumulative effect of this accounting change for years prior to 1990, which is shown separately in the consolidated statement of income for 1990, resulted in a benefit of $30 million (after related income taxes of $15 million), or $.28 per share of common stock. Excluding the cumulative effect, this change increased net income for 1990 by $16 million or $.15 per share of common stock. The pro forma amounts shown on the consolidated statements of income reflect net income and net income per share of common stock as if the accounting change had been retroactively applied.

Maintenance Contracts

THE UNITED STATES SHOE CORPORATION (JAN)

Consolidated Statements of Earnings and Retained Earnings

(thousands except share amounts)	1991	1990	1989
Earnings (loss) before cumulative effect of accounting change	$(27,662)	$49,187	$12,965
Cumulative effect, for years ended prior to February 4, 1990, of accounting change related to product maintenance contracts, net of tax effect of $2,343	(3,621)	—	—
Net earnings (loss)	$(31,283)	$49,187	$12,965

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands except share amounts)

(3) Accounting Change—

In December 1990, the Financial Accounting Standards Board issued a technical bulletin on accounting for product maintenance contracts such as those sold by the company's optical retailing group. The bulletin requires the deferral and amortization of revenue from the sales of such contracts on a straight-line basis over the term of the contract (one to two years). Under the accounting method previously followed by the company, a portion of the revenue earned from the sale of eyewear product maintenance contracts was recognized on the date of sale and the remainder was deferred and amortized on a straight-line basis over the term of the contract.

Effective February 4, 1990, the company has elected to adopt this new accounting method for all contracts in place. The effect of this change is to increase the net loss for 1990 by $4.3 million ($.10 per share), including $3.6 million ($.08 per share) which is the cumulative effect of the accounting change.

If this change in accounting method had been in effect during 1988 and 1989, the effects would have been immaterial to net earnings.

Special Sales Incentive Programs

CHRYSLER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition

Vehicle and parts sales are generally recorded when such products are shipped to dealers. Provisions for normal dealer sales allowances are made at the time of sale and treated as sales reductions. Costs related to special sales incentive programs are recorded as sales reductions when the retail sale is made.

The frequency and significance of special incentive programs in the automobile industry have continued to increase during the past several years and the Company expects this trend will continue. In response to this changing circumstance, the Company, beginning in 1991, will change its method of accounting to recognize the estimated costs of special incentive programs at the time a vehicle is sold to the dealer. The change will accelerate the recognition of incentive costs and result in the accrual of a liability for incentives expected to be paid on products not yet sold by the dealer. Had the Company used this method of accounting in earlier years, earnings from continuing operations and net earnings would have been increased by $54 million or $.24 per common share in the year ended December 31, 1990 and decreased by $97 million or $.42 per common share and $64 million or $.28 per common share in the years ended December 31, 1989 and 1988, respectively. The cumulative effect of the change as of January 1, 1991 is $257 million (net of applicable income taxes) and will be reflected as a decrease in net earnings in the first quarter of 1991.

Interest income from finance receivables is recognized using the interest method. Lending fees and certain direct loan origination costs are deferred and amortized to interest income using the interest method over the contractual terms of the finance receivables. Gains and losses from retail installment receivable sales are reflected in the consolidated statement of earnings as other income.

Patent Application Costs

MINNTECH CORPORATION (MAR)

	1990	1989	1988
Earnings (loss) before cumulative effect of change in accounting principle	$1,935,338	$892,687	$(523,798)
Cumulative effect on prior years of change in accounting for patent application costs, less income taxes of $54,000	110,063	—	—
Net earnings (loss)	$2,045,401	$892,687	$(523,798)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L—Change in Accounting Policy

In fiscal year 1990, the Company changed its policy of accounting for patent application costs. Previously, the Company charged patent application costs to operations as incurred. The Company now capitalizes such costs and amortizes them over a five-year period. The Company believes capitalizing such costs provides a better matching of revenues and expenses and conforms more closely to the prevailing practice followed by companies in its industry.

The cumulative effect of the change in accounting for patent application costs was $110,063, after reduction for income taxes of $54,000, and is included in net earnings for fiscal year 1990. The effect of the change in fiscal year 1990 was to increase net earnings by approximately $25,000 ($.01 per share).

The following proforma amounts show the effect on net earnings for fiscal years 1989 and 1988, assuming the new method was applied retroactively.

	1989	1988
Net earnings (loss) as reported	$892,687	$(523,798)
Adjustment assuming the new method was applied retroactively	(11,200)	10,500
	$881,487	$(513,298)
Net earnings (loss) per share as reported	$.38	$(.24)
Adjustment	—	.01
	$.38	$(.23)

REPORTING ENTITY

CORNING INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (in Part): Summary of Significant Accounting Policies

Principles of Consolidation

Corning operates on a fiscal year ending on the Sunday nearest December 31. The three most recent fiscal years ended on December 30, 1990, December 31, 1989, and January 1, 1989, each of which included 52 weeks.

The consolidated financial statements include the accounts of all significant subsidiary companies. All significant intercompany accounts and transactions are eliminated. Major subsidiaries are consolidated at dates up to one month earlier than the consolidated balance sheet dates.

The equity method of accounting is used for investments in associated companies in which Corning's interest is from 20 to 50 percent.

Effective with the first quarter 1990, Corning began to consolidate the results of Siecor Corporation, formerly an unconsolidated affiliate, into its financial statements. Siecor, which primarily manufactures passive optical transmission equipment, is a venture with Siemens AG of Germany. The consolidation occurred as a result of revisions to the Shareholders' Agreement between Corning and Siemens AG. Financial data presented for previous periods have not been restated to reflect the consolidation of Siecor. The consolidation is not material to financial position or the results of operations for the periods presented and had no effect on previously reported net income or earnings per share amounts, which included Siecor on an equity basis.

HANDY & HARMAN (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a–Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany items have been eliminated.

Investments in 20%–50% owned companies are accounted for by the equity basis of accounting. Accordingly, to conform to this accounting method, the 1989 and 1988 statements of income have been restated to reflect adjustments of line items for revenue and costs applicable to the automotive replacement segment's business transferred to the joint venture described in Note 10 and reflect the losses of this business on the equity basis of accounting.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10–Joint Venture

On June 1, 1990 the Company transferred its automotive replacement segment's business and contributed certain assets and liabilities amounting to $22,912,000 and $1,156,000, respectively, to a joint venture named GO/DAN Industries (GDI) (a partnership). The Company and its

joint venture partner, The Allen Group Inc. (Allen) have equal control over activities of GDI.

In accordance with the joint venture agreement, Allen has a preference to the first $7,000,000 of net earnings generated by GDI of which $1,611,000 was credited to Allen's partnership account in 1990. In 1991 Allen is entitled to a preference payment of the lesser of net earnings or $3,389,000. At the end of each subsequent fiscal year, Allen is entitled to the net earnings for that year until the $7,000,000 preference is attained. At the attainment of the preference, all subsequent net earnings are shared equally by the partners. Losses in any fiscal year are shared equally by the partners.

The Company retained ownership of manufacturing facilities used by GDI and rental income of $470,000 was earned by the Company for leasing these facilities to GDI. Included in receivables at December 31, 1990 is a net amount due from GDI of $14,644,000 which is primarily the result of sales by GDI of finished goods owned by the Company.

Summarized financial information from the audited financial statements of GDI for the six month period ended November 30, 1990 is as follows:

Assets	$69,140,000
Non Current Assets	22,824,000
Current Liabilities	52,786,000
Partnership Equity	39,178,000
Total Revenues	72,153,000
Gross Profit	19,866,000
Net Earnings	1,611,000

TABLE 1-9: NONHOMOGENEOUS OPERATIONS CONSOLIDATED

	Number of Companies			
	1990	**1989**	**1988**	**1987**
Credit	59	69	64	17
Insurance	36	33	34	7
Leasing	9	11	8	2
Banks	7	8	11	1
Real Estate	21	15	N/C	N/C

N/C—Not Compiled.

CONSOLIDATION POLICIES

Accounting Research Bulletin No. 51 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 nonhomogenous 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 86 survey companies disclosing nonhomogeneous operations, 53 presented a classified balance sheet showing either certain or no accounts for nonhomogeneous operations, 11 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.

Classified Balance Sheet

THE ALLEN GROUP INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Consolidation: The Company's consolidated financial statements include the accounts of its lease finance and all significant subsidiaries. Investments in and advances to joint ventures in which the Company has a 50% ownership interest are accounted for by the equity method. Under such method, the Company's share of net earnings (or losses) is included as a separate item in the consolidated statement of income.

Note 3: Lease Finance Subsidiaries

The Company's wholly-owned lease finance operations consist principally of The Allen Group Leasing Corp. ("Leasing") in the United States. Information in connec-

tion with lease receivables included in the consolidated balance sheets is as follows (amounts in thousands):

1990:	Current	Non-Current	Total
Direct financing lease receivables	$29,605	$69,765	$99,370
Residual value of leased equipment	525	2,853	3,378
Other leasing assets	1,899	2,543	4,442
Unearned lease finance income	(11,460)	(17,847)	(29,307)
Allowance for credit losses	(960)	(702)	(1,662)
	$19,609	$56,612	$76,221
1989:			
Direct financing lease receivables	$22,061	$48,548	$70,609
Residual value of leased equipment	613	2,039	2,652
Other leasing assets	1,659	4,728	6,387
Unearned lease finance income	(6,699)	(13,115)	(19,814)
Allowance for credit losses	(786)	(569)	(1,355)
	$16,848	$41,631	$58,479

As described in Note 2, lease receivables have been pledged as collateral under the Company's revolving credit facility. The aggregate maturities of direct financing lease receivables as of December 31, 1990 were as follows (amounts in thousands):

1991	$29,605
1992	24,226
1993	19,631
1994	15,472
1995 and thereafter	10,436
	$99,370

Essentially all of the Company's direct financing lease receivables are with companies or individuals operating within the automotive repair industry, incuding auto dealerships, garages and other similar repair and inspection facilities, and approximately 38% of lease receivables are with lessees located in the state of California.

In 1990 and 1989 (none in 1988), Leasing sold approximately $21,500,000 and $4,400,000, respectively, of net lease receivables (including certain sales with limited recourse) to financial institutions, for proceeds of $25,700,000 and $5,200,000, respectively. These sales resulted in aggregate net gains of approximately $900,000 and $100,000, in 1990 and 1989, respectively, which are included in lease finance income. The aggregate cost of equipment purchased by the lease finance subsidiaries from the Company amounted to approximately $64,000,000, $32,200,000 and $24,900,000 in 1990, 1989 and 1988, respectively.

AMOCO CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in Part): Accounting Policies

Principles of consolidation

—The ongoing operations of all subsidiaries in which the corporation directly or indirectly owns more than 50 percent of the voting stock are included in the consolidated financial statements. The corporation also consolidates its proportionate share of assets, liabilities, and results of operations of oil and gas joint ventures and undivided interest in pipeline companies. Investments in other companies in which less than a majority interest is held are generally accounted for by the equity method. Certain amounts in the Consolidated Statement of Income have been reclassified for comparative purposes.

5. Amoco Credit Corporation

Prior to January 1, 1988, the corporation accounted for its investment in Amoco Credit Corporation (Credit) by the equity method. As described in Note 1, the accounts of all subsidiaries are now consolidated. Credit's business consists of financing, through the issuance of commercial paper and other short-term borrowings, certain of the corporation's receivables.

Summary financial information for Credit included in the consolidated financial statements is provided in the following table:

millions of dollars	1990	1989	1988
For the years ended December 31:			
Revenues	$ 79	$ 73	$ 65
Net income	$ 31	$ 25	$ 21
At December 31:			
Assets, principally accounts receivable	$403	$355	$307
Liabilities, principally short-term borrowings	$346	$304	$261
Shareholder's equity	$ 57	$ 51	$ 46

MOTOROLA, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In millions, except as noted)

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

Consolidation:

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Note 7 (in Part): Other Financial Data

Financial data of consolidated financial subsidiaries

	1990	1989	1988
Total revenue	$ 15	$ 31	26
Net earnings	5	7	7
Total assets	120	166	296
Total liabilities	(84)	(134)	(249)
Stockholders' investments and advances	$ 36	$ 32	$ 47

The Company's finance subsidiary purchases customer obligations under long-term contracts from the Company at net carrying value. Its insurance subsidiary insures some of the Company's property risks.

Finance subsidiary interest income of $15 million in 1990, $31 million in 1989 and $26 million in 1988 is included in Net sales. Interest expense of $8 million in 1990, $20 million in 1989 and $16 million in 1988 is

included in Manufacturing and other costs of sales. In addition, finance receivables of $93 million in 1990 and $122 million in 1989 are included in Other assets.

The Company's cash payments for interest expense (net of amounts capitalized) were $113 million in 1990, $175 million in 1989 and $157 million in 1988.

HONEYWELL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in Millions Except Per Share Amounts)

Note 1 (in Part): Accounting Policies

Consolidation The consolidated financial statements and accompanying data include Honeywell Inc. and subsidiaries. All material transactions between companies are eliminated.

Note 13—Finance and Real Estate Subsidiaries

Following is summarized financial information pertaining to finance and real estate subsidiaries:

	1990	1989	1988
Condensed Income Statement			
Revenues and other income	$ 19.5	$ 19.6	$ 51.2
Costs and expenses	14.4	14.6	19.7
Income taxes	1.7	1.5	1.7
Net income	$ 3.4	$ 3.5	$ 29.8
Condensed Statement of Financial Position			
Receivables	$191.2	$189.5	$186.5
Receivables from Honeywell	24.1	23.9	25.1
Property	42.8	47.1	48.3
Other	2.4	2.5	2.2
	$260.5	$263.0	$262.1
Payables and accruals	$ 4.6	$ 8.3	$ 9.7
Short-term debt	0.5	2.0	0.5
Long-term debt	56.4	58.6	60.5
Payables to Honeywell	42.2	40.7	41.4
Stockholder's equity	156.8	153.4	150.0
	$260.5	$263.0	$262.1

Receivables include customer obligations purchased from Honeywell by Honeywell Finance Inc. Collection of these receivables is performed by Honeywell and the cost of this service is paid by Honeywell Finance Inc.

Revenues and other income consist primarily of financing fees paid by Honeywell to Honeywell Finance Inc. and rental income from buildings owned by the real estate subsidiaries. The financing fees are based upon expenses and interest income. Fees are paid to Honeywell Finance Inc. under a formula providing fixed-charges coverage of 150 percent. In 1988 revenues included $29.8 from gains on sales of real estate.

UNOCAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in Part): Summary of Accounting Policies

Principles of Consolidation

For the purposes of this report, Unocal Corporation (Unocal) and its consolidated subsidiary, Union Oil Company of California (Union Oil), will be referred to as the company.

The consolidated financial statements of the company include the accounts of subsidiaries more than 50 percent owned, except for certain Brazilian subsidiaries which are accounted for by the cost method due to currency restrictions imposed by the Brazilian government. Investments in affiliates owned 50 percent or less are accounted for by the equity method. Under the equity method, the investments are stated at cost plus the company's equity in undistributed earnings after acquisition. Income taxes estimated to be payable when earnings are distributed are included in deferred income taxes.

Note 15—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.

Financial Position

	December 31	
Millions of Dollars	1990	1989
Total assets, primarily accounts receivable	$230	$174
Short-term notes payable	$138	$ 84
Shareholder's equity	92	90
Total liabilities and shareholder's equity	$230	$174

Statement of Earnings

	1990	1989	1988
Millions of Dollars			
Service charge income from Union Oil	$10	$11	$13
Interest and administrative expense	7	7	9
Earnings before taxes on income	3	4	4
Provision for taxes on income	1	1	2
Net earnings	$ 2	$ 3	$ 2

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

FORD MOTOR COMPANY (DEC)

Consolidated Balance Sheet

(in millions)	1990	1989
ASSETS		
Automotive		
Cash and cash equivalents	$ 4,599.3	$ 4,045.3
Marketable securities, at cost and accrued interest (approximates market)	1,478.7	1,680.2
Total cash, cash equivalents and marketable securities	6,078.0	5,725.5
Receivables	3,537.0	4,703.4
Inventories	7,115.4	6,816.8
Other current assets	2,448.8	1,918.9
Net current receivable from Financial Services	319.5	344.6
Total current assets	19,498.7	19,509.2
Equity in net assets of affiliated companies	2,180.0	4,178.5
Property, net	22,207.8	18,135.4
Other assets	6,679.5	3,635.1
Net noncurrent receivable from Financial Services	257.4	361.0
Total Automotive assets	50,823.4	45.819.2
Financial Services		
Cash and cash equivalents	2,168.5	1,376.0
Investments in securities	7,636.6	7,719.0
Receivables and lease investments, net	105,515.5	99,191.2
Other assets	7,518.7	6,787.9
Total Financial Services assets	122,839.3	115,074.1
Total Assets	$173,662.7	$160,893.3

	1990	1989
LIABILITIES AND STOCKHOLDERS' EQUITY		
Automotive		
Trade payables	$ 7,181.9	$ 7,486.8
Other payables	2,306.7	2,677.2
Accrued liabilities	8,370.2	6,794.7
Income taxes payable	155.8	684.9
Debt payable within one year	2,849.4	2,537.0
Total current liabilities	20,864.0	20,180.6
Long-term debt	4,552.9	1,137.0
Other liabilities	8,854.9	6,948.8
Deferred income taxes	1,515.7	1,876.9
Total Automotive liabilities	35,787.5	30,143.3
Financial Services		
Payables	1,408.6	1,336.0
Debt	88,117.0	81,734.2
Deposit accounts	17,892.7	17,642.1
Deferred income taxes	1,587.5	1,515.9
Other liabilities and deferred income	4,254.4	4,288.4
Net payable to Automotive	576.9	705.6
Total Financial Services liabilities	113,837.1	107,222.2
Preferred stockholders' equity in subsidiary company	800.0	800.0
Stockholders' equity		
Capital stock		
Preferred stock, par value $1.00 a share	—	—
Common stock, par value $1.00 a share (437.7 and 437.4 shares issued)	437.7	437.4
Class B stock, par value $1.00 a share (35.4 shares issued)	35.4	35.4
Capital in excess of par value of stock	766.2	574.2
Foreign-currency translation adjustments and other	823.3	(23.2)
Earnings retained for use in business	21,175.5	21,704.0
Total stockholders' equity	23,238.1	22,727.8
Total Liabilities and Stockholders' Equity	$173,662.7	$160,893.3

NOTES TO FINANCIAL STATEMENTS

Note 1 (in Part): Accounting Policies

Principles of Consolidation

The consolidated financial statements include all majority-owned subsidiaries and reflect the assets, liabilities,

operating results and cash flows for two broad business segments: Automotive and Financial Services. The assets and liabilities of the Automotive segment are classified as current or noncurrent and those of the Financial Services segment are unclassified. Affiliates that are 20–50% owned, principally Autolatina and Mazda Motor Corporation, and subsidiaries where control is expected to be temporary, principally investments in certain dealerships, are generally accounted for on an equity basis.

The 1990 financial statements reflect the sale of Ford Aerospace Corporation ("Ford Aerospace"). The 1989 financial statements reflect the sale of Rouge Steel Company ("Rouge Steel") and the acquisitions of Associates First Capital Corporation ("The Associates") and Jaguar Limited ("Jaguar"). See Notes 3 and 17 for further details regarding these transactions.

AMERICAN BRANDS, INC. (DEC)

Consolidated Balance Sheet
(In millions, except per share amounts)

	1990	1989
Assets		
Consumer products and corporate		
Current assets		
Cash and cash equivalents	$ 89.5	$ 82.9
Accounts receivable, net	1,403.7	1,093.3
Inventories	2,032.6	1,675.0
Other current assets	284.2	192.8
Total consumer products and corporate current assets	3,810.0	3,044.0
Property, plant and equipment, net	1,471.5	1,188.1
Intangibles resulting from business acquisitions, net	2,972.9	1,829.3
Other assets	329.0	478.6
Total consumer products and corporate assets	8,583.4	6,540.0
Life insurance		
Investments	4,341.6	4,050.8
Cash and cash equivalents	64.5	66.4
Accrued investment income	89.4	82.3
Deferred policy acquisition costs	386.9	372.5
Present value of future profits, net	186.3	193.8
Intangibles resulting from business acquisitions, net	93.2	96.5
Other assets	89.9	89.3
Total life insurance assets	5,251.8	4,951.6
Total assets	$13,835.2	$11,491.6

	1990	1989
Liabilities and stockholders' equity		
Consumer products and corporate		
Current liabilities		
Notes payable to banks	$ 82.5	$ 149.4
Commercial paper	755.9	434.9
Accounts payable	434.6	361.9
Accrued excise and other taxes	1,245.3	922.0
Accrued expenses and other liabilities	758.9	628.7
Current portion of long-term debt	7.0	155.7
Total consumer products and corporate current liabilities	3,284.2	2,652.6
Long-term debt	2,433.8	1,717.4
Deferred income taxes	259.0	222.8
Total consumer products and corporate liabilities	5,977.0	4,592.8
Life insurance		
Policy reserves and claims	2,111.5	2,007.5
Investment contract deposits	1,626.2	1,456.9
Other policyholders' funds	187.3	179.7
Other liabilities	143.2	153.2
Total life insurance liabilities	4,068.2	3,797.3
Redeemable preferred stock		
$2.75 Preferred stock, without par value, stated value and mandatory redemption price $30.50 per share	131.9	135.6
Convertible preferred stock—redeemable at Company's option		
$2.67 Convertible Preferred stock, without par value, stated value $30.50 per share	25.0	27.8
Common stockholders' equity		
Common stock, par value $3.125 per share, shares issued 1990, 229.6; 1989, 114.8 (unadjusted for two-for-one stock split)	717.4	358.7
Additional paid-in capital	137.7	87.6
Unrealized depreciation on marketable equity securities	(15.4)	(1.7)
Foreign currency adjustments	33.3	(130.5)
Retained earnings	3,386.7	3,438.2
Treasury stock, at cost	(626.6)	(814.2)
Total Common stockholders' equity	3,633.1	2,938.1
Total liabilities and stockholders' equity	$13,835.2	$11,491.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (in Part)

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. Balance sheet accounts are segregated into two categories. Consumer products and corporate accounts are classified as current or non-current, whereas the life insurance accounts are unclassified, in accordance with industry practice. In 1988 and 1989, the fiscal year-end of certain subsidiaries of Gallaher Limited and ACCO ranged from September 30 to November 30 to facilitate year-end closing. Effective with 1990, the fiscal year-end of these subsidiaries has been changed to November 30.

Certain financial statement amounts have been reclassified to conform to the 1990 presentation.

THE FRANKLIN LIFE INSURANCE COMPANY

Summarized income statement information for Franklin Life and its subsidiaries is as follows:

In millions	1990	1989	1988
Revenues			
Premiums	$394.6	$411.4	$480.8
Net investment income	397.2	400.5	409.5
Other income	13.7	19.1	33.1
	805.5	831.0	923.4
Insurance benefits			
Benefits paid or provided and change in policy reserves	436.9	448.9	525.1
Dividends to policyholders	90.2	85.2	77.2
Advertising, selling and administrative expenses			
Amortization of deferred policy acquisition costs	58.3	57.6	57.6
Other	79.6	79.5	105.7
Restructuring charge (credit)	—	5.7	(34.5)
	665.0	676.9	731.1
Operating income	140.5	154.1	192.3
Income taxes	46.4	53.8	110.3
Net income	$ 94.1	$100.3	$ 82.0

Summarized cash flow information is as follows:

(In millions)	1990	1989	1988
Operating activities			
Income from operations	$ 94.1	$100.3	$ 82.0
Depreciation and amortization	7.6	7.9	11.0
Gain on dispositions and investments, net	(7.6)	(14.4)	(6.9)
Increase in deferred policy acquisition costs	(14.4)	(18.9)	(31.1)
Increase in insurance policy and investment contract related liabilities	217.7	195.5	169.4
Other, net	(25.1)	(46.7)	(8.3)
Net cash provided from operating activities	272.3	223.7	216.1
Investing activities			
Additions to property, plant and equipment	(3.6)	(3.0)	(8.6)
Sale of operations, net of taxes	—	376.5	—
Purchases of investments	(727.2)	(880.7)	(781.2)
Proceeds from the sale of investments:			
Fixed maturities	74.0	122.7	76.3
Other	164.1	72.1	86.1
Proceeds from maturity of investments	209.7	285.9	350.0
Net cash used by investing activities	(283.0)	(26.5)	(277.4)
Financing activities			
Dividends to parent	(49.8)	(266.2)	(55.4)
Deposits on annuity and other financial products	217.6	191.5	214.5
Withdrawals of annuity and other financial products	(159.0)	(121.7)	(104.2)
Net cash provided (used) in financing activities	8.8	(196.4)	54.9
Net (decrease) increase in cash and cash equivalents	$ (1.9)	$ 0.8	$ (6.4)

On March 31, 1989, Franklin sold the capital stock of Southland for approximately $433.5 million in cash. The sale resulted in the recognition of a pre-tax restructuring credit of $34.5 million and a net income charge of $22.4 million in 1988 and a pre-tax restructuring charge of $5.7 million and net income charge of $3.8 million in 1989. Southland's revenues and net income for the year ended December 31, 1988 were $216 million and $26.8 million, respectively.

Generally, Franklin is restricted by the insurance laws of its domiciliary state as to amounts that can be transferred to the Company in the form of dividends, loans or advances without the approval of the Director of Insurance. Under these restrictions, dividends in any twelve-month period aggregating in excess of $80 million and loans or advances in excess of $131 million will require the approval the Director.

Unclassified Balance Sheet

DANA CORPORATION (DEC)

Balance Sheet

$ in thousands	1990	1989
ASSETS		
Cash	$ 42,399	$ 71,100
Marketable securities, at cost which approximates market	58,580	233,098
Accounts receivable, less allowance for doubtful accounts of $19,412 (1989–$17,583)	688,382	662,725
Loans receivable	106,985	765,308
Inventories		
Raw materials	159,758	155,372
Work in process and finished goods	536,080	556,149
Total inventories	695,838	711,521
Lease financing	904,243	854,353
Investments and other assets	785,082	809,193
Property, plant and equipment, net	1,231,684	1,118,139
Total Assets	$4,513,193	$5,225,437
LIABILITIES AND SHAREHOLDERS' EQUITY		
Depositors' accounts	$ —	$ 813,417
Short-term debt	766,987	670,417
Accounts payable and other liabilities	681,041	697,504
Deferred income taxes	241,427	249,146
Deferred pension liabilities	158,705	126,826
Long-term debt	1,486,377	1,522,264
Total Liabilities	3,334,537	4,079,574
Minority interest in consolidated subsidiaries	130,052	125,933
Shareholders' Equity		
Common stock, $1 par value, 120,000,000 shares authorized; 59,550,390 shares issued (59,472,272 in 1989)	59,550	59,472
Additional paid-in capital	327,742	325,131
Retained earnings	1,307,372	1,297,340
Treasury stock (1900–18,537,658 shares, 1989–18,567,729)	(611,608)	(612,128)
Deferred translation adjustments	(22,650)	(49,885)
Deferred pension expense	(11,802)	
Total Shareholders' Equity	1,048,604	1,019,930
Total Liabilities and Shareholders' Equity	$4,513,193	$5,225,437

NOTES TO FINANCIAL STATEMENTS

Principles of Consolidation

Dana's consolidated financial statements include the accounts of all significant domestic and international subsidiaries, including its wholly-owned financial subsidiary, Diamond Financial Holdings, Inc. Subsidiaries held for sale are carried at the lower of market or net book value at measurement date. Affiliated companies (20% to 50% Dana ownership) are generally recorded in the consolidated statements using the equity method of accounting. Operations of subsidiaries and affiliates outside North America are generally included for periods ended within two months of Dana's year end to ensure preparation of consolidated financial statements on a timely basis. Less than 20% owned companies are included in the consolidated accounts at the cost of Dana's investment. Dividends, royalties and fees from these affiliates are recorded in Dana's consolidated statements when received.

International Operations

Local currencies are used as the functional currencies except in hyper-inflationary countries such as Brazil and Mexico. The following is a summary of the more significant financial information of the consolidated international subsidiaries:

	December 31		
$ in thousands	1990	1989	1988
Assets	$1,038,220	$ 835,129	$ 729,181
Liabilities	464,135	371,874	314,186
Net sales	1,432,440	1,266,582	1,225,750
Net income (including translation losses of $40,334 in 1990, $14,473 in 1989 and $14,770 in 1988)	65,267	84,478	67,373
Dana's equity in –			
Net assets	449,961	354,397	312,668
Net income	47,598	62,217	48,793

Dana's historical cost investment in these international subsidiaries was $177,693,000 at December 31, 1990.

Dana has equity interests (20% to 50% ownership) in a number of affiliated companies in South America, Asia and other areas of the world. The following is a summary of the more significant information of affiliated companies accounted for on the equity method:

	December 31		
$ in thousands	1990	1989	1988
Current assets	$400,970	$354,380	$401,401
Other assets	300,864	299,780	275,780
Current liabilities	216,061	172,546	205,068
Other liabilities	186,911	196,183	240,770
Shareholders' equity	298,862	285,431	231,343
Net sales	848,165	838,789	661,708
Gross profit	193,511	190,411	161,779
Net income	63,411	45,369	62,346
Dana's equity in net income	29,465	18,749	31,542

Cumulative undistributed earnings of international subsidiaries and affiliates for which U.S. income taxes, exclusive of foreign tax credits, have not been provided approximated $363,857,000 at December 31, 1990. Management intends to permanently reinvest undistributed earnings of international subsidiaries and affiliates and accordingly no U.S. income taxes have been provided on

these undistributed earnings. If the total undistributed earnings of affiliates and international subsidiaries had been remitted in 1990, the additional tax provision would be substantially offset by foreign tax credits.

Significant Subsidiary

Diamond Financial Holdings, Inc. is a wholly-owned financial subsidiary which includes leasing companies, a savings and loan company and real estate development and management companies. Diamond is included in Dana consolidated financial statements.

A summary of Diamond's financial position and results of operations is as follows:

$ in thousands	December 31 1990	1989
Assets		
Cash and investment securities	$ 26,935	$ 223,006
Loans receivable	106,985	765,308
Lease financing	968,204	925,059
Other assets	321,334	345,574
Total Assets	$1,423,458	$2,258,947
Liabilities and Shareholder's Equity		
Depositors' accounts	$ —	$ 813,417
Notes payable	1,064,801	999,995
Other liabilities	270,219	331,407
Shareholder's equity	88,438	114,128
Total Liabilities and Shareholder's Equity	$1,423,458	$2,258,947

	Year Ended December 31 1990	1989	1988
Revenue from products and services	$300,422	$284,186	$307,352
Interest expense on depositors' accounts and borrowings	151,366	136,562	129,620
Cost of sales	12,295	14,463	50,712
Other costs and expenses	182,349	126,235	119,673
	346,010	277,260	300,005
Income (loss) before income taxes	(45,588)	6,926	7,347
Estimated income tax benefits	8,866	4,470	11,569
Income (loss) before equity in earnings of affiliates	(36,722)	11,396	18,916
Equity in earnings of affiliates	10,270	2,653	1,102
Net income (loss)	$(26,452)	$ 14,049	$ 20,018

Diamond's 1990 results were reduced by $25,000,000 relating to reserves provided to reflect the declining value of its real estate and commercial real estate loan portfolio.

Results of operations for 1990, 1989 and 1988, respectively, include the operations of Diamond Savings and Loan Company, a wholly-owned subsidiary of Diamond. DSL is included in investments held for sale at December 13, 1990 and is valued at net book value. At December 31, 1989 DSL is included in the balance sheet accounts as a consolidated subsidiary.

TRINITY INDUSTRIES, INC. (MAR)

Consolidated Balance Sheet

(in millions)	1990	1989
Assets		
Cash and short-term investments	$ 7.4	$ 6.4
Receivables	156.9	141.0
Inventories	188.9	225.9
Property, plant and equipment, at cost:		
Excluding Leasing Subsidiaries	360.8	325.8
Leasing Subsidiaries	375.2	367.5
Less accumulated depreciation		
Excluding Leasing Subsidiaries	(133.7)	(122.5)
Leasing Subsidiaries	(110.9)	(97.1)
Other assets	30.3	31.1
	$874.9	$878.1
Liabilities and Stockholders' Equity		
Short-term debt	$ 29.5	$ 32.0
Accounts payable and accrued liabilities	83.3	90.6
Long-term debt:		
Excluding Leasing Subsidiaries	91.6	131.4
Leasing Subsidiaries	266.4	281.5
Deferred income taxes	84.2	72.7
Other liabilities	35.1	42.2
Stockholders' equity: (shares in millions)		
Common stock—par value $1 per share; authorized 40.0 shares; shares issued and outstanding in 1990—19.4; in 1989—18.1	19.4	18.1
Captial in excess of par value	75.8	44.4
Retained earnings	189.6	165.2
	284.8	227.7
	$874.9	$878.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

The financial statements of Trinity Industries, Inc. and its consolidated subsidiaries ("Trinity," or the "Company") include the accounts of all significant majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The Company accounts for its wholly-owned Leasing Subsidiaries in accordance with Statement of Financial Accounting Standard No. 94, "Consolidation of All Majority-Owned Subsidiaries," which requires the consoli-

dation of all majority-owned subsidiaries, unless control is temporary or does not reside with the majority owner. The Company's financial statements include the consolidation of the accounts of Trinity Industries Leasing Company ("TILC") and Trinity Railcar Leasing Corporation ("TRLC"). TILC and TRLC collectively are referred to as the "Leasing Subsidiaries."

Consolidating Financial Statements of Trinity Industries, Inc.

The following financial statements present the consolidating income statement and consolidating balance sheet of Trinity. Certain accounts have been reclassified to correspond to consolidated financial statement presentation of Trinity. Presentation of accounts does not conform to separate entity financial presentation. These consolidating financial statements are presented to provide additional analysis of, and should be read in conjunction with, the consolidated financial statements of Trinity.

Consolidating Income Statement
Year Ended March 31, 1990 (in millions)

	Trinity	Leasing Subsidiaries	Eliminations	Total
Revenues	$1,254.9	$66.7	$(11.5)	$1,310.1
Operating costs:				
Cost of revenues	1,114.9	39.0	(11.5)	1,142.4
Selling, engineering and administrative expenses	60.7	0.2	—	60.9
Interest expense of Leasing Subsidiaries	—	26.8	—	26.8
Retirement plan expense	5.8	—	—	5.8
Equity in income of Leasing Subsidiaries before income taxes	(17.9)	—	17.9	—
	1,163.5	66.0	6.4	1,235.9
Operating profit	91.4	0.7	(17.9)	74.2
Other (income) deductions:				
Interest income	(0.4)	(0.4)	—	(0.8)
Interest expense—excluding Leasing Subsidiaries	33.2	(16.3)	—	16.9
Other, net	(1.7)	(0.5)	—	(2.2)
	31.1	(17.2)	—	13.9
Income before income taxes	60.3	17.9	(17.9)	60.3
Provison for income taxes:				
Current	7.1	3.0	(3.0)	7.1
Deferred	15.0	3.1	(3.1)	15.0
	22.1	6.1	(6.1)	22.1
Net income	$ 38.2	$11.8	$(11.8)	$ 38.2

Consolidating Balance Sheet
March 31, 1990 (in millions)

	Trinity	Leasing Subsidiaries	Eliminations	Total
Assets				
Cash and short-term investments	$ 6.9	$ 0.5	$ —	$ 7.4
Receivables	156.0	0.9	—	156.9
Inventories	188.9	—	—	188.9
Property, plant and equipment, at cost:				
Excluding Leasing Subsidiaries	360.8	—	—	360.8
Leasing Subsidiaries	—	427.8	(52.6)	375.2
Less accumulated depreciation:				
Excluding Leasing Subsidiaries	(133.7)	—	—	(133.7)
Leasing Subsidiaries	—	(110.9)	—	(110.9)
Note receivable from parent	—	173.7	(173.7)	—
Investment in Leasing Subsidiaries	121.8	—	(121.8)	—
Other assets	37.5	4.9	(12.1)	30.3
	$738.2	$496.9	$(360.2)	$874.9
Liabilities and Stockholders' Equity				
Short-term debt	$ 29.5	$ —	$ —	$ 29.5
Accounts payable and accrued liabilities	79.4	3.9	—	83.3
Long-term debt:				
Excluding Leasing Subsidiaries	265.3	—	(173.7)	91.6
Leasing Subsidiaries	—	266.4	—	266.4
Deferred income taxes	—	96.3	(12.1)	84.2
Deferred income	52.6	—	(52.6)	—
Other liabilities	26.6	8.5	—	35.1
Stockholders' equity	284.8	121.8	(121.8)	284.8
	$738.2	$496.9	$(360.2)	$874.9

Condensed Combined Financial Information of Consolidated Leasing Subsidiaries
(in millions)

	March 31 1990	March 31 1989
Assets		
Total assets (principally railcars and barges)	$496.9	$496.6
Liabilities and Stockholder's Equity		
Total liabilities (principally long-term debt)	$375.1	$386.5
Stockholder's equity (including retained earnings of $96.5 and $84.7 in 1990 and 1989, respectively)	121.8	110.1
	$496.9	$496.6

Income	Year Ended March 31 1990	1989	1988
Revenues	$66.7	$71.2	$72.8
Income before income taxes	$17.9	$18.5	$16.6
Provision for income taxes	6.1	6.3	6.2
Net income	$11.8	$12.2	$10.4

Future minimum rentals on leases in each fiscal year are approximately $37.1 in 1991, $31.7 in 1992, $24.1 in 1993, $19.9 in 1994, $16.9 in 1995, and $48.5 thereafter.

Deconsolidation—Reduction of Voting Interest

BAKER HUGHES INCORPORATED (SEP)

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 Baker Hughes incorporated and all majority-owned subsidiaries and partnerships (the "Company"). In July 1990, BJ Services Company ("BJ Services"), formerly a wholly owned subsidiary of the Company, completed an initial public offering of approximately 71% of its common stock. Prior to the offering, the accounts of BJ Services were included in the company's financial statements. Subsequent to the offering, the Company owned less than a majority voting interest in BJ Services. Accordingly, BJ Services' accounts are no longer consolidated, and the Company's remaining investment in BJ Services is accounted for by the equity method. Investments in which ownership interests range from 20 to 50 percent and the Company exercises significant influence over operating and financial policies are accounted for using the equity method. Other investments are accounted for using the cost method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Proportionate Consolidation

TESORO PETROLEUM CORPORATION (SEP)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements for 1990 include the accounts of Tesoro Petroleum Corporation and its significant subsidiaries. For periods presented prior to 1990, the consolidated financial statements do not include the accounts of the Company's interest in a joint venture operating in Bolivia (Tesoro Bolivia). From January 1, 1984 through September 30, 1989, the Company accounted for its investment in Tesoro Bolivia on the cost method due to economic conditions in Bolivia which prevented the timely collections by the joint venture of receivables from sales of natural gas and condensate produced in that country. Due to the collection of these receivables, together with commitments expressed by the Bolivian Government to continue to support the joint venture's efforts in Bolivia, the Company resumed consolidating its proportionate interest in the current results of operations and financial positions of the joint venture effective October 1, 1989. For further information regarding Tesoro Bolivia, see Note C.

All material intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to reflect current presentation of financial information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Investment in Tesoro Bolivia

The Company's wholly-owned subsidiary, Tesoro Bolivia Petroleum Company, holds an interest in a joint venture agreement to explore for and produce hydrocarbons in Bolivia. From January 1, 1984 through September 30, 1989, the Company accounted for its investment in Tesoro Bolivia on the cost method due to economic conditions in Bolivia which prevented the timely collections by the joint venture of receivables from sales of natural gas and condensate produced in that country.

During August 1988, the joint venture reached an agreement with the Bolivian Government whereby Tersoro Bolivia and its joint venture participants would receive commodities or services from Argentine companies as payment for receivables due the joint venture as of December 31, 1987, amounting to $83.1 million. Of this amount, $38.0 million would be distributed free of restrictions (Unrestricted Account) and the remaining $45.1 million would be deposited in a restricted bank account (Restricted Account) in the United States from which withdrawals would be made only for certain investments and expenses in Bolivia. Through September 30, 1989, all of the $83.1 million was received, of which $38.0 million available under the terms of the agreement was distributed, including $19.0 million to the Company, and $45.1 million was placed in the Restricted Account.

The agreement further provides that after January 1, 1988, proceeds received from the sale of condensate will be free of restrictions to the joint venture participants. During fiscal 1990, Tesoro Bolivia and its joint venture participants received $1.0 million free of restrictions pursuant to the agreement. In addition, the agreement provides that receipts from the sale of natural gas will be placed in the Restricted Account until cumulative deposits in that account equal $90.0 million. As of September 30, 1990, $26.7 million remains to be deposited into the Restricted Account before Tesoro Bolivia can receive funds free from restrictions.

The joint venture is continuing to collect for sales of natural gas and condensate pursuant to the terms of this agreement. Due to the collection of these receivables, together with commitments expressed by the Bolivian Government to continue to support the joint venture's efforts in Bolivia, the Company resumed consolidating its proportionate interest in the current results of operations of the joint venture effective October 1, 1989. No earnings for the joint venture for the period January 1, 1984 through September 30, 1989 have been recognized by the Company.

Consolidation Includes All Subsidiaries

CROWN CORK & SEAL COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (in Part): Accounting Policies

The consolidated financial statements include all subsidiaries.

D. Foreign Subsidiaries

The condensed financial statements of the majority-owned international subsidiaries are as follows:

(In millions)	1990	1989	1988
Revenues	$1302.2	$842.6	$801.4
Costs and expenses	(1200.7)	(745.1)	(702.8)
Translation and exchange adjustments	(11.7)	(13.6)	(14.2)
Income tax expense	(35.8)	(28.2)	(36.9)
Net income	$ 54.0	$ 55.7	$ 47.5

Foreign exchange losses emanate primarily from the Company's holdings in Latin America.

Combined net assets of foreign subsidiaries reflected in the Consolidated Balance Sheet were:

(In millions)	1990	1989
Cash and short-term investments	$ 13.2	$ 10.7
Other current assets	396.5	394.9
Goodwill (net)	162.7	170.2
Property, plant and equipment (net)	498.6	476.9
Other assets	14.5	24.4
Total assets	1085.5	1077.1
Current liabilities	354.3	371.9
Long-term debt	90.6	94.0
Deferred income taxes	57.2	62.6
Minority equity in subsidiaries	1.2	.9
Other liabilities	38.3	61.5
Total liabilities	541.6	590.9
Net assets	$ 543.9	$486.2

No provision has been made for additonal income taxes which could result from distribution of earnings of foreign subsidiaries since such earnings, for the most part, are permanently invested.

Certain Subsidiaries Not Consolidated

DIBRELL BROTHERS, INCORPORATED (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in Part): Significant Accounting Policies

The accounts of the Company and its consolidated subsidiaries are included in the consolidated financial statements after elimination of significant intercompany accounts and transactions. Fiscal year ends of certain foreign condolidated subsidiaries of the Company range from March 31 to May 31 to facilitate reporting of consolidated accounts. The Company accounts for its investment in certain investee companies under the equity method of accounting. Investments in certain other foreign investees and subsidiaries which are combined with other investments are stated at cost or less than cost since the Company does not exercise significant influence over financial or operating policies and because of restrictions imposed on the transfer of earnings and other economic uncertainties.

Note C—Investee Companies, Unconsolidated Subsidiaries, and Related Parties

On November 15, 1985, the Company acquired the quotas of capital in Liggett & Myers do Brasil Cigarros Ltda. [now named Tabasa Tabacos S.A. (Tabasa)] for $28 million. As the result of the resale of these quotas in transactions under which 70% thereof was transferred to a non-affiliated Brazilian entity and 30% was transferred to a Brazilian subsidiary of the Company, $18.6 million was received by the Company. In addition, the Company was to receive from Tabasa (in which the Company has a 30% interest) $9.4 million, together with interest, over approximately seven years. At June 30, 1990 the balance is $7.1 million. Upon repayment of this balance, the non-affiliated Brazilian entity has the option to purchase the Company's 30% interest at a defined price.

The combined summarized information for investee companies, primarily tobacco operations, is approximately as follows:

	1990	1989	1988
Current assets	$ 79,952,000	$ 75,178,000	$ 66,840,000
Non-current assets	33,159,000	21,150,000	22,360,000
Current liabilities	68,113,000	51,373,000	46,455,000
Non-current liabilities	13,661,000	9,234,000	11,268,000
Minority interest	566,000	2,763,000	-0-
Net sales	143,886,000	127,775,000	105,011,000
Gross profit	16,721,000	22,515,000	20,262,000
Net income	2,949,000	7,170,000	8,216,000

Increases in non-current assets and non-current liabilities for 1990 result primarily from operations of Tabasa. Decreases in gross profit and net income are also principally related to Tabasa, but are mitigated to some extent by gains from Africa Holding S.A.'s (Africa Holding) operations in Malawi. Current liabilities and sales increases relate primarily to Tabasa and Africa Holding operations.

The increases in current assets and liabilities for 1989 result primarily from the Tabasa operation. The increases in minority interest, net sales and gross profit relate primarily to Africa Holding. The decrease in net income for 1989 relates primarily to Tabasa.

The combined summarized information for unconsolidated subsidiaries, primarily tobacco operations, reflected at cost in the Consolidated Balance Sheet, is approximately as follows:

	1990	1989	1988
Current assets	$ 9,177,000	$ 9,220,000	$ 22,383,000
Non-current assets	6,173,000	2,137,000	5,282,000
Current liabilities	8,398,000	7,988,000	22,030,000
Non-current liabilities	-0-	-0-	-0-
Minority interest	-0-	-0-	-0-
Net sales	52,318,000	40,036,000	28,220,000
Gross profit	4,486,000	2,882,000	3,183,000
Net income	1,142,000	527,000	56,000

Increases in sales for 1990 relate primarily to the operation in Argentina, while increases in non-current assets, gross profit and net income relate to the operation in Zimbabwe.

The decrease in assets and liabilities in 1989 relates to certain entities acquired with van Beek which were sold during fiscal year 1989. The decrease in gross profit relates to an entity acquired with Florimex which is being consolidated in the 1989 fiscal year. The increase in net income relates to entities acquired with the acquisition of van Beek.

Balances with related parties, primarily affiliated companies, that are included in the consolidated financial statements are not material in current or prior years except as follows:

	1990	1989	1988
Trade receivables	$ 3,464,000	$ 1,764,000	$ 2,480,000
Advances on purchases of tobacco	22,619,000	13,960,000	9,680,000
Receivable from investee	7,131,000	8,234,000	9,159,000
Accounts payable: Trade	3,151,000	4,256,000	1,909,000
Other income: Interest	593,000	1,200,000	940,000
Purchases of tobacco	69,116,000	56,767,000	44,829,000

Combined Financial Statements

AMP INCORPORATED AND PAMCOR, INC. (DEC)

Combined Balance Sheets

(dollars in thousands)	1990	1989
Shareholders' Equity:		
AMP Incorporated—		
Common stock, without par value—Authorized 350,000,000 shares, issued 112,320,000 shares	$ 12,480	$ 12,480
Pamcor, Inc.—		
Common stock, par value $1.00 per share—Authorized 64,000 shares, issued 20,000 shares	20	20
Other capital	77,746	77,156
Cumulative translation adjustments	114,108	67,911
Retained earnings	1,765,396	1,622,935
Treasury stock, at cost	(176,992)	(155,069)
Total shareholders' equity	1,792,758	1,625,433

NOTES TO COMBINED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Principles

Principles of Combination

The financial statements of AMP and its subsidiaries (all wholly owned) and Pamcor are combined, as each company is owned beneficially by identical shareholders. Intercompany and affiliated company accounts and transactions are eliminated in the combination. Asia/Pacific and Latin America subsidiaries are included on the basis of years ending November 30.

2. Pamcor

Pamcor has no affiliates other than AMP and its subsidiaries. By trust agreement, Bankers Trust Company holds all of the Pamcor common stock for the benefit of AMP common shareholders whose certificates are endorsed to show they are entitled to a proportionate interest in the Pamcor common stock held in the Trust. This interest is not transferable separately.

The inclusion of Pamcor resulted in an increase in net income of $15,868,000 in 1990, $15,365,000 in 1989 and $14,592,000 in 1988 after the elimination of unrealized profit in affiliated company inventory.

BUSINESS COMBINATIONS

Paragraph 8 of *APB Opinion No. 16* 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 1990 the survey companies reported 10 business combinations accounted for as a pooling of interests of which 6 such business combinations did not result in a restatement of prior year financial statements. These companies not restating prior year financial statements for pooling of interests usually commented that the reason for not doing so was immateriality.

Examples of poolings of interests and purchases follow.

TABLE 1-10: BUSINESS COMBINATIONS

	1990	1989	1988	1987
Poolings of Interests				
Prior year financial statements restated	4	9	8	11
Prior year financial statements not restated	6	9	6	10
Total	**10**	**18**	**14**	**21**
Purchase Method	**190**	**219**	**216**	**194**

Poolings of Interests

RUBBERMAID INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars In thousands except per share amounts)

2 (in Part): Acquisitions and Joint Ventures

Acquisitions:

In October 1990, 6,236,758 Common Shares were issued in exchange for all the outstanding Common Shares of Eldon Industries, Inc. (Eldon), primarily a manufacturer and marketer of office products.

The acquisition has been accounted for as a pooling of interests, and accordingly, the accompanying financial information has been restated to include the accounts of Eldon for all periods presented. Net sales and net earnings of the separate companies for the period preceding the acquisition were:

	January 1, 1990 Through October 29, 1990	Years Ended December 31, 1989	1988
Net Sales:			
Rubbermaid	$1,184,249	$1,343,873	$1,193,539
Eldon	88,732	108,492	98,045
Combined	$1,272,981	$1,452,365	$1,291,584
Net Earnings:			
Rubbermaid	$ 117,366	$ 116,410	$ 99,290
Eldon	6,440	8,574	7,568
Combined	$ 123,806	$ 124,984	$ 106,858

In June 1990, the Company also acquired EWU AG, a manufacturer and marketer of commercial floor care supplies and equipment, through a cash transaction accounted for as a purchase. The results of operations of EWU AG have been included in the accompanying consolidated financial statements from June 13, 1990, the acquisition date. Pro forma consolidated financial information is not considered significant and has been omitted.

AVERY DENNISON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Merger

On October 16, 1990, the Company merged one of its subsidiaries with Dennison Manufacturing Company ("Dennison") and in connection therewith issued 17,669,251 shares of common stock for all of Dennison's outstanding common and preferred stock. Dennison is an international, diversified manufacturer and supplier of stationery products, tags, labels and imprinting systems, plastic tying and attaching products for retail and industrial applications, and systems and materials for a variety of package decoration needs.

The merger was accounted for as a pooling of interests and, accordingly, the Company's financial statements have been restated to include the results of Dennison for all periods presented. Combined and separate results of Avery and Dennison are as follows (in millions):

	Avery	Dennison	Adjustments	Combined
Nine months ended September 30, 1990 (unaudited):				
Net sales	$1,359.8	$ 565.3	$ (7.0)	$ 1,918.1
Net income	51.0	2.1	(1.6)	51.5
Year ended November 30, 1989 (Dennison as of December 31):				
Net sales	$1,732.4	$ 770.9	$ (12.4)	$ 2,490.9
Net income	86.5	29.1	(1.4)	114.2
Year ended November 30, 1988 (Dennison as of December 31):				
Net sales	$1,582.0	$ 721.8	$ (12.4)	$ 2,291.4
Net income	77.7	37.2	2.1	117.0

The combined financial information presented above contains adjustments to eliminate transactions between Avery and Dennison which occurred before the combination and to conform the accounting policies of the two companies. These conforming adjustments reflect (1) the restatement of Dennison's depreciation amounts from an accelerated method to the straight-line method, (2) the restatement of Dennison's income tax expense and liability from the accounting methods prescribed by SFAS No. 96 to the methods prescribed by APB No. 11, which is used by Avery, and (3) conforming Dennison's method of accounting for hedging transactions to that of Avery's. The following table indicates the effect of these adjustments on combined net income (in millions):

	Nine Months Ended September 30, 1990	Fiscal Year Ended November 30	
		1989	1988
Accounting Policy	(Unaudited)		
Depreciation	$ .1	$ .2	$ .1
Income taxes	(.5)	(2.4)	(2.0)
Hedging transactions	(1.2)	.8	4.0
Aggregate effect on net income	$(1.6)	$(1.4)	$ 2.1

In connection with the merger, the Company changed its fiscal year end from November 30 to December 31, which conforms to Dennison's year end. Avery's separate results for fiscal 1990 have been restated to a December 31 year end. Avery's separate results of operations for the month of December 1989, therefore, are not reflected in the consolidated statement of income or the consolidated statement of cash flows. The following is a condensed consolidated statement of income and a condensed consolidated statement of cash flows for Avery for the month of December 1989:

Condensed Consolidated Statement of Income *(in millions)*	Month of December 1989
Net sales	$135.5
Cost of products sold	91.5
Gross profit	44.0
Marketing, general and administrative expense	35.9
Operating profit	8.1
Interest expense	2.6
Income before taxes on income	5.5
Taxes on income	2.1
Net income	$ 3.4
Net income per share of common stock	$ .06
Average share outstanding	61.8

Condensed Consolidated Statement of Cash Flows

(in millions)	Month of December 1989
Operating Activities:	
Net income	$ 3.4
Depreciation, amortization and deferred taxes	3.4
(Increase) in assets and liabilities net of the effect of foreign currency translation	(1.9)
Net cash provided by operating activities	4.9
Investing Activities:	
Purchase of property, plant and equipment	(8.2)
Other	(3.1)
Net cash (used in) investing activities	(11.3)
Net cash provided by financing activities	5.1
Effect of foreign currency translation on cash balances	—
(Decrease) in cash and cash equivalents	$ (1.3)

The consolidated financial statements for all periods prior to 1990 have not been restated for the change in fiscal year. They include Avery's results of operations on a November 30 fiscal year basis and Dennison's on a December 31 calendar year basis.

Costs related to the merger of $13.8 million were charged to expense, primarily during the third quarter of 1990.

Purchases

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands, except per share data)

2. Acquisition

The Company purchased the Industrial Metrology Technology Division and certain related marketing and sales assets of Wild Leitz GmbH (the "Business") headquartered in Wetzlar, West Germany, from Leica plc on June 29, 1990. The Business designs, develops, manufactures, and sells precision metrology products with the substantial majority of its revenue derived from the sale of its products outside the United States.

The purchase price included $11,600 of cash and $6,000 in non-interest bearing deferred payments of approximately $3,000 each to be paid in deutsche marks on March 31, 1991, and March 31, 1992, respectively. The Company entered into a lease agreement with the seller for the manufacturing plant (building and real estate) with an option to purchase.

The acquisition has been accounted for by the purchase method of accounting, and accordingly, the purchase price has been allocated to the assets acquired and the liabilities assumed based on the estimated fair values at the date of acquisition. The excess of purchase price over the estimated fair values of the net assets acquired has been recorded as goodwill, which will be amortized over 20 years. The estimated fair values of assets and liabilities acquired are summarized as follows:

Inventories	$16,100
Other current assets	1,000
Machinery and equipment	4,500
License	1,500
Goodwill	2,900
Accounts payable and accrued liabilities	(9,100)
Present value of deferred payments discounted	(5,300)
	$11,600

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 as if the acquisition had occurred at the beginning of 1989, after giving effect to certain adjustments, including amortization of goodwill, interest expense on the acquisition debt and related income tax effects. 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.

	1990	1989
Net Sales	$252,800	$228,100
Net Income (Loss)	$(18,600)	$ 1,800
Net Income (Loss) per Common Share	$ (4.07)	$ .39

DSC COMMUNICATIONS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Acquisitions (in Part)

On July 20, 1990, the Company acquired all of the capital stock of Optilink Corporation (Optilink) for approximately $54,000,000 in cash and the issuance of options to certain Optilink employees to purchase 608,056 shares of the Company's common stock for $.01 per share which will vest on July 20, 1992. The difference between the exercise price of these options and the market price at the date of the acquisition of $7,296,000 is included in Noncurrent deferred taxes and other liabilities on the Consolidated Balance Sheets. The Company also granted options to certain Optilink employees to purchase 608,056 shares of the Company's common stock for $12.91 per share which vest each year based on the attainment of certain Optilink product revenue goals, or in any event, no later than December 31, 1995. Certain Optilink employees may also be paid cash awards up to $7,900,000 upon the achievement of certain revenue targets for Optilink products through December 31, 1995. Pending consummation of the merger, the Company had loaned Optilink $12,631,000 at July 20, 1990, which would have been repayable had the acquisition not occurred. Optilink markets to the digital loop carrier marketplace and has developed a third-generation, fiber optic, Synchronous Optical Network (SONET)-based digital loop carrier product.

The acquisition has been accounted for as a purchase, and, accordingly, the net assets and results of operations are included in the Consolidated Financial Statements, for financial reporting purposes, beginning in August, 1990. A portion of the purchase price has been allocated to the assets and liabilities of Optilink based on their estimated respective fair values. The purchase price and expenses associated with the acquisition of $780,000 exceeded the fair values allocated to Optilink's net assets by $69,579,000 which has been included in "Cost in excess of net assets of businesses acquired, net" on the Consolidated Balance Sheets. The cost in excess of net assets of businesses acquired is being amortized over a 20 year period. For the year ended December 31, 1990, amortization expense was $1,450,000.

The following unaudited pro forma summary combines the consolidated results of operations of the Company and Optilink as if the acquisition had occurred at the beginning of 1990 and 1989, after giving effect to certain adjustments, including the amortization of cost in excess of net assets of businesses acquired, increased interest expense from debt assumed to have been issued to fund the acquisition, income tax effects, and the increase in common equivalent shares outstanding. This pro forma summary does not necessarily reflect the results of operations as they would have been if the Company and Optilink had constituted a single entity during such periods and is not necessarily indicative of results which may be obtained in the future. During the 1990 and 1989 periods, Optilink incurred substantial research and development expenses associated with the development of a new product which is available for volume shipments in the future.

	Years Ended December 31,	
	1990	1989
	(Dollars in thousands except per share data)	
Revenue	$524,571	$439,492
Income (loss) from:		
Continuing operations	8,687	14,436
Discontinued operations	—	(840)
Extraordinary items, net	934	—
Net income	$ 9,621	$ 13,596
Income per share:		
Continuing operations	$ .20	$ .34
Discontinued operations	—	(.02)
Extraordinary items, net	.02	—
Net income	$ .22	$ .32

R.R. DONNELLEY & SONS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisition

On September 4, 1990, the Company acquired the Meredith/Burda companies for $180 million in cash, two interest-free installments of $157.3 million and $149.3 million, payable in May and October, 1991, respectively, and related expenses of approximately $10 million. The acquisition was accounted for using the purchase method; accordingly, the assets and liabilities (including debt of $49.9 million) of the acquired entities have been recorded at their estimated fair value at the date of acquisition. The excess of purchase price over the estimated fair value of the net assets acquired ("goodwill" of $227 million) is being amortized on a straight-line basis over 40 years. The Meredith/Burda companies' results of operations have been included in the Consolidated Statement of Income since the date of acquisition.

The following table presents unaudited pro forma results of operations as if the acquisition had occurred on January 1, 1989. 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 at the beginning of 1989 or of results which may occur in the future. Furthermore, no effect has been given in the pro forma information for operating and synergistic benefits that are expected to be realized through the combination of the entities because precise estimates of such benefits cannot be quantified.

Thousands of Dollars, Except per Share Data (Unaudited)	1990	1989
Net sales	$3,800,304	$3,590,395
Earnings from operations	373,816	358,712
Earnings before income taxes	347,935	332,274
Net income	214,567	205,855
Net income per share of common stock	$ 2.76	$ 2.64

In July, 1990, the Federal Trade Commission ("FTC") initiated an action to enjoin the Meredith/Burda acquisition on grounds that it would create an illegal concentration in an alleged "high volume gravure printing market."

Despite a Federal District Court ruling that the acquisition was legally proper, the FTC has begun an administrative proceeding again challenging the acquisition. Although the outcome of this proceeding cannot be determined with certainty, this new action raises issues similar to those heard before the Federal District Court. Company management continues to believe this acquisition is legally proper.

FEDERAL-MOGUL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (in Part): Acquisitions, Sales of Businesses and Related Matters

During 1990, the company completed several acquisitions which are expected to enhance its competitive global market position, particularly in Europe. On September 11, 1990, the company, through a wholly-owned German subsidiary, F-M Motorenteile Holding GmbH, acquired one-half of the issued and outstanding capital stock of Glyco Aktiengesellschaft (Glyco AG). The company acquired the remaining shares of Glyco AG capital stock on October 29, 1990. The aggregate cash consideration paid for the shares approximated $157,000,000, including certain transaction costs. This 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 acquisition date. The excess of the consideration paid over the estimated fair value on net assets acquired of $27,378,000 has been recorded as goodwill to be amortized on the straight-line basis over 40 years. During the months of September and October 1990, the company recorded its equity in the earnings of Glyco AG. The consolidated statement of earnings for 1990 includes the operating results of Glyco AG from October 29, 1990.

The following unaudited pro forma results of operations for the years ended December 31, 1990 and 1989 assume the acquisition occurred as of the beginning of the respective periods after giving effect to certain adjustments, including amortization of goodwill, increased interest expense on acquisition debt and related income tax effects. The pro forma results have been prepared for comparative purposes only and do not purport to indicate the results of operations which would actually have occurred had the combination been in effect on the dates indicated, or which may occur in the future.

(Thousands of Dollars, Except Per Share Amounts)	1990	1989
Net sales	$1,304,357	$1,282,322
Net earnings	$ 7,601	$ 33,684
Preferred stock dividends	4,780	4,183
Net earnings available for common and equivalent shares	$ 2,821	$ 29,501
Net earnings per common and equivalent share:		
Primary	$.13	$1.28
Fully diluted	$.13	$1.23

HUNT MANUFACTURING CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In thousands except share and per share amounts)

2. Business Acquisitions:

On May 4, 1990, the Company acquired from Bunzl plc all of the outstanding stock of Seal Products, Incorporated ("Seal") and Ademco Limited ("Ademco") and the business and certain specified assets and liabilities of Coated Specialties Limited ("CSL") (Seal, Ademco and CSL, hereafter referred to collectively as the "Graphic Arts Group"). The Graphic Arts Group is primarily engaged in the development, manufacture, distribution and sale of heat-activated and pressure-sensitive mounting and laminating materials and equipment and adhesive-coated products, for the photographic, presentational and display markets. The purchase price for the stock and assets consisted of cash consideration of approximately $37 million plus closing costs. The Company may also be required to pay a single contingent cash payment of up to 4.75 million British pounds sterling (approximately $9.2 million at December 2, 1990) based upon the cumulative net sales of the Graphic Arts Group and certain related products during the three-year period January 1, 1990 through December 31, 1992. The purchase price was financed by bank borrowings of approximately $29.2 million and internal funding of approximately $7.8 million.

The acquisition has been accounted for by the purchase method and, accordingly, the results of operations of the Graphic Arts Group have been included with those of the Company since the date of the acquisition. The purchase price resulted in an excess of acquisition costs over net assets acquired of approximately $12.6 million. Such excess (which will increase for any contingent cash payment) is being amortized on a straight-line basis over forty years. The following unaudited pro forma summary for fiscal years 1990 and 1989 combines the consolidated results of operations of the Company and the Graphic Arts Group as if the acquisition had occurred at the beginning of the 1990 and 1989 fiscal years.

The unaudited pro forma summary is not necessarily indicative either of results of operations that would have occurred had the purchase been made during the periods presented, or of future results of operations of the combined companies.

	1990	1989
Net sales	$235,006	$237,044
Net income	11,652	16,186
Earnings per common share	.72	1.13

On June 23, 1989, the Company acquired substanially all the assets and assumed certain liabilities of the Data Products Division of Amaray International Corporation for cash consideration and related costs aggregating approximately $5.4 million plus the assumption of certain liabilities for $1.9 million. This acquisition was accounted for by the purchase method, and, accordingly, the results of operations of the Data Products Division have been included with those of the Company since the date of acquisition.

RHONE-POULENC RORER INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Change in Control and Combination of Human Pharmaceutical Business

Pursuant to the Acquisition Agreement dated March 12, 1990, between the company and Rhone-Poulenc S.A. (RP) (the Acquisition Agreement), RP acquired 45.8 million shares of the company's common stock (68 percent of the outstanding shares on a fully diluted basis as of July 31, 1990) in a three-step process as follows:

Pursuant to the tender offer, as the first step of the combination, RP acquired 21.6 million shares of the company's common stock (representing 50.1 percent of the company's then outstanding shares on a fully diluted basis) on May 5, 1990, at a cash price of $78.00 per share.

Following shareholder approval on July 31, 1990, the final steps of the combination were completed. The company assumed $265.0 million of RP debt, made a $20.0 million cash payment to a RP subsidiary and issued 24.2 million new common shares to RP in exchange for substantially all of RP's Human Pharmaceutical Business (HPB) and approximately 20.9 million Contingent Value Rights (CVRs). The CVRs were distributed on August 9, 1990, to shareholders of record on July 31, 1990, other than RP, on a one CVR for one share basis. The CVRs provide for payment in 1993 or 1994 by RP to the holder of the CVRs of an amount contingent upon the price of the company's common stock, subject to certain limitations and conditions.

Since the transfer of the HPB business to the company was between companies under the common control of RP, the company has recorded the merger of HPB using RP's historical basis for the assets and liabilities of HPB. The accounts of HPB are included in the company's consolidated financial statements from May 5, 1990, (date of change in control of the company) and, accordingly, the consolidated operating results of the company for the year ended December 31, 1990, include the operating results of HPB for May through December 1990. The consolidated financial statements reflect all merger-related transactions, including share issuances, as if they occurred on May 5, 1990.

The following unaudited pro forma information shows the results of the company's operations for the years ended December 31, 1990 and 1989, as if the combination of HPB with Rorer had occurred on January 1, 1989 and includes adjustments to interest expense and average shares outstanding. Additionally, the 1990 pro forma information excludes the $289 million of restructuring and special charges and the $79 million gain on sales of assets.

For the Years Ended December 31,	1990	1989
	(In Thousands, Except Per Share Data)	
Net sales	$3,615,000	$3,083,000
Net income	145,000	134,000
Earnings per common share	2.17	1.99
Average shares outstanding	66,900	67,500

The pro forma financial information presented above does not purport to be indicative of either the results of operations that would have occurred had the acquisition taken place at the beginning of the periods presented or of future results of operations of the combined businesses.

ROBERTSON-CECO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisitions

On November 8, 1990, pursuant to an Amended Agreement and Plan of Reorganization and a related Amended Agreement and Plan of Merger (the "Combination Agreements"), H. H. Robertson Company ("Robertson") and Ceco Industries, Inc. ("Ceco Industries") merged simultaneously into The Ceco Corporation ("Ceco"), a Delaware corporation and wholly-owned subsidiary of Ceco Industries, hereinafter referred to as the "Combination", with Ceco continuing as the surviving corporation under the name Robertson-Ceco Corporation (the "Company"). The Combination was accounted for using the purchase method of accounting, with Ceco Industries deemed to be the purchased entity. Accordingly, the assets and liabilities and results of operations of Ceco Industries are included in the Company's consolidated financial statements subsequent to November 1, 1990, the effective date of the Combination for financial reporting purposes. Ceco Industries was engaged in the manufacture, distribution and sale of products to the construction industry.

Pursuant to the Combination Agreements, each share outstanding of Robertson common stock was converted into one share of Robertson-Ceco Corporation common stock and 1,045,305 shares of Robertson common stock held in its treasury were retired. In addition 500,000 shares of Robertson cumulative convertible preferred stock were exchanged for 500,000 shares of Robertson-Ceco Corporation cumulative convertible preferred stock. 4,043,635 shares of Ceco Industries common stock were converted into 4,096,180 shares of Robertson-Ceco Corporation common stock valued at $40,961,800 and 1,480,725 shares of Ceco Industries common stock were purchased for $15,000,000 in cash.

In accordance with the purchase method of accounting, the purchase price 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. The excess of cost over net assets acquired of $77,100,000 is being amortized over a forty year period on a straight-line basis.

In connection with the Combination, and pursuant to a Stock Purchase Agreement dated June 8, 1990, among Frontera S.A. ("Frontera"), Robertson and Ceco Industries, Mulligan Partnership, Frontera's designee, purchased 4,000,000 shares of Robertson-Ceco Corporation common stock, representing approximately 28 percent of outstanding Robertson-Ceco Corporation common stock after giving effect to the Combination and the issuance of such shares, for net cash proceeds to the Company of $38,750,000 (the "Frontera Stock Purchase").

The following unaudited pro forma financial information shows the results of the Company as though the Combination and Frontera Stock Purchase occurred as of the beginning of 1989. These results include certain adjustments, primarily increased amortization and reduced corporate expenses, and are not necessarily indicative of what the results would have been had the Combination and Frontera Stock Purchase occurred at the beginning of 1989.

(In thousands, except per share data)	Year Ended December 31 1990	1989
Revenues	$927,799	$1,007,191
Income (loss) from continuing operations	(10,820)	2,513
Net income (loss)	(14,320)	1,365
Income (loss) per common share from continuing operations	(.75)	.17
Net income (loss) per common share	(.99)	.09

On August 22, 1988, the Company acquired for $15,274,000, all of the common stock of Star Manufacturing Company of Oklahoma ("Star"), a major manufacturer of pre-engineered structures. The acquisition has been accounted for as a purchase and, accordingly, the net assets and operations of Star are included in the Company's consolidated financial statements from the date of the acquisition. The excess of cost over net assets acquired of $15,480,000 is being amortized on a 40 year straight-line basis. On a pro forma basis, the results of the Company as if Star were acquired as of the beginning of 1988 are: revenues of $464,997,000, net loss of $30,200,000 and net loss per common share of $(4.89).

SEAGATE TECHNOLOGY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisition

On October 2, 1989 the Company completed the acquisition of Imprimis Technology Incorporated, a manufacturer of rigid disc drives for computers, from Control Data Corporation. The Company acquired substantially all of the business, assets and liabilities of Imprimis for consideration consisting of $250,000,000 in cash, a $50,000,000 promissory note of the Company and 10,700,000 unregistered shares of the Company's common stock. The cash and the promissory note are both subject to subsequent adjustment. The shares were valued at approximately $102,000,000 which represents a discount from fair market value to reflect certain restrictions on the common stock. The acquisition has been accounted for as a purchase and, accordingly the results of operations of Imprimis have been included in the consolidated financial statements from the date of acquisition.

The following pro forma financial information assumes the acquisition occurred at the beginning of each of the years presented:

In thousands except per share data	1990	1989
	(Unaudited)	
Net Sales	$2,679,000	$2,462,000
Net Income	108,000	3,000
Net Income Per Share	1.69	0.06

VULCAN MATERIALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Reed Acquisition

On September 6, 1990, the Company purchased all of the stock of Reed Crushed Stone Company, Inc., Reed Terminal Company, Inc., and BRT Transfer Terminal, Inc. The purchase price paid for the three companies was $113,602,000 including $13,404,000 referable to cash, cash items and short-term investments. Funds for payment of the purchase price were obtained by the Company through issuance and sale of short-term notes. The purchase price was calculated in accordance with the stock purchase agreements and was based upon management's expectations for the future and the value of the assets and liabilities of the three companies.

The acquisition has been accounted for as a purchase transaction and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on estimated fair values at the date of acquisition.

The excess of the purchase price over the fair value of the tangible assets acquired is approximately $18,032,000, including the effect of deferred income taxes, and will be amortized on a straight-line basis over 20 years.

Pro forma results of the Company's operations, assuming the acquisition occurred at the beginning of 1989, are shown in the following table. These unaudited 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 at the beginning of 1989, or of the results which may occur in the future.

	(Thousands of dollars, except per share amounts) 1990	1989
Net sales	$1,147,987	$1,136,041
Earnings from continuing operations before income taxes	178,147	202,906
Net earnings from continuing operations	119,105	133,603
Primary and fully diluted earnings per share of common stock from continuing operations	3.07	3.31

The assets of the acquired companies include a large limestone quarry which provides stone to markets on the Mississippi River system, to the western Kentucky area and to rail customers from Illinois to Mississippi; a number of deck barges which are used to ship stone to the river markets; and a stone distribution business in Memphis, Tennessee. In addition, BRT Transfer Terminal operates three terminal which blend and transload coal from rail to barge and barge to barge. During Reed's last three fiscal years before the acquisition, stone shipments have averaged about 9.5 million tons per year. The acquired businesses have continued their operations and now function as subsidiary companies in Vulcan's Construction Materials segment.

CONTINGENCIES AND COMMITMENTS

Statement of Financial Accounting Standards No. 5 defines a contingency as "an existing condition, situation, or set of circumstances invoving 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." Paragraphs 8-16 of *SFAS No. 5* set forth standards of financial accounting and reporting for loss contingencies. Paragraphs 3 and 5 of *Accounting Research Bulletin No. 50* state the accounting and reporting standards for gain contingencies. Paragraph 6 of *ARB No. 50* requires disclosure of various commitments not explictly covered by an authoritative pronouncement.

Statement of Financial Accounting Standards No. 105, effective for financial statements for fiscal years ending after June 15, 1990, establishes disclosure requirements for financial instruments with off-balance sheet risk or concentration of credit risk. As defined in *SFAS No. 105*, financial instruments with off-balance sheet risk or concentration of credit risk include interest rate swaps and foreign exchange contracts which are used by many of the survey companies to hedge their exposure to unfavorable interest rate or foreign currency changes.

Table 1–11 summarizes the various contingencies and commitments disclosed in the 1990 annual reports of the survey companies. Examples of contingency and commitment disclosures follow. Examples of operating loss carryforwards and investment credit carryforwards are presented with the discussion of income tax expense.

TABLE 1-11: CONTINGENCIES AND COMMITMENTS

	Number of Companies			
	1990	1989	1988	1987
Loss Contingencies				
Litigation	391	379	371	370
Guarantees				
Debt	110	99	122	121
Lease payments	34	33	31	28
Support agreements	34	19	23	21
Other	35	24	24	25
Government regulations				
Environment	170	128	57	N/C
Other	5	5	6	41
Letters of credit	98	82	86	73
Sale of receivables with recourse	76	68	85	90
Possible tax assessment	62	52	66	63
Insurance	42	45	36	39
Other—described	43	37	31	28
Gain Contingencies				
Operating loss carryforward	152	157	176	168
Investment credit carryforward	97	85	117	122
Plaintiff litigation	39	29	31	30
Other—described	12	10	7	7
Commitments				
Dividend restrictions	388	384	386	390
Hedge contracts	235	149	133	100
Capital expenditures	86	78	82	76
Purchase agreements	81	64	69	63
Employment contracts	40	40	36	33
Additional payments in connection with an acquisition	32	27	33	27
Sale agreements	21	13	10	15
Other—described	58	43	37	40

N/C—Not Compiled.

LOSS CONTINGENCIES

Litigation

ACME-CLEVELAND CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Litigation

In 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 ultimately concluded and determined, will not, in the opinion of management, have a material adverse effect upon the financial position of the Corporation.

ADVANCED MICRO DEVICES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Litigation Judgment

In the fourth quarter of 1990, a United States District Court entered a $27.4 million judgment in favor of Brooktree Corporation in a patent and maskwork infringement case against the company. The case involved microchips known as color palettes which are used to control color displays on computer monitor screens. Pursuant to the verdict, the court enjoined the company from making, using or selling products that infringe Brooktree patents and maskwork rights. The company has filed an appeal with the United States Court of Appeals for the Federal Circuit. The company has provided real property security with equity of more than twice the amount of judgment to Brooktree to stay execution of the judgment pending appeal. Management expects the appeal process to take approximately one year. Color palettes represented less than 1 percent of the company's business in each of the last three years.

BOISE CASCADE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

8. Litigation and Legal Matters

In 1980, the Federal Trade Commission initiated an action before a Federal Trade Commission administrative law judge alleging that the Company had purchased some office products for resale by the Company's office products business at net prices below the prices available to its dealer competitors and contrary to the Robinson-Patman Act and the Federal Trade Commission Act. In February 1986, the Federal Trade Commission issued a cease and desist order against the alleged improper practices. In January 1988, the United States Court of Appeals for the District of Columbia Circuit reversed the Federal Trade Commission ruling, concuding that the Commission had failed to establish that the Company's purchasing practices caused any adverse effect on competition in the office products industry. The case was sent back to the Federal Trade Commission. On November 1, 1990, the Commission reissued the 1986 cease and desist order based on a finding that the disputed purchasing practices may have caused injury to competition. The Company has filed an appeal of the Commission's latest decision with the U.S. Circuit Court of Appeals. The Company cannot predict what the outcome of the appeal will be, but the Company believes that its purchasing practices are lawful.

The Company is involved in other litigation and administrative proceedings primarily arising in the normal course of its business. In the opinion of management, the Company's recovery, if any, or the Company's liability, if any, under any pending litigation or administrative proceeding, including that described in the preceding paragraph, would not materially affect its financial condition or operations.

CALMAT CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (in Part): Commitments and Contingencies

During 1990, the lawsuits which had been pending against the Company and its directors, in connection with actions taken by the Company which involved Brierley Investments Limited and Onoda U.S.A., were settled and dismissed, with the court permitting stockholders not wishing to participate in the settlement to "opt out." Under the terms of the settlement, the Company is obligated to expend for stock repurchases the greater of (a) one-half of the net proceeds from the disposal of real estate assets held for sale through December 31, 1991, or (b) a specified amount. The Company estimates that the expenditure of an additional $7.4 million for such repurchases will satisfy this obligation. An appeal challenging the settlement was also dismissed and the time for filing further appeals has elapsed. In November, 1990, a lawsuit was filed against the Company and its directors in Delaware Chancery Court by a stockholder who had opted out of the settlement, purporting to represent a class of similar stockholders, and alleging misrepresentations and breach of fiduciary duty in connection with the matters which were the subject of the original lawsuits. While the ultimate outcome of this lawsuit cannot at this time be predicted with certainty, management does not expect that this matter will have a material adverse effect on the consolidated financial position or results of operations of the Company.

CONSTAR INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Litigation:

In August 1986, the Company's Sewell Plastics subsidiary commenced a lawsuit in U.S. District Court in North Carolina against Coca-Cola USA, a division of The Coca-Cola Company; Southeastern Container, Inc. ("Southeastern Container"), which manufactures plastic soft drink containers; and 33 Coca-Cola franchised bottlers which are owners of Southeastern Container. The complaint alleged that the bottler defendants, assisted by Coca-Cola USA, entered into arrangements with Southeastern Container which violated federal and state antitrust and unfair trade practice laws. Sewell Plastics sought damages in excess of $17 million, before trebling, and an injunction.

In August 1989, the District Court issued its opinion and order dismissing Sewell Plastics' claims. In September 1990, the Court of Appeals affirmed the dismissal of Sewell Plastics' claims, and on February 19, 1991, the U.S. Supreme Court denied Sewell Plastics' petition for a writ of certiorari.

There remain pending before the District Court counterclaims of Southeastern Container and defendants' motion for costs. The counterclaims arise out of Sewell Plastics' commencement and pursuit of the lawsuit, and its 1986 settlement with one of the bottler defendants, Wilmington Coca-Cola Bottling Co. ("Wilmington"). The counterclaims principally charge Sewell Plastics with tortious interference with Southeastern Container's contract with Wilmington by virtue of the settlement agreement, pur-

suant to which Sewell Plastics has supplied containers to Wilmington, and further charge Sewell Plastics with abuse of process and violations of the North Carolina Unfair Practices Act arising out of Sewell's pursuing allegedly baseless litigation and the settlement with Wilmington. The counterclaims seek from Sewell Plastics a total of at least $6.25 million in compensatory and treble damages and at least $10 million in punitive damages, plus unspecified attorney's fees and costs as damages for Sewell Plastics' alleged abuse of process. The counterclaims remain vigorously contested by Sewell Plastics, which continues to maintain that its lawsuit was a proper and justified resort to the courts, and that the Wilmington settlement was entered into by both parties lawfully and in good faith. Management has been advised by counsel that there are meritorious defenses to the counterclaims. However, the outcome of the counterclaim proceedings cannot be predicted in light of the uncertainties inherent in litigation.

CONTROL DATA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in millions, except per share data)

M. Legal Matters

On January 16, 1990, the trial of several consolidated class action and shareholder derivative lawsuits against the Company, certain of its 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 the second quarter of 1985. On February 5, 1990, the Court issued a directed verdict in favor of the defendants. The plaintiffs appealed this decision to the Eighth Circuit Court of Appeals. The parties are awaiting the appelate court's decision.

The Company, one of its wholly owned subsidiaries and a research and development limited partnership (the Partnership), of which the subsidiary is the general partner, were named as defendants in a lawsuit filed in October 1988 in U.S. District Court in Minnesota by two limited partners in the Partnership. The plaintiffs purported to represent a class consisting of all persons who purchased $30.0 of limited partnership interests in the Partnership during 1982. The plaintiffs generally alleged that the defendants engaged in conduct that constituted a breach of fiduciary duty, a breach of contract and fraud or negligent misrepresentations. The Court, finding the plaintiff's claims derivative in nature, dismissed the complaint without prejudice to permit a special litigation committee to determine whether it would be in the Partnership's best interests to pursue the claims alleged in the complaint. The plaintiffs appealed the dismissal to the Eighth Circuit Court of Appeals and filed a parallel action in Minnesota state court. The Court of Appeals concluded that the plaintiffs' claims are derivative in nature, making the partnership itself an indispensable party, and, accordingly, dismissed the action for lack of federal diversity jurisdiction. The Minnesota state court action is still pending. The special litigation committee has determined, however, that there is insufficient credible evidence to support plaintiffs' claims, and that it is not in the Partnership's best interests to pursue the claims. The Company thus anticipates seeking a dismissal of the state court action as well.

In February 1990, a complaint was filed in U.S. District Court in Minnesota by 38 limited partners in the REV Wind Power Partners 1984-1 Limited Partnership (the REV Partnership) against the Company, two of its subsidiaries and certain other parties, including the underwriter of the limited partnership offering. Three of the plaintiffs purport to represent a class consisting of the 242 limited partners who purchased approximately $16.6 of interests in the REV Partnership, which was formed for the purpose of owning and operating a windpowered electricity generating facility near Palm Springs, California. The plaintiffs allege fraud and misrepresentation in the sale of the limited partnership interests and in ongoing communications to the limited partners, breach of fiduciary duty and the duty of due care, and mismanagement and waste in connection with the operation of the facility. The Company believes it has meritorious defenses to these claims.

In September 1990, Seagate notified the Company that it was asserting claims against the Company for the alleged breach of various representations and warranties made by the Company in the acquisition agreement pursuant to which Seagate acquired Imprimis. Although the original amount of such claims totalled approximately $93.0, the Company and Seagate have agreed to resolve approximately $56.0 of those claims, as a result of which the amount of a $50.0 subordinated note given by Seagate as part of the purchase of Imprimis (the Note) has been reduced by $1.8 and the Company has agreed to pay up to $.8 in claims or costs relating to several lawsuits involving Imprimis personnel matters that arose prior to Imprimis' sale to Seagate as well as to assume responsibility for responding to an EPA investigation of the alleged involvement of a former Imprimis subsidiary with the disposal of hazardous wastes at a municipal landfill. As to the remaining claims of approximately $37.0, which relate principally to product warranty issues, Seagate's remedy under the acquisition agreement is limited to a setoff of the amount of its valid claims against any amount owed by Seagate to the Company under the Note. The Company and Seagate are jointly investigating the remaining claims and hope to resolve them without litigation. The resolution of this matter is not expected to have a material adverse effect on the Company's financial position.

In July 1990, the Company and one of its wholly owned subsidiaries were sued in U.S. District Court in Ohio by the general partner of the Minneapolis Business & Technology Center (BTC) partnership. The BTC was sold to the partnership in 1986, and the Company became a limited partner in the partnership. The Company has been a lessee of space in the building, manages the building, and has an obligation to fund operating shortfalls for the partnership. The complaint alleges that the Company fraudulently induced the general partner to invest in the partnership by promising but failing to enter into leases as set forth in the pro forma financial information included in the BTC purchase agreement. The plaintiff alleges damages in excess of $16.0. The Company believes it has meriotrious defenses to these claims.

The Company is also involved in a number of other judicial and administrative proceedings incidental to its operations, including proceedings involving the Federal Environmental Protection Agency and certain state pollution control agencies regarding disposal of waste materials. It is anticipated that final disposition of some of

these proceedings may not occur for several years. Although occasional adverse decisions (or settlements) may occur, management believes that the final disposition of such matters will not have a material adverse effect on the Company's financial position.

COURIER CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F (In Part): Commitments and Contingencies

The Company has been named as a defendant in a consolidated action (the Action) brought in the United States District Court for the District of Massachusetts (collectively, the Government) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA, the so-called "Superfund" law). The Action relates to the Charles George Land Reclamation Trust waste disposal site in Tyngsboro, Massachusetts (the Site). The federal and state complaints (captioned, respectively, *United States v. Charles George Trucking Company, Inc. et al.*, Civil Action No. 85-2463-WD, and *Commonwealth of Massachusetts v. Charles George Trucking Company, Inc. et al.*, Civil Action No. 85-2714-WD) were originally filed against the owners and operators of the Site in 1985. The Company and 23 other parties alleged to be generators of wastes disposed of at the Site or transporters of wastes disposed of at the Site were added as defendants by amendments to the original complaints in the Action in the spring of 1989. Forty third-party defendants were impleaded into the Action early in 1990, and counterclaims against the Government have also been filed.

The Government alleges that a release of hazardous substances within the meaning of Section 101 of CERCLA has occured at the Site and that certain remedial actions have been and will be necessary to deal with that release. Under CERCLA the Government may undertake remedial action in response to a release, and responsible parties may be liable, without regard to fault or negligence, for all costs incurred. Such costs for the Site are currently estimated by the Government at $60 million. The Government also alleges that natural resources damages in the approximate amount of $20-$25 million have been sustained in connection with the Site.

The Action is in the discovery stage. The Company intends to defend itself vigorously. In the event the Company is found to have liability in this matter, it anticipates that the ultimate burden for remedial costs will be shared among the numerous current defendants, third-party defendants and counterclaim defendants in the Action. Some of the remedial cost may be absorbed by the Superfund itself because of the nature of the Site, which is comprised largely of municipal solid wastes.

The Company's insurers who provided liability coverage during the relevant period are participating in the Company's defense under a reservation of rights.

The Company is currently unable to predict the outcome of this matter as the actual cost of remedial action has not been determined and the method of allocation of liabiity among parties who may ultimately be found liable remains uncertain. The Company believes, however, that it is unlikely that any liability it may incur would have a material adverse effect on its financial condition.

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Contingencies

On December 21, 1990, the U.S Government filed a complaint against the Corporation's wholly-owned subsidiary, Target Rock Corporation, in the U.S. District Court for the Eastern District of New York, asserting claims under the False Claims Act and at common law. The complaint alleges that the government has been damaged as a result of (i) embezzlements from Target Rock by certain faithless, former employees who caused it to make payments on false travel and expense reports and on false or inflated invoices from suppliers and (ii) mischarging of labor hours to government subcontracts by former employees. The complaint seeks approximately $22,000,000 in damages and about $92,000,000 in penalties under the False Claims Act, for a total claim of about $114,000,000, as well as pre-judgment and post-judgment interest, costs and attorneys' fees. However, the information currently available to Target Rock would not, in its opinion, substantiate a claim for damages constituting more than a small fraction of the $22,000,000 sum claimed. Target Rock intends to defend the suit vigorously, and believes it has a number of defenses available to it.

These charges are the result of an investigation initiated by the Corporation in 1987. The Corporation immediately advised the appropriate government authorities of the irregularities and cooperated fully with them in the ensuing criminal investigation which culminated in the indictment and guilty pleas of former employees and suppliers. Target Rock was not charged in the criminal matter. As a result of the investigation, the employment of a number of senior officials of Target Rock, including the former owner from whom Target Rock was acquired by the Corporation, was terminated and other corrective actions, including the installation of new management, were promptly initiated.

While Target Rock was the victim of the embezzlements (and a significant part of its resulting direct loss was recovered under a blanket crime insurance policy), the embezzlements also had an indirect effect on the government as an ultimate customer of Target Rock. The government was promptly reimbursed by Target Rock for a substantial portion of such damage as determined by Target Rock, but efforts to reach agreement concerning any additional amounts due the government have been unsuccessful. While discussions also have taken place concerning the allegations of labor mischarging in the complaint, the government has been unwilling or unable to provide detailed substantiation for these allegations.

Under current circumstances, no determination can be made as to the ultimate outcome of the litigation or as to the necessity for any provision, in the accompanying financial statements, for any liability that may result from a final adjudication. Target Rock Corporation comprises a major portion of the Flow Control and Marine segment, information in respect of which appears in Note 19.

DANAHER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. (In Part): Litigation and Contingencies:

Following nearly three weeks of testimony in the Federal District Court in Kansas City, Missouri, a jury awarded approximately $2.4 million in actual damages and $2.7 million in punitive damages to the Sam Brown Company of Kansas City (a former distributor), against Jacobs Manufacturing Company (a subsidiary of the Company) of Bloomfield, Connecticut, relating to the distribution arrangement. Before the case was submitted to the jury, the court ruled that Jacobs was entitled, as a matter of law, to recovery of over $700,000 from Sam Brown Company for its refusal to pay for products ordered from Jacobs in 1983. Jacobs' lawyers filed post-trial motions urging the Court to set aside the jury verdict. The Company, after consultation with legal counsel, believes it is probable that it will be successful on those motions, or through appeal.

A former subsidiary of the Company is engaged in litigation in six states with respect to product liability. The Company sold the subsidiary in 1987. Under the terms of the sale agreement, the Company agreed to indemnify the buyer of the subsidiary for product liability related to tools manufactured by the subsidiary prior to June 4, 1987. The cases involve approximately 3,000 plaintiffs. They were filed in state and federal courts in six states in 1989 and 1990. All other major U.S. air tool manufacturers are also defendants. The gravamen of these complaints is that the defendents' air tools, when used in different types of manufacturing environments over extended periods of time, were defective in design and caused various physical injuries. The plaintiffs seek compensatory and punitive damages. The cases are in preliminary stages of discovery and pleading and the Company intends to defend its position vigorously. The Company's maximum indemnification obligation under the contract is approximately $85,000,000. The Company believes it has insurance coverage for all or a substantial part of the damages, if any. The outcome of this litigation is not currently predictable.

In addition to the litigation noted above, the Company and its subsidiaries are from time to time subject to routine litigation incidental to their business. The Company believes that the results of the above noted litigation and other pending legal proceedings will not have a materially adverse effect on the Company's financial condition.

DRESSER INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K (In Part): Commitments and Contingencies

Litigation

In November, 1990, a Federal District Court in Midland, Texas, following a jury verdict, entered a judgment against the Company and Baker Hughes Incorporated and certain of its affiliates (Baker Hughes) in favor of Parker & Parsley Petroleum Company and related Plaintiffs. The judgment awarded Plaintiffs $185 million in actual and punitive damages as a result of alleged shortages in materials supplied by the Company's Titan operations and later by BJ-Titan Services Company, a partnership between the Company and Baker Hughes formed to perform oil and gas well stimulation services.

The judgment assessed $61 million against the Company, $57 million against the Company and Baker Hughes on a joint and several basis and $67 million against Baker Hughes. The Company and Baker Hughes are contesting aspects of the verdict and judgment and are preparing to appeal the District Court's ultimate judgment to the United States Court of Appeals for the Fifth Circuit should it be necessary to do so. Management and its legal counsel are of the opinion that damages assessed against the Company, if any, after completion of the appellate process and the application of insurance proceeds, will not have a material effect on the Company's consolidated financial position.

In 1988, the Company and Baker Hughes reached an agreement settling certain patent-related litigation. Under the terms of the agreement, Baker Hughes received the Company's 27.66% interest in BJ-Titan Services Company and $23 million in cash.

The Company and its subsidiaries are involved in certain other legal actions and claims arising in the ordinary course of business. Management believes (based on advice of legal counsel) that such litigation and claims will be resolved without material effect on the Company's financial position.

DYNAMICS CORPORATION OF AMERICA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Contingencies

The Company is the defendant in a design patent infringement action in the Federal Court in Connecticut in which a judgment based on a jury's verdict was entered aginst the Company in December, 1990, for which the Company has accrued $1,120,000. The plaintiff has moved the court to treble the damages found by the jury and for its attorney's fees. The Company has opposed the plaintiff's motions and has moved to set aside the verdict as unsupported by the evidence or, in the alternative, for a new trial, which motions the plaintiff has opposed. The Company intends to appeal the present judgment unless vacated by the court. The Company is not able to predict the outcome at this stage of the proceeding but an unfavorable outcome would not have a materially adverse effect on the financial position of the Company.

L. B. FOSTER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 (In Part): 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. In February 1991, the parties involved agreed to settle the suit. The financial terms of the settlement are subject to a confidentiality agreement; however, the settlement will have no impact on the Company's future earnings.

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.

INSPIRATION RESOURCES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. (In Part): Commitments and Contingencies

Through February 15, 1991, claims valued at approximately $72 million had been filed relating to product damage associated with the contamination of a formulated agricultural chemical. Management believes that the ultimate settlement of claims for this loss will not exceed its insurance coverage, which totals $80.0 million.

KERR GLASS MANUFACTURING CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingencies

On January 9, 1989, American National Can Company (ANCC) filed an action against the Company in the United States District Court for the Eastern District of Illinois in connection with the sale by the Company of a glass plant located in Millville, New Jersey (the site) to National Can Company (now ANCC) in 1983. ANCC sought a declaration that the Company is responsible under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA), and under the contract pursuant to which the plant was sold to ANCC for ANCC's past and future response costs with respect to hazardous wastes present at the plant at the time of the sale.

On March 24, 1989, the Company commenced a third-party action against Armstrong World Industries (Armstrong) from whom the Company purchased the plant in 1969. In the third-party action, the Company alleged that Armstrong is liable to the Company for any damages for which the Company may be found liable because of the ANCC action. The Company bases its claim on CERCLA and on the contract under which Armstrong sold the plant to the Company.

In November 1990, ANCC, the Company and Armstrong agreed in principle to a settlement that allocated responsibility for the clean-up costs as follows: 14⅓% to ANCC; 19⅓% to the Company; 66⅓% to Armstrong. The parties estimated that the total cost of the clean up would be approximately $7.7 million. The Company's share would be $1.5 million. Subsequent to the agreement in principle, ANCC offered to release the Company from any liability for the clean-up costs in exchange for a cash payment of $1.5 million. Settlement negotiations are underway which should result in the Company being relieved of its liability relating to the clean-up of the site in exchange for a cash payment of less than $1.5 million.

Counsel of the Company has advised that the Company has meritorious claims against its insurers for the clean-up costs and recovery of legal fees incurred relating to the action. Based upon the foregoing, Counsel has advised that it does not believe that the Company will ultimately incur any material liability as a result of the ANCC action.

MEDTRONIC, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 Commitments and Contingencies

In April 1988, in an action brought by Eli Lilly and Company (Lilly), the U.S. District Court in Philadelphia, Pennsylvania (District Court) imposed an injunction prohibiting the company from making, using, or selling certain implantable devices with defibrillation capabilities in the United States until after certain patent rights have expired (October 26, 1990). The patent relates to emerging products in clinical testing and not yet commercialized by the company. The District Court also entered judgment on a jury verdict in March 1988 in this matter which awarded damages against the company of $26.5 million. The company filed post-trial motions with the District Court contesting the finding of patent infringement and the amount of damages assessed, and asked for a new trial. Lilly also filed post-trial motions to increase the damages assessed. These motions are still being considered by the District Court.

In March 1989, a three-judge panel of the Court of Appeals for the Federal Circuit (Appellate Court) reversed the District Court's decision imposing the injunction. In June 1989, the District Court modified the injunction pursuant to the mandate issued by the three-judge panel to allow Medtronic to conduct clinical testing of the devices in the United States for the purpose of gathering and submitting data to the U.S. Food and Drug Administration. Lilly appealed the Appellate Court's decision to the United States Supreme Court (Supreme Court), which on June 18, 1990, affirmed in Medtronic's favor. The District Court will now conduct further proceedings to decide the impact of the Supreme Court's decision on the jury verdict of willful infringement and the District Court's findings of patent infringement and damages in connection with Medtronic's prior testing of the device, and to decide other pending post-trial motions. The District Court's modified injunction remains in effect until October 26, 1990, when the patent rights expire.

The ultimate outcome of the litigation discussed in the preceding paragraphs cannot presently be determined. However, in management's opinion, the likelihood of a material adverse outcome is remote. Accordingly, adjustments, if any, that might result from the resolution of these matters have not been reflected in the financial statements.

In addition to the above suit, the company is involved in litigation and disputes which are normal to its business. Management believes losses that might eventually be sustained from such litigation and disputes would not be material to future years. Further, product liability claims may be asserted in the future relative to events not known to management at the present time. The company has insurance coverage which management believes is adequate to protect against such product liability losses as could materially affect the company's financial position.

MEREDITH CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingent Liabilities

On October 24, 1989, the United States Department of Justice filed a lawsuit in the United States District Court for the Southern District of Iowa against Meredith Relocation Corporation (MCR), a wholly owned subsidiary of the Company, and later also named Meredith Corporation as a defendant, based on claims arising from the performance by MRC of a contract with the General Services Administration (GSA) for federal government employee relocation services. The government terminated the contract one year before it was due to expire, claiming MCR had defaulted. The lawsuit, which alleges that MRC failed to perform its obligations under the contract and submitted false claims for services thereunder, claims violation of the Civil False Claims Act and common law fraud, breach of contract, unjust enrichment and payment by mistake. The lawsuit seeks unspecified treble damages and civil penalties with respect to the False Claims Act allegations, and actual damages under the common law claims, including approximately $7.7 million of alleged excess reprocurement cost relating to the terminated contract.

On November 14, 1989, several actual and potential customers of MRC filed as a class action suit in the United States District Court for the Southern District of Iowa against MRC and Meredith Corporation under the relocation services agreement which is the subject of the litigation matter described in the preceding paragraph. The suit seeks actual and treble damages, costs and attorneys' fees and an order permanently barring the defendants from providing goods and services to the government. The suit alleges restraint of trade, violation of the civil provisions of the Racketeer Influenced and Corrupt Organizations Act (RICO), fraud, breach of contract and unjust enrichment in connection with the providing of relocation services. As of August 31, 1990, class certification had not been requested or granted.

Management of the Company believes that MRC's performance under the contract was proper and intends to vigorously defend against the lawsuits. In addition, the Company has filed a claim against the government for damages resulting from the GSA's improper description of information relied upon by the Company in its bid on the contract and GSA's failure to disclose related additional information. The Company also has appealed from the termination of the contract and the government's claim for excess reprocurement costs.

In the opinion of management, the existing litigation and claims are not considered to be material in relation to the Company's financial position.

MICRON TECHNOLOGY, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

With regard to possible patent infringement claims, the Company makes provision and recognizes a liability for estimated costs and expenses of obtaining licenses for product and process technology and the cost of establishing whether technology used by the Company infringes on valid rights held by others. There can be no assurance that the amounts provided have been or will be adequate. Future events, including litigation or settlement of claims, could have a material adverse effect on the Company's financial position or results of operations.

A consolidated class action complaint was filed on January 18, 1990, in the United States District Court for the District of Idaho in substitution for five similar suits previously filed against the Company and certain of its past and present officers and directors. The suit alleges federal securities law violations in connection with certain statements allegedly made by the Company during the period from approximately December 1988 through September 1989 and claims of insider trading violations by certain past and present officers and directors as well as pendent state law claims. The suit seeks compensatory damages and costs. The Company believes the allegations are without merit and intends to defend the action vigorously. In view of the early stage of the litigation, the Company cannot predict the outcome of the suit or estimate the amount of loss, if any. Accordingly, no provision for any liability that may result has been made in the financial statements. Micron is a party in various other legal actions arising out of the normal course of business, none of which is expected to have a material effect on the Company's financial position or results of operations.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

NOTES TO THE FINANCIAL STATEMENTS

Note 20 (In Part): Contingent Liabilities and Commitments

Litigation

An age discrimination suit was filed by the Equal Employment Opportunity Commission (EEOC) in the early 1980s alleging that the Corporation's policy relating to severance benefits available to certain retirement eligible employees violated the Age Discrimination in Employment Act. After prolonged litigation, a decision was rendered in 1990 in favor of Westinghouse. A petition by the EEOC for rehearing on a limited issue in the case was granted and the issue was reargued. On January 31, 1991, the U.S. Court of Appeals for the Third Circuit ruled in favor of Westinghouse. Management believes this matter will ultimately be resolved with no material adverse financial impact.

In December 1988, the Republic of the Philippines and the Philippines National Power Corporation filed a 15 count lawsuit against the Corporation and another party in connection with the construction of a nuclear power plant in the Philippines. All of the allegations, except an allegation relating to tortious interference of fiduciary duty, are now the subject of arbitration before the International Chamber of Commerce in Geneva, Switzerland. The Corporation deems the claims against it to be without merit.

At present, there are nine pending actions brought by utilities claiming a substantial amount of damages in connection with alleged tube degradation in steam generators sold by the Corporation as components for nuclear steam supply systems. Management believes that the Corporation has meritorious defenses to these actions.

Financial Guarantees

ASHLAND OIL, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Ashland has indemnified the purchaser of Riley Consolidated, an engineering company sold in 1990, against losses related to certain custom boilers built by Riley using multi-solid fluidized bed (MSFB) boiler technology. Riley has experienced significant technical performance problems with these boilers, resulting in charges of $15,000,000 in 1990, $38,000,000 in 1989 and $20,000,000 in 1988 for estimated future corrective costs. At September 30, 1990, Ashland is also contingently liable under performance guarantees of up to $53,500,000 (subject to reduction for eligible costs incurred) related to a cogeneration project in Archbald, Pennsylvania designed and built using MSFB boiler technology, and has indemnified the purchaser of Riley against losses under an operations and maintenance agreement related to the project. Additional charges could be incurred with respect to these contingencies, but any amounts are uncertain at this time.

BAKER HUGHES INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Commitments and Contingencies:

In June 1988, the Company sold, with no significant effect on the consolidated financial statements, 87.5% of its 80.1% common stock interest in V-G to Bain Venture Capital. At September 30, 1990, the Company remains contingently liable for certain bank notes issued by V-G amounting to $12,759,000. These bank notes may be reduced by payments by V-G or through the sale of certain assets of V-G and its subsidiaries pledged to the banks. In addition, the Company is contingently liable for $5,838,000 of performance bond letters of credit made by the Company on behalf of V-G. The Company does not expect the ultimate resolution of these contingencies to have a significant effect on the Company's consolidated financial position or results of operations.

THE COASTAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Debt

Guarantees

Coastal and certain subsidiaries have guaranteed specific obligations of several unconsolidated affiliates. Such affiliates are generally not required to collateralize their contingent liabilities to the Company. At December 31, 1990, the Company had guaranteed construction financings entered into by three partially-owned partnerships with an aggregate outstanding principal balance of $123.0 million and other financings and trade obligations of various unconsolidated affiliates with a principal balance of approximately $258.0 million. The Company anticipates that two of the guaranteed construction loans with an outstanding principal balance of $81.0 million will be refinanced on a non-recourse basis at completion of construction and that it will incur no cash requirements or losses in connection with these guarantees. The third guaranteed construction loan is expected to be refinanced on a guaranteed basis. The Company is of the opinion that its unconsolidated affiliates will be able to perform under their respective financings and trade obligations and that no payments will be required and no losses incurred under such guarantees. The Company has issued certain guarantees and indemnities in connection with contingent obligations of the partially-owned partnerships. The Company's financial requirements under such guarantees and indemnities totaled approximately $62.0 million at December 31, 1990. These guarantees and indemnities are expected to terminate within a relatively short time period, with no cash requirements or losses anticipated.

Coastal and certain subsidiaries have guaranteed approximately $10 million of obligations of third parties under leases and borrowing arrangements. Most of these guarantees are in connection with obligations of contractors employed by subsidiaries on an extended basis. Where possible the Company has obtained security interests and guarantees by the principals. Cash requirements and losses under these guarantees are expected to be nominal.

KMART CORPORATION (JAN)

NOTES TO FINANCIAL STATEMENTS

L (In Part): Leases

The company has guaranteed indebtedness related to certain leased properties financed by industrial revenue bonds. As of January 30, 1991, the total amount of guaranteed indebtedness was $307 million, of which $102 million is included in capital lease obligations. The agreements expire during the fiscal years 2004-2009. The company's exposure to credit loss, in the event of nonperformance by the other parties to the agreements, is $205 million. However, no concentration of credit risk exists and the company does not anticipate nonperformance by the counterparties.

MOBIL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

17 (In Part): Commitments and Contingent Liabilities

Mobil has guaranteed $167 million of the obligations of others, excluding $278 million of certain cross-guarantees, primarily foreign customs duties, made with other responsible companies in the ordinary course of business. In addition, Mobil has guaranteed specified revenues from crude oil, product and carbon dioxide shipments under agreements with pipeline companies in which it holds stock interests. If these companies are unable to meet certain obligations, Mobil may be required to advance funds against future transportation charges. No material loss is anticipated under these guarantees.

PENNZOIL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

4. Financial Instruments with Off-Balance-Sheet Risk and Concentrations of Credit Risk–

Financial Instruments with Off-Balance-Sheet Risk-

Pennzoil is a party to various financial instruments with off-balance-sheet risk as part of its normal course of business, including financial guarantees and contractual commitments to extend financial guarantees, credit and other assistance to customers, franchises and other third parties. These financial instruments involve, to varying degrees, elements of credit risk which are not recognized in Pennzoil's consolidated balance sheet.

The financial guarantees primarily relate to debt and lease obligation guarantees with expiration dates of up to twenty years issued to third parties to guarantee the performance of customers and franchisees in the quick lube franchise industry. Commitments to extend credit are also provided to quick lube franchise industry participants to finance equipment purchases, working capital needs and, in some cases, the acquisition of land and construction of buildings. Contractual commitments to extend credit and other assistance are in effect as long as certain conditions established in the respective contracts are met. Contractual commitments to extend financial gurarantees are conditioned on the occurrence of specified events. The largest of these commitments is to provide a guarantee for a letter of credit issued by a third party to meet the reinsurance requirements of Pennzoil's captive insurance subsidiary. This commitment has no stated maturity and is expected to vary in amount from year to year to meet the reinsurance requirements. The credit risk to Pennzoil is mitigated by the insurance subsidiary's portfolio of high-quality short-term investments used to collateralize the letter of credit. At December 31, 1990, the collateral was valued at 123% of the credit risk.

Following are the amounts related to Pennzoil's financial guarantees and contractual commitments to extend financial guarantees, credit and other assistance as of December 31, 1990.

	Contract or Notional Amounts
	(Expressed in thousands)
Financial guarantees	$29,559
Commitments to extend financial guarantees	
Guarantee of letter of credit	28,683
Other guarantees	10,439
Commitments to extend credit and other assistance	10,855
Total financial guarantees and commitments	$79,536

Pennzoil's exposure to credit loss in the event of nonperformance by the other parties to these financial instruments is represented by the contractual or notional amounts. Decisions to extend financial guarantees and commitments and the amount of remuneration and collateral required is based on management's credit evaluation of the counterparties on a case-by-case basis. The collateral held varies but may include accounts receivable, inventory, equipment, real property, securities and personal assets. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Concentrations of Credit Risk—

Pennzoil extends credit to various companies in the oil and gas, motor oil and automotive products, sulphur and quick lube franchise industries in the normal course of business. Within these industries, certain concentrations of credit risk exist. In the oil and gas industry, PEPCO, in the role of operator of co-owned properties, assumes responsibility for payment to vendors for goods and services related to joint operations and extends credit to co-owners of these properties. In the motor oil and automotive products industry, Pennzoil Products Company, a wholly owned subsidiary of Pennzoil, markets motor oil and other automotive products to various national wholesalers and retailers. Sulphur sales are made primarily to customers for use in the manufacturinig of phosphate fertilizer materials. Jiffy Lube, as a franchisor in the quick lube franchise industry, extends credit to franchisees for royalties, rents and automotive products.

These concentrations of credit risk within specific industries may be similarly affected by changes in economic or other conditions and may, accordingly, impact Pennzoil's overall credit risk. However, management believes that consolidated accounts receivable are well diversified, thereby reducing potential credit risk to Pennzoil, and that allowances for doubtful accounts are adequate to absorb estimated losses as of December 31, 1990. Pennzoil's policy concerning collateral requirements and the types of collateral obtained for on-balance-sheet financial instruments are the same as those described above under "Financial Instruments with Off-Balance-Sheet Risk."

At December 31, 1990, accounts receivable related to these group concentrations in the oil and gas, motor oil and automotive products, sulphur, and quick lube franchise industries were $37,311,000, $19,361,000, $28,923,000, and $70,020,000, respectively. In addition, Jiffy Lube has guaranteed approximately $25,654,000 of future loan and lease payments as of December 31, 1990.

PACCAR INC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (thousands of dollars)

N. Commitments and Contingencies

The Company is required to assure that its finance and leasing subsidiaries will maintain specified levels of cash flow or ratios of earnings to fixed charges. In 1990, assistance of $7,487 was provided principally to a domestic finance subsidiary. In 1989, assistance of $294 was provided to foreign finance subsidiaries. The effect of these intercompany transactions has been eliminated in consolidation.

At December 31, 1990, PACCAR had standby letters of credit outstanding totalling $30,119, which guarantee various insurance and financing activities.

PEPSICO, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

PepsiCo is subject to various claims and legal contingencies. While the ultimate liability that could result from these matters cannot be determined presently, management believes such liability will not have a material adverse affect on PepsiCo's business or financial condition.

At year-end 1990 PepsiCo was contingently liable under direct and indirect guarantees aggregating $97 million. The guarantees are primarily issued to support financial arrangements of certain restaurant and soft drink bottling franchisees and PepsiCo joint ventures. PepsiCo manages the risk associated with these guarantees by performing appropriate credit reviews in addition to retaining certain rights as a franchisor or joint venture partner.

PHILLIPS-VAN HEUSEN CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share)

Other Comments (In Part):

During 1989, the Company sold The Shoe Box, Inc. ("Shoe Box"), a chain of 35 stores located throughout Texas. The net assets of Shoe Box were segregated and classified as Net Assets Held For Sale in the Company's balance sheet at the end of 1988. In connection with this sale, the Company has guaranteed that certain lease payments will be made by the purchasers of Shoe Box. The amount of future lease payments guaranteed by the Company totals $4,261 at February 3, 1991.

TYSON FOODS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingencies

Lease Commitments

The company is guarantor of leases under an agreement involving some of its poultry growers and a leasing company. As security, the company holds mortgages on the real property where the facilities are located and cash deposits paid by the poultry growers. At September 29, 1990, $15.0 million of these leases were guaranteed by the company. The terms of these leases are up to seven years. The amount guaranteed by the company reduces during the seven year term as the outstanding balance of the lease declines. Also, the company assists certain of its swine and poultry growers in obtaining financing for growout facilities by providing the growers with extended growout contracts and conditional operation of the facilities should a grower default under their growout or loan agreement.

UNIVERSAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Other Matters

At June 30, 1990 total exposure under guarantees issued for banking facilities of unconsolidated affiliates was $7 million. Other commitments and contingent liabilities approximate $103 million and relate principally to letters of credit issued as performance bonds and other guarantees.

VULCAN MATERIALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Other Commitments and Contingent Liabilities

In 1987 the Company formed three jointly-owned companies with Industrias ICA, S.A. de C.V., ("Indica"), a principal member of Grupo ICA, one of Mexico's leading diversified industrial entities, to develop and operate a limestone quarry on Mexico's Yucatan peninsula and to import Mexican crushed stone into U.S. Gulf Coast markets. The shareholder agreements for these three companies provide that each sponsor will contribute its share of the equity required to fund the project, which is currently estimated to be $50,000,000 to $55,000,000 each. Through December 31, 1990, the Company contributed to the ventures approximately $40,714,000; Indica contributed a nearly equal pro rata amount. All equity contributions are expected to be made by December 31, 1991. Two of the jointly-owned companies have entered into loan agreements and obtained loan guarantee commitments to fund up to $68,205,000 of their investments. The Company and Indica have agreed to guarantee these loans on a several and pro rata basis equal to approximately 50% each. Certain of the loan guarantees will be terminated if and when the project meets defined financial tests.

In December 1990 the Company and Indica terminated certain of their guarantees that supported the planned construction of two vessels by a Brazilian shipyard. The termination of these guarantees is expected to result in an additional $23,000,000 loan commitment being made available to two of the jointly-owned companies. This loan commitment would be guaranteed by the Company and Indica on a several and pro rata basis equal to approximately 50% each. If this loan commitment is not obtained, the required equity contributions from the Company and Indica would each be increased by approximately $11,500,000.

THE WILLIAMS COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Other Financial Information

In connection with discontinued operations and the related disposition of certain assets in 1987, William guaranteed certain lease rentals sufficient for the purchaser to meet a portion of debt service. At December 31, 1990, the maximum estimated loss under this arrangement is approximately $30 million, before consideration of future contractual and estimated sublease income, which is

expected to be substantial. In addition, Williams guaranteed a portion of a $60 million promissory note which was received as proceeds and then sold to a financial institution. The guarantee includes both interest yield and default provisions that could result at maturity in a currently estimated maximum loss of $16 million. After consideration of amount accrued, Williams believes the likelihood of a material loss from these guarantees is remote.

Williams has issued other guarantees with off-balance-sheet risk, which total approximately $15 million. Williams believes it will not have to perform under these agreements because the likelihood of default by the primary party is remote and/or because of certain indemnifications received from other third parties.

XEROX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Long-Term Debt

Guarantees. The Company has earnings support agreements with certain subsidiaries, including XCC. However, the Company generally does not guarantee the debt of subsidiary companies. Pursuant to a Support Agreement between the Company and XCC, the Company has agreed to make periodic payments to XCC to the extent necessary to ensure that XCC's annual earnings available for fixed charges equal at least 1.25 times XCC's fixed charges. As a result of the provision for estimated losses on investments in and advances to VMS Partners referred to in Note 4 on Page 48, in 1990 the Company made or accrued cash payments of $340 million to XCC in accordance with this agreement. This payment does not affect consolidated net income. The Company has guaranteed and effectively assumed the borrowings of its ESOP.

Letters of Credit

AMERICAN TELEPHONE AND TELEGRAPH COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in millions (except per share amounts)

R (In Part): Commitments and Contingencies

Commitments

AT&T uses various financial instruments in the normal course of its business. These financial instruments include commitments to extend credit, letters of credit, interest rate swap transactions and foreign currency exchange contracts.

All such instruments, by their nature, involve risk and the maximum potential loss exceeds the total of contracted amounts. As is customary for these types of financial instruments, AT&T usually does not require collateral or other security from the parties to the instruments. However, because AT&T controls the credit risk of these instruments through credit approvals, limits and monitoring procedures, management believes that reserves for losses are adequate.

Commitments to Extend Credit

AT&T is engaged in the general-purpose credit and calling card business through AT&T Universal Card Services, a wholly owned subsidiary. Under an agreement with the Universal Bank, a subsidiary of Synovus Financial Corporation that issues the cards, AT&T purchases essentially all cardholder receivables. If all cardholders had utilized their full credit at December 31, 1990, AT&T would have been obligated to purchase $20,250 of receivables in addition to those included in the consolidated balance sheet. Actual cardholder credit utilization is usually only a fraction of available credit. As credit utilization increases, additional revenues from the card operation are generated.

Letters of Credit

Letters of credit are conditional commitments issued on behalf of customers to pay third parties in accordance with specified terms and conditions. At December 31, 1990, AT&T had outstanding letters of credit of $325.

Interest Rate Swap Agreements

AT&T enters into interest rate swap agreements to manage exposure to changes in interest rates by more closely matching the maturity of its debt to that of its finance asset portfolio. The transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. At December 31, 1990, the total notional principal amount of outstanding interest rate swap agreements was $477. In addition to the financial risk that will vary during the life of these swap agreements in relation to the maturity of the underlying debt and market interest rates, AT&T is subject to credit risk exposure from nonperformance of the counterparties to the swap agreements.

Foreign Exchange

AT&T enters into foreign currency exchange contracts, including forward, options and swap contracts, to reduce exposure to foreign currency exchange risk. At December 31, 1990, AT&T had net forward exchange contracts valued at $516, swap contracts valued at $403, and no material options contracts outstanding.

EMERSON RADIO CORP. (MAR)

NOTES TO FINANCIAL STATEMENTS

Note G (In Part): Commitments and Contingencies:

(2) Letters of Credit:

Outstanding letters of credit, not reflected in the accompanying financial statements, aggregated approximately $56,380,000 at March 31, 1990.

At March 31, 1990 and 1989, "prepaid expenses and other current assets" include a $6,000,000 certificate of deposit which is being maintained as collateral for a $6,000,000 standby letter of credit agreement. The Company also has unsecured standby letters of credit aggregating $14,000,000 at March 31, 1990.

Receivables Sold With Recourse

AM INTERNATIONAL, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands, except per share amounts)

Note 5—Contingency Matters

The Company has been notified of various environmental matters in connection with certain current or former Company locations in Ohio, New York, New Jersey, Connecticut, Kentucky, Indiana and California. At the present time, it is management's opinion, based on information available to the Company and management's experience in such matters, that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position.

The Company is involved in various other administrative and legal proceedings incidental to its business, including product liability and general liability lawsuits against which the Company is partially insured. The resolution of these other proceedings is not expected to have a material adverse effect on the business or the financial position of the Company.

The Company has sold certain receivables related to machine sales, subject to limited recourse provisions. At July 31, 1990, the outstanding balance on such receivables for which the Company is contingently liable was $16,100, net of provisions for any anticipated losses. Generally, the machines related to the receivables sold serve as collateral for the Company.

DOVER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Contingencies:

Certain lease receivables entered into by the Company's finance divisions were sold during 1989 and 1990, with limited recourse, to a third party. The leases cover machinery and equipment manufactured by the Company and involve thousands of customers. There is no significant concentration of credit risk. Generally, the lease period does not exceed five years. The leases are collateralized by security deposits and Uniform Commercial Code filings; equipment is subject to repossession in the event of lease default. The outstanding balance on such receivables at December 31, 1990, was $61 million ($54 million at December 31, 1989) of which the Company has a contingent liability of $11.1 million should all of the receivables become uncollectible.

FLEETWOOD ENTERPRISES, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Sale of Retail Sales Contracts, Servicing Income and Finance Receivables

Periodically, Fleetwood Credit Corp. sells retail contracts it has purchased from dealers of Fleetwood RV products. The finance company sold $143,318,000, $75,510,000 and $55,156,000 of such contracts in fiscal years 1990, 1989 and 1988, respectively. Included in the valuation of these transactions are the expenses of the sale, amounts associated with related interest rate hedging transactions, and unamortized interest subvention. There was no gain or loss recognized on these transactions in fiscal 1990, 1989 or 1988. At April 30, 1990 and 1989, respectively, the outstanding balance of the sold receivables was $191,775,000 and $115,776,000.

The finance company continues to service these sold receivables for the benefit of the purchasers, for which it receives a servicing fee. The finance company's maximum potential liability on these sold receivables, either in direct obligations or under reimbursement agreements, was $15,450,000 at April 30, 1990. In the opinion of management, the allowance for potential credit losses is adequate to cover these obligations.

LOCTITE CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Commitments and Contingencies

The outstanding amount of receivables sold to financial institutions with recourse was $522,000 at June 30, 1990 and $687,000 at June 30, 1989. Proceeds from these transactions were $10,309,000 for the year ended June 30, 1990, $8,125,000 for the year ended June 30, 1989 and $8,026,000 for the year ended June 30, 1988.

NAVISTAR INTERNATIONAL CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

8 (In Part): Receivables

Amounts due from sale of receivables represent the portion of the receivables sales price withheld by the purchaser at the time Navistar Financial sells retail installment notes receivable with limited recourse provisions. Such amounts are generally paid to Navistar Financial as the notes are collected. The amounts withheld can be used by the purchasers to absorb future credit losses. An allowance for losses on the sold notes, representing estimated losses which may be charged to amounts withheld by the purchasers of the receivables, has been netted against the amounts due from sale of the receivables. Proceeds from the sale of these receivables amounted to $264 million in 1990, $375 million in 1989 and $311 million in 1988. Uncollected sold receivable balances were $441 million and $469 million as of October 31, 1990 and 1989, respectively.

Navistar Financial has a $600 million retail notes receivable sales facility available to August 1993. Unused commitments under this facility at October 31, 1990, were $444 million.

16. Commitments, Contingent Liabilities and Restrictions on Assets

At October 31, 1990, commitments for capital expenditures in progress were approximately $45 million.

Transportation was contingently liable at October 31, 1990, for approximately $14 million for guarantees of debt and for bid and performance bonds. As of October 31, 1990, Harbour Bermuda was contingently liable for claims in the amount of $5 million.

At October 31, 1990, the Canadian operating subsidiary was contingently liable for retail customers' contracts and leases financed by a third party. The Company is subject to maximum recourse of $124 million on retail contracts and $27 million on retail leases. Based on historical loss trends however, the Company's exposure to loss is not significant.

The Canadian operating subsidiary and certain subsidiaries included in Financial Services are parties to agreements which can be distributed to Transportation in the form of dividends, loans or advances. As of October 31, 1990, $70 million of equity was available for distribution to transportation.

The Parent Company and Transportation are obligated under certain agreements with public and private lenders of Navistar Financial to maintain the subsidiary's income before interest expense and income taxes at not less than 125% of its total interest expense. No income maintenance payments were required for the three years ended October 31, 1990.

17. Financial Instruments with Off-Balance-Sheet Risk

In order to meet the financing needs of its cutomers and to reduce its exposure to fluctuations in exchange and interest rates, the Company is a party to certain financial instruments and contractual obligations through the normal course of business which may involve elements of credit and market risk in excess of amounts recognized in the Statement of Financial Condition. These financial instruments include receivables sold with limited recourse, interest rate swaps, financial guarantees, forward exchange contracts and letters of credit. Credit risk for these off-balance-sheet financial instruments is concentrated in North America and the trucking industry.

Note 8 and Note 16 discuss receivables sold with limited recourse; Note 14 describes the interest rate swap agreements; Note 16 discloses information about financial guarantees. The market risk on forward exchange contracts and the credit risk on letters of credit are not material.

RALSTON PURINA COMPANY (SEP)

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions, except per share date)

Commitments and Contingencies (In Part)

At September 30, 1990, the Company had third party guarantees outstanding in the aggregate amount of approximately $40.0. These guarantees relate to financial arrangements with customers, suppliers, and other business relationships. The Company sells certain of its trade accounts receivable and notes receivable to others subject to defined limited recourse provisions, which include repurchase by the Company of delinquent notes receivable. The Company is responsible for collection of the accounts and remits the proceeds to the purchaser on a monthly basis. During 1990, the Company sold, on average, accounts receivable totaling $53.0 each month. At September 30, 1990, $19.0 of transferred receivables were outstanding and subject to recourse provisions.

At September 30, 1990, the Company's primary concentration of credit related to approximately $60.0 of trade accounts receivable due from several highly leveraged customers. Consideration was given to the financial position of these customers when determining the appropriate allowance for doubtful accounts.

SPX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Commitments and Contingent Liabilities

The Company has a leasing program whereby certain lease receivables are sold to financial institutions with limited recourse. In the event of default by a lessee, the financial institution has recourse equal to their net lease receivable. In turn, the Company receives the collateralized lease equipment. The total recourse available to the financial institutions is limited per agreement. In 1990, 1989 and 1988, $21,115,000, $7,390,000 and $2,907,000 of lease receivables were sold to financial institutions generating $2,453,000, $997,000 and $418,000 in other income. At December 31, 1990 and 1989, lease receivables held by financial institutions which are subject to recourse were $33,910,000 and $16,900,000. Correspondingly, allowances for recourse liabilities net of manufactured standard cost value were $1,685,000 and $785,000 at December 31, 1990 and 1989.

SUNDSTRAND CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments With Off-Balance-Sheet Risk

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet financing needs and to reduce its own exposure to fluctuations in exchange rates. These financial instruments include financial guarantees, a revolving receivable sale arrangement, and forward exchange contracts. These instruments involve, to varying degrees, elements of credit and/or exchange rate risk in excess of the amount recognized in the financial statements.

Financial guarantees are conditional commitments issued by the Company to guarantee the payment of certain liabilities of unconsolidated afiliates and unaffiliated entities to third parties. These guarantees are issued primarily to support borrowing arrangements, and are scheduled to expire, subject to extension, during 1991. The Company guarantees the payment of certain liabilities arising in connection with an employee relocation program. These guarantees are collateralized by residential properties, as deemed appropriate.

The revolving receivable sale arrangement enables the Company to sell certain current trade receivables to a financial institution through March 1991, while continuing to service the accounts. Under the agreement's recourse provision, the Company is obligated to repurchase any uncollectible receivables sold up to a maximum of nine percent of the total contract amount.

Forward exchange contracts are contracts for delivery or purchase of foreign currencies at specified future dates. At December 31, 1990, the Company had contracts primarily maturing during 1991 to sell the equivalent of $54.1 million and to purchase $3.5 million in foreign currency.

The Company's exposure to credit loss for receivables sold is represented by the recourse provision and for financial guarantees is represented by the contractual amount of these guarantees. For forward contracts, the contract amounts do not represent exposure to credit loss but represent currency exposure if the other party fails to perform under the contract.

The contract amounts and the maximum credit loss in the event of non-performance by any of the parties is as follows at December 31, 1990:

(Amounts in millions)	Contract Amount	Maximum Credit Loss
Financial instruments whose contract amounts represent credit risk:		
Financial Guarantees	$ 6.5	$ 6.5
Financial instruments whose contract amounts exceed the amount of credit risk:		
Receivable sale arrangement	$23.3	$ 2.7

Concentrations of Credit Risk

ALUMINUM COMPANY OF AMERICA (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions, except share amounts)

G. Financial Instruments

Under a power contract that expires no earlier tha 2011, Alcoa is entitled to a fixed percentage of the annual output from a Northwest U.S. hydroelectric facility. Alcoa makes minimum annual payments of $4 whether or not it receives power. Alcoa could be required to increase its participation if other parties to the contract defaulted. If all other parties had defaulted as of December 31, 1990, Alcoa's maximum liability would have been about $200. There Is no reason to believe the other parties will default or that power will not be provided.

At December 31, 1990 Alcoa had open currency exchange commitments of $2,221. These contracts are part of a worldwide program to minimize foreign exchange operating income and balance sheet exposure. The contracts generally mature within 12 months and are principally unsecured forward exchange contracts with banks.

ARVIN INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16—Off-Balance-Sheet Risk and Concentrations of Credit

In 1990 the FASB issued Statement No. 105 which requires disclosure of information about financial instruments with off-balance-sheet risk and about concentrations of credit risk for all financial instruments.

Off-Balance-Sheet Risk: The Company, on occasion, uses forward exchange contracts and options to hedge its exposure in foreign currencies. The options and forward exchange contracts are used to minimize the impact of foreign currency fluctuations on the Company's revenues and costs and are not used to engage in speculation. At December 30, 1990 the amount of the Company's options and forward exchange contracts outstanding was not material.

Concentrations of Credit Risk: Financial instruments which potentially expose the Company to concentrations of credit risk, as defined by Statement No. 105, consist primarily of trade accounts receivable.

The Company's customer base includes virtually every significant automotive manufacturer and a large number of well known jobbers, distributors and installers of automotive replacement parts in North America and Europe. Although the Company is directly affected by the well-being of the automotive industry, management does not believe significant credit risk exists at December 30, 1990.

BAXTER INTERNATIONAL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk and Financial Instruments

The company provides credit, in the normal course of business, to hospitals, private and governmental institutions and health-care agencies, insurance agencies and doctor's offices. The company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses which, when realized, have been within the range of management's expectations.

Baxter utilizes financial futures, options and interest rate cap and collar agreements to minimize the company's exposure to adverse movements in interest rates related to various debt instruments. Gains, losses and premiums paid on those instruments are deferred and amortized as a discount or premium to the financing over the life of the respective issues.

During 1990, the company purchased one-year interest rate caps with prinicipal amounts totaling $700 million. During 1989, the company entered into a two-year interest rate collar agreement with a principal amount of $100 million. Both of these agreements relate to hedges which will protect the company from extreme volatility in interest rates through December 31, 1991.

The counterparties to the interest rate cap and collar agreements are characterized as well-respected, major financial institutions. To decrease the risk of nonperformance which may result in credit losses, the company diversifies its selection of counterparties.

The company invest the majority of its excess cash (primarily generated in Puerto Rico) in certificates of deposit with major banks located there. These certificates typically have a maturity of 30-45 days. The company has not experienced any losses on its certificate of deposit investments.

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Company places its temporary cash investments with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers and their dispersion across many different industries and countries worldwide. As of December 29, 1990, the Company had no significant concentrations of credit risk.

CBS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitment and Contingent Liabilities (Dollars in millions)

The Company is required by SFAS No. 105, "Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk," to disclose significant concentrations of credit risk regardless of the degree of such risk. At December 31, 1990, the Company held U.S. Government securities of $816.7 and securities of gas and electric utilities of $575.2 (of which $223.4 were collateralized by U.S. Government securities). Subsequent to December 31, 1990, the Company reduced its holdings in these securities in connection with the funding of its tender offer (note 15) and these concentrations are no longer considered significant.

CMI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Description of Business and Summary of Significant Accounting Policies

Business and Credit Concentrations

The Company's customers are not concentrated in any specific geographic region, but are concentrated in the road construction business. No single customer accounted for a significant amount of the Company's sales in 1990 and 1989 (see note 3 regarding 1988) and there were no significant accounts receivable from a single customer at December 31, 1990. The Company reviews a customer's credit history before extending credit. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. To reduce credit risk, the Company generally requires a down payment on large equipment orders.

E-SYSTEMS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Financial Instruments and Risk Concentration - Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash equivalents, billed accounts receivable and unreimbursed costs and fees under cost-plus-fee contracts. The Company's cash equivalents consist principally of U.S. Government securities and Eurodollar accounts with high credit quality financial institutions. Generally, the investments mature within 90 days and therefore are subject to minimal risk. Billed accounts receivable and unreimbursed costs and fees under cost-plus-fee contracts result primarily from contracts with the U.S. Government or prime contractors with the U.S. Government and some international customers (principally governments). Contracts involving the U.S. Government do not require collateral or other security. The Company conducts ongoing credit evaluations of domestic non-U.S. Government customers and generally does not require collateral or other security from these customers. The Company generally requires international customers to furnish letters of credit or make advance payments in amounts sufficient to limit the Company's credit risk to a minimal level. Historically, the Company has not incurred any significant credit related losses.

HUNT MANUFACTURING CO. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except share and per share amounts)

17. Off-Balance Sheet Risk and Concentrations of Credit Risk

Off-Balance Sheet Risk:

As of December 2, 1990, the Company had $76 of foreign exchange contracts outstanding, all of which were in European currencies. The forward exchange contracts generally have maturities which do not exceed six months and require the Company to exchange foreign currencies for U.S. dollars and British pounds sterling at maturity, at rates agreed to at inception of the contracts.

Letters of credit are issued by the Company during the ordinary course of business through major domestic banks as required by certain vendor contracts. As of December 2, 1990, the Company had outstanding letters of credit for $854.

Concentrations of Credit Risk:

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of temporary cash investments and trade receivables. The Company places its temporary cash investments with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base, and their dispersion across many different industries and geographies. As of December 2, 1990, the Company had no significant concentrations of credit risk.

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Commitments and Contingencies

Concentration of credit risk

The Company sells its products to agricultural, industrial, construction, commercial, original equipment manufacturers and retail distributors primarily in the Midwest United States. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The Company's ten largest customers accounted for approximately 30% of sales in 1990 and approximately 35% of notes and accounts receivable at December 31, 1990. Notes and accounts receivable include an installment note receivable from its largest customer in the amount of $3.4 million payable in four equal quarterly installments, plus interest, commencing May 1991.

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Financial Instruments With Off-Balance-Sheet Risk and Concentrations of Credit Risk

At August 31, 1990, the Company had forward contracts and options for the sale of various European currencies totalling $38,857,000 maturing from February, 1991, to April, 1991. the Company also had a forward contract for the purchase of C$7,200,000 (Canadian dollars) maturing September, 1990.

The Company's financial instruments subject to credit risk are primarily trade accounts receivable and cash and cash equivalents. Generally, the Company does not require collateral or other security to support customer receivables. At August 31, 1990, the Company had the following significant concentrations of financial instruments subject to credit risk:

United States	$61,038,000
Italy	76,395,000
East Europe	12,173,000
Soviet Union	7,739,000

Within the United States, the majority of the Company's business is conducted with individual farm operators located throughout the country. The majority of the Company's business in Italy is transacted with distributors and cooperatives. In East Europe and the Soviet Union, the Company conducts business primarily with government sponsored companies and agencies.

Government Regulations

ALLIED-SIGNAL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

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

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.

Note 18 (In Part): Commitments and Contingencies

The Company is subject to a number of investigations, lawsuits and claims (some of which involve substantial amounts) arising out of the conduct of its business, including those relating to commercial transactions, government contracts, product liability and environmental safety and health matters. In accordance with the Company's accounting policy described in Note 1 of Notes to Financial Statements, generally liabilities are recorded for environmental matters following the completion of feasibility studies. Although the Company does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded as a result of pending studies, they may be significant to the consolidated results of operations. While the results of investigations, lawsuits and claims involving the Company cannot be determined, management does not expect that these matters will have a material adverse effect on the consolidated financial position of the Company.

ALLIS-CHALMERS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingent Liabilities (In Part)

The Environmental Protection Agency (EPA) and the Illinois Environmental Protection Agency have requested information in connection with seven hazardous waste disposal sites in which products manufactured by Allis-Chalmers were ultimately disposed of by other parties. The EPA has claimed that Allis-Chalmers is liable for cleanup costs associated with three of these sites. In addition, two third parties have asserted that Allis-Chalmers is liable for cleanup cost associated with two additional sites. Since Allis-Chalmers manufactured and sold the products disposed of in these sites before consummation of the Plan, Allis-Chalmers has taken the position that all cleanup costs for other liabilities related to these sites were discharged in the bankruptcy. No lawsuit or other action is currently pending with respect to any of these sites.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Contingencies

Like other petroleum refiners and marketers, the Company's operations are subject to extensive and rapidly changing federal and state environmental regulations governing air emissions, waste water discharges, and solid and hazardous waste management activities. The Company's policy is to accrue environmental and clean-up related costs of a non-capital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated. While it is often extremely difficult to reasonably quantify future environmental related expenditures, the Company has made preliminary estimates that total expenditures in the range of at least $16,000,000 to $18,000,000 will be required during the period 1991 to 1993 to comply with existing regulations. The Company had recorded a liability of approximately $8,100,000 as of December 31, 1990 to cover the estimated costs of compliance with environmental regulations which are not anticipated to be of a capital nature.

In conjunction with the purchase of La Gloria, the Company has agreed to pay the first $8 million of "Governmental Environmental Costs" (as defined in the Stock Purchase Agreement). Thereafter, Texas Eastern will pay 35% of the second $8 million, 65% of the third $8 million, and 90% of all such costs in excess of $24 million. Texas Eastern's obligation is limited to conditions that are discovered and communicated to Texas Eastern within three years of the closing date.

Although the level of future expenditures for environmental matters, including clean-up obligations, is impossible to determine with any degree of certainty, it is management's opinion, based in part on the advice of independent counsel (after considering accruals), that when the costs are finally determined, they will not have a material adverse effect on the financial position of the Company. The Company has been named by the Environmental Protection Agency (EPA) as a potentially responsible party (PRP) at several Superfund Sites. The Company's exposure in these matters has either been resolved or is *de minimis* and is not expected to have a material adverse effect on the financial position of the Company.

HERCULES INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

20 (In Part): Commitments and Contingencies
(Dollars in thousands)

(d) Environmental:

Hercules has been identified as a potentially responsible party by various federal and state authorities for cleanup at numerous waste disposal sites, the most significant being Jacksonville, Arkansas, with possible claims of $30,000-$40,000. Due to the number of parties involved (at most sites), the multiplicity of possible solutions, the evolving technology and the years of remedial activity required, the company is unable to assess and quantify the extent of its responsibility at the majority of sites involved. However, provision has been made for future remediation costs of $13,400 (including $10,000 associated with the sale of a business) during 1990 and $7,550 during 1989 for sites at which an estimated future minimum liability has been determined. Management believes based upon opinion of company counsel that any ultimate liability over the amount accrued will not materially affect the consolidated financial position of the company.

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. Environmental:

The Company is involved in certain environmental investigation matters with governmental agencies. The Company has entered into an agreement with the Department of the Army that provides a sum of $5,000,000 in government money to cover the initial funding of all costs related to the project. The Company's share is not to exceed 50%, recoverable by the government only from negotiated profit on substantial defense contracts performed by January 5, 1998. Management believes that the impact of these matters, if any, on the Company's financial condition will not be material.

ROHM AND HAAS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The company is a named party in various government enforcement and private actions associated with old waste disposal sites, some of which are on the U.S. Environmental Protection Agency's Superfund priority list. These actions seek cleanup costs and, in some cases, damages for alleged personal injury or property damage. In addition, the company has been identified by government authorities as potentially responsible for cleanup costs at other waste disposal sites. Each year, the company has accrued the anticipated net future costs for remediation of known waste disposal sites. The annual accruals were $46 million, $12 million and $5 million in 1990, 1989 and 1988. In 1990, the amount was unusually large and included accruals for expected future expenditures for sites in North America and Europe. Actual cost to be incurred in future periods may vary from the estimates. The company and its subsidiaries are parties to litigation arising out of the ordinary conduct of its business. Although the ultimate outcome is not determinable, it is the company's opinion that the resolution of all pending lawsuits and claims will not have a material adverse effect, individually or in the aggregate, upon the consolidated financial position of the company.

SUNDSTRAND CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Environmental Matters

The Company is developing or implementing remedial

action plans with respect to certain of its plant sites. In addition, the Company is involved in third party litigations alleging property damage and health claims with respect to one of its plant sites. The Company believes that it has made adequate provision for these matters. In 1990, Sundstrand spent approximately $1.6 milion on remedial cleanups and related studies compared to approximately $1.4 million in 1989 and $3.3 million in 1988.

The Company has been notified by the U.S. Environmental Protection Agency that it and others are PRPs under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 as amended (Superfund) with respect to a number of sites at which environmental damage is alleged. In addition, the Illinois Environmental Protection Agency has given notice with respect to certain sites.

The Company believes that it has made adequate provision for costs it may incur with respect to the sites. With respect to any of the Superfund sites at which Sundstrand is a PRP, Sundstrand's potential liability may be materially impacted in the future due to: a final determination of the extent of environmental damage; the share of the cleanup that Sundstrand is required to pay which is dependent upon both the resolution of joint and several liability issues and final allocation among PRPs; the cleanup technology which is ultimately chosen; and the extent of cleanup required.

COCA-COLA ENTERPRISES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingent Liabilities (In Part)

Federal, State and local laws and regulations govern the Company's operation of underground fuel storage tanks. The Company has a significant number of storage tanks that will require removal, replacement or modification to satisfy regulations which go into effect in varying stages through 1998. The Company estimates total environmental expenditures related to storage tanks beginning in 1990 will aggregate approximately $71 million. Of this amount, approximately $59 million represents captial expenditures. Of such amount, an aggregate $16 million represents capital expenditures during 1990 and approximately $43 million is estimated to represent capitalized expenditures during 1991, 1992 and 1993. The remaining amount of $12 million has been accrued as an operating expense in 1990. The Company does not currently expect any additional material expenses in future years associated with storage tanks (other than depreciation of amount capitalized). Therefore, the Company's remediation of environmental contamination resulting from storage tanks is not expected to have a material adverse effect on results of operations or financial condition of the Company.

Possible Tax Assessments

BAUSCH & LOMB INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Provision for Income Taxes (In Part):

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 appealed this matter to the United States Court of Appeals for the Second Circuit which heard oral arguments in May of 1990. No decision is expected before the second quarter of 1991. 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. Taxes and accrued interest associated with these proposed adjustments amount to approximately $41 million, which exceeds the company's tax provision for the years in question. The company has filed a formal protest with the Internal Revenue Service contesting these matters. 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.

NATIONAL SEMICONDUCTOR CORPORATION (MAY)

NOTES TO FINANCIAL STATEMENTS

Note 8 (In Part): Income Taxes

The U.S. Internal Revenue Service ("IRS") examinations of National's U.S. federal income tax returns for fiscal years 1976 through 1982 resulted in the issuance of deficiency notices during fiscal 1989 and 1990. The IRS is seeking additional taxes amounting to approximately $76 million (exclusive of interest). National has filed petitions with the United States Tax Court contesting the deficiency notices. Management believes that amounts paid or accrued are adequate.

SEAGATE TECHNOLOGY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Litigation (In Part):

Tax Deficiency.

The Internal Revenue Service has concluded a field audit of the Company's income tax returns for fiscal years 1983 through 1987. The Company received "Notices of Deficiency" for fiscal years 1981 through 1987. Proposed adjustments to income and tax credits in the Notices for fiscal yars 1981 through 1987 resulted in proposed tax deficiencies of approximately $112,280,000, plus interest of approximately $53,000,000 computed through July 2, 1990. The major proposed adjustment to income in all fiscal yars audited related to the allocation of income between the Company and its manufacturing subsidiary in Singapore. The Company has filed a Petition with the United States Tax Court contesting the proposed tax deficiencies. The Company believes that it has meritorious legal defenses to the IRS proposed adjustments, and that the outcome of this audit will not have a material adverse effect on the financial condition of the Company.

SIMPSON INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D (In Part): Income Taxes

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 and has sent the Company a statutory notice of deficiency. The Company disagrees with the position of the Service and intends to pursue its judicial remedies. Full loss of the contested deductions, plus interest costs through December 31, 1990, would result in a charge to net earnings of approximately $1,200,000 or $.12 per share.

STANHOME INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Commitments and Contingencies:

In December, 1990, the Company's Italian subsidiary, Stanhome S.p.A., received an assessment from the Tax Office of the Italian government for additional income taxes, penalties and interest for the taxable year 1984. The assessment was based primarily on the disallowance as a deduction for income tax purposes of the substantial portion of the payment made to the Company pursuant to a license and technical service agreement between the Company and the subsidiary. The subsidiary has duly filed an appeal against the assessment. The Italian tax auditor has recommended to the Tax Office assessments against the subsidiary for the years 1985 through 1989 based on the same and additional issues.

While the amounts assessed and recommended for assessment, together with potential penalties and interest, would be material if upheld, in the opinion of the Company's management the ultimate liability of the Company and its subsidiary, if any, arising from the foregoing will not have a material adverse impact upon the consolidated financial condition of the Company.

Insurance Coverage

RAYTHEON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Commitments and Contingencies

Due to the reduced availability and increased cost of insurance, the company, though its Beech Aircraft Corporation subsidiary, has been unable to purchase aircraft liability coverage in amounts or upon terms that have been traditionally available. Accordingly, since 1985, management has determined that the company will retain higher levels of coverage. Retained coverage not provided for amounted to $38 million in 1990, $37 million in 1989, $40 million in 1988, and $85 million in prior years.

ROWE FURNITURE CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Commitments and Contingencies

Health Insurance Plan

The Company maintains a self-insurance program for that portion of health care costs not covered by insurance. The Company is liable for claims up to $100,000 per employee or retiree annually, and aggregate claims up to $2,600,000 annually. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an actuarially determined estimated liability for claims incurred but not reported.

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, such that, currently, the Company is largely self-insured for product liability. These reductions in coverage result from a decline in the availability of liability insurance. Based on historical experience, management does not anticipate that potential future claims would have a material impact on the Company's consolidated financial position.

WHITTAKER CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Commitments and Contingencies

Because of the state of the market for insurance in recent years, many U.S. corporations, including Whittaker,

have been unable to obtain insurance for various risks at rates and on terms which they consider reasonable. Consequently, the Company is to a significant degree without insurance for various risks, including those associated with product liability. (The Company does, however, have insurance for product liability associated with aircraft products.) Although the Company has recorded estimated liabilities for uninsured risks to the extent permitted by generally accepted accounting principles, the absence of various insurance coverages represents a potential exposure for the Company, and the net income and financial position of the Company in future periods could be adversely affected if uninsured losses in excess of amounts provided were to be incurred. The portion of liabilities for uninsured losses estimated to be payable after one year is included in "Other Noncurrent Liabilities" in the balance sheet.

WINNEBAGO INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Contingent Liabilities and Commitments

The Company self-insures for product liability claims. Self-insurance retention liability is $5,000,000 per occurance and $10,000,000 aggregate per year. Liabilities in excess of these amounts are the responsibility of the coinsurer.

Withdrawal From Union Pension Plan

ARDEN GROUP, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingent Liabilities:

In January 1991, the Company was advised of a potential liability of $932,000 relating to the withdrawal from a union pension plan as a result of the Company ceasing market operations in Arizona in 1988. The Company is vigorously defending this claim. As of the date hereof, no estimate of potential liability, if any, is possible. However, management, after consultation with legal counsel, believes the ultimate disposition of this matter will have no material effect upon the consolidated financial position.

Product Repurchase Agreements

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Commitments and Contingent Liabilities

It is customary within the marine industry for manufacturers to enter into product repurchase agreements with financial institutions that provide financing to marine dealers. The Company has entered into agreements which will provide for the repurchases of its products from a financial institution in the event of repossession upon a dealer's default. Most of these agreements contain provisions which limit the Company's annual repurchase obligation. The Company accrues for the cost and losses that are anticipated in connection with expected repurchases. Such losses are mitigated by the Company's resale of repurchased products. Repurchases and losses incurred under these agreements have not and are not expected to have a significant impact on the Company's results of operations. The maximum potential repurchase commitment at December 31, 1990, was approximately $116 million, of which no more than $63 million would be required to be repurchased during a single year.

Hostile Tender Offer

NCR CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions, except per share amounts)

Note 10. Hostile Tender Offer

On December 6, 1990, American Telephone and Telegraph Company (AT&T) commenced a tender offer to purchase all outstanding shares of NCR common stock, including the associated rights described in Note 5, at $90 per share, net to the seller in cash (the Offer). The board of directors, by unanimous vote, recommended that NCR shareholders reject the Offer and not tender their common stock because the Offer is grossly inadequate and not in the best interest of NCR and its shareholders. Several shareholder suits have been filed against NCR and its board of directors with respect to the Offer. The Offer is scheduled to expire on February 15, 1991. NCR has received from AT&T written requests from holders of more than 25% of NCR's outstanding common stock to call a special meeting of shareholders for the purposes of removing all of the incumbent board of directors and filling the vacancies created by such removal with AT&T's nominees and voting upon a non-binding resolution requesting the board to make available to shareholders the opportunity to sell their shares to AT&T or to arrange for an alternative sale transaction for greater value. The record date for the special meeting is March 1, 1991. The date, time, and location of the meeting have yet to be determined. At this time, NCR is unable to predict the outcome of the Offer or any impact that the Offer, or any other offer or related development, may have on the future results of operations or financial condition of NCR. NCR recorded a $9 non-recurring charge during the fourth quarter associated with the defense and litigation costs of the Offer.

Loan to Chaper 11 Company

RHONE-POULENC RORER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 23 (In Part): Contingencies

The company holds a $10.0 million loan participation in Mortage and Realty Trust (MRT) that in April 1990, announced it had filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The Company believes that it will likely receive full value for its investment under the terms of the plan of reorganization which was approved by the court in February 1991.

Arbitration

INTEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies (In Part):

In 1987, the Company was served with a demand for arbitration by Advanced Micro Devices Incorporated (AMD) under which AMD alleged that the Company had breached specific provisions of a technology exchange agreement between the parties and had committed other such acts allegedly injurious to AMD. AMD's original demand sought monetary damages of $1 billion as direct and consequential damages or, alternatively, $100 million as direct damages, and other specific relief the arbitrator may deem appropriate. In addition, AMD has asked the arbitrator to order transfer of certain product technology to AMD. The Company has also made certain counterclaims against AMD.

In 1989, the arbitrator issued an initial written decision on one product claim. On October 11, 1990, the arbitrator issued a decision which resolved all remaining liability issues. Neither decision required Intel to transfer the 386™ microprocessor, the 8087 math coprocessor or any other product to AMD. The decisions did state Intel breached the contract by failing fo fulfill covenants of good faith and fair dealing in its relationship with AMD and by failing to transfer the 8087 and timely updates to the 80286. Further hearings will be held to determine remedies which the arbitrator said may include monetary damage awards and product transfers. The remedies ruling by the arbitrator is not expected until later in 1991. On October 31, 1990, Intel filed a petition in Santa Clara County, California, Superior Court to determine the enforceability of a clause in the contract which limits damages. On November 20, 1990, the Superior Court issued its decision that a ruling on such limitation was not appropriate at this time. Intel appealed this ruling to the California Court of Appeals which affirmed the Superior Court holding. Intel has now appealed the decision of the Court of Appeals to the California Supreme Court. The ultimate outcome of these matters cannot be determined at this time. Management, including internal counsel, does not believe that the outcome will have a material adverse effect on the Company's financial position.

TEXTRON INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Arbitration

Arbitration concerning terminated coproduction agreement

Since 1979, Textron has been engaged in arbitration in Switzerland with the Government of Iran concerning conflicting claims and counterclaims arising out of a 1975 helicopter coproduction agreement between its Bell Helicopter Division and the Government of Iran. The contract was terminated in 1978 and the arbitration started in 1979. While both factual and legal issues remain outstanding, an interim decision of the arbitrator handed down in 1989 indicated that at the conclusion of the arbitration Bell will incur costs associated with the arbitration estimated to be less than $15.0 million, which was reported in 1989 as an extraordinary loss, net of income taxes, of $9.5 million ($.11 per share). Management believes that such additional liabilities, as may result from final resolution of this matter, will not be material to Textron's financial condition.

Arbitration concerning former line of business

An insurance subsidiary of AFS participated in fronting programs with other insurance companies, which programs were discontinued prior to December 31, 1985. A dispute relating to one of these programs was heard by arbitrators in 1988 and, based on the arbitrators' subsequent rulings, AFS recorded an after-tax loss of $28.0 million ($.32 per Textron share) as an extraordinary item in 1988.

Unasserted Claims

CROSS & TRECKER CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 (In Part): Contingencies

In the ordinary course of business, the Company enters into long-term contracts that provide for the assessment of penalty charges for delays in the required production capability or completion of contracts. At September 30, the Company had not achieved the 50 percent production capacity specified in a major contract which provides for penalties of up to $2 million. The Company's management believes failure to meet the contract's production capacity requirement was caused primarily by customer initiated changes and additional customer requirements after the placement of the order, and has informed the customer of the delays caused thereby. No claims for penalty have been made, and although some uncertainity exists as to whether the final delivery date can be achieved, the Company believes it can fulfill all remaining contractual requirements so that ultimately no penalties will have to be paid.

E-SYSTEMS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K (In Part): Commitments and Contingencies

Changes to procurement regulations in recent years, as well as the Government's drive against "fraud, waste and abuse" in defense procurement systems, have increased the complexity and cost of doing business with the Government. Some of these changes have redefined the ability to recover various standard business costs which the Government will not allow, in whole or in part, as the cost of doing business on Government contracts. Other legal and regulatory practices have increased the number of auditors, inspectors general and investigators to the point that the Company, like every other major Government contractor, is the constant subject of audits, investigations and inquiries concerning various aspects of its business practices. One pending investigation resulted in subpoenas by the Government for a large number of documents. If the Company is determined to be in noncompliance with any of the applicable laws and regulations, the possibility exists of penalties and debarment or suspension from receiving additional Government contracts.

The Company regards charges of violation of government procurement regulations as extremely serious and recognizes that such charges could have a material adverse effect on the Company.

THE INTERLAKE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Commitments and Contingencies

The Corporation learned, early in the third quarter, 1990, that certain tests relating to some castings produced at the Cleveland plant of Arwood Corporation, an Interlake subsidiary, were not performed and that certain products manufactured at the plant were welded without the specific written authorization of customers.

The Cleveland plant of Arwood Corporation was sold to a subsidiary of Wyman-Gordon Company in May of 1990. Wyman-Gordon made Interlake aware of the testing and welding problems and has implemented corrective procedures. Management does not expect the resolution of these matters to result in a material adverse effect on the Corporation's consolidated financial condition.

MAPCO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Commitments and Contingencies

The refining and marketing arm of the Company, MAPCO Petroleum Inc., operates a refinery in Alaska through its subsidiary, MAPCO Alaska Petroleum Inc. ("MAPI"). Since 1978, MAPI (and/or its predecessor) has had long-term contracts with the State of Alaska (the "State") to purchase royalty oil from the State at prices linked to amounts payable by North Slope oil producers in satisfaction of their royalty obligations to the State. Since 1977, the State has been asserting claims against the producers (in an action entitled *State of Alaska v. Amerada Hess, et al.)* alleging that they undervalued North Slope crude oil in their royalty payments. In September 1990, one of the North Slope producers, ARCO Alaska, Inc., announced that it had entered into a settlement with the State of the royalty value issues in the *Amerada Hess* litigation in which it agreed to pay the State approximately $285 million. Other North Slope producers are continuing to litigate these same issues with the State. The State has yet to assert a formal claim against MAPI (MAPI is not a party to the *Amerada Hess* litigation), but management believes that it is possible that the State might assert a claim against MAPI for retroactive increases in the prices paid by MAPI under all its royalty oil purchase contracts. Based on information supplied to MAPI by State representatives, it appears that the potential claims asserted by the State might total between $130 million and $160 million, including interest on the retroactive amounts claimed by the State. The State's ultimate claim against MAPI would be based upon the difference between the volume weighted average of the royalty values reported by the producers in the past and the volume weighted average of the revised values the State succeeds in proving in the *Amerada Hess* litigation. Pending the resolution of the *Amerada Hess* litigation, MAPI has been paying the State under a contractual interim pricing formula which results in prices somewhat in excess of volume weighted average of the producer's past royalty reports, and that excess would provide a partial offset against additional amounts claimed by the State. If such a claim is asserted, management intends to vigorously contest it. The management of the Company believes there are certain rights to defer any payment over time.

MAPCO Inc. and its subsidiary operations are subject to a variety of State and Federal statutes and regulations. MAPCO is involved in various lawsuits, claims, regulatory proceedings and environmental issues incidental to its business and has made certain provisions for these matters. After consideration of such legal, business and other factors it deems relevant, management believes that the outcome of such matters, including the resolution of the *Amerada Hess* dispute discussed above will not have a material adverse effect on MAPCO's consolidated financial position.

SUN MICROSYSTEMS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Contingencies

In late fiscal 1988, Sun was notified by International Business Machines Corporation ("IBM") that, in IBM's opinion, Sun needed to license certain technologies that were subject to IBM's patents. Subsequent to the end of fiscal 1990, IBM and Sun negotiated the terms of a patent cross-license agreement under which each party would be granted a non-exclusive, worldwide license to the other party's patent portfolio, as defined, for the lives of the underlying patents. The agreement would cover all patents issued or applied for prior to July 1995, and would require Sun to make annual payments through July 1995. Such payment are not material to Sun's financial position or results of operations.

In March 1990, Sun received a letter from Texas Instruments Incorporated ("TI") alleging that a substantial number of Sun's products infringed certain of TI's patents. Based on preliminary discussions with TI, Sun believes

that it will be able to negotiate a licence agreement with TI and that the outcome of this matter will not have a material adverse impact on Sun's financial position.

In connection with Sun's reported net loss in the fourth quarter of fiscal 1989, lawsuits have been filed against Sun, its Board of Directors and certain of its officers or former officers, alleging violations of various federal securities laws and state laws. These lawsuits were consolidated in October 1989 into a single action in the United States District Court for the Northern District of California. A motion to dismiss the complaint, filed by Sun, was granted in part. Sun believes it has meritorious defenses to the remaining claims alleged in the complaint and intends to defend the actions vigorously.

TELEDYNE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingencies

On August 15, 1990, federal agents executed a search warrant on and removed a number of documents relating to government-furnished materials from the Company's Teledyne Neosho unit. In addition, several Teledyne Neosho employees received subpoenas to testify before a federal grand jury. Based on an ongoing internal review, and after consultation with counsel, the Company does not possess sufficient information to determine whether the Company will sustain a loss as a result of the investigation, or to reasonably estimate the amount of any such loss. Consequently, the Company has not been able to identify the existence of a material loss contingency arising from this investigation.

On October 2,1990, federal agents executed a search warrant on and removed a number of documents relating to production and supply of relays from the Company's Teledyne Relays unit. In addition, several Teledyne Relays employees received subpoenas to testify before a federal grand jury. Based on an ongoing internal review, and after consultation with counsel, the Company does not possess sufficient information to determine whether the Company will sustain a loss as a result of the investigation, or to reasonably estimate the amount of any such loss. Consequently, the Company has not been able to identify the existence of a material loss contingency arising from this investigation.

GAIN CONTINGENCIES

Plaintiff Litigation

CMI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Litigation

The Company is plaintiff in an action filed on December 19, 1980 in the United States District Court (District Court) for the Northern District of Illinois against Barber-Greene Company (Barber-Greene), a subsidiary of Astec Industries, Inc. (Astec), for infringement of the Company's patents. A trial on infringement and damages was held during April and May 1990.

On October 26, 1990, a final judgment was entered by the District Court awarding the Company damages of $4,457,066 and prejudgment interest of $2,837,530. Investments, in the amount of the judgment, are escrowed in an account which is controlled by the District Court.

Barber-Greene has appealed unspecified portions of this judgment to the United States Court of Appeals for the Federal Circuit in Washington, D.C. (Appeals Court). In addition, the Company has appealed the amount of prejudgment interest to the Appeals Court and has requested an additional $2.7 million of prejudgment interest. Certain attorneys, previously engaged by the Company in connection with this litigation, have filed a lien against the judgment for approximately $1.4 million. The Company's primary lender has also filed a lien against the entire judgment and could use all proceeds from the judgment to reduce the outstanding loan balance of the term credit agreement (see note 4). In the opinion of the Company's management and outside legal counsel, the judgment by the District Court will be affirmed by the Appeals Court. Recoveries, if any, would be recorded when received or assured.

The Company is plaintiff in an action filed on June 6, 1986 in the District Court for the Northern District of Iowa against Cedarapids, Inc. (Cedarapids) for infringement of the Company's patents. Cedarapids filed a counterclaim against the Company alleging infringement of certain patents held by Cedarapids. On March 4, 1991, a jury awarded Cedarapids $1,952,618 in damages plus unspecified amounts for postjudgment interest and costs of the litigation. The jury held that the Company's patents were either invalid or not infringed. In the opinion of the Company's management and outside legal counsel, this jury verdict is not a final judgment by the District Court. The Company has filed several motions including a motion to set aside the jury verdict and a motion for a new trial because of legal inconsistencies in the jury's verdict. In the opinion of the Company's management and outside legal counsel, it is not probable that the jury verdict will be affirmed once all issues are ruled on by the District Court judge. However, if the final judgment by the District Court judge affirms the jury's verdict, the Company will record the judgment as a loss contingency and may be required to post a bond in the amount of the final judgment. The Company would appeal an adverse final judgment by the District Court judge.

CYPRUS MINERALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Contingencies

In November 1987 Cyprus filed a $1.07 billion claim against LTV Steel Company, Inc. (LTV Steel) and The LTV Corporation (LTV) for damages due to lost profits from rejected contracts and for unpaid receivables. On August 9, 1989, Cyprus, LTV, and LTV Steel reached a settlement, subject to bankruptcy court approval, of all claims filed by Cyprus against LTV and LTV Steel. The parties have agreed that the claims shall be allowed as general unsecured claims in the amount of $505 million. The settlement was approved by the bankruptcy court on March 9, 1990. In June 1990 the Supreme Court ruled that the Pension Benefit Guaranty Corporation may require LTV to reassume the funding responsibility for a $2 billion shortfall in LTV pension plans. This ruling is expected to have an adverse impact on Cyprus' ultimate recovery. In January 1990 Cyprus discontinued depreciating its then existing $83 million investment in the Emerald mine in Pennsylvania. This cost basis will be offset against the net proceeds from this claim. The actual amount of cash, notes, or securities that Cyprus and other creditors will receive on their claims is dependent on the terms of a plan of reorganization ultimately approved by the bankruptcy court. No plan of reorganization has been presented for bankruptcy court approval, therefore making a plan confirmation date uncertain. The timing and amount of Cyprus' ultimate recovery is uncertain and is expected to be substantially less than its allowed $505 million claim.

GENCORP INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L (In Part): Contingencies and Uncertainties

Aerojet's Sacramento, California Facility

In June 1989 the United States District Court for the Eastern District of California approved entry of a Partial Consent Decree (Decree) between Aerojet and state and federal environmental agencies. The Decree is a partial settlement of environmental litigation initiated against Aerojet and its inactive subsidiary, Cordova Chemical Company, by the State of California (State) and the United States Environmental Protection Agency (EPA) as a result of the release of chemicals at Aerojet's Sacramento, California, facility.

Under the Decree, Aerojet will conduct a Remedial Investigation/Feasibility Study (RI/FS) of the Sacramento site and make an RI/FS report on specific environmental conditions present at the site and alternatives available to remedy such conditions. Also, Aerojet will continue to operate and evaluate its present groundwater-extraction treatment facilities, meet water quality limits for treatment groundwater discharged therefrom, and monitor water at various water wells near the Sacramento site and points along the American River for specified chemicals. The Decree does not require Aerojet to recommend any remedial alternative or perform final remedial measures at the site.

The Decree provides that, during the period 1989 through 1994, Aerojet will pay an aggregate of $5.4 million to (i) resolve civil monetary claims of the State and (ii) reimburse the State and the EPA for their past costs incurred in connection with the environmental matters at the Sacramento site. Aerojet has paid $2.8 million through November 30, 1990 towards this obligation.

Additionally, Aerojet is required to pay for certain costs associated with government monitoring of Aerojet's compliance with the Decree. In 1990, Aerojet paid $266,000 and is required to pay annually thereafter up to $625,000 (adjustable for inflation not to exceed 4 percent in any year) until all qualified oversight costs are paid. The Company previously provided for certain costs associated with the RI/FS required under the Decree. GenCorp has provided the EPA under the Decree a guarantee of Aerojet's performace up to an aggregate of $20 million.

Legal proceedings to obtain reimbursement for various costs under both insurance and government contracts are continuing. However, Aerojet presently cannot estimate either the total amount of remedial costs or liability that may be incurred or recovery that may be obtained under any contract.

In February 1990, agreement was reached with the United States government settling Aerojet's claims under government contracts for reimbursement of a portion of costs incurred by Aerojet in connection with groundwater conditions at the facility prior to July 1989 (settlement period). The agreement concludes Aerojet's claims for environmental response and other cost incurred during the settlement period, including Aerojet's claims related to the development and operation of groundwater extraction and treatment faclities. Pursuant to the settlement, the United States paid Aerojet $32 million and relieved Aerojet of obligations to repay approximately $5 million. The agreement requires that Aerojet give the United States credit equal to 50 percent of any insurance recovery Aerojet may receive from its insurance carriers for costs incurred through June 1989 related to groundwater conditions at the Sacramento site, except amounts paid conditionally or under a reservation of the insurers' rights or claims.

Aerojet has also appealed to the Armed Services Board of Contract Appeals the denial of its claim for recovery of costs incurred, or to be incurred, after June 1989, to implement the Decree. Negotiations are continuing between the United States and Aerojet with respect to such costs. However, the February 1990 agreement is not a precedent for those negotiations.

HALLIBURTON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Commitments and Contingencies

The Company has received from the Internal Revenue Service ("IRS") notices asserting deficiencies in federal corporate income taxes in the amount of approximately $247 million, excluding interest, for the Company's 1980-86 taxable years. The IRS has proposed over 200 separate adjustment to the Company's tax returns. The Company believes that the majority of these adjustments and the asserted deficiencies are without merit. The IRS has not asserted that any penalties are due with respect to the alleged deficiencies.

In addition, the Company has filed claims for the refund of federal income taxes paid with respect to its 1980-86 taxable years in the approximate total amount of $115 mil-

lion, excluding interest. The IRS has denied some of these claims and taken no action with respect to others.

The Company has filed petitions in the United States Tax Court challenging the entire amount of the proposed deficiencies and requesting the payment of the $115 million in refund claims. The Company believes that it is entitled to the refunds and that it has meritorious defenses, both procedural and substantive, to the proposed deficiencies and that the ultimate resolution of the case will result in no material impact on the Company's consolidated results of operations or financial position.

LOCKHEED CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Commitments and Contingencies

The company's fixed-price contract for the P-7A development program was terminated for default by the U.S. Navy in July 1990. The company is confident that the default termination by the Navy cannot be legally sustained and will be converted to a termination for convenience of the government. The company has filed an appeal of the default termination action before the Armed Services Board of Contract Appeals and will assert claims for increased costs. If the company's appeal is sustained, as expected, it is likely that a significant portion of the $300 million written off in the fourth quarter of 1989 will be recovered. In the event the company should lose its appeal, based on its current assessment of both its termination liability and its claims, additional losses could be incurred. It is difficult to estimate the precise amount but it is not likely to exceed $40 million. The company has been advised by Navy officials that the Navy will not reprocure the P-7A from another source, in which event there will be no attempt by the Navy to charge back any excess cost of reprocurement to the company.

MAXUS ENERGY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)

Kidder, Peabody Litigation

In 1987, the Company filed a lawsuit in Texas state district court against Kidder, Peabody & Co. Incorporated ("Kidder, Peabody"), Martin A. Siegel and Ivan F. Boesky seeking damages of at least $300.0 million arising from alleged leaks by Siegel to Boesky of confidential information about the 1983 acquisition of Natomas Company by a predecessor of the Company. At the time, Siegel was an officer and director of Kidder, Peabody, which acted as investment advisor for the Company and its predecessor in the Natomas acquisition. Subsequently, Kidder, Peabody filed a declaratory judgement action in federal district court in New York City against the Company seeking a declaration that it had no liability for the activities of Siegel and Boesky. In April 1990, the federal court in the New York action entered orders that arguably barred the Company from proceeding on its state law claims in Texas. The Company appealed those orders, and in February 1991, the Second Circuit Court of Appeals held that the Company could pursue its claims in the Texas lawsuit. While the Company is seeking material damages in the Texas lawsuit, there can be no assurance as to the outcome of this litigation.

A.O. SMITH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Litigation and Insurance Matters

In addition, the company has initiated a legal action against a supplier of an automotive assembly line alleging breach of warranty and tortious misrepresentation. The case is in the discovery stage. The ultimate outcome of the litigation cannot be determined and no amount has been recognized for possible collection of any claims asserted in the litigation.

COMMITMENTS

Obligations to Maintain Working Capital Or Restrict Dividends

ETHYL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

11. Restrictions on Dividends and Stock Purchases:

The Company's revolving credit agreement contains restrictions, among others, on the payment of dividends and purchases of the Company's stock. At December 31, 1990, approximately $557,000,000 is available for such purposes, of which approximately $543,000,000 can be used for dividend payments.

Approximately $12,750,000 of First Colony's net assets of $775,523,000 may be paid as dividends to Ethyl Corporation without regulatory approval.

HARMON INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Indebtedness at December 31

Covenants

The various indebtedness agreements contain, among other things, covenants relating to: maintenance of a positive consolidated net worth; maintenance of minimum working capital of $3,000,000; and a maximum ratio of debt to equity of 4 to 1 through December 31, 1991 and a ratio of 3.75 to 1 thereafter; and, a limitation on the payment of dividends to 50 percent of net earnings. The Company was in compliance with such covenants or had obtained waivers from the lending institutions for 1991.

Effective February 1, 1991, the Company negotiated new terms on the note payable under equipment loans which required payment of $5,000 in forbearance and modification fees; an interest rate at the bank's base rate plus 2%; new increasing quarterly minimum net worth and decreasing leverage covenants; and new cash flow

covenants. After December 31, 1991, net worth at any fiscal year end may be lower than net worth at the previous fiscal year end.

Interest Rate Hedges

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Interest Rate Hedge Agreements

The company enters into interest rate hedge agreements which involve the exchange of fixed and floating rate interest payments periodically over the life of the agreement without the exchange of the underlying principal amounts. The differential to be paid or received is accrued as interest rates change and recognized over the life of the agreements as an adjustment to interest expense.

2 (In Part): Long-Term Debt

The company enters into interest rate hedge agreements to manage interest costs and the risk associated with changing interest rates. Accordingly, the company enters into agreements which effectively convert its fixed-rate debt into variable-rate debt which is indexed to commercial paper or the six months LIBOR rate. Additionally, the company enters into agreements to hedge its variable-rate debt by paying fixed rates under the agreements and receiving variable-rate based payments in return. The outcome is to effectively convert an amount equal to the notional value of the agreement of variable-rate debt into fixed-rate debt. Counterparties to these agreements are major financial institutions. Management believes the risk of incurring losses related to credit risk is remote and any losses would be immaterial.

At 30 September 1990, an outstanding interest rate hedge agreement effectively converted 12.5 million British Pounds of variable-rate debt into fixed-rate debt of 11.6%. The company also entered into agreements which effectively converted $75.0 million of debt with a weighted average fixed rate of 8.6% into variable-rate debt. These agreements mature at various dates through 1994.

The company is, also, party to interest rate hedge and currency swap contracts. These contracts entail both the exchange of fixed and floating rate interest payments periodically over the life of the agreement and the exchange of one currency for another currency at a specified future date. As of 30 September 1990, interest rate hedge and currency swap agreements to exchange 50 million Dutch Guilders at a fixed rate of 7.2% for 24.4 million U.S. dollars at a variable rate of interest and 60 million Deutsche Marks at a weighted average fixed rate of 6.8% for 26 million U.S. dollars at a variable rate of interest were outstanding. These agreements mature through 1995.

AMAX INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Interest rate swaps are entered into primarily as a hedge against interest exposure of variable rate debt, although swaps may be maintained as speculative contracts. Gains and losses related to changes in the value of speculative swaps are recognized currently. Gains and losses related to changes in the value of swaps designated as hedges are deferred and reported as components of the related transactions.

Foreign exchange contracts are entered into from time to time to offset the effects of exchange rate changes on expected receipts and disbursements denominated in foreign currencies. Gains and losses on contracts which hedge foreign currency transactions are included as part of those transactions.

Note 4 (In Part): Interest Expense, Net

At December 31, 1990, interest rate swap agreements with notional amounts of $20 million (1989—$20 million; 1988—$75 million) hedged interest rate exposure on floating rate debt. Net payments or receipts under these agreements were included in interest expense. These agreements effectively changed the interest rate exposure on $20 million of floating rate debt due in 1994 to a 14.4 percent fixed rate. The interest rate swap agreements mature at the time the related debt matures. (Also see Note 13.)

The Company also had outstanding at December 31, 1990 an interest rate swap agreement with a notional amount of $25 million which was not designated as a specified hedge against Company borrowings. This interest rate swap is subject to market risk as interest rates fluctuate.

Note 13 (In Part): Long-Term Debt Excluding Current Maturities

During 1990, the Company obtained commitments permitting borrowing of up to $800 million to finance the construction of a primary alumina reduction facility near Deschambault, Quebec. The financing agreements required the Company to establish facilities to effectively limit the interest rate on half of the commitment to 12 percent. To partically meet this requirement, the Company entered into agreements, expiring in 1992, for a notional amount of $750 million under which it will make payments if the London Interbank Offering Rate (LIBOR) declines below 7.5 percent and will receive payments if LIBOR exceeds 9 percent. Through December 31, 1990 the Company has neither received nor paid any money under these interest rate collars, other than the initial premium, which was deferred and will be amortized over the period the borrowings are outstanding. Beyond 1992, the borrowings are hedged by deferred interest rate swaps and caps for a notional amount of $700 million which effectively limit LIBOR at a maximum of approximately 9.0 percent.

DEERE & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Short-term Borrowings (In Part):

The company's credit subsidiaries have entered into interest rate swap and interest rate cap agreements to hedge their interest rate exposure in amounts corresponding to a portion of their short-term borrowings. The interest rate swaps exchange the company's variable short-term interest rate obligations based on specified commercial paper rate indices for fixed interest rates over the terms of the agreements. The interest rate caps exchange the company's variable short-term interest rate obligations for fixed interest rates when the variable rates exceed certain rates. At October 31, 1990, the total notional principal amount of interest rate swap agreements was $176 million having fixed rates of 8.8 to 11.3 percent terminating in up to 38 months. The total notional principal amount of interest rate cap agreements was $201 million having capped rates of 8.2 to 9.0 percent terminating in up to 52 months. The differential to be paid or received on the swap and cap agreements is accrued as interest rates change and is recognized over the lives of the agreements. The company's credit subsidiaries are exposed to credit loss for any accrued receivable in the event of nonperformance by the other parties to the interest rate swap and cap agreements. However, the company's credit subsidiaries do not anticipate nonperformance by the counterparties. Since the company's credit subsidiaries intend to hold these agreements as hedges for the terms of the agreements, the market risk associated with changes in interest rates should not be significant.

THE MEAD CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Interest Rate and Foreign Exchange Financial Instruments. Premiums and realized and unrealized gains or losses associated with interest rate and foreign exchange options and futures and forward contracts, which serve as hedges, are deferred and amortized over the lives of the hedged items.

F—Financial Instruments

The company uses various financial instruments with off-balance-sheet market risk, which serve as hedges, to manage its interest rate and foreign currency exchange rate risks. At December 31, 1990, options written with a contract or notional amount of $341.0 million were outstanding.

Options are written only as an element of an overall hedge strategy to manage specific interest rate or foreign exchange rate risk and are generally combined with purchased options. For written options, the company receives a premium at the outset and then bears the market risk of an unfavorable change in the value of the financial instrument underlying the options, which is approximately offset by fluctuations in the items these options hedge. In addition, the company has written options with a notional amount of $165.0 million allowing holders to enter into interest rate swap agreements. All of these contracts are with significant financial institutions.

MOSINEE PAPER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Long-Term Debt

The company also entered into an interest protection agreement for the revolving credit agreement. This agreement provides for interest rate protection on $60 million the first year, $85 million the second year and $50 million in the third year. Under terms of the agreement, the company receives compensation when the 90 day LIBOR (London Interbank Offered Rate) exceeds 9.5% in the first year, 10.5% in the second year and 11% in the third year. The company pays compensation when LIBOR is less than 7.5% in the first year, 7% the second year and 6.5% the third year. Compensation to be paid or received is recognized as interest rates deviate beyond the stated amounts. The company is exposed to credit loss in the event of nonperformance by other parties to the interest rate protection agreement. However, the company does not anticipate nonperformance by the counterparties.

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

18. Financial Instruments With Off-Balance-Sheet Risk and Significant Group Concentrations of Credit Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to help meet financing needs and to reduce exposure to fluctuating foreign currency exchange rates. The Company is exposed to credit loss in the event of nonperformance by the other parties to the financial instruments described below. However, the Company does not anticipate nonperformance by the other parties. The Company does not generally require collateral or other security to support these financial instruments.

As of December 31, 1990, the Company had forward currency exchange contracts maturing in 1991 to exchange 3 billion Belgian francs into 15 million British pounds, 17 billion Italian lira, 122 million Swedish krona and various other currencies.

The Company has a cross-currency interest rate conversion agreement from Deutsche marks into U.S. dollars to hedge the interest and principal payments of its 7.25% Deutsche mark bonds, due in 2000. The agreement establishes a fixed interest rate of 11.1%.

The majority of the Company's business activities are concentrated in the following markets: building materials, automotive, marine, and electronic components.

PACCAR INC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ($000)

A (In Part): Summary of Accounting Policies

Interest Rate Swap Agreements: Interest rate swap agreements generally involve the exchange of fixed and floating rate interest payment obligations without the exchage of the underlying principal amounts. These agreements are used to reduce the effect of interest rate fluctuations on

short-term debt and to effectively create longer term variable rate debt to better match maturities of the Company's receivables. Net amounts paid or received are reflected as adjustments to interest expense.

L (In Part): Long-Term Debt

At December 31, 1990, the Company had 31 interest rate swap agreements outstanding with other financial institutions. The notional amount of these agreements totalled $358,000 with amounts expiring annually beginning in 1991 of $199,000, $81,000, $60,000, $15,000, and $3,000, respectively. The notional amount is used to measure the volume of these agreements and does not represent exposure to credit loss. In the event of default by a counterparty, the risk in these transactions is the cost of replacing the swap agreement at current market rates. The Company continually monitors its positions and the credit ratings of its counterparties, and limits the amount of agreements it enters into with any one party. Management believes the risk of incurring losses is remote, and that if incurred, such losses would be immaterial.

THE QUAKER OATS COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Interest Rate Futures, Currency Swaps, Options and Forward Contracts.

The Company enters into a variety of interest rate futures, currency swaps, options and forward contracts in its management of interest rate and foreign currency exposures. Realized and unrealized gains and losses on interest rate futures and options are deferred and recognized as interest expense over the borrowing period. Realized and unrealized gains and losses on foreign currency options and forward contracts which hedge operating income are recognized currently in other income and expense. Realized and unrealized gains and losses on foreign currency options, currency swaps, and forward contracts which are effective as net investment hedges are recognized in shareholders' equity.

Note 18. Financial Instruments

Foreign Currency Forward Contracts.

At June 30, 1990, the Company had forward contracts for the purchase and sale of European and Canadian currencies to hedge foreign exchange operating income and balance sheet exposure, purchases totalling $38.2 million and sales totalling $147.5 million. While the contracts generally mature in fewer than 12 months, the total sales include obligations to sell $8.2 million in British pounds in fiscal 1998 and $7.6 million in Canadian dollars in fiscal 1994.

Deutsche Mark Swap.

During fiscal 1988, the Company swapped $25 million for deutsche marks in two separate transactions. The Company is committed to re-exchange 18.5 million deutsche marks for $10 million in August 1992 and 27.9 million deutsche marks for $15 million in August 1997. The Company is also committed to make semi-annual interest payments of 1.4 million deutsch marks through August 1992 and, thereafter, 0.9 million deutsche marks through August 1997.

Commercial Paper Interest Rate Hedges.

At June 30, 1990, the Company had two contracts applicable to $25 million of commercial paper each, which effectively guaranteed interest rates of 7.85% and 7.69%, respectively, for its commercial paper during the six-month period from March through August 1990.

Foreign Currency Hedges

APPLE COMPUTER, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Off-Balance-Sheet Risk and Concentrations of Credit Risk.

The Company hedges certain portions of its exposure to foreign currency fluctuations through a variety of strategies and foreign exchange instruments, including the use of forward exchange contracts (forward contracts). Gains and losses associated with currency rate changes on forward contracts are recorded currently in income unless the contract hedges a firm commitment, in which case any gains and losses are deferred and included as a component of the related transaction. Generally, the interest element of the forward contract is recognized over the life of the contract. As of September 28, 1990, the Company had approximately $300 million in net forward contracts outstanding.

Apple distributes its products principally through third-party computer resellers. Concentration of credit risk with respect to trade receivables are limited because of flooring arrangements with third-party financing companies, and because a large number of geographically diverse customers make up the Company's customer base.

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

FINANCIAL REVIEW

Financial instruments with off-balance-sheet risks

The company includes foreign currency options, forward contractors, interest rate swaps, and foreign currency swaps in its selective hedging of foreign currency exposures. Realized and unrealized gains and losses on those contractors which hedge expected future cash flows are recognized in other income and expense. Realized and unrealized gains and losses on those contracts which hedge net investment in foreign subsidiaries are recognized in shareholders' equity.

At December 31, 1990, foreign currency options and forward contracts hedging future cash flows totaled approximately U.S. $10.6 million in denominations of Belgian francs, German marks, and Italian lira.

At December 31, 1990, foreign currency options and forward contracts hedging foreign investment positions totaled approximately U.S. $25.8 million in denominations of Australian dollars, British pounds sterling, German marks, and Netherland guilders.

In 1987 and 1988 the company entered into interest-rate swap agreements with financial institutions to manage its exposure to short-term interest rates. The 1987 swaps total $64.1 million, expire In 1992 and 1994, and provide for the Company to pay interest at the 30-day U.S. commercial

paper rate and to receive interest at an average fixed annual rate of 9.71%. The 1988 swap, for $50 million, expired in 1990.

In 1987, Armstrong, to hedge certain foreign investments, entered into medium-term interest rate or currency swap agreements with third parties whereby the company swapped $86.3 million for an equivalent amount of certain foreign currencies in denominations of Belgian francs, French francs, and German marks. Of the original amounts exchanged under these agreements, $49.1 million is repayable in 1992 and the balance in 1994. At the end of 1990, the net balance owed under these swaps was $18.4 million. The agreements provide for the company to make average fixed-interest payments of approximately 6.8% while receiving interest at the 30-day commercial paper rate.

The counterparts to these instruments consist of a limited number of major international financial institutions and the company continually monitors its position and the credit rating of its counterparts. It does not anticipate any losses due to credit exposure with counterparts due to its review and control procedures established by corporate policy.

For reporting purposes, the assets and liabilities of the foreign currency options and forward contracts, interest rate swaps, and interest rate or currency swaps are offset because the ageements provide for a right of offset.

Additionally, at December 31, 1990, the company had approximately $30 million in standby letters of credit and financial guarantees. Generally, the company's policy does not require collateral or other security to support these financial instruments with credit risk.

BECTON, DICKINSON AND COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Debt

The Company has intercompany loans and other short-term borrowing denominated in foreign currencies. To hedge against the risk of future currency exchange rate fluctuation on such debt, the Company enters into foreign currency exchange contracts and foreign currency swaps. The significant contracts at September 30, 1990 follow:

	Foreign Currency	U.S. Dollar Amount
Purchase Commitments:	British pounds	$53,115
	French francs	20,156
	German marks	9,754
Sale Commitments:	Irish pounds	77,886
	Canadian dollars	10,326
	Singapore dollars	10,000

These contracts mature between October and December 1990. Changes in the value of these contracts due to fluctuations in exchange rates are offset by changes in the value of the foreign currency denominated obligations translated at the current rate.

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign exchange contracts. During 1990 the Company entered into foreign exchange contracts as a hedge against certain of its net investments in foreign subsidiaries. Realized and unrealized gains and losses on these contracts and the amortization of any premiums or discounts have been deferred and included with translation adjustments in the separate component of common stockholders' equity. The Company's foreign exchange contracts currently in effect mature in three months or less from the date of contract. Dependent upon market and other considerations, maturing contracts will be replaced with new foreign exchange contracts or other hedging instruments. At September 30, 1990, the Company had contracts maturing at various dates in the following two months requiring the Company to sell $288,723,000 in foreign currencies (at the spot rate at September 30, 1990) as follows (in thousands):

Foreign Currency		Current U.S. $ Equivalent
Australian Dollars	26,832	$ 22,176
Italian Lire	142,241,401	121,332
Dutch Guilders	127,100	71,977
Pounds Sterling	39,060	73,238
		$288,723

CABOT CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

Forward Foreign Currency Exchange Contracts

Forward foreign currency exchange contracts are purchased to reduce the impact of foreign currency fluctuations on operating results. Realized and unrealized gains and losses on these contracts are recorded in net income currently, with the exception of gains and losses on contracts designed to hedge specific foreign currency commitments which are deferred and recognized in net income in the period of the commitment transaction. Income includes, in Other Charges (Income), foreign exchange losses of $507,000 and $5,324,000 in 1990 and 1989, respectively, and foreign exchange gains of $800,000 in 1988.

M. Financial Instruments and Concentrations of Credit Risk

Financial Instruments

The Company enters into forward foreign currency exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with its global contractual exposures. The effect of this practice is to minimize variability in the Company's operating results arising from foreign exchange rate movements. The Company does not engage in foreign currency speculation. The Company's foreign exchange contracts do not subject the Company to risk due to exchange rate movements because gains and losses on these contracts offset losses and gains on the

assets, liabilities, and transactions being hedged. At September 30, 1990, the Company had $32,500,000 of foreign exchange contracts outstanding. The forward exchange contracts generally have maturities which do not exceed six months. See Note A for information on the Company's accounting policy on forward exchange contract gains and losses.

Concentrations of Credit Risk

Financial instruments which subject the Company to concentrations of credit risk consist principally of trade receivables. International tire manufacturers comprise a significant portion of the Company's customer base. At September 30, 1990, the Company's Carbon Black Group had trade receivables of approximately $56,600,000 from international tire manufacturers. Although the Company's exposure to credit risk associated with nonpayment by tire manufacturers is affected by conditions or occurrences within the tire industry, trade receivables from the international tire manufacturers were current at September 30, 1990, and no manufacturer exceeded 7% of the Company's receivables at that date.

HARNISCHFEGER INDUSTRIES, INC (OCT)

NOTES TO FINANCIAL STATEMENTS
(Dollar amounts in thousands unless indicated.)

Note 8—Financial Instruments with Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments include forward contracts and financial and other guarantees and involve, to varying degrees, elements of credit and exchange fluctuation risk not recognized in the balance sheet.

The Company's off-balance-sheet exposure to credit loss in the event of nonperformance by the other party to the financial instrument is limited to its involvement in financial guarantees and consists of the unpaid balance of the underlying transactions.

The Company enters into foreign exchange contracts to hedge identifiable foreign currency receivables, payables and commitments. At October 31, 1990, the Company had contracts maturing from November 2, 1990 to April 29, 1994 to purchase or sell foreign currency as follows:

	Buy At Spot Rate	Sell At Spot Rate	Net Receivable (Payable)
Deutschemark	$ 7,600	$ 30,407	$ (22,807)
Pound Sterling	49,942	4,786	45,156
Japanese Yen	426	15,248	(14,822)
French Franc	—	34,503	(34,504)
Dutch Guilder	—	35,196	(35,196)
Swedish Krona	—	20,772	(20,772)
Other	11,668	4,823	6,845
	$69,636	$145,735	$(76,099)

At October 31, 1990, the Company had guaranteed $3,599 of the secured loans of customers primarily to support certain large sales of mining machinery and equipment. In addition, in connection with the divestiture of the Construction Equipment Division in 1988, the Company guaranteed the bank loan provided to Century II by certain banks. As of October 31, 1990, the outstanding balance on the Century II bank loan amounted to $20,000.

As of October 31, 1990, 62% and 12% of the Company's accounts receivable were from companies in the pulp and paper and mining industries, respectively.

FORD MOTOR COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Financial Instruments With Off-Balance-Sheet Risk

Interest Rate Instruments.

The company and many of its subsidiaries have entered into arrangements to manage exposure to fluctuations in interest rates. These arrangements include primarily interest rate swap agreements and, to a lesser extent, interest rate futures contracts.

Interest rate swap agreeements involve the exchange of interest obligations on fixed and floating interest rate debt without the exchange of the underlying principal amounts. The agreements generally mature at the time the related debt matures. The differential paid or received on interest rate swap agreements is recognized as an adjustment to interest expense.

Interest rate futures contracts are exchange-traded contracts to buy or sell a financial instrument at a specified future date and price. Realized and unrealized gains and losses on interest rate futures contracts are deferred and recognized as adjustments to interest income or expense.

Notional amounts are used to express the volume of interest rate swap agreements and interest rate futures contracts. The notional amounts do not represent cash flows and are not subject to risk of loss. In the unlikely event that a counterpart fails to meet the terms of an interest rate swap agreement, the company's exposure is limited to the interest rate differential. At December 31, 1990, the notional amounts on which the company had interest rate swap agreements and futures contracts outstanding aggregated $17 billion.

Foreign Exchange Instruments.

The company and many of its subsidiaries also have entered into foreign exchange agreements to manage exposure to foreign exchange rate fluctuations. These exchange agreements hedge primarily debt, firm commitments, dividends that are denominated in foreign currencies and net investments in foreign subsidiaries. Agreements entered into to manage these exposures include foreign currency forward contracts, currency swaps and foreign currency options.

Foreign currency forward contracts and currency swaps involve agreements to purchase or sell specified amounts of foreign currencies at specified rates on specific future dates. Foreign currency options provide the company with the right, but not the obligation, to buy or sell a specified amount of foreign currency at a fixed price on a specified future date. Any resulting gains or losses on the various contracts are either recognized during the period or offset against the underlying exposure.

Principal amounts are used to express the volume of foreign currency forward contracts, currency swaps and foreign currency options. Should the counterparty fail to meet the terms of the contract, the company's market risk is limited to the currency rate differential. At December 31,

1990, the total amount of the company's foreign currency forward contracts, option contracts and currency swaps outstanding was $19 billion, maturing primarily through 1993.

Other.

Certain Financial Services subsidiaries make credit lines available to holders of their credit cards. At December 31, 1990, the unused portion of available credit was approximately $6 billion and is revocable under specified conditions. The potential risk of loss associated with the unused credit lines is not considered to be significant.

In addition, the company and its subsidiaries have entered into a variety of other financial agreements which contain potential risk of loss. These agreements include limited guarantees under sales of receivables agreements, financial guarantees, letters of credit, interest rate caps and floors and government security repurchase agreements. Neither the amounts of these agreeements, nor the potential risk of loss, was considered to be significant at December 31, 1990.

ELI LILLY AND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in millions, except per share data)

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

Foreign Currency Swaps, Options, and Forward Contracts:

The company enters into a variety of currency swaps, options, and forward contracts in its management of foreign currency exposures. Realized and unrealized gains and losses on contracts that qualify as designated hedges are deferred. Those that do not qualify as hedges for accounting purposes are marked to market and recognized in other income.

Note 9: Financial Instruments

In 1990, the company adopted Statement of Financial Accounting Standards No. 105, which requires disclosure of information about financial instruments with off-balance-sheet risk and concentrations of credit risk.

Off-Balance-Sheet Risk:

The company enters into foreign currency swaps, forward exchange, and options contracts to hedge foreign currency transactions on a continuing basis for periods consistent with its committed foreign currency exposures. The effect of this practice is to minimize the impact of foreign exchange rate movements on the company's operating results. The company's hedging activities do not subject the company to exchange rate risk because gains and losses on these contracts offset losses and gains on the assets, liabilities, and transactions being hedged.

As of December 31, 1990, the company had $256.4 million of forward exchange contracts outstanding, approximately 95 percent of which were in European currencies. The forward exchange contracts generally have maturities that do not exceed 12 months and require the company to exchange foreign currencies for U.S. dollars at maturity, at rates agreed to at inception of the contracts. The company also had $99.5 million in issued foreign currency options outstanding. These issued options represent one part of an overall option strategy designed to hedge certain foreign currency exposures. Expiration dates extend through 1991. In addition, as of December 31, 1990, the company had $209.8 million in currency swaps outstanding, the majority of which pertains to the $150.0 milllion Eurodollar bonds due in 1992 (see Note 4).

Concentrations of Credit Risk:

Financial instruments that potentially subject the company to credit risk consist principally of trade receivables and interest-bearing investments. Wholesale distributors of life-science products account for a substantial portion of trade receivables; collateral is generally not required. The risk associated with this concentration is limited due to the large number of wholesalers and their geographic dispersion.

The company places substantially all its interest-bearing investments with major financial institutions and, by policy, limits the amount of credit exposure to any one financial institution.

WHITMAN CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 7 (In Part): Debt

The Company has entered into interest rate swap agreements to reduce the impact of changes in interest rates on its floating rate long-term debt. At December 31, 1990, the Company had interest rate swap agreements with commercial banks, having total notional principal amount of $245.0 million. The interest rate swap agreements effectively guarantee the Company's interest on $245 million of its floating rate notes at fixed interest rates ranging between 8.7 percent and 10.0 percent. The interst rate swap agreements generally mature at the time the related notes mature including $70 million, $60 million, $50 million and $65 million in 1991 through 1994, respectively.

The Company has also entered into foreign currency swap agreements to reduce the effect of changes in foreign currency on its debt and investments denominated in foreign currencies. At December 31, 1990, the Company had agreements converting its Swiss franc and Canadian dollar denominated liabilities to U.S. dollar liabilities of $257.5 millon and $38.1 million, respectively, at interest rates ranging between 6.1 percent and 12.2 percent. The agreements commit the Company to re-exchange $60.0 million for 103 million Swiss francs in 1992, $100.9 million for $150 million Swiss francs in 1993, $46.6 million for 116.7 million Swiss francs in 1994, $50.0 million for 138.2 million Swiss francs in1995 and $38.1 million for 50 million Canadian dollars in 1995.

In addition, the Company had an agreement at December 31, 1990 converting a Canadian dollar denominated investment to a U.S. dollar asset totaling $30.2 million. The Company is commited to re-exchange 36 million Canadian dollars for $30.2 million in 1993.

The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate and foreign currency swap agreements. However, the Company does not anticipate nonperformance by the counterparties.

Commodity Swap Contracts

FMC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Principal Accounting Policies

Hedging. FMC has entered into formal contracts that have been designated as hedges against interest rates related to floating rate financing facilities, gold, silver and other commodity prices, and certain foreign currency denominated transactions. The gains or losses on these contracts are included in the measurement of these transactions.

The company has entered into commodity swap transactions to reduce the impact of changes in prices of aluminum, natural gas, lead and other commodities used in the manufacture of products. These agreements involve the cash settlement of the differential between the contract price and the average monthly spot price of the commodity. The contracts are denoted in their nominal amount which indicates the level of involvement the company has in these contracts and does not indicate risk of loss. At December 31, 1990, the Company had commodity swaps of $24.6 million extending through 1992.

FUQUA INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingent Liabilities and Commitments (In Part)

During the year Qualex also entered into commodities swap contracts to protect the selling price of silver recovered from the photofinishing process. At December 31, 1990 Qualex had contracts that fix a minimum price of $5.00 per troy ounce for 7.2 million troy ounces of silver byproduct to be recovered in 1991, 1992 and 1993. Under the terms of the agreements, Qualex pays COMEX spot silver index price and receives $5.00 per ounce calculated on the contract amount. Qualex is exposed to market risk if the correlation between the COMEX spot silver index and the actual sales price does not continue. Potential market risk losses cannot be estimated since these will vary with market prices. A default by the counterparty to the swap contracts would expose Qualex to the risk of potential fluctuation in the selling price of silver for the remaining quantity included under the swap contracts.

Commitments To Extend Credit

THE BOEING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions except per share data)

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

Financial Instruments

Customer financing balances shown on the Consolidated Statement of Financial Position are net of the amount of participation by other financing parties.

The future airline financing commitment amount for aircraft set forth in Note 14 relates to undelivered aircraft on order, including options, whereby the Company has irrevocably committed to make financing available to the customer. It is the Company's policy to collateralize the financing by requiring security in the related asset.

Note 14. Financial Instruments With Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers, primarily commercial aircraft customers, and to reduce its own financing exposure. These commitments can include extensions of credit, direct credit guarantees, tax benefit transfers, foreign government expropriation guarantees, and agreements with other financing parties to participate in long-term receivables with interest rate terms different from those of the related receivable.

The Company has made future financing commitments to arrange or provide financing related to commercial aircraft on order or under option. As of December 31, 1990, these commitments total $2,959 and relate to aircraft delivering from 1991 through 1996. The Company anticipates that not all of these commitments will be utilized and that it will be able to arrange for third-party investors to assume a portion of the remaining commitments, if required. Customer financing for aircraft made available to customers is collateralized by security in the related asset.

The Company's exposure to credit and market related losses related to direct credit guarantees, tax benefit transfers, and foreign government expropriation guarantees total $164 as of December 31, 1990.

Participation in the Company's long-term receivables by third-party investors with interest rate terms different from the original receivable total $44. Any potentially adverse interest rate spread on $27 of these participations has been hedged by purchasing interest rate cap contracts callable on the applicable interest payment dates.

Note 15. Significant Group Concentrations of Credit Risk

Substantially all financial instruments entered into by the Company relate to the U.S. Government, and international and domestic commercial airline customers. As of December 31, 1990, the Company's financial instruments balance includes $3,123 that are off-balance-sheet and described in Note 14, and $2,547 that appear as Accounts Receivable and Customer Financing on the Consolidated Statement of Financial Position. The Accounts Receivable total includes $1,491 relating to the U.S. Government. Customer financing for aircraft is collateralized by security in the related asset, and historically, the Company has not experienced any problem in accessing this collateral.

GENERAL MOTORS CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 19. Financial Instruments With Off-Balance-Sheet Risk

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to reduce its exposure to fluctuations in interest and foreign exchange rates and to meet the financing needs of its customers. The financial instruments include commitments

to extend credit, forward exchange and interest rate forward contracts (e.g., swap agreements), and options. Those instruments involve, to varying degrees, elements of credit, interest rate, and exchange risk in excess of the amount recognized in the Consolidated Balance Sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

Foreign Exchange Forward Contracts

Foreign exchange forward contracts are legal agreements between two parties to purchase and sell a foreign currency, for a price specified at the contract date, with delivery and settlement in the future. The Corporation uses such contracts to hedge risk of changes in foreign currency exchange rates associated with certain assets and obligations denominated in foreign currency. At December 31, 1990, the Corporation held contracts of approximately $14,227 million.

Foreign Exchange Options

To hedge its foreign currency exposure, the Corporation also purchases foreign exchange options which permit but do not require the Corporation to exchange foreign currencies at a future date with another party at a contracted exchange rate. To cover premiums paid on such options, from time to time the Corporation may also write offsetting options at exercise prices which limit but do not eliminate the purchased options and forward contracts effect as a hedge. At December 31, 1990, the Corporation had purchased and written foreign exchange options of approximately $4,174 million.

Interest Rate and Mortgage Contracts

The Corporation primarily utilizes interest rate forward contracts or options to manage its interest rate exposure. Interest rate forward contracts are contractual agreements between the Corporation and another party to exchange fixed and floating interest rate payments periodically over the life of the agreements without the exchange of underlying principal amounts. Interest rate options generally permit but do not require the purchase of the option to exchange interest payments in the future. At December 31, 1990, the total notional amount of such agreements with off-blalance-sheet risk was approximately $7,787 million.

The Corporation has also entered contracts to purchase and sell mortages or mortgage-backed securities at specific future dates. Such delivery and purchase contracts totaled approximately $1,773 million and $373 million, respectively, at December 31, 1990.

Unused Lines of Credit

The Corporation grants revolving lines of credit to dealers; unused amounts under these lines were $533.1 million at December 31, 1990. Commitments supported by collateral, generally dealer inventories and real estate, were approximately 28% of the total commitments at December 31, 1990. Since many of the commitments are expected to expire without use, total committed amounts do not necessarily represent the Corporation's future liquidity requirements.

Credit Risk

The forward contracts, options, and lines of credit previously discussed contain an element of risk that the counterparties may be unable to meet the terms of the agreements. However, the Corporation minimizes such risk exposure for forward contracts and options by limiting the counterparties to major international banks and financial institutions. Management also reduces its credit policies in making commitments as it does for extending loans. Management does not expect to record any losses as a result of counterparty default. The Corporation does not require or place collateral for these financial instruments, except for the lines of credit.

General Motors has business activities with customers, dealers, and associates around the world and its receivables from and guarantees to such parties are well diversified and, in many cases, secured by collateral. Consequently, in management's opinion, no significant concentration of credit risk exists for the Corporation.

SEARS, ROEBUCK AND CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Financial instruments with off-balance-sheet risk.

The company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers, to reduce its exposure to market and interest rate risk and in connection with the proprietary trading activities of its broker and dealer operation. Unless noted otherwise, the company does not require collateral or other security to support financial instruments with credit risk. The company had the following financial instruments with off-balance-sheet credit risk at Dec. 31, 1990:

millions	Contract or Notional Amount
Financial instruments whose contract amount represent credit risk	
Commitments to extend credit under revolving agreements	$132,543.0
Commitments to extend mortgage loans	1,308.9
Mortgage loans sold with recourse	2,250.4
Financial guarantees written	86.1
Financial instruments whose notional or contract amounts exceed the amount of credit risk	
Securitized receivables with recourse	7,031.4
Interest rate swap agreements associated with	
Short-term debt	3,090.2
Deposits and other	1,012.8
Currency swap agreements	250.0
Financial futures contracts	552.3
Forward purchase contracts	5,341.8
Forward sales contracts	5,851.1

Commitments to extend credit under revolving agreements relate primarily to the aggregate unused credit limits for SearsCharge and Discover Card accounts. These commitments generally have fixed expiration dates or other termination clauses. It is unlikely the total commitment amount will represent future cash requirements. The company evaluates each customer's creditworthiness on a case-by-case basis. Mortgage loans are collateralized by the related real estate upon origination. Risk arises from the possible movement in interest rates.

The financial guarantees written, mortgage loans sold with recourse and securitized receivables with recourse represent conditional commitments of the company to guarantee performance to a third party. The mortgage

loans sold with recourse and a portion of the securitized-receivables with recourse are collateralized by real estate or personal property. At Dec. 31, 1990, receivables that were securitized and sold as pass-through certificates consisted of $6.0 billion of retail customer receivables, $2.7 billion of Discover Card receivables and $491.0 million of consumer finance and other notes. The company's credit risk exposure on these securitized balances was contractually limited to $907.8 million.

Interest rate and currency swap transactions generally involve the exchange of fixed and floating rate interest payment obligations for interest rate swaps and the exchange of different currency obligations for currency swaps without the exchange of the underlying notional amounts. The differential to be paid or received on interest rate and currency swap agreements is accrued as interest rates or currency rates change and is recognized over the life of the agreements.

Forward and futures contracts are contracts for delayed delivery of securities in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specified price or yield. Risks from forward and futures contracts arise from the possible inability of counterparties to meet the terms of their contracts and from movements in securities values and interest rates. Realized and unrealized gains on futures and forward contracts designated and effective as hedges of market or interest rate exposure are deferred and recognized in income over the lives of the hedged assets or liabilities.

As a securities broker and dealer, the company is exposed to risk in the event that clients are unable to fulfill their financing and settlement obligations. The company attempts to minimize this risk by establishing and monitoring credit limits and margin requirements.

9. Significant group concentrations of credit risk

The company invests in state and municipal bond holdings and grants credit to customers throughout the nation. As of Dec. 31, 1990, the five states in which the company had the largest amount of credit card receivables and loans, including those sold with recourse, and state and municipal bond holdings were as follows:

millions	
California	$7,372.7
Texas	4,437.3
Florida	3,450.0
Illinois	2,902.8
Pennsylvania	2,464.6

In addition, the company had $1.3 billion of high-yield securities at Dec. 31, 1990, carried at amortized cost, with a market value of $1.0 billion.

The company conducts various securities trading and brokerage activities servicing a diverse group of investors. The company's exposure to credit risk, in fulfilling its contractual obligations pursuant to securities and commodities transactions, can be directly impacted by volatile trading markets which may impair the client's ability to satisfy their obligations to the company.

In connection with the company's broker and dealer activities, the company enters into collateralized reverse repurchase agreements. The company limits its credit exposure associated with these agreements by monitoring client credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned to the company when deemed necessary.

PITNEY BOWES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Commitments and Contingencies

At December 31, 1990, the company's finance subsidiaries had unfunded commitments of $49.1 million to extend credit to customers. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future liquidity requirements. The company evaluates each customer's creditworthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the company, upon extension of credit is based on management's credit assessment of the customer. Fees received under the agreements are recognized over the commitment period.

The company is a defendant in a number of lawsuits, none of which will, in the opinion of management, have a material adverse effect on the company's financial position or results of operations.

Capital Expenditures

AMERADA HESS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Leased Assets and Commitments

At December 31, 1990, the Corporation had contractual commitments to construct or purchase major facilities in the normal course of business of approximately $650 million.

BETHLEHEM STEEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

H (In Part): Commitments and Contingent Liabilities

At December 31, 1990 we had placed approximately $245.9 million of purchase orders for additions and improvements to our properties.

CHESAPEAKE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Other Matters

At December 31, 1990, commitments, primarily for capital expenditures, approximated $73 million. This amount includes $48 million for the recovery boiler project at West Point. The remaining commitments are for various capital projects, none of which is individually material. These commitments include anticipated expenditures of $16 million and $6 million in 1991 and 1992-1993, respectively, related to environmental protection in connection with planned expansions and upgrades; about $18 million of the $22 million of environmental protection expenditures is required for the recovery boiler project at West Point.

Uncommitted environmental protection projects may cost the company another $24 million during the next seveal years. Additional non-determinable environmental protection expenditures could be required in the future when facilities are expanded or if more stringent standards become applicable.

CONSOLIDATED PAPERS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Commitments

As of December 31, 1990, the company had capital expenditure purchase commitments outstanding of approximately $173 million. This amount includes commitments associated with the company's new paper machine at Wisconsin Rapids for approximately $154 million. This machine is estimated to cost $495 million. Financing arrangements are expected to be completed early in 1991 for funds required to complete the project.

SAFEWAY INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L—Commitments

The Company has commitments under contracts for the purchase of property and equipment and for the construction of buildings. Portions of such contracts not completed at year-end are not reflected in the consolidated financial statements. These unrecorded commitments amounted to approximately $115.5 million at year-end 1990.

Unconditional Purchase Contracts

UNION CARBIDE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20 (In Part): Commitments and Contingencies

Union Carbide has completed six and one half years of a twenty-year agreement to puchase part of the output of a Canadian ethylene plant. The purchase price for the output is determined on a cost-of-service basis. Total purchases under this agreement were $48 million, $46 million and $42 million in 1990, 1989 and 1988, respectively. Additionally, Union Carbide has agreed to fund its portion of any cash deficiency in the ethylene plant's debt service costs. As of December 31, 1990, that debt amounted to $48 million, and projected 1991 interest costs are $6 million. This debt is part of the fixed and determinable obligation identified below.

Union Carbide has also entered into an 8-year agreement to purchase a portion of the output of a U.S. ethylene plant. The purchase price for the output will be based primarily on market prices subject to certain minimum price provisions. Purchases under this agreement are expected to commence in 1991.

The net present values of the fixed and determinable portion of obligations under these purchase commitments at December 31, 1990 (at current exchange rates where applicable), are presented in the following table.

Millions of dollars	
1991	$ 36
1992	37
1993	35
1994	32
1995	28
1996 to expiration of contracts	85
Total	$253

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS
In millions, except for share amounts

Commitments and Contingent Liabilities (In Part)

A Canadian subsidiary has entered into two 20-year agreements to purchase 89 percent of the output of an ethylene plant (Plant No. 1) and 40 percent of the output of a second ethylene plant (Plant No. 2). The purchase price of the output is determined on a cost-of-service basis which, in addition to covering all operating expenses and debt service costs, provides the owner of the plants with a specified return on capital. Total purchases under the agreements were $243, $257 and $248 in 1990, 1989 and 1988, respectively. The following table shows the fixed and determinable portion of obligations under such purchase commitments (at December 31, 1990 exchange rates) net of non-cancelable sales commitments and interest.

Fixed and Determinable Obligations

1991	$ 74
1992	89
1993	89
1994	90
1995	83
1996 through expiration of contracts	330
Total	$755

Additionally, the owner of these plants, the Alberta Gas Ethylene Company Ltd. (AGEC), has borrowings outstanding of $115 which were used for the construction of Plant No. 1 and are guaranteed as to principal and interest by the Company. The Company has severally guaranteed the performance of its subsidiaries under agreements to purchase 40 percent of the output of Plant No. 2 and to fund its share of any cash deficiencies (as defined in the agreement) in the plant's operating and debt service costs.

At December 31, 1990, the Company had other outstanding take or pay obligations of $1,199, for terms extending from one to twenty years.

Other Purchase Contracts

LUKENS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingencies

Purchase Commitments

At December 29, 1990, purchase commitments for construction projects in progress were $10.6 million. Lukens Steel Company, a wholly-owned subsidiary, has 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 $37.5 million for the remaining term. On an annual basis, minimum commitments are $2.4 million which can be adjusted for inflation.

MEDIA GENERAL, INC. (DEC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments

The Company has outstanding expenditures of approximately $90 million at December 31, 1990, $83.4 million of which relates to the acquisition of new presses and the construction of a new production facility made in connection with the expansion and relocation of the Richmond Newspapers' operations which will be completed in mid-1992.

The Company has entered into a stock redemption agreement with Mr. D. Tennant Bryan, Chairman of the Executive Committee of the Board of Directors. Under the terms of the agreement, the Company will purchase some of the Class A shares of the Company which are owned by Mr. Bryan at his death. The number of shares covered by this agreement is determined by reference to certain taxes and other expenses which would be incurred by his estate. The price for shares purchased under this agreement will be 90% of the market prices of the share during a period immediately preceding the date of death. The Company would have purchased approximately 1,703,000 Class A shares at December 31, 1990, and the discounted price per share would have been $16.09.

RYKOFF-SEXTON, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingencies

On July 31, 1989, the Company signed an agreement to purchase the facilities it currently leases in Los Angeles, California. The purchase price will be approximately $37,000,000 and the tranaction is expected to be completed during fiscal 1991, subject to certain conditions. The Company has issued a letter of credit in the amount of $5,000,000 under the terms of the purchase agreement and is evaluating various financing alternatives in regard to this purchase.

SERVICE CORPORATION INTERNATIONAL (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments and Contingencies

Purchase agreement commitment: In conjunction with the sale of the funeral supply business as discussed in Note 2, SCI has entered into an agreement to purchase at a minimum, an aggregate of $32,500,000 of caskets annually for five years from the newly organized acquiring company. This agreement contains provisions to increase the minimum aggregate purchases for normal price increases and to maintain quality of product.

SPEIZMAN INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9—Stock Redemption Agreements

The Company has an agreement with its principal stockholder whereby, upon his death, the Company is obligated to redeem a portion of the stock in the Company held by his estate. The redemption price for common stock is to be the fair market value of common stock, less 5%, plus any accrued dividends. In no case will the Company pay out more than the amount of life insurance proceeds received by the Company as a result of the death of the stockholder.

At June 30, 1990, there were 1,098,383 common shares covered by the above agreement. The face value of life insurance carried by the Company under this agreement amounts to $1,262,500. At June 30, 1990, $120,441 was borrowed against such policies. Under this redemption agreement proceeds of the policies, after repayment of policy loans are to be used (a) first, to bring current and delinquent debts owned by the Company to this stockholder, (b) second, to set aside $200,000 for use by the Company while searching for a replacement for the Company's president, (c) to the extent possible, to redeem the stock of the stockholder; and (d) to the extent possible, to repay outstanding loans due this stockholder which are not then currently due.

The Company entered into an agreement in 1982 for the redemption of 2,341 shares of its 5% Non-Cumulative, Non-Voting Preferred Stock. Redemption, at the rate of 10% each year, shall begin when the Company's net worth exceeds $1,500,000. Redemption wil continue unless the Company's net worth at a subsequent year end falls below $1,200,000. Redemption once halted will begin again when the Company's net worth reaches $1,200,000 at a subsequent year end. The Preferred Stock will be redeemed at par, $100 per share, plus any unpaid dividends. Each year, 234 shares will be redeemed. The Company may accelerate this redemption plan at its sole discretion. The Company has also agreed not to redeem any of its other 5% Non-Cumulative, Non-Voting Preferred stock until it has completed redemption of the specific 2,341 shares covered by this agreement.

STONE CONTAINER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Commitments and Contingencies

At December 31, 1990, the Company, excluding Stone Savannah River and Seminole, had commitments outstanding for capital expenditures under purchase orders and contracts of approximately $95 million, of which approximately $88 million is expected to be spent in 1991. Stone Savannah River and Seminole had, at December 31, 1990, commitments outstanding for capital expenditures of approximately $96 million, most of which is expected to be spent in 1991.

The Company has a 50 percent equity interest in PCCPI, which in turn has a 50 percent undivided interest in the assets and liabilities of a joint venture which owns a bleached kraft softwood pulp mill located at Castlegar, British Columbia. On February 12, 1991, PCCPI entered into a $350 million (Canadian) credit agreement with two banks for the purpose of financing its 50 percent share of a major improvement and expansion project at the Castlegar mill. The credit agreement consists of a $325 million (Canadian) primary facility and a $25 million (Canadian) project cost overrun facility. Additionally, the Company has entered into a Completion Financing Agreement with certain banks for purposes of funding part of the project costs which would be incurred in excess of the primary borrowing facility for each of PCCPI and the other 50 percent owner of the joint venture, up to a maximum of $50 million (Canadian) in the aggregate.

Power Corporation of Canada, the other 50 percent equity owner of PCCPI, has the right to require that the Company or PCCPI purchase its investment in PCCPI at the end of a 12-month period following the completion date of the pulp mill improvement and expansion project. The purchase price of such shares would be calculated by increasing the December 31, 1990 amount of approximately $25 million (Canadian), subject to certain adjustments, by accrued interest until the date of exercise of the put.

THORN APPLE VALLEY, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. 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 50,000 shares for $375,000 in 1990 and 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 591,319 shares. It is expected, therefore, that the Company will purchase these shares at various dates between August 1, 1990 and January 5, 1994. Accordingly, the accompanying 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. The Company recognized approximately $339,000 and $359,000 of interest expense in 1990 and 1989, respectively.

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.

WESTERN DIGITAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Commitments and Contingent Liabilities

Purchase Obligation In September 1987, the Company entered into an agreement with AT&T to provide substantially all of the Company's external volume requirements for digital CMOS (complementary metal oxide semiconductor) wafers. These wafers are necessary components for substantially all of the Company's products. The AT&T agreement may be terminated by either party and provides for a gradual wind down of production over a three-year period following the date at which the agreement is terminated. The Company's estimated obligation under this agreement, based on the Company's intention of purchasing wafers at certain volume requirements, is approximately $95,000 per year. Included in this amount is an annual payment for costs related to research and development. A portion of this payment will be credited toward acquisition of a license to use AT&T's advanced digital CMOS technology after termination of the agreement.

Employment Contracts

CAESARS WORLD, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Commitments and Contingencies

Employment and Severance Agreements. The Company has severance agreements with 14 employees (including seven officers) which grant these employees the right to receive up to two times their annual salary and bonus, plus continuation of certain benefits, and acceleration of certain stock options and grants subject to certain maximums under tax law, if there is a change in control of the Company (as defined) and a termination (as defined) of such employees within three years thereafter. The maximum contingent liability for salary and incentive compenstion under these agreements is approximately $6,075,000. The Company also has entered into employment agreements with five employees which expire at various dates through December 31, 1993. The aggregate commitment for future salaries, excluding bonuses, under these employment agreements is approximately $2,502,000. The Company also has entered into employment agreements with two officers which contain self-renewing terms of five years and three years, respectively, subject to the option of the Company to terminate this self-renewing provision. In addition, these agreements pro-

vide these officers the option to terminate their contractual obligations in the event of a change in control or a material breach by the Company. At July 31, 1990, aggregate contingent liabilities under these agreements in the event of a change in control were approximately $9,714,000 but such contingent liabilities could be greater if the Company were to breach the agreement.

CUSTOMEDIX CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Commitments

(a) The Company has employment agreements with various officers and key employees which require minimum annual compensation including bonuses. In addition, one agreement provides for a bonus based upon a percentage of gross sales of certain products sold by a subsidiary, as defined in the agreements. In addition, certain agreements provide for the retention of certain officers as consultants upon their termination or non-renewal of agreement at expiration. The following summarizes, in the aggregate, minimum annual salary and bonus and other compensation that is due under the above agreements:

	Salary and bonus	Consulting and non-compete	Total
1991	$ 1,048,190	$ —	$ 1,048,190
1992	869,591	—	869,591
1993	843,145	—	843,145
1994	828,503	—	828,503
1995	797,815	—	797,815
Thereafter	1,175,076	1,529,071	2,704,147
Total	$ 5,562,320	$1,529,071	$ 7,091,391

In addition to the above, two of the agreements provide for compensation in the form of issuance of options (see Note 8).

GARAN, INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Commitments and Contingencies

Employment Agreements—The Company maintains employment agreements with four directors. The employment agreements contain change in control provisions that would entitle each of the four directors to receive up to 2.99 times his five year average annual salary plus continuation of certain benefits if there is a change in control in the Company (as defined) and a termination of his employment. The maximum contingent liability under these agreements in such event is approximately $4,500,000. The employment agreements also provide for severance benefits and, as to one director, consulting services under certain other circumstances.

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments, Contingencies and Subsequent Event:

The Company has entered into employment contracts that provide for annual compensation of $397,000 in 1991 with two key employees. The contracts provide for minimum annual salaries, cost-of-living adjustments, additional compensation in the form of bonuses based on performance, and death benefits payable in equal monthly payments ranging from approximately $15,000 to $18,000. The contracts expire in October 1991. In 1990, accrued expenses includes $90,000 of bonuses payable to key employees.

For the year ended December 31, 1990, the Company has included as a liability the present value (computed with an effective annual rate of 10.14%) of a death benefit related to the termination of an employment contract as the result of the death of the Chief Executive Officer of the Company in February 1991, subsequent to year-end. This termination death benefit will be paid in 48 equal monthly installments of $27,708, commencing in March 1991.

MINNTECH CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Commitments

Severance Agreements

The Company has employment agreements with certain officers and key employees which provide severance pay benefits if there is a change in control of the Company. Under the agreements, these persons receive 100% of such severance benefits if they are involuntarily terminated and 50% of such severance benefits if they voluntarily terminate. The maximum contingent liability under these agreements at March 31, 1990 was approximately $1,480,000.

SCIENTIFIC INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Commitments and Contingencies:

On January 1, 1990, the Company extended an employment contract with its president to December 31, 1992. The contract provides for a minimum annual salary of $91,000 plus additional amounts based on the consumer price index. The contract also provides for the payment of an annual bonus if certain profit levels are achieved. An additional agreement with the President provides that, in the event of termination of the President's employment within three years after a change in control of the Company, as defined, the Company would be liable for a maximum of three years' salary plus certain benefits.

Additional Payments Related to Acquisitions

ELI LILLY AND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Acquisitions

On May 30, 1990, the company acquired all the outstanding shares of Pacific Biotech, Inc. (PBI), which develops, manufactures, and markets a line of medical diagnostic kits based on a variety of immunoassay technologies. This transaction has been accounted for as a pooling of interests. The results of operations for periods prior to the acquisition are not reflected in the financial statements because they were not material. Each share of PBI stock was converted into .1778 share of Lilly common stock, resulting in the issuance of approximately 500,000 shares.

On February 21, 1989, the company acquired Devices for Vascular Intervention, Inc. (DVI), for an initial purchase price of $52.7 million. Depending on the annual performance of DVI over the period ending December 31, 1993, additional cash or convertible notes up to $130 million may be paid to holders of DVI common stock. The additional consideration, if earned, will be accounted for as goodwill. The excess of cost over the fair value of the assets acquired is being amortized over 20 years on the straight-line method.

On March 18, 1986, the company acquired all the outstanding shares of Hybritech Incorporated. Depending on the annual performance of Hybritech over the period ending December 31, 1995, additional cash of up to $268.5 million may be paid to holders of the publicly traded Contingent Payment Obligation Units, which were issued to shareholders of Hybritech in connection with the acquisition. The additional cash payments, if earned, will be accounted for as goodwill. The excess of cost over the fair value of the assets acquired is being amortized over 40 years on the straight-line method.

MATTEL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Commitments and Contingencies

Commitments—In the normal course of business, the Company enters into contractual arrangements for future purchases of goods and services to ensure availability and timely delivery and to protect the Company's exclusive right to create and market certain toys. Such arrangements include commitments for future inventory purchases and royalty payments pursuant to licensing agreements. Certain of these commitments routinely contain provisions for guaranteed or minimum expenditures during the terms of the contracts. Sales volumes and product usage in the normal course of business are generally more than sufficient to absorb obligations for guaranteed payments.

As of December 29, 1990, the Company had outstanding commitments for 1991 purchases of inventory of approximately $100.0 million. Licensing agreements with various terms extending from 1991 through 1994 contain provisions for guaranteed minimum royalty payments aggregating $26.6 million.

In connection with the 1986 acquisition of ARCO Toys, the purchase agreement provides for additional performance purchase payments up to $50.0 million through 1992. Through December 29, 1990 additional payments aggregated $41.5 million, including $18.3 million accrued at year-end.

TEXAS INDUSTRIES, INC. (MAY)

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingent Liabilities (In Part)

The Company acquired the remaining 50% of the outstanding securities of Chaparral in November 1985. The terms of the purchase provide for a contingent payment in 1990 based on Chaparral's performance for the period June 1, 1985, to May 31, 1990. The contingent payment will equal one-half of Chaparral's average annual funds from operations over the five-year period, times 4.5, less the initial payment of $42 million. The first $40 million of the earned contingent payment will be made in the form of common shares, currently valued at $32.88 per share subject to an anti-dilution provision. Any earned contingent payment over $40 million will be paid in cash. In addition, the agreement provides for interest to accrue over the five-year period on the earned contingent payment in excess of $42 million at 125% of the average yield of three-year U.S. Treasury Notes. The Company will be credited interest at the same rate during the time that the cumulative contingent payment amount does not exceed $20 million.

It is anticipated, based on Chaparral's performance, that the contingent payment in 1990 will produce goodwill in addition to the $10 million goodwill recorded upon the initial $42 million payment. The financial statements will not reflect any additional goodwill, capital surplus or amortization of goodwill from the contingent payment until the contingency and the value of the shares are determined. However, in the calculation of earnings per share, amortization of an estimated contingent amount is considered. The effect of this contingency in calculating earnings per share is (in thousands except per share):

	1990	1989	1988
Estimated contingent amount	$77,000	$89,752	$76,712
Annual amortization	1,925	2,244	1,918
Reduction in earnings per share	.17	.20	.18

The $77 million currently estimated liability includes $50 million in cash to be paid after the August 1990 determination of the amount between the Company and Co-Steel. The balance of the amount, in common shares, will be valued with reference to that date and distributed into a five-year voting trust.

Sales Agreements

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments and Contingencies

The Company and AFC are committed to sell some of their products under short-term (two to three months) and long-term (up to one year) contracts. At December 31, 1990, long-term commitments approximated $95,807,000.

BAKER HUGHES INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions and Dispositions:

In August 1990, the Company entered into a definitive agreement to sell the net assets of the TOTCO division to Varco International, Inc. ("Varco") for total consideration of $40,000,000. The consideration will consist of $20,000,000 in cash and the remainder in shares of Varco common stock, the number of which will be determined based on the average market value of Varco's common stock on selected trading days immediately prior to the closing date. TOTCO manufactures, sells and rents a variety of instrumentation and analytical equipment utilized on drilling rigs and certain other oilfield and industrial applications. The sale is contingent upon approval of Varco's shareholders and customary governmental approvals. The closing of the sale of TOTCO is anticipated to be in the first quarter of fiscal 1991 and the anticipated gain on sale will be recognized at that time. The net assets of TOTCO have been classified as other current assets and noncurrent investments at September 30, 1990 in relation to the consideration to be received. At September 30, 1990, the Company owned 3,000,000 shares of Varco's common stock, a warrant to purchase an additional 1,000,000 common shares at $4.375 per share and a long-term note receivable from Varco of $4,400,000. Subsequent to the sale of the TOTCO division, the Company will own less than 20% of Varco's common stock and will continue to account for its investment using the cost method.

RYMER FOODS INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Commitments and Contingencies

The Company has agreements with certain of its suppliers to provide raw materials. The agreements vary from one to two years and provide the price and quantity of materials to be supplied. The aggregate commitment for future purchases as of October 27, 1990 was approximately $40,600,000. The Company also has agreements with certain of its customers to sell merchandise over the next year for specified prices. The Company's aggregate commitment under sales agreements was approximately $58,200,000 as of October 27, 1990.

Capital Contribution

AMERICAN BILTRITE INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Commitments and Contingencies

At December 31, 1990, ABI had committed to fund capital contributions to a low income housing project limited partnership. The aggregate amount of the capital contribution is subject to adjustment by the limited partnership, but is estimated at $450,000 payable in installments from 1991 to 1995.

Funding of Employee Benefits

IMC FERTILIZER GROUP, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Commitments

The Company is also committed, under a management compensation and benefit assurance program, to fund various deferred management compensation and benefit plans in the event of a change in control of the Company. Under this program, standby letters of credit, totaling $60 million, have been established to ensure that officers and key management personnel receive the compensation and benefits expected by them under unfunded benefit plans, including severance and benefits, in the event of termination after a change in control of the Company.

Put and Call Agreements

JAMES RIVER CORPORATION OF VIRGINIA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 (In Part): Commitments and Contingent Liabilities

Put and Call Agreements

In December 1988, James River and Occidental Forest, Inc. ("OFI") entered into an agreement providing for put and call arrangements on OFI's 77% ownership interest in Diamond. Beginning in November 1993, OFI will have the right to sell its interest in Diamond to James River for a total consideration of approximately $198 million. Beginning in November 1994, James River will have the right to acquire the remaining interest in Diamond for the same price.

In connection with the formation of the pan-European consumer products joint venture, as described in Note 4, James River, Gruppo Ferruzzi, and Nokia have entered into various put and call arrangements relating to their ownership interests in the joint venture companies. Effective December 30, 1990, Nokia exercised its option to sell its 50% interest in Ja/Mont-Nokia to Ja/Mont for approximately $150 million, which amount included currency adjustments. This transaction increased James River's

indirect ownership interest in Ja/Mont-Nokia from 25% to 45%. Nokia also has an option to sell its 20% interest in Ja/Mont to JA/MONT Holdings N.V. ("Holdings"), the holding company through which James River and Gruppo Ferruzzi jointly own their interests in Ja/Mont and Ja/Mont-Nokia, between January 1993 and December 1994 at the higher of its market value or a formula price.

James River and Gruppo Ferruzzi have also entered into an agreement whereby James River may acquire Gruppo Ferruzzi's interest in Holdings at fair market value as of December 1995; if James River does not exercise this option, Gruppo Ferruzzi will have the right to acquire James River's interest in Holdings at the same price.

Price Protection Contracts

PHELPS DODGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Price Protection Programs.

The Corporation may periodically use various price protection programs to ameliorate the effect of declining prices on a portion of its copper production. The costs of programs that guarantee a minimum price over a specified period are amortized on a straight-line basis over that period. Gains and losses from programs that effectively establish price ranges for future production are recognized in income during the periods affected.

16 (In Part): Commitments

During the 1990 third quarter, the Corporation initiated certain price protection strategies to ensure a minimum price for a portion of its expected future mine production. With respect to 1991 production, the Corporation has entered into contracts with several financial institutions that provide for a minimum average annual realized price of approximately $1.00 per pound for 392 million pounds of copper cathode, approximately 36 percent of its anticipated production for the year. In certain of these transactions, involving approximately 86 million pounds of copper cathode, the contracts provide for minimum (approximately $1.00) and maximum (approximately $1.23) average realized prices per pound. Additional price protection arrangements may be entered into from time to time, depending on market circumstances.

Royalty Payments

TONKA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In millions)

Note 13 (In Part): Commitments and Contingencies

The Company routinely licenses products from third party licensors and generally pays a royalty based on sales of the product. In 1990, the Company incurred royalty expense of $55. Certain license agreements require the Company to guarantee a minimum amount of royalties. Future minimum royalty payments by year end in the aggregate under license agreements consist of the following at December 29, 1990:

1991	$5.7
1992	8.8
1993	8.1
1994	.2
1995	.2
Total	$23.0

Development and License Agreement

THE UPJOHN COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Dollar amounts in thousands, except per share data

Note 1 (In Part): Commitments and Other Contingent Liabilities

The company has a development and license agreement with the manufacturer of a blood substitute currently under development. The agreement calls for investments by the company that could aggregate $179,000 over a period of years as certain development milestones are achieved. As of December 31, 1990, the company has invested $25,000. Also, pursuant to the agreement, the company has committed to conduct clinical development which will begin in 1991.

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 1990 annual reports of the survey companies.

Examples of subsequent event disclosures follow.

TABLE 1-12: SUBSEQUENT EVENTS

	Number of Companies			
	1990	1989	1988	1987
Debt incurred, reduced or refinanced	66	47	59	54
Litigation	43	28	28	30
Business combinations pending or effected	36	44	56	52
Employee benefit plans	25	19	26	15
Discontinued operations	23	44	48	37
Stock splits or dividends	15	9	14	7
Stock purchase rights	6	10	16	11
Capital stock issued or purchased	9	12	22	17
Other—described	61	55	52	44

Debt Incurred, Reduced Or Refinanced

FEDDERS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent event

On January 9, 1991, the Company acquired from The Jepson Corporation, a subsidiary of Great American Management and Investment, Inc., the assets of its Emerson Quiet Kool division which manufactures and sells room air conditioners and dehumidifiers. The purchase price was approximately $56,000,000 in cash plus the assumption of certain liabilities, and reflected primarily the purchase of working capital. The acquisition was financed with a $29,000,000 loan from a commercial finance company collateralized by the accounts receivable and inventory of Emerson Quiet Kool, a $20,000,000 subordinated loan from NYCOR and by a lease arrangement on Emerson machinery and equipment.

On March 1, 1991, in connection with the acquisition of Emerson Quiet Kool, the Company and certain of its subsidiaries refinanced the working capital lines with its U.S. and Canadian banks (note 4) and the $45,000,000 revolver (note 5) through an $85,000,000 revolving credit facility with three U.S. banks, which expires in August 1993. The revolver is collateralized by the accounts receivable, inventory and equipment and bears interest at rates from LIBOR plus 2½% to the prime rate plus 1½%. The Company paid a structuring fee of 1%, with fees on the unused portion of the facility of ½%. The revolver includes a $15,000,000 sub-limit for letters of credit.

HALLIBURTON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Subsequent Events.

On February 20, 1991, the Company issued $200.0 million of 8.75% debentures due Feburary 15, 2021. The debentures were priced at 99.159%, to yield 8.83% to maturity. There is no sinking fund applicable to the debentures and the debentures are not redeemable prior to maturity.

On March 31, 1991, the Company received net proceeds of $294.0 million from issuance of $728.2 million principal amount at maturity of zero coupon convertible subordinated debentures due 2006. No periodic interest payments are to be made on the debentures. The issue price represents an annual yield to maturity of 6.00%. Each $1,000 principal amount at maturity debenture is convertible into 6.824 shares of common stock of the Company. Each debenture holder has the option to require the Company to purchase the debentures on March 13, 1996 and March 13, 2001 for a purchase price equal to the issue price of the debentures plus accrued original issue discount to the date of purchase, which amount may be paid by the Company in cash or shares of the Company's common stock. The Company may not redeem the debentures prior to March 13, 1993 unless the market price for the common stock exceeds $90.56 per share of a specified period prior to redemption. Subject to that restriction, the debentures are redeemable for cash at any time at the option of the Company at a redemption price equal to the issue price of the debentures plus accrued original issue discount to the date of redemption.

The Company intends to use the proceeds from the debentures for general corporate purposes, including working capital and capital expenditures, and to redeem $33.3 million of its outstanding 10.2% sinking fund debentures due June 1, 2005 and $20.0 million of its outstanding 9.25% sinking fund debentures due April 1, 2000.

HURCO COMPANIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Subsequent Event

The Company issued Senior Notes in the amount of $12,500,000 to an institutional investor on December 20, 1990. The Notes are payable in seven equal annual installments beginning on December 1, 1994, and bear interest at the rate of 10.37% per annum, payable semi-annually. The proceeds will be used to finance the construction of the Company's new facility in Indianapolis, Indiana, and the stock repurchase program announced on September 14, 1990, and to reduce outstanding bank borrowings. The new building will consolidate all Indianapolis leased facilities, and will house the Company's corporate headquarters and the Indianapolis manufacturing operations.

LITTON INDUSTRIES, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J: Subsequent Events

On September 26, 1990, the Company issued zero coupon convertible subordinated notes due 2010 in a principal amount at maturity of $1 billion in a public offering in which the Company received net proceeds of $258.5 million. The notes do not provide for periodic interest payments. The issue price of the notes represents a yield to maturity of 6.75% per annum (computed on a semi-annual bond equivalent basis). The notes are convertible into 3.063 shares of Common stock of the Company per $1,000 principal amount of the notes or, at the option of the Company, cash equal to the market value of the shares of Common stock into which the notes are convertible. The notes may be tendered to the Company by the holders for purchase on September 26, 1995, September 26, 2000 and September 26, 2005, for a purchase price equal to the issue price of the notes plus original issue discount accrued to the date of purchase. Such purchase price may be paid, at the Company's option, either in cash or in shares of Common stock. The Company may at its option redeem the notes subsequent to September 26, 1992 for a cash redemption price equal to the issue price of the notes plus original issue discount accrued to the redemption date.

On September 26, 1990, the Company called for redemption on November 15, 1990 its Floating Rate Subordinated Notes due July 1, 2000 in the outstanding principal amount of $439.7 million. The redemption price is 100% of the principal amount plus interest accrued to the redemption date. Proceeds from the issuance of the zero coupon convertible subordinated notes described above together with internally generated funds will be used for the redemption.

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15—Subsequent Events

Exchange of Debentures

Effective July 13, 1990, the Company completed an exchange offer wherein the Company exchanged $1,000 principal amount of its 3½% Senior Subordinated Secured Debentures due 2009 ("3½% Debentures") for each $1,000 principal amount of 13¾% Debentures tendered and $950 principal amount of 3½% Debentures for each $1,000 principal amount of 15% Debentures tendered. The Company also issued one dollar of principal amount of 3½% Debentures in payment of each dollar of accrued interest applicable to the debentures tendered as of the date of exchange.

As a result of the exchange offer, $93.7 million principal amount of the 13¾% Debentures and $37.8 million principal amount of the 15% Debentures were retired and, including the 3½% debentures issued for the $8.9 million of interest to date of exchange applicable to the 13¾% and 15% debentures, $138.5 million Principal amount of 3½% Debentures were issued.

On a pro forma basis, had the exchange been consummated on June 30, 1990, the long-term debt of the Company would have been as follows:

	(000 omitted) June 30	
	As Reported	Pro Forma
Domestic:		
13¾% Debentures:		
Principal	$116,327	$ 22,640
Discount	6,264	1,230
	$110,063	$ 21,410
15% Debentures:		
Principal	$ 54,474	$ 16,699
Premium	46	14
	$ 54,520	16,713
3½% Debentures:		
Principal (exludes amount applicable to interest from June 30, 1990 to July 13, 1990)		$ 137,731
Discount		5,880
		$ 131,851
4% debentures	11,611	11,611
Revolving loans	77,860	77,860
Other	1,444	1,444
Total Domestic	$255,498	$ 260,889
Foreign	256	256
	$255,754	$ 261,145
Less current maturities	12,104	12,104
	$243,650	$ 249,041
For comparison, add accrued interest as of June 30, 1990 on debentures tendered	8,152	
	$251,802	$ 249,041

As a result of the exchange of debentures, no principal payments will be required with regard to the 13¾% Debentures until December 2000. The first principal payments required with regard to the 15% debentures will be October 2002.

The 3½% Debentures have no sinking fund or retirement payments required. However, on July 1, 1993, holders of the 3½% Debentures have the right to require the Company to purchase up to a maximum of 20% of the principal amount of the 3½% Debentures issued in the exchange at 60% of principal amount plus accrued and unpaid interest. Also, on July 1, 1994, such holders have the right to require the Company to additionally purchase up to a maximum of 16% of the debentures issued at 70% of principal amount plus interest.

The 3½% Debentures are to be secured by all existing and future assets of the Company, other than accounts receivable, ("Collateral") subject to certain provisions. The Collateral and the accounts receivable are currently pledged to secure the Company's obligations to its factor. Such pledge, as to the Collateral, will be released when and if the Company reduces its indebtedness to the factor below certain benchmarks.

Sale of Business

In August 1990, the Company sold the foreign operations of Its Apparel Textile segment for approximately $6.6 million in cash plus the assumption of all of the operation's

liabilities, including short and long-term debt. The proceeds from the sale approximated the Company's carrying value of the operations. For the years ended June 30, 1990, 1989 and 1988, these operations reported net sales of $38.7 million, $34.2 million and $32.3 million, respectively, and earnings (loss) before income taxes of $1.8 million, ($1.0) million and ($2.0) million, respectively.

TOSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Subsequent Event (Unaudited)

Refinancing of Debt

In March 1991, Tosco and Seminole received commitments for $352 million from a group of financial institutions (Bank Group) to refinance Tosco's 12½% First Mortgage Bonds (Bonds) at maturity (Note 5) and other Tosco indebtedness and to refinance and consolidate Seminole's Senior Credit Facility. The closing and funding under this credit facility (New Credit Facility) is subject to, among other things, the completion and execution of final documentation.

Under the terms of the agreement to be executed with the Bank Group, $200 million of new term debt (New Term Facility) will be made available to Tosco, $75 million of which is restricted to the refinancing of the Bonds. The New Term Facility, plus approximately $21 million of cash to be generated from internal sources or borrowed under available credit lines, will retire the Seminole Acquisiton Debt (approximately $66.6 million at March 29, 1991), to refinance when due in December 1991, the Bonds ($82.4 million), and to partially fund inter-company debt to enable Seminole to retire outstanding balances under the Term Loan and Stand-by Term Loan Facilities (totalling approximately $71.6 million at March 29, 1991). The New Term Facility, with interest either at prime rate plus ½% or at one of two alternative rates at Tosco's option, is payable in 28 quarterly installments until maturity in 1998. The New Term Facility also requires mandatory prepayments of 30% of consolidated Available Cash (as defined), computed on an annual basis, as well as certain proceeds from the sale, if any, of material assets of Tosco and Seminole.

The New Credit Facility will also provide $60 million and $38 million of revolving credit availability (Revolving Credit Facilities) for working capital purposes (based on separate borrowing bases of eligible investments, receivables and inventory) to Tosco and Seminole, respectively. Cash borrowings under the Revolving Credit Facilities will bear interest either at prime rate or at one of two alternative rates at Tosco's and Seminole's option.

The New Credit Facitliy will also replace Seminole's standby letter of credit facility of approximately $54 million (which supports Seminole's guarantee of its proportionate share of the capitalized lease and industrial development bond obligations of FMCP), with a new standby credit facility (Performance Letter of Credit Facility). The Performance Letter of Credit Facility will be guaranteed by Tosco and mature in December 1997.

The New Credit Facility will be collateralized by substantially all of the assets of Tosco and Seminole, either directly or through inter-company guarantees. However, the Bank Group's collateral interest in the Avon Refinery and certain related assets will be subordinate to the Bonds until their scheduled maturity in December 1991.

The loan and credit facilities to be provided by the Bank Group will contain affirmative and negative covenants on both a consolidated and separate company basis including the maintenance of certain levels of working captial, net worth, cash flow and debt to equity ratios. In addition, Tosco and Seminole will be restricted as to the incurrence of additional indebtedness, discretionary capital expenditures and certain other payments. However, absent a default, dividends on common and preferred stock may continue to be paid to a maximum of $22 million plus Available Cash, as defined.

Business Combinations

ASTROSYSTEMS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J: Subsequent Event

Effective July 1, 1990, the Company acquired certain of the assets and business of a division of an unrelated corporation for $2,561,000 in cash. The business acquired is a manufacturer of AC Power Sources. The acquisition is to be accounted for as a purchase and, accordingly, the results of operations of the acquired business will be included in the Company's consolidated financial statement commencing July 1, 1990. The Company is committed to pay $4,000 per unit up to a maximum of $600,000 on the future sales through the year ending June 30, 1992 of certain inventory acquired.

The purchase price will be allocated as follows:

	(In Thousands)
Current assets	$1,993
Fixed assets	250
Goodwill	461
	2,704
Less current liabilities assumed	143
Total	$2,561

Had this acquisition been made on July 1, 1989, pro forma net sales, net loss and net loss per share for the year ended June 30, 1990 based on unaudited data, would have been $16,529,000, $(672,000), and $(.12), respectively.

THE CLOROX COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Subsequent Event—Acquisition

On August 1, 1990, the Company completed its purchase of American Cyanamid Company's household products brands for $465,000,000 With this acquisition, which will be accounted for as a purchase, the Company acquired the *Pine-Sol* cleaner and *Combat* insecticide brands, including a primary manufacturing facility and a small amount of working capital. An amount in excess of

$400,000,000 of the purchase price will be allocated to trademarks, goodwill and other intangibles to be amortized over the estimated useful lives which are yet to be determined.

The acquisition is being funded with cash and up to $400,000,000 in debt initially placed through a syndication of banks. Repayment or refinancing of half the amount borrowed must occur within one year and the balance within five years. The debt agreement includes covenants among which are limitations on the amount of future indebtedness and required maintenance of a minimum net worth of $550,000,000.

DEP CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Subsequent Event:

In September, 1990, the Company acquired for $10,200,000 cash, the world-wide manufacturing and distribution rights with respect to the Lilt home perm products. As part of the transaction the Company acquired certain related assets, primarily inventories, and machinery and equipment. The excess of the purchase price over the fair value of the assets acquired approximates $6,700,000 and will be amortized on a straight line basis over forty years. The acquisition will be accounted for as a purchase. To finance this acquisition, the Company increased its bank credit commitments to $35,000,000.

FARR COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Subsequent Event

In February 1991, the Company signed a letter of intent to acquire substantially all of the assets and assume certain liabilities of Cambridge Filter Corporation. The transaction is subject, among other conditions, to a due diligence examination by Farr and the signing of a definitive agreement. Completion of the tranaction is expected in early April 1991. Subject to completion of the transaction, financing of the acquisition is to be achieved through additional bank borrowings and available cash flows. Cambridge Filter Corporaton, with annual sales of approximately $35,000,000, sells medium and high efficiency air filters for commercial and industrial applications on a world-wide basis.

JOSTENS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

In July 1990, the Company acquired Autrey Brothers, a distributor of class rings, diplomas, caps and gowns and recognition products and a manufacturer of graduation announcements and engraved business stationery. The transaction was effected through the exchange of 450 thousand common shares of the Company for all of the issued and outstanding shares of Autrey Brothers. The operations of this business, which will be accounted for under the pooling of interests method, are not material to the results of operations.

LAFARGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisitions (In Part)

On January 16, 1991 the Company acquired Missouri Portland Cement Company, Davenport Cement Company and certain related companies and assets (collectively, "Missouri/Davenport") from Cementia Holding A.G. of Switzerland ("Cementia") and its Spanish subsidiary Asland, S.A. The assets of Missouri/Davenport include three cement plants, 15 distribution terminals, more than thirty related ready-mix and aggregate operations and a chemical admixtures business. The acquisition was financed through the issuance of four million Common Shares of the Company, a cash payment of $1.6 million and the assumption of $87.1 million of net indebtedness. In 1989 Lafarge Coppee became Cementia's principal shareholder with 60 percent of its voting shares.

The Company will account for the acquisition in a manner similar to the pooling-of-interests method due to Lafarge Coppee's control over both the Company and Cementia. Lafarge Coppee acquired Cementia on February 1, 1989. Unaudited pro forma consolidated results of operations, as though the Company had acquired Missouri/Davenport at the beginning of the year presented, are as follows (in thousands, except per share amounts):

	Years Ended December 31	
	1990	1989
Net sales	$1,769,562	$1,664,794
Net income	$ 42,876	$ 98,450
Net income per common equity share	$ .77	$ 1.81

TYCO LABORATORIES, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wormald Acquisition Subsequent to May 31, 1990

On August 2, 1990, the Company acquired substantially all of Wormald International Limited's ("Wormald") operating assets. The purchase price consists of $346 million cash, five million shares of the Company's common stock and five year warrants to purchase five million additional shares at a price of $70 per share. Wormald's beneficial ownership of the Company's voting common stock is limited to less than 20% for the next 10 years.

Wormald is a publicly held Australian company whose shares are traded on the Australian Stock Exchange. Wormald is a fire protection system contractor, a manufacturer of various fire protection products and a distributor of such products. Wormald's operations are located in Australia, New Zealand, Asia, the United Kingdom, Continental Europe, Canada and the United States. Wormald expects to report sales in excess of $900 million for its year ended June 30, 1990.

This acquisition was financed with borrowings from a newly established Credit Agreement, $210 million pro-

ceeds from fixed rate, medium-term notes from five commercial banks and $90 million from short-term variable rate debt secured by certain accounts receivable.

Discontinued Operations

ARVIN INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Subsequent Events:
(Amounts in tables in thousands unless noted otherwise)

During December, 1990 the Company entered into a definitive agreement to sell substantially all of the net assets of its ArvinAir subsidiary for an amount approximately equal to book value. During January of 1991 the transaction was completed. Also during January, 1991 the Company issued $50 million of Euronotes. Since the Company intended to refinance this amount of short-term debt on a long-term basis, it already had been classified as long-term in the 1990 Consolidated Statement of Financial Condition.

The accompanying pro forma condensed balance sheet gives effect to the ArvinAir transaction as if it had occurred as of December 30, 1990. The proceeds were used to reduce short-term debt.

Pro Forma Condensed Balance Sheet
December 30, 1990

	As Reported	Pro Forma (Unaudited)
ASSETS:		
Current assets	$ 540,899	$ 517,958
Net property, plant and equipment	389,322	372,172
Other non-current assets	262,448	272,728
	$ 1,192,669	$1,162,858
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities	$ 338,038	$ 308,337
Deferred income taxes	29,971	29,971
Long-term debt	320,674	320,564
Deferred credits	3,486	3,486
Minority interest	10,509	10,509
Redeemable preferred shares	100,455	100,455
Shareholders' equity	389,536	389,536
	$ 1,192,669	$1,162,858

Pro forma results of operations have not been shown since the Consolidated Statement of Operations already reflects ArvinAir as a discontinued operation.

Sales of Assets

CLEVELAND-CLIFFS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N—Subsequent Event

On January 18, 1991, the Company sold its forest lands and associated assets in the Upper Peninsula of Michigan for $24 million, with an after-tax gain of $14.4 million.

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

On March 30, 1990, the Company sold at a gain its Mister Donut business in the United States and Canada to Allied-Lyons PLC and subsidiaries. The transaction will be reported in the first quarter of fiscal 1991.

Litigation

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Subsequent Event

On March 14, 1991, the Company's Board of Directors approved the terms of a settlement agreement entered into by the beneficial holders of a majority of the outstanding Class B Common Stock of the Company. The Class B Common Stock has the power to elect approximately 70% of the Company's Board of Directors. Pursuant to the settlement agreement, various pending lawsuits will be settled with prejudice. In connection with the approval of the settlement agreement, the Board of Directors of the Company and AFC approved payment of litigation and other related expenses (net of tax) of approximately $1,469,000 and $940,000, respectively.

FUQUA INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events (In Part)

Since December 31, 1990, three lawsuits were filed against Fuqua, certain of Fuqua's current and former directors and Intermark, Inc., which owns approximately 26% of Fuqua's Common Stock. One complaint alleges, among other things, a long-standing pattern and practice by the defendants of misusing and abusing their power as directors and insiders of Fuqua by manipulating the affairs of Fuqua to the detriment of Fuqua's past and present stockholders. The complaint seeks monetary damages from the director defendants, injunctive relief against Fuqua, Intermark and its current directors, and costs of suit and attorneys' fees. The other two complaints allege, among other things, that members of the Fuqua Board of

Directors presently contemplate either a sale, a merger, or other business combination involving Intermark, Inc. and Fuqua or one or more of its subisidiaries or affiliates. The complaints seek costs of suit and attorneys' fees and preliminary and permanent injunctive relief and other equitable remedies, ordering the director defendants to carry out their fiduciary duties and to take all appropriate steps to enhance Fuqua's value as a merger/acquisition candidate. While these actions are in their preliminary stages, management currently believes the actions will not materially affect the financial position of Fuqua.

MANVILLE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Litigation Settlement

In January 1991, a U.S. appeals court upheld a $15 million patent-infringement judgment against Guardian Industries Corporation originally awarded to Manville in July 1989. Manville received the award proceeds, approximately $40 million including accrued interest, in February 1991. These will be reflected in the Company's 1991 financial statements.

PORTEC, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Subsequent Event

On March 18, 1991, the United States Supreme Court vacated the judgment related to the British Post Office case and remanded the case back to the Federal Court of Appeals for the Tenth Circuit for further consideration in light of a recent decided case by the United States Supreme Court upholding the constitutionality of punitive damages and requiring state and federal courts to consider the reasonableness of punitive damage awards in civil cases. The Court of Appeals had earlier reduced punitive damages related to the case from $1,500,000 to $500,000. The Company has accrued the punitive damages award of $500,000 plus related interest at December 31, 1990. The compensatory award and related legal fees were paid in 1990. While the ultimate outcome of the British Post Office case is not known, management currently believes that its accrual of $500,000, plus interest, is an adequate provision for this case.

SMITHFIELD FOODS, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10—Settlement of Litigation

In June 1985, a Federal District Court ordered Gwaltney to pay a civil penalty of $1,285,000 plus interest and attorneys' fees for violations at its plant in Smithfield, Virginia, of certain limitations on effluent discharges in its wastewater permit. As a result, the Company provided reserves to cover the anticipated penalty and related costs. After protracted litigation, the parties ageed to a settlement and the Court, on June 8, 1990, entered a final order requiring Gwaltney to pay a civil penalty of $290,000 plus related costs of $350,000. The resolution of this case created an after-tax gain for the Company of $1,140,000 ($.15 per share) which is included in net income in the accompanying consolided statements of income.

Employee Benefits

ACTION INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—Stock Option Plan

In September of 1990 the Company adopted a Stock Option Plan which provides for the granting of stock options to certain key employees. The Plan reserves 450,000 shares of common stock, including 200,000 shares granted to the President under his employment arrangement. Options under the Plan are to be granted at no less than fair market value of the shares at the date of grant. The Plan is subject to shareholder approval.

KEVLIN MICROWAVE CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Subsequent Events

The Board of Directors has voted to adopt, subject to the approval of the stockholders, an amendment to the Articles of Organization to increase the authorized number of shares of Common Stock from 4,000,000 shares to 8,000,000 shares and to establish a class of 2,000,000 shares of undesignated Preferred Stock, $1.00 par value per share. In addition, the Board of Directors has adopted, subject to the approval of the stockholders, the Company's 1990 Incentive Stock Option Plan which provides for the issuance to key employees of up to 700,000 shares of Common Stock in accordance with the plan.

LORAL CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Shareholders' Equity:

Subsequent to March 31, 1990, the Company completed an offer to optionees to cancel certain options outstanding with an exercise price greater than $30 per share and in return receive an option for one half the shares cancelled at $20 per share. This offer will result in additional deferred compensation of approximately $2,500,000, to be amortized over the five-year vesting period, a reduction of approximately 500,000 options outstanding and a corresponding increase in shares available for future option grants.

TOKHEIM CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars amounts in thousands except dollars per share)

15 (In Part): Retirement Plan Costs

Effective December 31, 1990, the Company curtailed

two defined benefits plans covering certain hourly factory and office employees. These participants then became eligible to participate in the Retirement Savings Plan (RSP) beginning January 1, 1991. Results for the year include a loss of approximately $212, net of tax, on the curtailment of these defined benefit plans. The Company also settled a portion of the net termination liability of a defined benefit plan covering certain salaried employees. This settlement resulted in a loss in the current year of $354, net of tax. The balance of the net termination liability estimated to be $1,269 will be settled in 1991.

Stock Splits

COLGATE-PALMOLIVE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Subsequent Event (unaudited)

On March 14, 1991, subsequent to the date of the report of independent accountants, the Company's Board of Directors approved a two-for-one common stock split and increased the common dividend 18%. As a result of the split, shareholders will receive one additional share of Colgate common stock for each share they hold as of April 25, 1991. Par value will remain at $1 per share. Pro forma earnings per share, giving retroactive effect to the two-for-one split, are presented below for each of the three years ended December 31:

	1990	1989	1988
Primary:			
Continuing operations	$2.28	$ 1.98	$1.11
Net income	$2.28	$ 1.98	$2.32
Assuming full dilution:			
Continuing operations	$2.12	$ 1.90	$1.10
Net income	$2.12	$ 1.90	$2.30

Financial information contained elsewhere in this annual report has not been adjusted to reflect the impact of the common stock split.

COLLINS INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Subsequent Events:

On November 28, 1990, the Company's Board of Directors declared a five-for-four stock split in the form of a 25% stock dividend. All references to number of shares, except shares authorized, and to per share information in the consolidated financial statements have been adjusted to reflect the stock split on a retroactive basis.

All stock options issued under the stock option plan (Note 6) were cancelled or expired subsequent to October 31, 1990.

THE SHERWIN-WILLIAMS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Stock Split

On February 20, 1991, the Company's board of directors authorized a two-for-one split of the common stock effected in the form of a 100 percent stock dividend to be distributed on or about March 29, 1991, to holders of record on March 4, 1991. Accordingly, all numbers of common shares and per share data have been restated to reflect the stock split. The par value of the additional shares of common stock issued in connection with the stock split will be credited to common stock and a like amount charged to other capital in 1991.

Stock Purchase Rights

TECUMSEH PRODUCTS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Shareholders' Rights Plan

On January 23, 1991, the Company declared a distribution of one common stock purchase Right for each share of the Company's common stock outstanding on February 4, 1991. Each Right would initially entitle the shareholder to purchase one share of the Company's common stock at an exercise price of $320.00 per share, subject to adjustment.

The Rights are not currently exercisable, but would become exercisable if certain events occurred related to a person or group (Acquiring Person) acquiring or attempting to acquire 10% or more of the outstanding shares of common stock. In the event that the Rights become exercisable, each Right (except for Rights beneficially owned by the Acquiring Person, which become null and void) would entitle the holder to purchase, for the exercise price then in effect, shares of the Company's common stock having a value of twice the exercise price.

The Rights may be redeemed by the Board of Directors in whole, but not in part, at a price of $.01 per Right. The Rights have no voting or dividend privileges and are attached to, and do not trade separately from, the common stock. The Rights expire on January 23, 2001.

At January 23, 1991, 5,470,146 shares of common stock were reserved for future issuance under this Rights Agreement.

Capital Stock Redeemed

ACCLAIM ENTERTAINMENT, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Subsequent Events

A. On September 7, 1990, the Company completed the sale of the Entertech Division of LJN Toys, Ltd. for

approximately $1,700,000 in cash. No gain or loss on disposal was recorded.

B. On October 24, 1990, WMS Industries Inc. ("WMS") exercised its put option on the 144,578 shares of Common Stock, previously delivered by the Company as consideration for the exclusive right to create NES games based on coin-operated video arcade games released by WMS and its affiliates. The Company redeemed such shares for a price of $1,500,000.

Cash Dividends

AVON PRODUCTS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent Event

On February 7, 1991, Avon's Board of Directors voted to increase the regular dividend on common shares to an annual rate of $1.40 from the current rate of $1.00, and to pay a special dividend on common shares of $3.00 a share. The first dividend at the new rate of $.35 per quarter will be paid March 1, 1991.

The special dividend will be paid September 16, 1991 to shareholders of record on September 4, 1991, immediately after the final date for redemption of the preferred stock. Until the preferred stock is redeemed the regular quarterly dividend of $.50 will be paid.

The dividends to be paid in 1991 will aggregate a maximum of $344.0, compared with $92.3 in 1990.

Sale of Subsidiary Stock

BANNER INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands except for per share data)

3. Subsequent Event—Sale of Subsidiary Stock:

In fiscal 1990 the Company adopted a plan to reduce its ownership interest in Banner Aerospace, Inc., the parent of the Company's aerospace distribution operations. In August 1990 the sale of 9,500 shares or 52.8 percent of Banner Aerospace was completed at a price of $14.00 per share. Accordingly, the Company will begin to account for its 47.2 percent remaining investment in Banner Aerospace, Inc. under the equity method of accounting after this transaction.

The Company received $133,000 in gross proceeds, before underwriting discounts and expenses and will realize an estimated pretax gain of $60,000 in the first quarter of fiscal 1991. Pro forma financial results for this transaction are included in Note #5.

5. Pro forma Operating Results (Unaudited):

In August 1990 the Company sold 52.8 percent of Banner Aerospace, Inc. Subsequent to the sale, the Company will account for its investment in Banner Aerospace as an equity investment. During fiscal 1989 the Company acquired TSG and Fairchild Industries, Inc. Unaudited pro forma consolidated results of operations, as though the Company acquired Fairchild and TSG and sold the 52.8 percent interest in Banner Aerospace as of July 1, 1988 are as follows:

	1990	1989
Net sales	$475,055	$435,079
Income (loss) before taxes	(10,063)	81,697
Income (loss) from continuing operations	(3,110)	46,567
Net income	2,718	50,176
Earnings per common share:		
Primary	$ .14	$ 3.55
Fully Diluted	$ .14	$ 3.19

This pro forma information is not necessarily indicative of either the results of operations that would have occurred had the acquisitions and divestiture been effective on July 1, 1988, or future operations of the Company.

Contract Termination

THE BOEING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Contingencies

In January 1991, the Company received a notice of partial termination from the Government for alleged default which terminated most of the work required under the Company's $1.5 billion contracts to develop and install a new air defense system for Saudi Arabia known as the Peace Shield program. Management's position, supported by outside legal counsel which specializes in government procurement law, is that the grounds asserted by the Government which allegedly support the default are not legally supportable. Accordingly, management and counsel are of the opinion that on appeal the termination for default has a substantial probability of being converted to termination for the convenience of the Government. Additionally, the Company has a legal basis for a claim for equitable adjustment to the prices and schedules of the contracts. The Company intends to file an appeal of the Government's termination action and a contract claim and expects that its position will ultimately be upheld. The 1990 financial statements have been prepared on the basis of a conservative estimate of the revised values of the contracts including claims and the Company's position that the termination was for the convenience of the Government. At this time the Company cannot reasonably estimate the length of time that will be required to resolve the termination appeal and the contract claims. If the Company's appeal of the termination for default is not successful, the Government's actions could have a significant adverse effect on the Company's financial position. The Government has filed with the Company a demand for the repayment of $605 million of Peace Shield unliquidated progress payments. The Company intends to contest the Government's demand for repayment.

The Company does not believe, based on information available at this time, that the outcome of the matters discussed above will have a material adverse effect on its financial position.

Exchange Of Company Stock For Subsidiary Stock

CABOT CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

O. Subsequent Event

On October 29, 1990, the Company filed a registration statement with the Securities and Exchange Commission and announced a plan that would offer the Company's stockholders the opportunity to exchange shares of Cabot common stock for shares of Cabot Oil & Gas Corporation (COGC) common stock owned by the Company. The exchange is subject to several conditions, including receipt of a confirming opinion of counsel that the exchange will be tax-free. The exchange offer will be consummated if sufficient Cabot shares are tendered to permit the exchange of at least 80% of the COGC common shares owned by Cabot. If the exchange is consummated but not all of the COGC shares owned by Cabot have been exchanged, then the remaining COGC shares will be distributed. Upon completion of the exchange and any subsequent distribution, Cabot will not own any shares of COGC. COGC's 1990 revenues and contribution to pre-tax profit were approximately $124,700,000 and $14,200,000, respectively.

Acquisition Of Reporting Company

CYCLOPS INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14—Subsequent Event

On January 16, 1991 the Company announced it had reached an agreement in principle to merge its operations with a new wholly-owned subsidiary of Armco Inc. Armco is an integrated producer of stainless, electrical and carbon steels and steel products. Armco also provides insurance services through businesses Armco intends to sell or liquidate.

Under the agreement, Armco would have paid $22 a share for all the outstanding shares of the Company's common stock. To fund a portion of the merger cost, Armco also announced an agreement in principle with Alleghany whereby Alleghany would have purchased $100 million of a new Armco 10% convertible preferred stock.

Alleghany subsequently advised Armco that it had concluded not to proceed with the financing, and, on February 26, 1991, the Company and Armco announced that these agreements had been terminated. Armco stated it was consulting with its advisors to consider possible alternatives for the combination of the two businesses.

HARCOURT BRACE JOVANOVICH, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

13. Subsequent Event:

On January 24, 1991, the Company and General Cinema Corporation jointly announced that they had executed the Merger Agreement providing for a merger, pursuant to which HBJ would become a wholly owned subsidiary of GCC. Consummation of the Merger is conditioned, among other things, upon (i) approval of the Merger by the holders of at least two-thirds of the outstanding shares of Common Stock and the holders of at least a majority of the outstanding shares of 12% Preferred Stock, (ii) successful completion by GCC of cash tender offers for HBJ's publicly held debt securities, and (iii) GCC having entered into agreements to acquire all of the outstanding Convertible Subordinated Notes of the Company. In the Merger, each share of Common Stock and each share of 12% Preferred Stock generally will be converted into the right to receive cash in the amount of $1.30, without interest (see "Management's Discussion").

In connection with the execution of the Merger Agreement, HBJ granted GCC an option to purchase, at GCC's election, HBJ's Academic Press operations for $390 million in cash ($400 million if the closing of such sale occurs on or after February 1, 1992), subject to certain adjustments. The option is exercisable under certain circumstances in the event an alternative transaction is consummated.

On February 14, 1991, GCC, through a wholly owned subsidiary, commenced cash tender offers and consent solicitations for HBJ's publicly held debt securities.

Joint Venture

E. I. DU PONT DE NEMOURS AND COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions, except per share)

26. Subsequent Event

On January 1, 1991, the company and Merck and Co., Inc. commenced operations of The Du Pont Merck Pharmaceutical Company, a joint venture to create an independent, research-driven, worldwide pharmaceutical firm. Concurrent with the formation of the venture, the company contributed assets to the venture with a net book value at December 31, 1990 of about $500, representing its entire pharmaceutical and radio-pharmaceutical imaging agents businesses. Merck contributed European marketing rights to several of its prescription medicines, and will provide development funds and its international industry expertise to the venture.

Distribution to Stockholders

USX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. Subsequent Event

In January 1991, the Board of Directors approved, subject to the approval of the common stockholders, a plan to distribute to them shares of a new class of common stock, which is intended to reflect the performance of USX's steel and diversified businesses (Steel Stock). As part of this plan, stockholders would retain their existing common stock, which then is intended to reflect the performance of USX's energy business (Energy Stock).

The initial dividend with respect to the Steel Stock is expected to be an amount which would, when combined with the dividend on Energy Stock, increase the current annual dividend to USX stockholders from $1.40 per share to an amount equivalent to $1.60 per share of the existing common stock.

The conversion rights of USX's convertible debenture issues will be appropriately adjusted in accordance with the terms of the respective indentures to reflect this proposal. In addition, appropriate adjustments will be made to USX's stock plans, employee savings plans and Stockholder Rights Plan.

The proposed plan will be submitted to stockholders at the 1991 Annual Meeting and, subject to stockholder approval by a majority of outstanding common stock, the Steel Stock will be distributed. The proxy statement, which is expected to be distributed to stockholders in March, will contain further details on the proposed plan.

Iraq

UNIVERSAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Other Matters

Subsequent to June 30, 1990 the United States government imposed economic sanctions on Iraq. At June 30, 1990 the company had approximately $6 million of accounts receivable due from Iraq. At this time it is premature to determine how the recent events in the Middle East may affect the ultimate collectibility of this receivable.

Sale and Leaseback

WANG LABORATORIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N—Subsequent Events

Subsequent to June 30, 1990, the Company entered into a sale and leaseback agreement with regard to its European headquarters facility located in Brussels, Belgium. The transaction has been recorded as a sale with the cash proceeds, $45.0 million, used to repay borrowings of $32.8 million and the remainder used for working capital purposes. The Company recorded an $8.5 million gain on the sale.

Under the agreement the Company has committed to lease a portion of the facility for nine years. The present value of minimum lease payments at inception of the obligation approximates $15 million.

On August 17, 1990, the Company sold InteCom Inc. (manufacturer of communications switching systems) for $26 million. The proceeds were used to repay long-term borrowings.

Investment and Technology Agreements

ZENITH ELECTRONICS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Subsequent Event

On February 25, 1991, the company entered into investment and technology agreements with GoldStar Co., Ltd. Under the investment agreement, the company sold to GoldStar 1,450,000 shares of previously authorized but unissued common stock for $15.0 million, and received $1.45 million in cash (the aggregate par value) and an interest-bearing note due June 17, 1991, for the balance. After taking the sale into account, GoldStar's investment in the company represents 4.97% of the shares outstanding.

The agreements are under review by the Korean government. Shoud approval of the transaction not be obtained by May 31, 1991, GoldStar can require the company to repurchase the shares, and the technology agreements would not become effective. In June 1993, GoldStar may sell the stock and request that the company reimburse the deficiency, if any, between $5.50 per share and the price realized. The first $2.5 million would be reimbursed by offsetting future payments to the company under existing agreements.

RELATED PARTY TRANSACTIONS

Statement of Financing Accounting Standards No. 57 specifies the nature of information which should be disclosed in financial statements about related party transactions. In 1990, 192 survey companies disclosed related party transactions. Examples of related party disclosures follow.

Transactions Between Company and Major Stockholders

ADVANCED MICRO DEVICES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Related Party Transactions

The company has cross-licensing and technology exchange agreements with Siemens AG, a 10 percent shareholder of the company. The company's sales to Siemens AG and subsidiaries were $61,100,000, $30,200,000 and $31,200,000 in 1990, 1989 and 1988, respectively.

AMDAHL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Relationship with Fujitsu Limited

The Company has entered into agreements with Fujitsu Limited (Fujitsu), a principal stockholder, which provides for, among other things:

A. Purchases of computer equipment, subassemblies and spare parts from Fujitsu. The cost of computer equipment, subassemblies and spare parts purchased from Fujitsu and the amount included in cost of revenues for equipment sales were as follows:

(In thousands)	Purchases	Cost of Revenues
1990	$887,951	$606,121
1989	767,209	580,664
1988	557,163	333,013

Amdahl was committed to purchase material and other equipment from Fujitsu totaling approximately $626 million at December 28, 1990. Prices for these manufacturing materials and other equipment are subject to adjustment if the U.S. dollar-Japanese yen exchange rate fluctuates outside of specified ranges. The Company has entered into hedging arrangements designed to protect against currency exchange risks associated with anticipated product purchases from Fujitsu in 1991. In addition, the Company made advance payments in 1990 and 1989 to Fujitsu for future inventory purchases in return for lower prices on certain components. Advance payments of $10,832,000 and $5,296,000 were included in prepaid expenses as of December 28, 1990 and December 29, 1989, respectively.

B. Joint development efforts under which Fujitsu supplies Amdahl with services and material related to the Company's development of current and future products, resulting in charges to engineering and development expense of approximately $15,576,000 in 1990, $8,116,000 in 1989 and $3,423,000 in 1988.

In connection with an agreement for the development and supply by Fujitsu of certain LSI devices for Amdahl products, the Company paid Fujitsu $16 million in 1990. This advance payment is being expensed as materials and services are provided by Fujitsu.

In addition, Fujitsu has reimbursed Amdahl for certain specific engineering development activities performed by Amdahl for Fujitsu, and $0, $842,000 and $1,115,000 were recorded as reductions of engineering and development expenses in 1990, 1989 and 1988, respectively.

C. A limitation on Fujitsu's maximum ownership interest in Amdahl, such that until April 19, 1994, Fujitsu will not purchase additional shares of Amdahl common stock if such purchases would cause its beneficial ownership of outstanding Amdahl common stock, computed on a fully-diluted basis, to exceed 49.5%.

D. Distributorship arrangements whereby Fujitsu markets Amdahl's computer equipment in Brazil, Japan, Malaysia, South Korea and Spain. Sales in 1990, 1989 and 1988 by the Company of computer systems and complementary storage products to Fujitsu contributed $44,487,000, $55,492,000 and $12,525,000 to equipment sales and $20,485,000, $21,280,000 and $5,507,000 to gross margin, respectively. At December 28, 1990 and December 29, 1989, receivables included $6,694,000 and $8,037,000, respectively, from Fujitsu.

CUMMINS ENGINE COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Related Parties: In July 1990, Ford Motor Company and Tenneco, Inc. each purchased from Cummins 1.6 million shares of the company's common stock. The shares were purchased pursuant to separate investment agreements between Cummins and the investors. Both Ford and Tenneco have agreed to certain voting, standstill and other provisions and each has designated a representative on the company's Board of Directors. The company also entered into an option agreement with Ford pursuant to which Ford has the right, exercisable until 1996, to purchase up to an additional 1.48 million shares of the company's common stock at a price equal to 120 percent of the market price of the common stock for the 30 trading days to the exercise of the option but for no less than $62.50 per share. In 1990, Cummins' sales of heavy-duty diesel engines and parts and related products to Ford approximated $85 million. In addition, Cummins' purchases of gasoline engines and parts from Ford approximated $2 million in 1990. At December 31, 1990, the company had accounts receivable outstanding of approximately $5 million with Ford. In 1990, Cummins' sales of heavy-duty and midrange diesel engines, components, service parts and related products and services to Case Corporation, a subsidiary of Tenneco Inc., approximated $55 million. Cummins' purchases from Case approximated $7 million in 1990. At December 31, 1990, the company had accounts receivable outstanding of approximately $13 million with Case.

In 1990, the company entered into an agreement with J.I. Miller and other members of the Miller family whereby the company redeemed $67.3 million of convertible preferred stock for $67.3 million in cash and redeemed $37.4 million of convertible preferred stock in exchange for 580,247 shares of common stock issued from treasury shares. The convertible preferred stock was issued initially in 1989.

Transactions Between Company and Investees

CRYSTAL BRANDS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands of Dollars Except Share Data)

Note 4: Related Party Transactions

The Company owns 50% of the shares of Lacoste Alligator S.A., a Swiss company, which owns the alligator emblem and Lacoste trademark in the United States, Canada and portions of the Caribbean. Under license agreements from Lacoste Alligator S.A., the Company has the exclusive right to use the trademarks on certain apparel, apparel-related and other accessories in those areas, for which it pays royalties.

Royalties payable to the related party were $2,297 and $2,170 at December 29, 1990 and December 30, 1989, respectively. Investment in the related party was $987 and $1,096 at December 29, 1990 and December 30, 1989, respectively. Equity income recognized was $1,933, $2,255 and $2,726 in 1990, 1989 and 1988, respectively. Royalty expense was $4,503, $4,668 and $5,795 in 1990, 1989 and 1988, respectively. Dividends received from the related party were $2,227, $2,554 and $2,343 in 1990, 1989 and 1988, respectively. Interest paid to the related party was $85, $74 and $84 in 1990, 1989 and 1988, respectively.

STONE CONTAINER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 13—Related Party Transactions

The Company sells rollstock to MacMillan Bathurst, a 50 percent owned non-consolidated affiliate, and to Titan, a 49 percent owned non-consolidated affiliate.

Additionally, the Company purchases market pulp from Power Consolidated (China) Pulp Inc. ("PCCPI"), a 50 percent owned non-consolidated affiliate of the Company. PCCPI 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.

The following table summarizes the transactions between the Company and its non-consolidated affiliates and the payable and receivable balances outstanding at the end of each year. During 1989 three previously non-consolidated affiliates (Seminole, Stone Savannah River and Stone Forest) became consolidated subsidiaries of the Company. (See Notes 1 and 2 for 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) Year ended December 31,	1990	1989	1988
MacMillan Bathurst:			
Sales to	$76.0	$ 64.7	$ —
Net receivable from	7.0	12.9	—
Titan:			
Sales to	$19.7	$ 12.9	$ —
Management fee	.8	.4	—
Net receivable from	16.9	6.5	—
PCCPI:			
Purchases from	$ 2.1	$ 3.2	$ —
Net payable to	—	.3	—
Seminole, Stone Forest and Stone Savannah River:			
Purchases from	$ —	$229.3	$196.1
Sales to	—	56.4	74.1
Management fee	—	2.2	1.8
Net payable to	—	—	21.2

TRIBUNE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. 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 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. 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 pre-tax 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.

Transactions Between Company and Officers/Directors

SANMARK-STARDUST INC.

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 totaling $900,000, $850,000 and $750,000 in fiscal 1990, 1989 and 1988, 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 $100,000, $145,000 and $390,000 in fiscal 1990, 1989 and 1988, respectively.

SCI SYSTEMS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E—Related Party Transaction

During fiscal year 1990, the Company sold an unoccupied building in Huntsville, Alabama to Mr. Olin B. King (Chairman of the Board and Chief Executive Officer of the Company) for $4.1 million in cash. The sales price was in excess of book value and was within the range of appraised values. The building had previously been offered for sale to the public. The sale was conducted by a special committee of the Company's Board of Directors as described in the Company's 1990 Proxy Statement.

SMITHFIELD FOODS, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Related Party Transactions

In fiscal 1990, the Company's chairman, president and chief executive officer purchased certain real estate from the Company for an aggregate purchase price of $1,100,000, its fair market value. In addition, the Company's chairman is an officer and the majority owner of the capital stock of a company to which the Company made sales of fresh pork and processed meat products totaling $478,000, $473,000 and $593,000 in fiscal 1990, 1989 and 1988, respectively.

In fiscal 1990, the Company made an unsecured demand loan in the amount of $1,000,000, bearing interest at 2% above the prime rate, to two directors and a third person not related to the Company.

A director of the Company is the chairman of the board of a company from which the Company made purchases of automotive parts and equipment, as well as maintenance and leasing services, totaling $510,000, $392,000 and $410,000 in fiscal 1990, 1989 and 1988, respectively. In addition, the Company has an arrangement to lease substantially all of its automobiles through this company under three-year leases. As of April 29, 1990, the Company was obligated to make a total of $786,000 in future lease payments in connection with this arrangement.

Transaction With Employees Trust

L.B. FOSTER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Related Party Transactions

The Company, together with other lessees, leases space in an office building owned by a partnership of which a director of the Company is a partner. The term of the lease ends on April 30, 1997 at a minimum annual rental of $555,000.

In November 1990, the Company purchased the property previously leased from FOSCO Employee's Trust for $3,705,000 plus various closing costs amounting to approximately $16,000. The annual rentals totaled $428,000 in 1990; $362,000 in 1989; and, $293,000 in 1988.

The Company previously had an agreement with Grisanti, Galef & Goldress, Inc. whose president was chairman of the Company's Board of Directors, to provide managerial services. During 1989 and 1988, the Company expensed fees of approximately $125,000 each year for these services.

The Company paid $515,000 to Fostin Securities, Inc., a wholly-owned subsidiary of Foster Industries, Inc. ("FII"), the Company's precedessor, pursuant to the 11% Senior Note Agreement (formerly the 11% Junior Subordinated Note issued in connection with the Company's purchase of the business of FII in 1977) in February 1989. An officer and two directors of the Company are owners, officers and directors of FII.

The accounts between the Company and the above-related parties are settled in the ordinary course of business.

Consolidated Tax Return

GREYHOUND DIAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L (In Part): Income Taxes

Eligible subsidiaries are included in the consolidated federal and other applicable income tax returns of Greyhound Dial.

Certain benefits of tax losses and credits, which would not have been currently available to certain subsidiaries on a separate return basis, have been credited to those subsidiaries by Greyhound Dial. These benefits are included in the determination of the income taxes of those subsidiaries and this policy has been documented by written agreements between Greyhound Dial and the subsidiaries.

Note P (In Part): Related Party Transactions

See Note L of notes to consolidated financial statements for information regarding U.S. federal income tax matters.

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 and Results of Operations.

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

	1990	1989	1988	1987
Balance Sheet	559	557	559	555
Statement of Financial Position	35	37	32	35
Statement of Financial Condition	6	6	9	10
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 resulted in certain survey companies presenting an unclassified balance sheet (18 companies in 1990) or a balance sheet classified as to industrial operations but showing assets and liabilities of nonhomogeneous operations as segregated amounts (12 companies in 1990). 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

	1990	1989	1988	1987
Report form	406	404	392	369
Account form	192	195	205	228
Financial position form	2	1	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 subsequent years the balance sheet caption used most frequently was *Cash and Cash Equivalents*. Examples of balance sheet captions for cash follow.

AFFILIATED PUBLICATIONS, INC. (DEC)

	1990	1989
Current assets:		
Cash, including overnight investments	$ 4,985,000	$ 35,705,000
Trade receivables, less allowances of $4,876,000 in 1990 and $3,112,000 in 1989	63,174,000	58,792,000
Other receivables	2,977,000	2,594,000
Inventories, at cost, including newsprint of $8,841,000 in 1990 and $8,391,000 in 1989	18,560,000	17,537,000
Prepaid taxes other than federal income taxes	2,042,000	—
Other current assets	5,611,000	4,154,000
Total current assets	97,349,000	118,782,000

TABLE 2-3: CASH—BALANCE SHEET CAPTIONS

	1990	1989	1988	1987
Cash	123	134	160	215
Cash and cash equivalents	361	336 }	305	159
Cash and equivalents	30	22 }		
Cash includes certificates of deposit or time deposits	10	10	14	37
Cash combined with marketable securities	73	93	116	189
No amount for cash	3	5	5	—
Total Companies	**600**	**600**	**600**	**600**

CRANE CO. (DEC)

	1990	1989
	(in thousands)	
Current Assets:		
Cash and cash equivalents	$ 8,363	$ 4,855
Accounts receivable, less allowance of $1,090 ($1,502 in 1989)	170,954	173,050
Inventories, at lower of cost, principally LIFO, or market; replacement cost would be higher by $46,955 ($45,890 in 1989):		
Finished goods	133,388	134,624
Finished parts and subassemblies	24,370	23,654
Work in process	26,279	26,030
Raw materials and supplies	22,439	25,033
	206,476	209,341
Other current assets	6,449	11,089
Total Current Assets	392,242	398,335

FINANCIAL REVIEW

Accounting Policies (In Part)

Cash Equivalents—Highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

MET-PRO CORPORATION (JAN)

	1991	1990
Current assets:		
Cash and short-term investments—Note 2	$ 2,655,909	$ 2,922,643
Accounts receivable, net of allowance for doubtful accounts of approximately $64,000 and $57,000, respectively	6,370,779	6,250,874
Notes receivable, ESOT	153,264	303,264
Inventories	9,310,625	8,779,575
Prepaid expenses, deposits and other current assets	419,922	264,853
Total current assets	$18,910,499	$ 18,521,209

NOTES TO FINANCIAL STATEMENTS

2. Cash and Short-Term Investments

Short-term investments at January 31, 1991 and 1990 were valued at cost (approximately market) and amounted to $1,754,995 and $2,609,924, respectively. Short-term investments consist principally of commercial paper and money market funds, and are considered to be cash equivalents.

At January 31, 1991 and 1990, cash in the amount of $105,000 and $95,000, respectively, was in a bank account restricted for payments with respect to the Industrial Revenue Bonds (see Note 6) due on February 1 of the following fiscal year.

PFIZER INC. (DEC)

	1990	1989
	(millions of dollars)	
Current Assets		
Cash, including time deposits 1990—$616.5; 1989—$705.6	$ 870.3	$ 825.4
Short-term investments, at cost which approximates market value	197.9	232.3
Accounts receivable, less allowance for doubtful accounts: 1990—$42.5; 1989—$29.8	1,377.2	1,233.5
Short-term loans	584.9	831.4
Inventories		
Finished goods	480.3	445.1
Work in process	421.7	390.2
Raw materials and supplies	240.6	245.2
Total inventories	1,142.6	1,080.5
Prepaid expenses and taxes	263.0	236.7
Net assets held for sale	—	65.0
Total current assets	4,435.9	4,504.8

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.

USG CORPORATION (DEC)

	1990	1989
	(All dollar amounts in millions)	
Current Assets:		
Cash and cash equivalents (primarily time deposits)	$ 175	$ 67
Receivables (net of allowances, 1990-$8; 1989-$11)	282	275
Inventories	103	109
Net assets of discontinued operations	137	139
Total current assets	$ 697	$ 590

TABLE 2-4: MARKETABLE SECURITIES—VALUATION BASES

	Number of Companies			
	1990	1989	1988	1987
Cost				
Approximates market	164	175	194	237
No reference to market	6	12	11	20
Market value disclosed	6	4	4	7
Lower of cost or market	42	42	40	51
Market value	2	2	1	—

MARKETABLE SECURITIES IN CURRENT ASSETS

Chapter 3A of ARB No. 43 states in part:

9. The amounts at which various current assets are carried do not always represent their present realizable cash values.... 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 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.

Cost Which Approximates Market

APPLE COMPUTER, INC. (SEP)

	1990	1989
	(Dollars in thousands)	
Current assets:		
Cash and cash equivalents	$ 374,682	$ 438,300
Short-term investments	622,409	370,650
Accounts receivable, net of allowance for doubtful accounts of $49,426 ($35,512 in 1989)	761,868	792,824
Inventories	355,473	475,377
Prepaid income taxes	125,535	117,179
Other current assets	163,359	100,098
Total current assets	$ 2,403,326	$ 2,294,428

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash, Cash Equivalents, and Short-Term Investments
All highly liquid investments with a maturity of three months or less at the date of purchase are considered to be cash equivalents; investments with maturities between three and twelve months are considered to be short-term investments. Short-term investments are carried at cost plus accrued interest, which approximates market. A substantial portion of the Company's cash, cash equivalents, and short-term investments is held by foreign subsidiaries and is generally in U.S. dollar-denominated holdings. Amounts held by foreign subsidiaries would be subject to U.S. income taxation upon repatriation to the U.S. to meet domestic cash needs; the Company's financial statements fully provide for any related tax liability.

ARMCO INC. (DEC)

	1990	1989
	(Dollars in millions)	
Current assets		
Cash and cash equivalents (Note 1)	$169.2	$ 430.7
Short-term liquid investments (Note 1)	19.4	46.3
Accounts and notes receivable		
Trade (less allowance for doubtful accounts of $15.6 for 1990 and $14.1 for 1989)	201.7	192.2
Other receivables	34.2	35.3
Inventories	180.7	170.0
Other	36.5	9.2
Total current assets	641.7	883.7

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

1 (In Part): Summary of Accounting Policies

Investments
Armco has investments in associated companies (joint ventures, partnerships, and companies in which Armco has a 20% or more interest, but does not control). These investments are accounted for under the equity method. Except for National-Oilwell and ASC, which are reported separately on Armco's Statement of Consolidated Income, Armco's share of the pretax results of associated companies has been included in Income before income taxes, with the related taxes included in income taxes. The following summary financial information is Armco's share of its investments in associated companies accounted for by the equity method:

	1990	1989	1988
Current assets	$ 533.0	$ 459.7	$ 192.2
Noncurrent assets	696.0	647.8	148.0
Current liabilities	342.2	221.2	82.9
Noncurrent liabilities	298.6	279.6	55.0
Net sales	1,224.0	988.2	432.1
Gross profit	189.9	165.7	56.0
Net income (loss)	$ (29.2)	$ 37.0	$ 10.1

Armco has invested in certain long-term private and U.S. government-agency debt obligations which are recorded at cost which approximates market. The majority of these investments are not intended to be used for current operating expenditures. At December 31, 1990, the cost of these investments totaled $268.6 of which $249.2 matures after one year and is recorded as Investments in marketable securities in Armco's Statement of Consolidated Financial Position.

Armco has established policies which limit the type, credit quality and duration of the securities in which it invests. At December 31, 1990, Armco has included in its investment portfolio, $34.1 in long-term U.S. government-

agency obligations with the remaining investments made in high quality asset and mortgage-backed obligations and corporate securities. Armco holds no investments in any single private issuer which exceeds 6% of the total portfolio.

Statement of Cash Flows

Cash equivalents, which consist primarily of commercial paper, bank repurchase agreements, and certificates of deposit, are stated at cost plus accrued interest, which approximates market. Cash equivalents include only securities having a maturity of three months or less at the time of purchase. Securities having a maturity of more than three months and less than twelve months are classified as Short-term liquid investments.

In accordance with Statement of Financial Accounting Standards No. 95, *Statement of Cash Flows,* cash flows from Armco's operations in foreign countries are calculated based on their reporting currencies. As a result, amounts related to assets and liabilities reported on the Statement of Consolidated Cash Flows will not necessarily agree to changes in the corresponding balances on the Statement of Consolidated Financial Position. The effect of exchange rate changes on cash balances held in foreign currencies is reported on a separate line below Cash flows from investing activities.

COMPAQ COMPUTER CORPORATION (DEC)

	1990	1989
	(In thousands)	
Current assets:		
Cash and short-term investments	$ 434,700	$ 161,313
Accounts receivable, less allowance of $14,249,000 and $11,467,000	626,548	530,228
Inventories	543,630	559,042
Prepaid expenses	83,054	61,916
Total current assets	1,687,932	1,312,499

Notes to Consolidated Financial Statements

Note 2—Short-Term Investments:

The Company held the following short-term investments:

	1990	1989
	(In thousands)	
Money market instruments	$383,621	$152,976
Commercial paper	21,300	
	$404,921	$152,976

All such investments are carried at cost plus accrued interest, which approximates market, have maturities of three months or less and are considered cash equivalents for purposes of reporting cash flows.

LIZ CLAIBORNE, INC. (DEC)

	1990	1989
	(All dollar amounts in thousands)	
Current Assets:		
Cash and cash equivalents (Notes 1 and 4)	$143,717	$ 82,182
Marketable securities (Notes 1 and 4)	288,094	290,703

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant accounting policies

Cash equivalents

All highly liquid investments with a remaining maturity of three months or less at the date of acquisition are classified as cash equivalents.

Marketable securities

Investments are stated at cost, which approximates market value. Gains and losses on investment transactions are recognized when realized based on settlement dates. Dividends on money market preferred stock are recorded in income based on payment dates. Interest is recognized when earned.

4. Marketable securities

Marketable securities include:

	1990	1989
	(Dollars in thousands)	
Tax exempt notes and bonds	$181,852	$ 77,463
U.S. Government securities	97,020	176,355
Commercial paper	7,022	18,303
Money market preferred stocks	2,200	12,500
Certificates of deposit and bankers acceptances	—	6,082
	$288,094	$290,703

The above investments do not include cash equivalents, consisting primarily of money market preferred stocks and commercial paper, of $139,112,000 in 1990 and $79,500,000 in 1989.

GERBER PRODUCTS COMPANY (MAR)

	1990	1989
	(Thousands of Dollars)	
CURRENT ASSETS		
Cash and cash equivalents	$ 32,097	$ 33,499
Short-term investments—Note C	19,941	
Trade accounts receivable, less allowances (1990—$8,245; 1989—$4,073)	110,355	113,395
Inventories:		
Finished products	101,140	89,754
Work-in-process	37,835	36,038
Raw materials and supplies	59,428	51,515
	198,403	177,307
Current assets of discontinued operations	2,574	515
TOTAL CURRENT ASSETS	363,370	324,716

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Short-Term Investments

As part of its investing activities, the Company has an agreement to purchase on an ongoing basis up to $100,000,000 of trade receivables from a manufacturing company (the seller) on a discounted basis. The Company may, from time to time, elect not to purchase all receivables offered by the seller, in which case a commercial bank has agreed to purchase the receivables and grant the company an option to purchase the receivables at a later date. The trade receivables are purchased without recourse against the seller and are from customers primarily in the commercial airline or aircraft manufacturing industries, with high credit standing. The Company uses both internally generated cash and borrowings through issuance of commercial paper to finance the purchases. Such recurring transactions are expected to generate favorable returns. The Company has the right to terminate the agreement at its discretion.

On March 31, 1990, the Company held uncollected accounts receivable totalling $19,941,000 and had an option to purchase additional accounts receivable from a commercial bank. Subsequent to year end, the Company exercised the option and acquired additional receivables at a cost of $79,575,000. The purchase was funded primarily through the issuance of commercial paper.

GOLDEN ENTERPRISES, INC. (MAY)

	1990	1989
Current Assets:		
Cash and cash equivalents (Note 1)	$ 2,309,100	$ 2,679,618
Marketable securities (Note 1)	9,315,843	16,518,636
Receivables:		
Trade notes and accounts	9,428,846	9,441,038
Other	178,727	458,114
	9,607,573	9,899,152
Less: Allowance for doubtful accounts	20,000	20,000
	9,587,573	9,879,152
Inventories:		
Raw materials	2,747,807	2,510,466
Finished goods	3,221,554	3,397,398
	5,969,361	5,907,864
Prepaid expenses	2,283,773	1,710,402
Total current assets	29,465,650	36,695,672

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Marketable Securities

At May 31, 1990 and 1989, marketable securities consist of the following:

	1990	1989
Municipal obligations	$9,315,843	$16,518,636

The cost of the specific security sold is used to compute gains or losses.

Marketable securities are carried at cost which approximates market value.

LEE ENTERPRISES, INCORPORATED (SEP)

	1990	1989
	(In thousands)	
Current Assets		
Cash and cash equivalents	$16,005	$10,410
Temporary investments	100	10,096
Trade receivables, less allowance for doubtful accounts 1990 $3,000; 1989 $2,900	44,526	29,462
Receivables from associated companies	2,082	1,923
Inventories	11,955	3,552
Film rights and other	16,389	14,209
Total current assets	$91,057	$69,652

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Temporary investments:

Temporary investments are carried at cost which approximates market.

PREMIER INDUSTRIAL CORPORATION (MAY)

	1990	1989
	(In thousands of dollars)	
Current assets:		
Cash (including temporary investments of $40,503 and $26,299 in 1990 and 1989, respectively)	$ 48,767	$ 33,230
Receivables (less allowance for doubtful accounts of $1,120 and $1,107 in 1990 and 1989, respectively)	90,869	85,961
Inventories	106,743	89,276
Prepaid expenses	3,841	6,158
Total current assets	$250,220	$214,625

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(c) Temporary Investments

Funds retained for future use in the business are temporarily invested in time deposits, commercial paper, tax exempt bonds, treasury notes and common stocks. These investments, which include treasury notes of $6,014,000 at

May 31, 1990, and common stocks of $10,862,000 and $10,663,000 and tax exempt bonds of $7,626,000 and $4,000,000 at May 31, 1990 and 1989, respectively, are carried principally at cost which approximates market value. For purposes of the statement of cash flows, the Company considers temporary investments to be cash equivalents.

THE STANDARD REGISTER COMPANY (DEC)

	1990	1989
	(Dollars in thousands)	
Current Assets		
Cash	$ 3,470	$ 1,670
Temporary cash investments, at cost which approximates market	37,955	54,542
Accounts receivable, less allowance for losses of $3,497 and $3,018, respectively	140,051	137,594
Inventories	95,064	98,850
Deferred federal income tax	9,434	5,270
Prepaid expense	3,325	2,655
Total current assets	$289,299	$300,581

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Temporary Cash Investments—Temporary cash investments are principally comprised of money market instruments with original maturities of three months or less.

WINNEBAGO INDUSTRIES, INC. (AUG)

	1990	1989
	Dollars in thousands	
Current Assets		
Cash and cash equivalents	$ 22,160	$ 828
Marketable securities	1,459	21,690
Receivables, less allowance for doubtful accounts ($2,499 and $2,679, respectively)	23,472	23,319
Dealer financing receivables, less allowance for doubtful accounts ($1,330 in 1989)	—	52,939
Inventories	53,331	73,832
Current portion or net investment in direct financing leases, net of residual valuation reserves	2,243	7,197
Prepaid expenses	3,807	3,342
Income tax refund receivable	10,186	7,687
Deferred income taxes	12,792	9,544
Total current assets	129,450	200,378

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Marketable Securities. Marketable equity securities are carried at the lower of cost or market and marketable non-equity securities are carried at cost. Net realized gains and losses on security transactions are determined on the specific identification cost basis.

Note 3: Marketable Securities

Marketable equity securities are carried at the lower of cost or market value; non-equity securities are carried at cost which approximates market value.

	1990	1989
	(Dollars in thousands)	
Marketable Securities		
Equity Securities		
Aggregate cost	$ 440	$ 20,101
Aggregate market value	398	19,758
Unrealized gains	—	577
Unrealized losses	42	920
Non-Equity securities		
Aggregate cost	$ 1,061	$ 1,932

Lower Of Cost Or Market

ALICO, INC. (AUG)

	1990	1989
Current assets:		
Cash, including time deposits and other cash investments of $515,689 in 1990 and $499,895 in 1989	$ 725,539	$ 854,608
Marketable equity securities, at market in 1990 and cost in 1989 (note 3)	1,464,020	1,652,443
Other marketable securities, at cost (market value of $5,728,561 in 1990 and $5,805,225 in 1989)	5,561,112	5,581,779
Accounts receivable:		
Citrus sales ($1,964,782 in 1990 and $2,629,879 in 1989 due from affiliate)	1,966,777	2,699,075
Other	388,225	194,465
Mortgage notes receivable from sales of real estate	450,804	430,233
Accrued interest receivable	183,799	170,160
Refundable income taxes	286,318	293,926
Inventories:		
Beef cattle	939,446	904,519
Fruit crop on trees	6,167,439	4,355,661
Prepaid expenses	177,679	73,222
Total current assets	18,311,158	17,210,091

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(d) Marketable Securities

Marketable equity securities are carried at the lower of

cost or market at the balance sheet date. Aggregate net unrealized investment losses are included in results of operations. Other marketable securities, which consist of debt instruments, are carried at the lower of cost or market. The cost of marketable securities is determined on the specific identification method.

3. Marketable Equity Securities

At August 31, 1990 marketable equity securities which had a cost of $1,564,020 were carried at market. At August 31, 1989, marketable equity securities included in current assets were carried at cost, $1,652,443 which was less than their market value of $1,706,579. To reduce the carrying amount of the marketable equity securities to market, the Company recorded a valuation allowance of $100,000 in 1990 and $165,000 in 1988 with a corresponding charge to net income.

At August 31, 1990, gross unrealized gains and gross unrealized losses pertaining to the marketable equity securities were $54,000 and $156,000, respectively.

AMERICAN SOFTWARE, INC. (APR)

	1990	1989
Current assets:		
Cash and cash equivalents	$ 1,689,214	$ 3,737,167
Investments (notes 2)	53,188,539	46,694,962
Trade accounts receivable, less allowance for doubtful accounts of $1,200,000 in 1990 and $1,100,000 in 1989	22,962,781	19,356,444
Unbilled accounts receivable	2,510,029	61,396
Prepaid expenses and other current assets	1,648,355	1,220,739
Total current assets	81,998,918	71,070,708

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(c) Investments

Marketable equity securities are recorded at the lower of aggregate cost or market and debt securities and money market funds are carried at cost which approximates market. The cost of the marketable securities sold is based on the earliest acquisition cost of each security held at the time of sale. Unrealized gains and losses on marketable equity securities are recognized in the determination of net earnings.

2. Investments

Investments consist of the following:

	April 30,	
	1990	1989
Money market funds	$ 12,721,877	$ 16,772,117
U.S. Treasury securities	21,310,675	15,143,284
Tax-exempt state and municipal bonds	17,092,788	13,950,561
Common stocks	2,063,199	829,000
	$53,188,539	$46,694,962

The market value of the U.S. Treasury securities and tax-exempt state and municipal bonds was approximately $37,447,000 and $28,670,000 at April 30, 1990 and 1989, respectively.

Marketable equity securities are carried at market for both years presented, which is lower than cost. These investments had an aggregate cost of approximately $2,231,000 and $919,000 at April 30, 1990 and 1989, respectively. A valuation allowance to reduce the carrying amount of the portfolio to market in the amounts of approximately $167,000 $90,000, and $272,000 was recorded at April 30, 1990, 1989, and 1988, respectively. Changes in the valuation allowance have been included in the determination of net earnings for the respective years. At April 30, 1990, the gross unrealized gains and losses pertaining to marketable equity securities were approximately $99,000 and $266,000, respectively.

Net realized gains of $330,347 and net realized losses of $132,237 and $694,441 from the sale of marketable equity securities are included in the determination of net earnings in 1990, 1989, and 1988, respectively.

ASTROSYSTEMS, INC. (JUN)

	1990	1989
Current assets:		
Cash and cash equivalents	$ 7,092,000	$14,610,000
Marketable securities (Notes A[3] and C)	21,314,000	15,484,000
Accounts receivable (less estimated doubtful accounts of $87,000 in 1990 and $250,000 in 1989)	5,196,000	4,302,000
Inventories	6,178,000	5,271,000
Prepaid and refundable income taxes		1,129,000
Prepaid expenses and other current assets	1,125,000	1,509,000
Total current assets	40,905,000	42,305,000

NOTES TO FINANCIAL STATEMENTS

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

3. Marketable Securities: Marketable securities are carried at the lower of cost or market.

Note C-Marketable securities:

At June 30, 1990 and June 30, 1989 marketable securities included in current assets had a cost of $21,682,000 and $15,730,000, respectively (which includes U.S. Treasury obligations at a cost of $19,758,000 and $13,840,000, respectively).

CSP INC. (AUG)

	1990	1989
	(Dollars in thousands)	
Current assets:		
Cash	$7,483	$6,875
Marketable securities (Note 2)	6,307	6,566

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Marketable securities:

Marketable equity securities are carried at the lower of aggregate cost or market value. Other investments are carried at cost which approximates market. Interest income is accrued as earned. Dividend income is recorded as income on the date the stock traded "exdividend". The cost of marketable securities sold is determined on the specific identification method and realized gains or losses are reflected in income. The Company's investments in money market funds and commercial paper are related to its investment activities and, therefore, these amounts are not treated as cash equivalents.

2. Marketable securities:

At August 31, 1990 and 1989, marketable securities consisted of the following:

	1990	1989
	(In thousands)	
Marketable equity securities, at cost	$ 657	$ 500
Less: valuation allowance	179	127
Marketable equity securities, at market	478	373
Bonds and municipal revenue notes	1,050	700
Money market funds and commercial paper	4,579	5,493
U.S. Treasury bills	200	—
Total	$6,307	$6,566

Net realized gains on the sales of securities included in the determination of income before taxes amounted to $15,000 for fiscal 1989.

At August 31, 1990 and 1989, gross unrealized losses pertaining to marketable equity securities were $179,000 and $127,000.

MAXXAM INC. (DEC)

	1990	1989
	(In millions of dollars)	
Current assets:		
Cash and cash equivalents	$ 66.3	$ 92.2
Marketable securities	21.4	196.5
Receivables:		
Trade, net of allowance for doubtful accounts of $5.4 and $10.7 at December 31, 1990 and 1989, respectively	191.0	222.7
Other	68.6	80.1
Inventories	612.1	596.6
Prepaid expenses and other current assets	68.6	83.2
Total current assets	1,028.0	1,271.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In millions of dollars)

1 (In Part): Basis of Presentation and Summary of Significant Accounting Policies

Cash Equivalents

Cash equivalents consist of money market funds, treasury bills and other highly liquid investments with original maturities of three months or less.

Marketable Securities

Marketable securities portfolios are carried at the lower of cost or market at the balance sheet date. The cost of the securities sold is determined using the first-in, first-out method. The cost of securities held at December 31, 1990 and 1989 was $23.4 and $221.1, respectively. The market values of such securities at December 31, 1990 and 1989 were $21.4 and $196.5, respectively. Gross unrealized gains and losses at December 31, 1990 were $1.6 and $3.6, respectively. Included in investment, interest and other income for each of the three years ended December 31, 1990 are: 1990–net realized losses of $26.6 and the recovery of $22.6 of net unrealized losses; 1989–net realized gains of $31.0 and net unrealized losses of $24.6; and 1988–net realized gains of $34.2 and the recovery of $29.6 of net unrealized losses. Net unrealized losses represent the amount required to reduce the short-term marketable securities portfolios from cost to market value at the balance sheet date.

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 16 receivables for interest, litigation claims, or other described transactions which occur less frequently than those listed in Table 2-5. Examples of receivables shown as current assets follow.

TABLE 2-5: CURRENT RECEIVABLES

	1990	1989	1988	1987
Trade Receivable Captions				
Accounts receivable	232	239	224	228
Receivables	158	149	153	157
Trade accounts receivable	124	103	128	107
Accounts and notes receivable	86	109	95	108
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables				
Tax refund claims	56	50	50	68
Contracts	54	56	54	45
Investees	28	25	26	33
Finance	25	28	12	6
Employees	8	10	6	9
Installment notes or accounts	6	7	8	9
Sale of assets	1	8	6	9

RECEIVABLES OTHER THAN TRADE RECEIVABLES

Income Tax Refund Claims

FEDDERS CORPORATION (DEC)

	1990	1989
	(Amounts in thousands)	
Current assets:		
Accounts receivable (less allowance of $2,419 in 1990 and $3,150 in 1989)	$ 20,504	$ 74,565
Current income tax receivable (note 7)	9,007	—
Inventories	79,344	84,077
Deferred income taxes	4,337	4,016
Prepaid expenses	920	405
Total current assets	114,112	163,063

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Income taxes

The current income tax receivable of $9,007,000 represents the anticipated refund of taxes paid in the current and prior years which are recoverable due to the existence and utilization of 1990 operating losses.

IPCO CORPORATION (JUN)

	1990	1989
	(In Thousands of Dollars)	
Current Assets		
Cash and cash equivalents—unrestricted	$10,157	$ 5,042
Cash—restricted	7,689	2,737
Accounts and notes receivable less allowance for doubtful accounts of $726 in 1990 and $469 in 1989	6,465	5,263
Inventories	12,588	20,267
Prepaid expenses and other current assets	1,104	156
Recoverable taxes	310	1,514
Discontinued operations—net	—	13,935
Total Current Assets	38,313	48,914

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Income Taxes

In 1990, recoverable taxes are attributed to net operating loss carryback claims. In 1989, recoverable taxes represent Federal and state tax refunds due to the Company, which were generated from the disposition of the Whitestone Products and the Uniforms by Gilson divisions.

ROBERTSON-CECO CORPORATION (DEC)

	1990	1989
	(In thousands)	
Current assets		
Cash and cash equivalents	$ 12,269	$ 6,183
Restricted cash	—	7,398
Accounts and notes receivable, less allowance for doubtful accounts: 1990, $4,282; 1989, $3,608	168,006	131,785
Income tax refunds receivable	9,965	—
Inventories	83,494	60,723
Net assets of discontinued operations—current	3,551	7,462
Other current assets	7,465	3,984
Total current assets	284,750	217,535

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Taxes on income

The Combination described in Note 2 resulted in Ceco continuing as the surviving corporation for tax purposes. Accordingly, losses, related primarily to change in control costs of Ceco Industries, can be carried back to prior

years. At December 31, 1990, federal and state income tax receivables totalling $9,965,000 have been included in the Consolidated Balance Sheets.

Contracts

HALLIBURTON COMPANY (DEC)

	1990	1989
	(In millions)	
Cash and investments		
Cash and equivalents	$ 123.4	$ 401.8
Fixed maturity securities, at cost (market value of $667.5 and $682.4)	651.6	666.9
Other investments	44.6	10.1
Total cash and investments	819.6	1,078.8
Receivables:		
Notes and accounts receivable (less allowance for bad debts of $40.2 and $20.8) (Note 1)	1,409.3	1,198.6
Unbilled work on uncompleted contracts (Note 1)	202.1	138.8
Refundable Federal income taxes	55.1	55.1
Total receivables	1,666.5	1,392.5
Inventories	469.0	378.4

NOTES TO FINANCIAL STATEMENTS

1. Receivables. The Company's receivables are generally not collateralized. Notes and accounts receivable at December 31, 1990 include $26.9 million ($39.5 million at December 31, 1989) not currently collectible from customers in accordance with applicable retainage provisions of engineering and construction contracts. Of the December 31, 1990 amounts, about $23.7 million is expected to be collected during 1991 and the remainder is due in subsequent years.

Unbilled work on uncompleted contracts generally represents work currently billable and such work is usually billed during normal billing processes in the next month.

LITTON INDUSTRIES, INC. (JUL)

	1990	1989
	(Thousands of dollars)	
Current Assets		
Cash and marketable securities	$1,244,391	$1,068,761
Accounts receivable less allowance for doubtful accounts of $28,469 (1990) and $43,257 (1989) (Note C)	973,690	1,060,222
Inventories less progress billings	717,541	805,275
Prepaid taxes on income and other expenses	272,020	275,612
Total Current Assets	3,207,642	3,209,870

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C (In Part): Accounts Receivable and Inventories

Following are the details of accounts receivable:

	1990	1989
	(thousands in dollars)	
Receivables related to long-term contracts		
Amounts billed		
U.S. Government	$ 155,806	$ 150,441
Other	108,885	128,222
Unbilled recoverable costs and accrued profit on progress completed and retentions		
U.S. Government	101,492	90,408
Other	113,664	177,299
	479,847	546,370
Other receivables, principally from commercial customers	493,843	513,852
	$ 973,690	$1,060,222

Of the retentions balance and amounts not billed at July 31, 1990, $124.9 million is expected to be collected in fiscal year 1991 with the balance to be collected in subsequent years, as contract deliveries are made and warranty periods expire. Other receivables includes $194.9 million related to the Company's resource exploration services business at July 31, 1990.

Receivables From Investees/Affiliates

THE ALLEN GROUP INC. (DEC)

	1990	1989
	(Amounts in Thousands)	
CURRENT ASSETS		
Cash	$ 818	$ 22,714
Accounts receivable, less allowance for doubtful accounts—1990, $2,111,000, 1989, $1,538,000	54,705	58,278
Lease receivables	19,609	16,848
Receivable from joint ventures (Note 4)	19,660	—
Inventories:		
Raw material	28,654	28,865
Work in process	26,653	25,708
Finished goods	27,158	31,778
	82,465	86,351
Prepaid expenses	1,866	1,747
Total current assets	179,123	185,938

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Investment in Joint Ventures

GO/DAN Industries was organized, effective as of June 1, 1990, when the Company transferred to the joint venture machinery and equipment, raw material and work in process inventories and certain prepaid expenses, net of

related accrued liabilities, while Handy & Harman transferred similar assets and liabilities. The Company retained certain fixed assets, accounts receivable, finished goods inventory and certain actual and contingent liabilities of the business. The finished goods inventory was consigned to the joint venture for sale in the ordinary course of business for which the Company will be paid at agreed upon prices. The accounts receivable from joint ventures at December 31, 1990 represented principally amounts due from the sale of such inventory as well as inventory manufactured by the Company on a temporary basis for the venture.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

	1990	1989
	(In millions)	
Current Assets:		
Cash and cash equivalents	$ 285	$ 209
Marketable securities, at cost that approximates market	79	94
	364	303
Receivables—		
Trade, net of allowances of $29 in 1990 and $31 in 1989	2,395	2,061
Joint ventures, partnerships and other	369	240
Inventories	1,123	1,102
Prepaid expenses and other	200	268
Total current assets	4,451	3,974

AMERICAN PETROFINA, INCORPORATED (DEC)

	1990	1989
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 9,776	4,216
Accounts and notes receivable, less allowance for doubtful receivables of $6,520 in 1990 and $7,307 in 1989 (note 11)	586,186	414,523
Inventories	250,686	267,034
Deferred Federal income taxes	20,417	14,611
Prepaid expenses and other current assets	12,910	10,939
Total current assets	879,975	711,323

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Related Party Transactions

The Company has a 50% interest in joint ventures with PDI in Texas and with Petrofina S.A. in Hong Kong which market chemicals in international trade. The Company sold chemicals aggregating $86,929,000 in 1990, $88,881,000 in 1989 and $99,413,000 in 1988 to the joint ventures. The Company paid the joint ventures $1,189,000 in 1990 and $1,936,000 in 1989 for purchased products and commissions. The joint venture with PDI sold chemicals aggregating $7,984,000 in 1990, $7,817,000 in 1989 and $9,987,000 in 1988 to a wholly-owned subsidiary of Petrofina S.A.

Accounts receivable include $45,165,000 and $24,066,000 at December 31, 1990 and 1989, respectively, from affiliates. Accounts payable include $1,679,000 and $1,046,000 at December 31, 1990 and 1989, respectively, to affiliates.

Finance Receivables

THE COCA-COLA COMPANY (DEC)

	1990	1989
	(Dollars in thousands)	
Current Assets		
Cash and cash equivalents	$1,429,555	$1,096,020
Marketable securities, at cost (approximates market)	62,569	85,671
	1,492,124	1,181,691
Trade accounts receivable, less allowances of $29,510 in 1990 and $14,347 in 1989	913,541	768,335
Finance subsidiary—receivables	38,199	52,093
Inventories	982,313	789,077
Prepaid expenses and other assets	716,601	812,304
Total Current Assets	4,142,778	3,603,500

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, 1990, are as follows (in thousands):

1991	$38,199
1992	30,609
1993	20,156
1994	11,290
1995	7,111

These amounts do not reflect possible prepayments or renewals. Finance receivables include amounts due from Johnston of $56 million and $59 million at December 31, 1990 and 1989, respectively.

At December 31, 1990, CCFC had outstanding interest rate swap agreements which effectively change CCFC's floating interest exposure on $60 million of commercial paper to a fixed rate of approximately 8.2 percent.

TANDEM COMPUTERS INCORPORATED (SEP)

	1990	1989
	(In thousands)	
Current assets		
Cash and equivalents	$ 91,089	$ 197,174
Accounts receivable, net of allowances of $13,446 in 1990 and $11,599 in 1989	462,270	399,347
Current portion of lease receivables	32,688	20,093
Inventories	188,094	144,176
Prepaid income taxes	59,692	77,759
Prepaid expenses and other	28,948	24,602
Total current assets	862,781	863,151

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leasing Program

The Company offers lease financing of selected products to its customers. Sales-type leases are originated by the Company and either sold on a limited recourse basis or used as collateral for borrowings from certain third-party financial institutions. 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 a limited recourse pool established as a percentage of each associated group of financed lease transactions. The Company may also be required to participate in remarketing 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. The following table relates the borrowing and repayment activity in the lease related installment notes to the investment in sales leases:

(In thousands)	1990	1989	1988
Total borrowings, beginning balance	$ 36,918	$ 14,524	$ 2,441
Current year borrowings	81,711	30,243	14,147
Current year repayments	(26,513)	(7,849)	(2,064)
Total borrowings, ending balance	92,116	36,918	14,524
Leases not funded at year-end	11,759	20,531	9,990
Insured residual values	3,118	875	386
Investment in sales leases	106,993	58,324	24,900
Less current receivables	(32,688)	(20,093)	(9,216)
Lease receivables	$ 74,305	$ 38,231	$15,684

The borrowings and repayments shown above are included in the Company's total borrowings and repayments as shown in the Consolidated Statements of Cash Flows.

Sales of lease receivables in 1990, 1989, and 1988 were $21.0 million, $27.7 million, and $25.9 million, respectively.

At September 30, 1990 and 1989, reserves for recourse liabilities on sales of lease receivables were approximately $5.4 million and $3.3 million, respectively.

WHIRLPOOL CORPORATION (DEC)

	1990	1989
	(millions of dollars)	
Current Assets		
Cash and Cash Equivalents	$ 78	$ 78
Short-Term Investments	2	63
Trade Receivables Less Allowances of $41 in 1990 and $12 in 1989	943	930
Financing Receivables and Leases, Less Allowances	943	828
Inventories	801	884
Prepaid Expenses and Other	108	71
Deferred Income Taxes	25	35
Total Current Assets	2,900	2,889

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Financing Receivables and Leases

DECEMBER 31	1990	1989
	(million of dollars)	
Financing Receivables	$1,312	$1,006
Leveraged Leases	57	60
Direct Financing Leases	183	271
Other	76	34
	1,628	1,371
Unearned Income	(106)	(106)
Estimated Residual Value	67	72
Allowances for Doubtful Accounts	(18)	(12)
Total Financing Receivables and Leases	1,571	1,325
Less Current Portion	943	828
Long-Term Portion	$ 628	$ 497

Deferred income tax liabilities relating to leveraged and direct financing leases were $85 million at December 31, 1990 and 1989.

Financing receivables and leases at December 31, 1990 include $321 million due from household appliance and electronics dealers and $163 million from aerospace financing transactions. These amounts are generally secured by the assets financed. Financing receivables and leases also include $113 million from companies with high debt to equity ratios resulting from buyout and restructuring transactions. The portfolio is well diversified, consisting of various industries. These loans are secured by assets of the companies and are expected to be repaid from operating cash flow or proceeds from the sale of selected assets.

Financing receivables and minimum lease payments receivable at December 31, 1990 mature contractually as follows:

(millions of dollars)	Financing Receivables	Leveraged and Direct Financing Leases	Other
1991	$ 922	$ 65	$13
1992	159	51	12
1993	75	37	11
1994	34	20	11
1995	58	18	10
Thereafter	64	39	23
	$1,312	$ 230	$80

Drafts

CPC INTERNATIONAL INC. (DEC)

	1990	1989
	$ Millions	
Current assets		
Cash and cash equivalents	$ 47.5	$ 107.2
Notes and accounts receivable:		
Notes and drafts receivable	65.7	60.2
Accounts receivable—trade	696.7	560.7
—other	93.4	63.4
Allowances for doubtful accounts	(16.8)	(12.8)
Inventories:		
Finished and in process	473.2	368.3
Raw materials	192.6	150.7
Manufacturing supplies and mechanical stores	115.0	95.5
Prepaid expenses	47.1	33.9
Total current assets	1,714.4	1,427.1

Bankruptcy Claims

CLEVELAND-CLIFFS INC. (DEC)

	1990	1989
	(In Millions)	
CURRENT ASSETS		
Cash and cash equivalents	$ 98.1	$ 96.8
Trade accounts receivable	38.5	21.4
Receivables from associated companies	11.3	15.7
Receivable from recovery on bankruptcy claims	71.3	-0-
Product inventories	36.1	31.5
Deferred income taxes	-0-	7.4
Other	10.9	6.8
TOTAL CURRENT ASSETS	266.2	179.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F—Bankruptcy Settlements

In December, 1990 the Bankruptcy Court confirmed Wheeling-Pittsburgh Steel Corporation's ("Wheeling") reorganization plan. In settlement of the Company's $100.0 million allowed unsecured claim against Wheeling, the Company received $56.0 million in cash on January 4, 1991, and subsequently received 970,300 shares of Wheeling common stock valued at $10.9 million based on the right to convert the stock to cash at $11.25 per share in 1991. The Company's indirect share of the settlement of the Wabush $59.4 million allowed unsecured claim against Wheeling was $4.4 million. The Wheeling bankruptcy settlement resulted in a total gain of $71.3 million ($47.1 million after tax, or $4.03 per share). The Company may receive additional recoveries on its claims against Wheeling from the resolution of certain disputed claims by others. In addition, during 1989 the Company received Wheeling's 6.25% partnership interest in Tilden Iron Ore Partnership, ("TIOP", a 64% participant in Tilden). Wheeling remains a 9.95% participant in Empire.

In December, 1990, Sharon Steel Corporation ("Sharon") emerged from bankruptcy pursuant to the reorganization plan approved by the Bankruptcy Court. For an allowed unsecured claim of $27 million against Sharon, the Company will receive common shares of Mueller Industries, Inc. ("Mueller"), the reorganized successor company to Sharon, and a promissory note from Mueller of approximately $800,000. As the amount the Company will ultimately recover from Sharon is not presently determinable, no amount has been recorded in the consolidated financial statements. In addition, during 1990 the Company entered in a long-term iron ore sales agreement with Sharon and received Sharon's 7.8125% partnership interest in TIOP.

On January 8, 1991, the Company declared a $46.8 million ($4.00 per share) special dividend payable on February 15, 1991, to distribute the Company's direct recoveries from Wheeling and anticipated recoveries from Sharon.

Receivable From Broker-Dealers

McGRAW-HILL, INC. (DEC)

	1990	1989
	(Thousands of dollars)	
Current assets		
Cash and equivalents	$20,611	$34,586
Accounts receivable (net of allowance for doubtful accounts: 1990-$64,328; 1989-$54,360; 1988-$50,966)	568,905	498,127
Receivable from broker-dealers and dealer banks (Note 1)	86,403	—
Inventories:		
Finished goods	126,068	104,748
Work-in-process	39,443	39,939
Paper and other materials	22,459	21,848
Total inventories	187,970	166,535
Prepaid income taxes	44,411	90,418
Prepaid and other current assets	52,815	50,060
Total current assets	961,115	839,726

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Receivable from/payable to broker-dealers and dealer banks. A subsidiary of J.J. Kenny Co. acts as an undisclosed agent in the purchase and sale of municipal securities for broker-dealers and dealer banks and the company had $135.7 million of matched purchase and sale commitments at December 31, 1990. Only those transactions not closed at the settlement date are reflected in the balance sheet as receivables and payables.

Installment Receivables

SNAP-ON TOOLS CORPORATION (DEC)

	1990	1989
	(Amounts in thousands)	
Current assets		
Cash and cash equivalents	$ 6,584	$ 5,078
Accounts receivable, less allowance for doubtful accounts of $4.0 million in 1990 and $2.9 million in 1989 (Note 1e)	459,381	403,926
Inventories	182,065	137,106
Prepaid expenses	27,008	18,513
Total current assets	675,038	564,623

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

E. Accounts receivable

Accounts receivable includes installment receivable amounts which are due subsequent to one year from balance sheet dates. These amounts were approximately $29 million and $30 million at the end of 1990 and 1989. A portion of unearned finance charges is recognized as income in the month of sale to offset initial direct costs incurred in processing the installment contract. The remaining finance charges are recognized as income over the life of the installment contract based on the liquidation method. Under this method, finance charges are recognized as income in the ratio of monthly collections to installment receivables.

Gross installment receivables amounted to $460.1 million and $423.3 million at the end of 1990 and 1989. Of these amounts, $98.0 million and $87.3 million, respectively, represented unearned finance charges at the end of 1990 and 1989.

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1990	1989	1988	1987
Receivables sold to finance subsidiaries	13	27	46	50
Receivables sold to independent entities	67	48	47	47
Receivables used as collateral	55	39	44	40
Total References	**135**	**114**	**137**	**137**
Reference to receivable financing	131	97	134	129
No reference to receivable financing	469	503	466	471
Total Companies	**600**	**600**	**600**	**600**

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that the 1990 annual reports of 131 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*, as amended by *SFAS No. 105*, apply to receivables sold with recourse.

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.

Receivables Sold

BROWN GROUP, INC. (JAN)

	1991	1990
	(Thousands)	
Current Assets		
Cash and cash equivalents	$16,335	$22,274
Receivables, net of allowances of $8,952 in 1990 and $7,753 in 1989	120,750	141,033
Inventories, net of adjustment to last-in, first-out cost of $98,796 in 1990 and $94,107 in 1989	362,554	333,336
Net current assets of discontinued operations	—	1,698
Prepaid expenses and other current assets	35,922	32,672
Total Current Assets	535,561	531,013

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Accounts Receivable

In January 1991, the corporation entered into a three-year agreement with a subsidiary of a major financial institution under which it has the right to sell, on a limited recourse basis, up to $50,000,000 of undivided percentage interests in certain accounts receivable. At February 2, 1991, $30,000,000 of accounts receivable had been sold under this agreement.

The corporation sells footwear to various department store companies and operates leased departments in others. Certain of these department store companies have high debt to equity ratios and some are operating under the protection of Chapter 11 bankruptcy, including Carter Hawley Hale and Campeau Corporation's Federated/Allied Department Stores. At February 2, 1991, the corporation's receivables from these highly leveraged customers totaled approximately $20,000,000. Receivables arising from sales to retailers are not collateralized and as a result management continually monitors the financial condition of these companies to reduce the risk of loss.

CUMMINS ENGINE COMPANY, INC. (DEC)

	1990	1989
	$ Millions	
Current assets:		
Cash and cash equivalents	$ 80.0	$ 73.2
Receivables less allowances of $14.6 and $14.8 for doubtful accounts	376.6	393.5
Inventories	446.0	427.8
Other current assets	88.4	80.1
	991.0	974.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Sale of Receivables: The company has an agreement to sell, without recourse, up to $100 million of undivided fractional interests in a pool of certain eligible receivables. At December 31, 1990 and 1989, the amounts of receivables outstanding under the agreement were $91.3 million and $92.4 million, respectively. As collections reduce previously sold undivided fractional interests, new receivables customarily are sold up to the $100 million level. Other expense (income), net, in the *Consolidated Statement of Operations* includes fees of $8.8 million in 1990, $9.8 million in 1989 and $8.3 million in 1988 related to the sale of receivables under this agreement.

GEORGIA-PACIFIC CORPORATION (DEC)

	1990	1989
	(Millions)	
Current assets		
Cash	$ 58	$ 23
Receivables, less allowances of $39 and $30	409	890
Inventories		
Raw materials	379	299
Finished goods	760	644
Supplies	238	102
LIFO allowance	(168)	(169)
Total inventories	1,209	876
Other current assets	90	40
Total current assets	1,766	1,829

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Receivables

The Corporation has a large, diversified customer base.

As of December 31, 1990, the Corporation had sold fractional ownership interests in a defined pool of trade accounts receivable for $850 million. The net cash proceeds are reported as operating cash flow in the accompanying statement of cash flows. The sold accounts receivable are reflected as a reduction of receivables in the accompanying balance sheet. Under a three-year agreement, the purchasers have agreed to use the collections of receivables to purchase new receivables up to $1 billion. The purchasers' level of investment is subject to change based on the level of eligible receivables and restrictions on concentrations of receivables. Receivables of a certain age and uncollectible receivables are not eligible to be included in the pool. The full amount of the allowance for doubtful accounts has been retained because the Corporation has retained substantially the same risk of credit loss as if the receivables had not been sold. The Corporation pays fees based on its senior debt ratings and the purchasers' level of investment and borrowing costs. The fees, which were $48 million for 1990, are included in selling, general and administrative expense in the accompanying statement of income.

OLIN CORPORATION (DEC)

	1990	1989
	(In Millions)	
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 6	$ 12
Receivables, Less Allowance for Doubtful Items of $12 ($13 in 1989)		
Trade	367	388
Other	52	65
Inventories	293	296
Other Current Assets	16	29
Total Current Assets	734	790

NOTES TO FINANCIAL STATEMENTS

Trade Receivables

During 1990, the Company entered into an agreement to sell an undivided fractional ownership interest in a designated pool of receivables, with limited recourse, in an amount not to exceed $70 million. An interest in new receivables may be sold as collections reduce previously sold interests. Expenses associated with the transaction are included in operating expenses in the consolidated statement of operations. As a result of this agreement, trade receivables as shown in the consolidated balance sheet were net of $50 million at December 31, 1990.

SEQUA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Receivables

During 1988, the Company entered into a three-year agreement with a group of banks to sell, without recourse, up to $100,000,000 of undivided fractional interests in a designated pool of receivables. In September 1988, the Company sold a $90,000,000 interest in receivables under this agreement. As collections reduced previously sold undivided fractional interests, new receivables were sold to maintain the $90,000,000 level. At December 31, 1990 and 1989, receivables as shown in the Consolidated Balance Sheet were net of the $90,000,000 receivable interests sold under this program. Other income (expense), net, in the Consolidated Statement of Income included expenses of $7,793,000 in 1990, $8,743,000 in 1989 and $1,844,000 in 1988 related to the sale of receivables under this agreement.

Receivables at December 31, 1990 and 1989 have been reduced by allowances for doubtful accounts of $11,930,000 and $10,645,000, respectively.

STANDARD MOTOR PRODUCTS, INC. (DEC)

	1990	1989
	(Dollars in Thousands)	
Current assets:		
Cash	$ 10,694	$ 4,007
Marketable securities	5,107	9,766
Accounts receivable, less allowances for discounts and doubtful accounts of $5,356 (1989-$4,748) (Note 4)	81,173	108,692
Inventories	214,331	182,750
Prepaid taxes based on earnings		1,283
Deferred income taxes	2,526	2,902
Prepaid expenses and other current assets	7,102	3,617
Total current assets	320,933	313,017

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Sale of Accounts Receivables

On July 10, 1990, the Company entered into a three-year agreement whereby it can sell up to $25,000,000 of undivided interest in a designated pool of certain eligible accounts receivable. At December 31, 1990, net receivables amounting to $25,000,000 had been sold under this agreement. As collections reduce previously sold undivided fractional interests, new receivables are customarily sold up to the $25,000,000 level. At the expiration of the agreement, the Company and the purchaser share a proportionate risk of loss as the eligible pool of accounts receivable is liquidated. See Note 13.

13. Other Income (Expense)—Net

December 31,	1990	1989	1988
	(Dollars in Thousands)		
Other income (expense)—net consists of:			
Interest and dividend income	$1,863	$1,807	$1,709
Gains (losses) on investments in marketable securities	(1,057)	116	(76)
Loss on sale of accounts receivable (Note 4)	(972)		
Insurance recovery (Note 16)	962		
Foreign exchange	(9)	3	20
Gain on disposition of property, plant and equipment			12
Other—net	42	29	236
	$ 829	$1,955	$1,901

Receivables Used As Collateral

CHOCK FULL O'NUTS CORPORATION (JUL)

	1990	1989
Current Assets:		
Cash and cash equivalents	$ 8,387,777	$ 8,387,760
Short-term investments, at cost which approximates market	28,958,121	39,367,813
Receivables, principally trade, less allowances for doubtful accounts and discounts of $1,105,000 and $1,101,000—Note 3	24,138,375	26,567,529
Inventories	31,884,781	26,262,078
Prepaid expenses	2,131,844	1,125,419
Total Current Assets	95,500,898	101,710,599

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Long-Term Debt

The Company has entered into a term loan agreement and revolving credit agreements (collectively the "Loan Agreements") with National Westminster Bank (the "Bank"). Pursuant to the Loan Agreements, the Company may, from time to time, borrow funds from the Bank, provided that the total principal amount of all such loans outstanding at any time may not exceed $50,000,000. Interest (10% at July 31, 1990) on all of such loans is equal to the prime rate established from time to time by the Bank. Outstanding borrowings under the Loan Agreements may not exceed certain percentages of and are collateralized by, among other things, the Company's trade accounts receivable and inventories, certain machinery and equipment and real estate. All loans made under the term loan agreement ($8,275,000 at July 31, 1990) are to be repaid in varying quarterly installments with the balance due in December 1993. Outstanding loans under the revolving credit agreements are to be repaid in December 1993. Pursuant to the terms of the Loan Agreement, the Company and its subsidiaries must maintain a minimum consolidated tangible net worth and the ratio of consolidated liabilities to consolidated tangible net worth must not exceed a stated ratio. The Loan Agreements also provide, among other matters, that the Company may not acquire any shares of its stock in excess of $5,000,000 annually or declare or pay any dividend (except for stock dividends) in excess of 45% of the consolidated net income of the Company and its subsidiaries from the prior fiscal year.

JOHNSON PRODUCTS CO., INC. (AUG)

	1990	1989
Current assets:		
Cash	$ 149,000	$ 1,097,000
Receivables:		
Trade, less allowance for doubtful accounts of $464,000 in 1990 and $580,000 in 1989 (Note 4)	9,348,000	8,337,000
Other	238,000	305,000
Inventories	6,347,000	4,081,000
Prepaid expenses	581,000	575,000
Total current assets	16,663,000	14,395,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Financing:

The Company previously maintained a revolving line of credit and term loan agreement with a lending institution that provided for secured financing of up to $10 million for a three year period with a renewal option on the revolving line of credit. The stated interest rates on the loans were at four percent above the reference rate as publicly reported by Bank of America. Up to $6 million of the financing was available on a revolving credit basis based on eligible accounts receivable and inventory. The remaining $4 million was in the form of a term note due in monthly installments of principal and interest with a balloon payment of $1.2 million due on January 2, 1990. The Company was given an extension on this payment in order to facilitate its refinancing.

In accordance with the financing agreement mentioned above, as amended, all of the debt ($4.4 million) was refinanced on February 23, 1990 with a new lending institution. The Company now maintains a revolving line of credit with a bank under an agreement which provides for secured financing of up to $5.5 million for a 10 month period. The loan bears interest at one and one quarter percent above the reference rate of the bank. Up to $5.5 million of financing is available on the revolving basis based on eligible accounts receivable, inventory and equipment.

The loans under the agreement are collateralized by certain of the Company's accounts receivable, inventories, and property, plant and equipment. The agreement contains, among other provisions, requirements for maintaining tangible net worth of at least $6,700,000 and other financial tests, maintaining average compensating cash balances of $150,000 and restricting additional borrowings, capital expenditures, investments and the payment of dividends.

The average outstanding balances under the financing agreements were $4,600,000 and $4,400,000 for fiscal years 1990 and 1989, respectively, with weighted average interest rates of 14.0 and 17.1 percent, 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* states that such allowances should be deducted from the related receivables and appropriately disclosed.

TABLE 2-7: DOUBTFUL ACCOUNT CAPTIONS

	1990	1989	1988	1987
Allowance for doubtful accounts	269	281	287	273
Allowance	150	145	145	160
Allowance for losses	23	26	26	26
Allowance for uncollectible accounts	11	13	11	9
Reserve	13	12	12	17
Reserve for doubtful accounts	7	7	9	7
Other caption titles	24	17	18	18
	497	501	508	510
Receivables show net	19	14	10	22
No reference to doubtful accounts	84	85	82	68
Total Companies	**600**	**600**	**600**	**600**

INVENTORIES

Chapter 4 of *ARB No. 43* 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 1990, 1 survey company adopted or extended the use of LIFO and 3 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.

Sixty 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. Twenty-six companies disclosed the effect on income from using LIFO rather than FIFO or average cost to determine inventory cost.

TABLE 2-8: INVENTORY COST DETERMINATION

	Number of Companies			
	1990	1989	1988	1987
Methods				
First-in first-out (fifo)	411	401	396	392
Last-in first-out (lifo)	366	366	379	393
Average cost	195	200	213	216
Other	44	48	50	49
Use of LIFO				
All inventories	20	26	20	18
50% or more of inventories	186	191	207	221
Less than 50% of inventories	92	99	90	86
Not determinable	68	50	62	68
Companies Using LIFO	**366**	**366**	**379**	**393**

Examples of disclosure and reporting practices for inventories follow.

FIFO

BAXTER INTERNATIONAL INC. (DEC)

	1990	1989
	(In millions)	
Current Assets		
Cash	$ 8	$ 31
Cash equivalents	28	35
Marketable securities, at cost, which approximates market	4	1
Accounts receivable, net of allowance for doubtful accounts of $62 in 1990 and $61 in 1989	1,518	1,411
Notes and other current receivables	67	241
Inventories		
Raw materials	251	291
Work in process	212	175
Finished products	1,069	1,036
Total inventories	1,532	1,502
Short-term deferred income taxes	158	91
Prepaid expenses	128	112
Total current assets	3,443	3,424

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Inventories

Inventories are stated at the lower of cost (principally first-in, first-out method) or market. Market for raw materials is based on replacement costs and for other inventory classifications on net realizable value. Appropriate consideration is given to deterioration, obsolescence and other factors in evaluating net realizable value.

CONTROL DATA CORPORATION (DEC)

	1990	1989
	(Dollars in millions)	
Current assets		
Cash and equivalents	$242.7	$ 294.6
Payroll tax filing deposits	—	230.1
Marketable securities	108.3	—
Trade and other receivables		
Trade, less allowance of $13.2 and $11.9	206.0	253.4
Unbilled	103.5	139.0
Other	79.7	90.8
Total	389.2	483.2
Inventories		
Finished goods	46.7	84.1
Work in process	49.3	38.5
Raw materials and purchased parts	86.0	122.4
Total	182.0	245.0
Other current assets	28.7	20.7
Total current assets	950.9	1,273.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Inventories

Inventories are stated at cost not in excess of realizable values. Costs are based on either first-in, first-out or average methods.

Costs incurred in placing developed standard commercial products into production are capitalized and amortized based upon the quantity of units shipped during an 18- to 24-month period after commencement of production.

ECHLIN INC. (AUG)

	1990	1989
	(Dollars in thousands)	
Current Assets:		
Cash and cash equivalents	$ 19,645	$ 17,690
Accounts receivable, less allowance for doubtful accounts of $7,186 and $6,125	204,312	191,996
Inventories:		
Raw materials and component parts	135,187	119,654
Work in process	54,339	48,102
Finished goods	329,229	288,753
Total inventories	518,755	456,509
Other current assets	18,800	15,685
Total current assets	761,512	681,880

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories—Inventories are stated at the lower of cost (first-in, first-out) or market.

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1990 No.	1990 %*	1989 No.	1989 %*
Foods:				
Meat products	3	50	4	57
Dairy products	1	50	1	50
Canning	2	50	2	50
Packaged and bulk	9	60	9	56
Baking	1	50	1	50
Sugar, confections	3	100	3	100
Beverages	7	100	7	100
Tobacco products	3	60	3	75
Textiles	16	69	14	67
Paper products	20	95	22	96
Printing, publishing	12	60	11	58
Chemicals	26	81	25	81
Drugs, cosmetics	15	58	14	56
Petroleum	26	87	26	90
Rubber products	7	88	7	88
Shoes—manufacturing, merchandising	6	75	6	75
Building:				
Cement	3	60	2	50
Roofing, wallboard	6	86	7	78
Heating, plumbing	—	—	—	—
Other	11	65	10	59
Steel and iron	14	74	15	75
Metal—nonferrous	10	59	11	65
Metal fabricating	17	85	19	90
Machinery, equipment and supplies	27	77	28	76
Electrical equipment, appliances	9	43	8	40
Electronic equipment	8	22	8	24
Business equipment and supplies	5	23	5	23
Containers	5	71	5	71
Autos and trucks (including parts, accessories)	18	70	18	69
Aircraft and equipment, aerospace	4	33	4	33
Railway equipment, shipbuilding	1	20	1	20
Controls, instruments, medical equipment, watches and clocks	13	52	14	56
Merchandising:				
Department stores	4	100	4	100
Mail order stores, variety stores	2	100	2	100
Grocery stores	12	92	10	83
Other	5	62	5	62
Motion pictures, broadcasting	—	—	—	—
Widely diversified, or not otherwise classified	35	44	35	43
Total Companies	**366**	**61**	**366**	**61**

*Percent of total number of companies for each industrial classification included in the survey.

DYNAMICS CORPORATION OF AMERICA (DEC)

	1990	1989
	(dollar amounts in thousands)	
Current Assets:		
Cash and cash equivalents	$ 1,353	$ 1,704
Marketable securities, at lower of cost or market (cost $3,503 and $6,776)	2,211	5,711
Accounts receivable, less allowances of $698 and $747	22,602	21,874
Inventories—Note 3	24,020	22,442
Other current assets	2,118	2,281
Deferred income taxes	4,777	5,382
Total Current Assets	57,081	59,394

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

(c) Inventories are stated at the lower of cost or market. Inventory costs have been determined by the last-in, first-out (LIFO) method for approximately 26% (1990) and 22% (1989) of inventories, excluding inventories subject to progress billings under contracts. Costs for other inventories have been determined principally by the first-in, first-out (FIFO) method.

Note 3: Inventories

	1990	1989
	(in thousands)	
Raw materials and supplies	$ 6,344	$ 6,741
Work in process	11,803	12,273
Finished goods	5,229	3,450
	23,376	22,464
Inventories subject to progress billings	2,681	3,791
Progress billings	(2,037)	(3,813)
	644	(22)
	$24,020	$22,442

The excess of current replacement cost over LIFO cost of inventories amounted to $799,000 (1990) and $763,000 (1989).

The United States Government has liens on substantially all inventories purchased in connection with its contracts.

MEDTRONIC, INC. (APR)

	1990	1989
	(in thousands of dollars)	
Current Assets:		
Cash and cash equivalents	$ 36,235	$ 37,956
Short-term investments	15,355	13,328
Accounts receivable, less allowance for doubtful accounts of $7,986 and $6,982	253,065	211,138
Inventories:		
Finished goods	60,855	55,624
Work in process	26,943	25,411
Raw materials	40,201	38,542
	127,999	119,577
Prepaid income taxes	35,828	29,722
Other prepaid expenses	10,281	9,506
Total Current Assets	478,763	421,227

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories
Inventories are stated at the lower of cost or market, with cost determined on a first-in, first-out basis.

LIFO

AIR PRODUCTS AND CHEMICALS, INC, (SEP)

	1990	1989
	(In millions)	
Current Assets		
Cash and cash items	$ 71.3	$ 45.2
Short-term investments, at cost which approximates market	3.1	4.3
Trade receivables, less allowances for doubtful accounts of $12.2 in 1990 and $11.9 in 1989	437.3	377.3
Inventories (Notes 1 and 5)	210.6	215.1
Contracts in progress, less progress billings	36.3	60.3
Other current assets	78.7	54.6
Total Current Assets	837.3	756.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Inventories. To determine the cost of chemical inventories and some gas and equipment inventories in the United States the company uses the last-in, first-out (LIFO) method. This method assumes the most recent cost is closer to the cost of replacing an item that has been sold. During periods of rising prices, LIFO maximizes the cost of goods sold and minimizes the profit reported on the company's income statement.

Inventory values of foreign subsidiaries are determined using the first-in, first-out (FIFO) method. Cost of an item sold is based on the first item produced or on the current market value, whichever is lower.

5. Inventories

The components of inventories are as follows:

30 September	1990	1989
	(In millions)	
Inventories at FIFO cost:		
Finished goods	$146.1	$160.3
Work-in-process	17.6	17.0
Raw materials and supplies	82.7	75.8
	246.4	253.1
Less excess of FIFO cost over LIFO	(35.8)	(38.0)
	$210.6	$215.1

Inventories valued using the LIFO method comprised 74.3% and 63.6% of consolidated inventories before LIFO adjustment at 30 September 1990 and 1989, respectively. Liquidation of prior years' LIFO inventory layers in 1990, 1989 and 1988 did not materially affect cost of sales in any of these years.

ARVIN INDUSTRIES, INC. (DEC)

	1990	1989
	(Dollars in thousands)	
Current Assets:		
Cash and cash equivalents	$ 17,244	$ 12,883
Receivables, net of allowances of $6,834 in 1990 and $8,434 in 1989	281,628	278,396
Inventories (at the lower of cost or market)	189,189	185,551
Other current assets	52,838	46,679
Total current assets	540,899	523,509

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in Part): Significant Accounting Policies:

Inventories: Substantially all inventories located in the U.S. and Mexico are stated under the last-in, first-out (LIFO) cost method. The remaining inventories are stated primarily on a first-in, first-out (FIFO) basis.

Note 5—Inventories:

The Company uses the dollar-value link chain method for calculating its LIFO inventories. Since in determining the overall index, the Company uses the method of pooling by individual inventory components, e.g., steel, substrate, labor and overhead, it is impractical to classify LIFO inventories into the finished goods, work in process and raw material components.

Approximately $90.7 million and $91.7 million of total inventories at year-end 1990 and 1989 were stated on the LIFO method. The excess replacement costs of these inventories over the stated LIFO value were $13.0 million and $13.3 million, respectively.

HAMPTON INDUSTRIES, INC. (DEC)

	1990	1989
Current assets:		
Cash	$ 1,438,627	$ 813,831
Accounts receivable, less allowance for doubtful accounts of $1,600,000 in 1990 and $375,000 in 1989	23,671,421	22,984,286
Inventories (Note B)	37,879,268	44,875,037
Deferred income taxes	1,149,200	511,800
Other current assets	1,150,766	1,535,702
Total current assets	65,289,282	70,720,656

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Inventories
Inventories are carried at the lower of cost or market value. As described in Note B, the cost of substantially all inventory is determined by the last-in, first-out (LIFO) method.

B. Inventories

	1990	1989
Finished goods	$27,821,339	$29,688,692
Work-in-process	4,799,737	6,472,212
Piece goods	4,398,234	7,933,969
Supplies and other	859,958	978,164
	$37,879,268	$44,875,037

Principally all inventories are valued at the lower of last-in, first-out (LIFO) cost or market. Information related to the first-in, first-out (FIFO) method may be useful in comparing operating results to those of companies not on LIFO. On a supplemental basis, if inventories had been valued at the lower of FIFO cost or market, inventories at December 29, 1990 and December 30, 1989 would be approximately $44,937,000 and $51,354,000, respectively. The LIFO valuation method had the effect of decreasing net earnings by $354,700 ($.09 per share) in 1990, $695,100 ($.18 per share) in 1989 and $357,400 ($.09 per share) in 1988.

CORNING INCORPORATED (DEC)

	1990	1989
	(In millions)	
Current Assets		
Cash	$ 67.5	$ 36.5
Short-term investments, at cost, which approximates market value	65.5	316.3
Accounts receivable, net of doubtful accounts and allowances—$41.6/1990; $32.0/1989	527.2	452.4
Inventories	314.5	238.5
Deferred taxes on income and other current assets	123.2	125.6
Total current assets	1,097.9	1,169.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per-share amounts)

1 (In Part): Summary of Significant Accounting Policies

Inventories
Inventories are valued at the lower of cost or market. The LIFO (last-in, first-out) method of determining cost is used for a substantial portion of inventories for which LIFO costing would be appropriate. Minor inventories, supplies and the inventories of subsidiaries operating in hyperinflationary economics are valued using the FIFO (first-in, first-out) method.

8 (In Part): Supplemental Balance Sheet Data

	Year End	
Inventories	1990	1989
Finished goods	$176.4	$155.0
Work in process	108.4	86.7
Raw materials and accessories	68.7	44.3
Supplies and packing materials	65.6	57.2
Total inventories valued at current cost	419.1	343.2
Reduction to LIFO valuation	(104.6)	(104.7)
	$314.5	$238.5

In 1990, 1989 and 1988, certain inventory quantities were reduced, resulting in liquidations of LIFO inventory quantities carried at lower costs prevailing in prior years. The effect was to increase net income by $5.9 million ($0.06 per share), $3.4 million ($0.04 per share) and $6.1 million ($0.07 per share) in 1990, 1989 and 1988, respectively

JLG INDUSTRIES, INC. (JUL)

	1990	1989
	(In thousands)	
Current Assets		
Cash and marketable securities	$4,534	$2,090
Accounts receivable, less allowance for doubtful accounts of $511 in 1990 and $300 in 1989	20,510	20,569
Inventories:		
Finished goods	11,745	7,134
Work in process	20,101	12,155
Raw materials	10,053	12,402
	41,899	31,691
Future income tax benefits	2,606	2,211
Other current assets	919	684
Total Current Assets	70,468	57,245

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands)

Summary of Significant Accounting Policies (In Part)

Inventories:
Inventories are stated at the lower of cost or market.

Cost is determined using the LIFO (last-in, first-out) method for domestic inventories and the FIFO (first-in, first-out) method for all other inventories.

Inventories at July 31, 1990 and 1989 would have been higher by $4,279 and $3,610, respectively, had the company used FIFO cost, which approximates current cost, rather than LIFO cost for valuation of its domestic inventories. LIFO inventories represented 68% and 69% of consolidated inventories at July 31, 1990 and 1989, respectively.

THE MEAD CORPORATION (DEC)

	1990	1989
	(All dollar amounts in millions)	
Currect assets:		
Cash and cash equivalents	$ 21.1	$ 21.1
Accounts receivable, less allowance for doubtful accounts of $24.0 in 1990 and $25.6 in 1989	528.9	536.1
Inventories (Note B)	394.6	381.0
Prepaid expenses	37.4	42.4
Total current assets	982.0	980.6

NOTES TO FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Inventories. The inventories of finished and semi-finished products and raw materials are stated at the lower of cost or market, determined on the last-in, first-out (LIFO) basis. Stores and supplies are stated at cost determined on the first-in, first-out (FIFO) basis.

B—Inventories

	1990	1989
	(All dollar amounts in millions)	
Finished and semi-finished products	$250.0	$234.6
Raw materials	87.1	94.7
Stores and supplies	57.5	51.7
	$394.6	$381.0

For purposes of comparison to non-LIFO companies, inventories valued at current replacement cost would have been $213.0 million and $216.5 million higher than reported at December 31, 1990 and 1989, respectively.

VULCAN MATERIALS COMPANY (DEC)

	1990	1989
	(Amounts in thousands)	
Current assets		
Cash and cash equivalents	$ 18,552	$ 84,265
Accounts and notes receivable:		
Customers, less allowance for doubtful accounts: 1990, $5,293; 1989, $4,864	137,873	124,300
Other	14,993	12,594
Inventories (below estimated current cost by $36,425 for 1990, $36,292 for 1989; Note 3)	113,016	96,857
Current portion of deferred income taxes	7,045	11,606
Prepaid expenses	3,833	3,630
Total current assets	295,312	333,252

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):

	1990	1989	1988
Finished products	$ 78,313	$65,387	$63,161
Raw materials	2,821	3,435	3,456
Products in process	694	690	904
Operating supplies and other	31,188	27,345	26,090
Total inventories	$113,016	$96,857	$93,611

The above amounts include inventories valued under the LIFO method totaling $74,835,000, $69,369,000 and $62,301,000 at December 31, 1990, 1989 and 1988, 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 $83,000 (no per share effect) in 1990, an increase of $4,123,000 ($.10 per share) in 1989 and an increase of $1,455,000 ($.04 per share) in 1988.

Certain inventories of businesses acquired in September 1990 remained at first-in, first-out (FIFO) valuation totaling $6,092,000 at the end of 1990. These inventories are expected to be conformed to the Company's LIFO method of valuation in 1991.

Average Cost

ALUMINUM COMPANY OF AMERICA (DEC)

	1990	1989
	(In millions)	
Current assets:		
Cash	$ 60.1	$ 98.1
Short-term investments, at cost which approximates market	576.0	706.9
Receivables from customers, less allowances: 1990-$14.9; 1989-$11.8	1,420.9	1,327.7
Other receivables	184.0	199.5
Inventories (C)	1,374.8	1,240.0
Prepaid expenses and other current assets	128.2	165.3
Total current assets	3,744.0	3,737.5

NOTES TO FINANCIAL STATEMENTS (dollars in millions, except share amounts)

A (In Part): Summary of Significant Accounting Policies

Inventory Valuation. Inventories are carried at the lower of cost or market, with cost for a substantial portion of U.S. inventories determined under the last-in, first-out (LIFO) method. The cost of other inventories is principally determined under the average cost method.

C. Inventories

	1990	1989
Finished goods	$ 326.5	$ 268.5
Work in process	479.1	465.4
Bauxite and alumina	214.2	189.3
Purchased raw materials	224.5	219.4
Operating supplies	130.5	97.4
	$1,374.8	$1,240.0

Approximately 59% of total inventories at December 31, 1990 were valued on a LIFO basis. If valued on an average cost basis, total inventories would been $828.0 and $861.0 higher at the end of 1990 and 1989, respectively.

BMC INDUSTRIES, INC. (DEC)

	1990	1989
	(In thousands)	
Current Assets		
Cash and cash equivalents	$ 1,938	$10,935
Trade accounts and notes receivable, less allowances of $1,856 and $1,755	22,574	19,833
Inventories	42,147	29,182
Other current assets	7,688	7,763
Total Current Assets	74,347	67,713

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands, except share amounts)

1 (In Part): Summary of Significant Accounting Policies

Inventories—are stated at the lower of cost or market. Cost is determined principally on the average cost method.

3. Inventories

The following is a summary of inventories at December 31:

	1990	1989
Raw materials	$13,107	$ 9,695
Work in process	13,324	4,763
Finished goods	15,716	14,724
Total inventories	$42,147	$29,182

DRAVO CORPORATION (DEC)

	1990	1989
	(In thousands)	
Current assets:		
Cash and cash equivalents	$ 918	$ 859
Marketable securities—at cost (approximates market)	656	656
Accounts receivable, net of allowance for uncollectibles of $1.2 million	39,132	42,276
Notes receivable, net of allowance for uncollectibles of $370,000	4,961	5,001
Inventories (Note 4)	58,173	57,595
Net assets of discontinued operations	2,125	—
Other current assets	3,105	2,536
Total current assets	109,070	108,923

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories: Inventories are valued at average production cost or market, whichever is lower. The cost of products produced includes raw materials, direct labor and operating overhead.

Note 4: Inventories

Inventories for the respective years ended December 31 are classified as follows:

	1990	1989
	(In thousands)	
Finished goods	$38,265	$40,069
Work in process	3,097	3,389
Materials and supplies	16,811	14,137
Net inventories	$58,173	$57,595

HARSCO CORPORATION (DEC)

	1990	1989
	(All dollars in thousands)	
Current assets:		
Cash and cash equivalents	$ 10,452	$ 11,377
Notes and accounts receivable, less allowance for uncollectible accounts ($13,578 and $10,439)	216,970	194,615
Inventories	332,510	339,788
Deferred income tax benefits	23,980	43,524
Other	9,165	9,291
Total current assets	593,077	598,595

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventory Valuation:
Inventories are stated at the lower of cost or market, cost being determined using the last-in, first-out (LIFO), first-in, first-out (FIFO) and average cost methods.

3. Inventories

Inventories are summarized as follows:

	1990	1989
	(In thousands)	
Classification:		
Long-term contract costs (including general and administrative costs of $8,315 and $16,310)	$297,031	$381,466
Contract loss allowances	(6,987)	(24,913)
Progress payments—U.S. Government	(68,336)	(132,013)
	221,708	224,540
Finished goods	32,987	28,924
Work in process	25,457	26,063
Raw materials and purchased parts	46,083	56,984
Stores and supplies	6,275	3,277
	$332,510	$339,788
Valued at lower of cost or market:		
LIFO basis	$ 19,515	$98,549
FIFO basis	10,337	12,260
Average cost basis	230,658	228,979
	$332,510	$339,788

The Company has incurred costs that are assignable to units not yet produced. The aggregate amount incurred, exclusive of raw materials and purchased parts, included in long-term contract costs, was $30,760,000 and $66,405,000 as of December 31, 1990 and 1989, respectively. These costs relate primarily to the five-ton truck contract with the U.S. Government.

Inventories valued on the LIFO basis at December 31, 1990 and 1989 were approximately $41,256,000 and $47,219,000, respectively, less than the amounts of such inventories valued at current costs.

As a result of reducing certain inventory quantities valued on the LIFO basis, profits from liquidation of inventories were recorded which increased net income by $687,000, $252,000 and $71,000 in 1990, 1989 and 1988, respectively.

KELLOGG COMPANY (DEC)

	1990	1989
	(millions)	
Current Assets		
Cash and temporary investments	$ 100.5	$ 80.3
Accounts receivable, less allowances of $4.8 and $3.1	430.2	355.2
Inventories:		
Raw materials and supplies	174.8	182.1
Finished goods and materials in process	184.9	211.9
Prepaid expenses	151.0	76.6
Total current assets	1,041.4	906.1

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Inventories
Inventories include raw materials, labor, and manufacturing expenses and are valued at the lower of cost (principally average) or market.

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			
	1990	**1989**	**1988**	**1987**
Prepaid expenses	181	193	195	200
Prepaid expenses and other current assets	141	131	132	117
Prepaid expenses and deferred taxes	12	16	11	16
Employee benefits	7	9	11	13
Prepaid expenses and advances	7	7	5	7
Prepaid expenses and other receivables	5	11	10	11
Other captions indicating prepaid expenses	13	17	9	21

BRIGGS & STRATTON CORPORATION (JUN)

	1990	1989
CURRENT ASSETS:		
Cash	$ 9,453,000	$ 5,691,000
Receivables, Less Allowances of $587,000 and $588,000, respectively	93,433,000	77,279,000
Inventories—		
Finished Products and Parts	38,042,000	60,369,000
Work in Process	27,365,000	35,069,000
Raw Materials	4,736,000	6,150,000
Total Inventories	70,143,000	101,588,000
Income Taxes Receivable	—	13,780,000
Future Income Tax Benefits	19,689,000	14,853,000
Prepaid Employee Health Care	1,167,000	2,533,000
Prepaid Expenses	8,333,000	8,138,000
Total Current Assets	202,218,000	223,862,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Prepaid Employee Health Care: During the 1990 and 1989 fiscal years, the Company made payments to its Voluntary Employee Benefit Association (VEBA). The VEBA is a trust created to provide for payment of employee health benefits. Tax-deductible contributions of $5,500,000 in 1990 and $6,500,000 in 1989 were made to the Trust, of which $1,167,000 and $2,533,000 are shown in the caption Prepaid Employee Health Care in the respective years.

CAMPBELL SOUP COMPANY (JUL)

	1990	1989
	(million dollars)	
Current assets		
Cash and cash equivalents	$ 80.7	$ 120.9
Other temporary investments, at cost which approximates market	22.5	26.2
Accounts receivable	624.5	538.0
Inventories	819.8	816.0
Prepaid expenses (Note 16)	118.0	100.4
Total current assets	1,665.5	1,601.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Prepaid Expenses

	1990	1989
	(million dollars)	
Pensions	$ 22.3	$ 22.7
Deferred taxes	37.7	26.0
Prefunded employee benefits	13.9	10.7
Other	44.1	41.0
	$118.0	$100.4

THE STANDARD PRODUCTS COMPANY (JUN)

	1990	1989
	(Thousands of Dollars)	
Current Assets:		
Cash	$ 1,331	$ 348
Short-term investments	14,320	1,000
Receivables, less allowances of $195 in 1990 and $897 in 1989	106,882	115,296
Inventories	50,821	51,946
Prepaid insurance, taxes, etc.	9,830	9,235
Total current assets	183,184	177,825

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.

Deferred Taxes

CONCORD FABRICS, INC. (AUG)

	1990	1989
Current assets:		
Cash	$ 1,671,131	$ 483,596
Accounts receivable (less estimated doubtful accounts of $1,287,000 in 1990 and $795,000 in 1989)	40,349,983	29,680,221
Inventories	23,214,961	19,295,402
Income tax refunds receivable		172,833
Prepaid expenses and other current assets	2,627,140	1,779,600
Deferred income taxes (Notes A(3) and D)	831,000	660,000
Total current assets	68,694,215	52,071,652

NOTES TO FINANCIAL STATEMENTS

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

(3) Property and Depreciation—Property, plant and equipment is recorded at cost. Profits and losses on dispositions are reflected in current operations. Fully depreciated assets are written off against accumulated depreciation.

Depreciation for financial accounting purposes is computed substantially by the straight-line method to amortize the cost of various classes of assets over their estimated useful lives. Leasehold improvements are amortized over

TABLE 2-11: OTHER CURRENT ASSET CAPTIONS

	Number of Companies			
	1990	1989	1988	1987
Nature of Asset				
Deferred income taxes	178	168	143	140
Property held for sale	47	52	49	53
Unbilled costs	27	29	28	34
Advances or deposits	9	9	7	8
Other—identified	29	28	35	25

the shorter of the life of the related asset or the life of the lease.

For income tax purposes, accelerated methods of depreciation are generally used; deferred income taxes are provided for the difference between depreciation expense for financial accounting purposes and for income tax purposes.

Note D (In Part): Income Taxes:

(3) The deferred income taxes reflected on the balance sheet at September 2, 1990 comprise income taxes relating to differences between the tax bases of assets and liabilities and their financial reporting amounts. The types of such differences relate to plant and equipment, inventory, estimated doubtful accounts and compensation accruals.

DELCHAMPS, INC. (JUN)

	1990	1989
	(In thousands)	
Current assets:		
Cash and cash equivalents	$ 18,010	11,453
Trade accounts receivable	5,032	3,394
Merchandise inventories	85,604	81,427
Prepaid expenses	971	1,179
Deferred income taxes (note 9)	2,383	3,413
Total current assets	112,000	100,866

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(h) Income Taxes

Deferred income taxes are recognized for all significant temporary differences between the tax and financial statement basis of assets and liabilities. The tax consequences of those differences expected to occur in the subsequent year are classified as a current asset or liability.

Job credits are recorded as a reduction of the provision for Federal income taxes in the year realized.

9 (In Part): Income Taxes

The fiscal 1988 financial statements reflect adoption of the liability methods of accounting for income taxes pursuant to Statement of Financial Accounting Standards No. 96 ("SFAS No. 96"), "Accounting for Income Taxes," issued December, 1987. As a result, deferred income taxes recorded in years prior to fiscal 1988 under the provisions of Accounting Principles Bulletin ("APB") No. 11 were adjusted in accordance with SFAS No. 96 and the resulting reduction in deferred income taxes of $1,046,000 was reported as a cumulative effect adjustment in fiscal 1988. In addition, the deferred tax asset at June 30, 1990 and July 1, 1989, reflects the effect of carrying future years' net deductible amount back to years prior to fiscal 1990 and recording the asset at the enacted tax rate in the carryback period (34%). Ultimate realization of these net deductible amounts at rates other than 34% will result in adjustments to income tax expense in the year in which the amounts are actually utilized.

Property Held For Sale

GENERAL SIGNAL CORPORATION (DEC)

	1990	1989
	(Dollars in thousands)	
Current assets:		
Cash and cash equivalents	$ 7,793	$ 22,930
Accounts receivable, less allowance— 1990, $10,662; 1989, $11,140	305,292	348,189
Inventories	281,858	324,329
Prepaid expenses and other current assets	51,105	60,616
Net assets held for sale at realizable value	42,612	—
Deferred income taxes	25,394	17,923
Total current assets	714,054	773,987

NOTES TO FINANCIAL STATEMENTS
($ in thousands, except per-share data)

Loss on Dispositions: 1990

During 1990, the company recorded a pretax charge of $76,000 in connection with the disposal of General Signal Thinfilm, Semiconductor Systems, and Ultratech Stepper, all units within the Industrial Technology sector. The charge reflects the expected loss from the disposition of net assets, anticipated operating losses from the measurement date through the estimated dates of disposal, and related contingencies. At December 31, 1990, certain of the net assets had been sold while the remainder is expected to be sold in 1991. Remaining net assets, primarily working capital and property, plant and equipment have been reclassified to net assets held for sale and are stated at their realizable value.

Discontinued Operations (In Part)

During 1990, the company discontinued its rail transportation segment comprised of its New York Air Brake and General Railway Signal units, resulting in a charge of $19,700 net of income tax benefits. In January 1991, the New York Air Brake sale was completed. An agreement in principle has been reached with a prospective buyer for General Railway Signal and the transaction is expected to close in

early 1991. The assets and liabilities of these businesses at December 31, 1990, primarily working capital and property, plant and equipment, have been reclassified to net assets held for sale and are stated at their realizable value.

MEDIA GENERAL, INC. (DEC)

	1990	1989
	(In thousands)	
Current assets:		
Cash	$ 3,119	$ 8,156
Accounts receivable (less allowances for discounts and doubtful accounts 1990—$6,097; 1989—$4,973)	63,541	71,055
Inventories	14,536	18,393
Assets to be sold (note 2)	3,184	13,708
Other	25,495	28,589
Total current assets	109,875	139,901

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Assets to be Sold

In November 1990, the Company decided to sell certain recycling center assets owned by its GSP Recycling Corp. subsidiary, as well as certain publishing and other assets held in its Auxiliary segment. The Company's net investment in the assets to be sold, which amounted to $3.2 million at December 31, 1990, ($3.0 million of which was previously classified as noncurrent), was classified as a current asset in the accompanying consolidated balance sheet.

In November 1989, the Company decided to sell its weekly newspaper operations, Golden West Publishing and Highlander Publications, located in California. The Company's net investment in these newspaper operations, which amounted to $13.7 million at December 31, 1989 (including $11.8 million of net assets previously classified as noncurrent), was classified as a current asset in the accompanying consolidated balance sheet at that date. In April 1990, Golden West and Highlander were sold for an after-tax gain of $4.0 million ($0.15 per share).

In December 1988, the Company purchased from Barris Industries, Inc. and GIANT GROUP LTD. (Barris/Giant) 2,801,800 shares of its Class A common stock with an estimated fair market value of $100 million. The shares were immediately retired. The Company paid $44 million cash and agreed to transfer to Barris/GIANT the operations and assets of the Company's Pomona newsprint mill and related recycling centers (Pomona), which were valued at $56 million. As a result of this transaction, stockholders' equity was reduced by $96.9 million ($44 million cash and $52.9 million of assets) representing the cost of the purchased shares at December 31, 1988. In 1989, the Company transferred the Pomona operations to Barris/GIANT, recognized an after-tax gain of $5.7 million ($0.22 per share) and reduced stockholders' equity by $3.1 million, representing the additional cost of the Class A shares purchased in 1988.

MELVILLE CORPORATION (DEC)

	1990	1989
Current Assets:		
Cash and cash equivalents	$ 111,093	$ 368,805
Accounts receivable, net	148,833	126,436
Inventories	1,656,241	1,288,370
Prepaid expenses	158,555	90,919
Assets held for sale, net	38,513	—
Total Current Assets	2,113,235	1,874,530

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Assets Held For Sale

The Company intends to sell certain assets of Peoples within one year from the date of acquisition. The net assets related to these operations have been recorded at their estimated net proceeds, as adjusted for estimated cash flows from operations and estimated interest expense during the holding period (approximately one year) on the incremental debt incurred to finance the purchase of these assets. The results of operations related to these assets held for sale, subsequent to September 17, 1990, and the interest expense on the allocated debt, which aggregate approximately $1.6 million, have been excluded from the current year's consolidated statement of earnings as required by Emerging Issues Task Force Issue No. 87-11.

SPARTON CORPORATION (JUN)

	1990	1989
Current assets:		
Cash and cash equivalents	$ 7,118,861	$ 6,729,389
Income taxes recoverable	7,545,040	5,753,273
Accounts receivable:		
Trade, less allowance of $157,000 ($70,000 in 1989) for doubtful accounts	13,657,347	13,572,970
U.S. and Canadian governments	12,376,794	8,303,356
Inventories	54,761,055	44,974,627
Prepaid expenses	2,616,577	2,204,034
Current assets of discontinued operations (Note 7)	1,080,595	1,744,755
Total current assets	99,156,269	83,282,404

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Discontinued Operations

During the fourth quarter of 1990, the Company formalized its plan to offer for sale its oil and gas operations. Accordingly, operating results have been reclassified and included as discontinued operations. The Company is in the process of negotiating the sale of these operations and expects that the sale will be completed in fiscal 1991.

SUPREME EQUIPMENT & SYSTEMS CORP. (JUL)

	1990	1989
Current Assets:		
Cash	$ 420,552	$ 150,940
Accounts receivable, net	3,888,044	4,217,983
Inventories	5,394,263	7,522,094
Notes due from officers	8,367	17,285
Real estate under contracts for sale—Note 5	2,334,499	2,427,740
Prepaid expenses and sundry receivables	311,351	417,367
Total Current Assets	12,357,076	14,753,409

NOTES TO THE FINANCIAL STATEMENTS

Note 5—Real Estate Under Contract for Sale:

In April 1989 the Company entered into a contract for the sale of its real estate for $3,500,000 in cash. However, the buyer defaulted on the contract resulting in the forfeiture of the buyer's contract deposit of $175,000, which was included in unusual expenses (income), during the year ended July 31, 1990. (Note 15).

There is presently another contract for the sale of this property for $3,200,000 in cash. The Company will realize a profit on the sale which is expected to close within the coming fiscal year.

At July 31, 1990 and 1989 the real estate has been classified as a current assets and consists of land and building at a cost of $2,947,282 and $2,935,853, respectively, less accumulated depreciation of $612,783 and $508,113, respectively.

VARIAN ASSOCIATES, INC. (SEP)

	1990	1989
	(Dollars in thousands)	
Current Assets		
Cash and cash equivalents	$ 26,185	$ —
Accounts receivable, less allowances for doubtful accounts of $1,852 (1990) and $1,711 (1989)	256,602	263,738
Inventories	222,321	285,725
Other current assets	117,636	93,774
Net assets held for sale—discontinued operations	45,053	—
Total Current Assets	667,797	643,237

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Discontinued Operations (In Part)

During 1990, the Company announced plans to sell its broadcasting equipment operations in England and Texas and gallium arsenide-based units in California. These businesses are being accounted for as discontinued operations. The sale of Continental Electronics in Texas was consummated in September, 1990. The Company received $12 million in cash and notes for $2.9 million. Formal plans have been developed, and it is expected that the divestitures of the remaining operations will be completed within one year. Amounts in the consolidated statements of operations for 1989 and 1988 have been restated to conform to the 1990 discontinued operations presentation.

• • • • • • • •

The net assets of the discontinued businesses held for sale have been included in the accompanying balance sheet at September 28, 1990, under the caption "Net assets held for sale—discontinued operations." This balance consists of current assets of $37.1 million, noncurrent assets of $28.1 million, and current liabilities of $20.1 million.

Unbilled Costs

CARCO ELECTRONICS (SEP)

	1990	1989
Current Assets		
Cash	$ 65,194	$ 65,061
Accounts receivable, net of allowances of $57,870 in 1990 and $0 in 1989	1,852,112	1,333,559
Costs and estimated earnings in excess of billings on uncompleted contracts	3,267,033	3,346,509
Inventories	502,261	616,503
Prepaid expenses	20,521	27,134
Income taxes receivable from carryback of operating loss	221,000	—
Prepaid income taxes	161,400	—
Deferred income tax benefit	4,363	6,778
Total current assets	6,093,884	5,395,544

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue and Cost Recognition

Revenues from contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred over the estimated total costs for each contract. This method is used because management considers expended costs to be the best available measure of progress on these contracts. Contract costs include all direct material and labor costs and those indirect costs related to contract performance. Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. Correspondingly, the liability, "Billing in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

CBI INDUSTRIES, INC. (DEC)

	1990	1989
	(Thousands of dollars)	
Current Assets		
Cash	$ 13,240	$ 19,644
Temporary cash investments at cost, which approximates market	33,477	42,603
Accounts receivabe less allowances of $8,200 in 1990 and $10,400 in 1989	252,796	199,474
Contracts in progress with earned revenues exceeding related progress billings (Note 1)		
Earned revenues	404,639	433,316
Progress billings	(339,407)	(350,364)
Net contracts in progress	65,232	82,952
Inventories		
Raw material and supplies	29,004	25,897
Work in process	5,442	4,688
Finished goods	25,035	24,584
Total inventories	59,481	55,169
Other current assets	26,332	29,277
Total current assets	450,528	429,119

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition. Revenues from Contracting Services are recognized on the percentage of completion method. Earned revenue is based on the percentage that incurred costs to date bear to total estimated costs after giving effect to the most recent estimates of total cost. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the year in which these changes become known. Earned revenue reflects the original contract price adjusted for agreed upon claim and change order revenue, if any. Losses expected to be incurred on jobs in process, after consideration of estimated minimum recoveries from claims and change orders, are charged to income as soon as such losses are known. Progress billings in accounts receivable are currenty due and exclude retentions until such amounts are due in accordance with contract terms.

Revenues and related costs are recognized by Industrial Gases and Investments subsidiaries when products are shipped or services are rendered to the customer.

KEVLIN MICROWAVE CORPORATION (MAY)

	1990	1989
Current assets:		
Cash and cash equivalents	$2,749,611	$2,038,253
Accounts receivable, net of allowance for doubtful accounts of $74,000 in 1990 and $55,000 in 1989	1,555,575	2,099,268
Inventories	1,169,360	1,408,731
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 1)	1,099,510	1,552,590
Refundable income taxes	216,411	216,411
Prepaid expenses and other current assets	84,382	109,250
Total current assets	6,874,849	7,424,503

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition

For financial statement purposes, revenues and profits are recorded using the percentage-of-completion method for certain contracts based on the product type, contract size and duration of time to completion. The percentage of completion is determined by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. Revenues and profits on all other contracts are recorded as shipments are made. If estimated total costs on any of these contracts indicate a loss, the entire amount of the estimated loss is recognized immediately.

Costs and estimated earnings in excess of billings on uncompleted contracts comprise amounts of revenue recognized on contracts for which billings have not been rendered. In accordance with industry practice, the Company includes in current assets and liabilities amounts realizable and payable under long-term contracts.

Advances/Deposits

JOHNSTON INDUSTRIES, INC. (JUN)

	1990	1989
Current Assets:		
Cash and cash equivalents	$ 5,053,000	$10,665,000
Accounts and notes receivable (net of allowance of $325,000 and $354,000)	15,009,000	12,252,000
Inventories	17,848,000	18,217,000
Deferred income taxes	321,000	147,000
Prepaid expenses and other—Note 4	2,818,000	680,000
Total	41,049,000	41,961,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Prepaid Expenses and Other Assets

In 1990, the Company had commitments from Industrial Development Boards in Alabama (IDBs) providing for the issuance of Industrial Development Bonds in fiscal year 1991 to finance purchases of certain machinery and equipment. In August 1990, the Company elected to finance the machinery purchases of $16,000,000 through bank debt and not to proceed with the issuance of the bonds.

At June 30, 1990, prepaid expenses and other assets include $2,103,000 relating to advances made to the IDBs for machinery purchases in connection with the proposed bond financing. The non-interest bearing advances will be satisfied by purchasing or transferring the machinery from the IDBs.

SAVANNAH FOODS & INDUSTRIES, INC. (DEC)

	1990	1989
	(In thousands of dollars)	
Current assets:		
Cash and cash equivalents	$ 26,366	$ 52,890
Accounts receivable	66,740	54,455
Inventories (net of LIFO allowance of $11,254,000 in 1990 and $11,883,000 in 1989)	203,533	200,248
Deposits on futures contracts and purchase commitments (Notes 1 and 9)	2,429	2,168
Other current assets	10,848	8,999
Total current assets	309,916	318,760

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 programs. 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.

Note 9—Commitments and Contingencies

The Company and its consolidated subsidiaries have contracted for the purchase of a substantial portion of their future sugar requirements. Prices to be paid for raw sugar under these contracts are based in some cases on market prices during the anticipated delivery month; in other cases prices are fixed and, in these instances, the Company generally obtains commitments from its customers to buy the sugar prior to fixing the price, or enters into futures transactions to hedge the commitment.

PROPERTY, PLANT, AND EQUIPMENT

Paragraph 5 of *APB Opinion No. 12* 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.

BALDOR ELECTRIC COMPANY (DEC)

	1990	1989
	(In thousands)	
Total Current Assets	$113,279	$103,791
Other Assets	14,873	14,715
Property, Plant and Equipment		
Land and improvements	3,047	2,286
Buildings and improvements	20,310	19,072
Machinery and equipment	100,989	94,050
Allowances for depreciation and amortization (deduction)	(51,804)	(48,440)
Total Property, Plant and Equipment	72,542	66,968
	$200,694	$ 185,474

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Property, Plant and Equipment: Property, plant and equipment, including assets under capital leases, are stated at cost. Depreciation and amortization are computed principally using the straight-line method over the estimated useful lives of the assets and the remaining term of capital leases, respectively.

Information Systems: Costs incurred in developing or purchasing management information systems of $3,284,000 in 1990, $5,072,000 in 1989 and $1,072,000 in 1988 are capitalized and included in property, plant and equipment. These costs are amortized over their estimated useful lives from the date the systems become operational. Amortization was $725,000 in 1990.

TABLE 2-12: LAND CAPTIONS

	1990	1989	1988	1987
Land	368	367	375	385
Land and improvements	122	124	120	117
Land and buildings	35	33	34	29
Land combined with other identified assets	13	14	13	13
No captions with term land	27	25	22	19
	565	563	564	563
Lines of business classification	35	37	36	37
Total Companies	**600**	**600**	**600**	**600**

THE BLACK & DECKER CORPORATION (DEC)

	1990	1989
	(Thousands of dollars)	
Total Current Assets	$1,933,608	$3,105,439
Property, Plant and Equipment	827,236	827,181
Goodwill	2,789,675	2,026,629
Other Assets	339,015	298,840
	$5,889,534	$6,258,089

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Dollars Except Per Share Data)

Note 1 (In Part): Summary of Accounting Policies

Property and Depreciation: Property, plant and equipment is stated at cost. Costs assigned to property, plant and equipment of acquired businesses are based on estimated fair value at the date of acquisition. Depreciation is computed generally on the straight-line method for financial reporting purposes and on both accelerated and straight-line methods for tax reporting purposes.

Note 7: Property, Plant and Equipment

	Dec. 31, 1990	Sept. 24, 1989
Property, Plant and Equipment at cost:		
Land and inprovements	$ 63,645	$ 69,091
Buildings	310,925	298,450
Machinery and equipment	1,156,780	928,151
	1,531,350	1,295,692
Less accumulated depreciation	704,114	468,511
	$ 827,236	$ 827,181

Depreciation expense charged to operations was $137,989 in 1990, $99,234 in 1989, and $81,459 in 1988.

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1990	1989	1988	1987
Buildings				
Buildings	249	251	255	265
Buildings and improvements	204	204	203	202
Buildings and land or equipment	66	68	67	63
Buildings combined with other identified assets	9	8	8	11
No caption with term buildings	36	33	28	22
	564	564	561	563
Lines of business classification	36	36	39	37
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions	**Number of Companies**			
Machinery and/or equipment	449	452	447	448
Machinery and/or equipment combined with other assets	104	93	91	86
Construction in progress	249	250	255	259
Leasehold improvements	100	102	101	102
Automobiles, marine equipment, etc.	71	74	80	72
Leased assets	77	73	62	72
Furniture, fixtures, etc.	46	47	40	40
Assets leased to others	19	19	19	18

TABLE 2-14: ACCUMULATED DEPRECIATION

	1990	1989	1988	1987
Accumulated depreciation	305	303	301	309
Accumulated depreciation and amortization	163	169	162	162
Accumulated depreciation, amortization and depletion	38	38	39	31
Accumulated depreciation and depletion	16	16	23	27
Allowance for depreciation	37	36	34	33
Allowance for depreciation and amortization	21	16	19	23
Other captions	20	22	22	15
Total Companies	**600**	**600**	**600**	**600**

CAESARS WORLD, INC. (JUL)

	1990	1989
	(In thousands)	
Total current assets	$146,325	$267,492
Property and equipment, net	653,007	559,445
Excess cost of investments over net assets acquired, net	44,751	44,776
Other assets	32,439	29,434
	$876,522	$901,147

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property and Equipment. Property and equipment is recorded at cost and includes interest on funds borrowed to finance construction. Capitalized interest was $2,720,000; $3,308,000 and $438,000 in 1990, 1989 and 1988, respectively. Depreciation and amortization are provided for on the straight-line method over the following estimated useful lives:

Buildings and improvements	5 to 40 years
Leasehold improvements	3 to 40 years
Furniture, fixtures and equipment	2 to 10 years
Property under capital leases	3 to 30 years

Betterments, renewals and extraordinary repairs that extend the life of the asset are capitalized; other repairs and maintenance are expensed. The cost and accumulated depreciation applicable to assets retired are removed from the accounts and the gain or loss on disposition is recognized as income.

Note 4: Property and Equipment

Property and equipment consisted of the following:

At July 31	1990	1989
	(In thousands)	
Land	$ 62,981	$ 60,138
Buildings and improvements	534,619	413,146
Leasehold improvements	67,305	67,515
Furniture, fixtures and equipment	238,737	194,055
Construction in progress	5,556	39,808
Property under capital lease	22,863	22,263
	932,061	796,925
Less accumulated depreciation and amortization	279,054	237,480
	$653,007	$559,445

CHAMPION ENTERPRISES, INC. (FEB)

	1990	1989
Total current assets	$51,887,104	$76,633,581
Property and Equipment (Note 1):		
Land and improvements	3,012,003	4,850,537
Buildings and building improvements	17,348,225	17,053,466
Machinery and equipment	15,993,743	15,730,915
Transportation equipment	1,891,578	4,245,882
Idle facilities, less accumulated depreciation	810,690	1,108,080
	39,056,239	42,988,880
Less-accumulated depreciation	20,249,123	22,875,128
	18,807,116	20,113,752

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property and Equipment

Property and equipment, including significant improvements thereto, are stated at cost. Upon retirement or other disposal, the asset cost and related accumulated depreciation are removed from the accounts and the net amount, less any proceeds, is charged or credited to income. Maintenance and repairs are charged to expense as incurred.

In the ordinary course of business, the Company opens and closes manufacturing and retail sales facilities based on local market conditions. Facilities which have been closed and management intends to sell, are carried at the lower of cost less accumulated depreciation or estimated realizable value and are summarized in a separate balance sheet caption. Facilities which are closed temporarily are retained in the property accounts as idle facilities and are depreciated.

Depreciation

The Company provides depreciation on the straight-line method for property and equipment other than trucks and autos which are depreciated on the declining balance method.

Property and equipment are depreciated over the following estimated useful lives:

	Years
Land improvements	3-15
Buildings and improvements	10-33
Machinery and equipment	3-8
Transportation equipment	3-6

COCA-COLA ENTERPRISES INC. (DEC)

	1990	1989
	(In thousands)	
Total Current Assets	$ 495,341	$ 493,387
Investments and Other Long-Term Assets	105,637	73,286
Property, Plant and Equipment		
Land	157,008	129,591
Buildings and improvements	453,100	427,206
Machinery and equipment	1,302,938	1,243,969
Containers	37,238	34,830
	1,950,284	1,835,596
Less allowances for depreciation	723,856	665,999
	1,226,428	1,169,597
Construction in progress	146,319	116,748
	1,372,747	1,286,345
Goodwill and Other Intangible Assets	3,046,871	2,878,928
	$5,020,596	$4,731,946

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Principal Accounting Policies (In Part)

The significant accounting policies and practices followed by the Company and its subsidaries are as follows:

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less allowance for depreciation. Depreciation expense is determined principally by the straight-line method. The annual rates of depreciation are 2% to 5% for buildings and improvements; 5% for land improvements; and 7% to 34% for machinery and equipment. The Company capitalizes, as land improvements, certain environmental contamination treatment costs which improve the condition of the property as compared with the condition when constructed or acquired.

Commitments and Contingent Liabilities (In Part):

The Company is contingently liable for guarantees of the indebtedness owned by manufacturing cooperatives of approximately $6 million and $3 million at December 28, 1990 and December 29, 1989, respectively.

Federal, State and local laws and regulations govern the Company's operation of underground fuel storage tanks. The Company has a significant number of storage tanks that will require removal, replacement or modification to satisfy regulations which go into effect in varying stages through 1998. The Company estimates total environmental expenditures related to storage tanks beginning in 1990 will aggregate approximately $71 million. Of this amount, approximately $59 million represents capital expenditures. Of such amount, an aggregate $16 million represents capital expenditures during 1990 and approximately $43 million is estimated to represent capitalized expenditures during 1991, 1992 and 1993. The remaining amount of $12 million has been accrued as an operating expense in 1990. The Company does not currently expect any additional material expenses in future years associated with storage tanks (other than depreciation of amounts capitalized). Therefore, the Company's remediation of environmental contamination resulting from storage tanks is not expected to have a material adverse effect on results of operations or financial condition of the Company.

ENGELHARD CORPORATION (DEC)

	1990	1989
	(Dollars in thousands)	
Total current assets	$ 618,084	$ 652,951
Investments in affiliates	86,755	58,676
Property, plant and equipment, at cost, less accumulated depreciation and depletion	540,130	551,733
Other noncurrent assets	75,026	76,241
Total assets	$1,319,995	$1,339,601

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant accounting policies

Depreciation and depletion—
Depreciation of buildings, building improvements, machinery and equipment is provided over estimated useful lives principally under the straight-line method. Depletion of mineral deposits and mine development is provided under the unit of production method.

When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts. Any gain or loss is included in income.

11. Property, plant and equipment

At December 31, property, plant and equipment, at cost, are as follows:

	1990	1989	1988
		(In thousands)	
Land	$ 21,161	$ 22,438	$ 19,141
Buildings and building improvements	167,345	165,198	145,530
Machinery and equipment	797,064	739,244	709,421
Construction and installations in progress	20,714	32,463	76,672
Mineral deposits and mine development	61,951	61,147	61,694
	1,068,235	1,020,490	1,012,458
Less accumulated depreciation and depletion	528,105	468,757	405,525
Net property, plant and equipment	$ 540,130	$ 551,733	$ 606,933

Approximately $1.3 million, $4.5 million and $4.2 million of interest costs were capitalized as part of property, plant and equipment in 1990, 1989 and 1988, respectively.

MET-PRO CORPORATION (JAN)

	1991	1990
Total current assets	$18,910,499	$18,521,209
Property, plant and equipment, at cost, net—Note 5	9,220,082	7,943,024
Costs in excess of net assets of businesses acquired	1,687,093	1,716,961
Deferred income taxes	54,300	—
Other assets	1,071,453	512,945
	$30,943,427	$28,694,139

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, 1991	1990
Land	—	$1,350,739	$ 802,833
Building and improvements	10-40	7,288,651	6,286,289
Machinery and equipment	5-10	5,985,218	5,694,102
Furniture and fixtures	5-20	1,866,869	1,794,572
Automotive equipment	3 and 4	579,340	458,830
Leasehold improvements	Term of lease	248,860	238,576
Construction in progress		36,191	—
		17,355,868	15,275,202
Less accumulated depreciation		8,135,786	7,332,178
		$9,220,082	$7,943,024

Depreciation and amortization of property, plant and equipment charged to operations amounted to $939,167, $936,755 and $929,009, for the years ended in 1991, 1990 and 1989, respectively.

During the year ended January 31, 1991, the Company entered into a $2.3 million contract for the design and construction of a facility to replace an existing facility in Hatfield, Pennsylvania. Subsequent to January 31, 1991, the Company received a $2.5 million loan commitment from a bank for the construction of this facility. As of January 31, 1991, no borrowings had been made under this commitment.

Also during the year ended January 31, 1991, the Company acquired a larger plant facility in Owosso, Michigan to replace an existing facility there. The move into the new facility was completed prior to January 31, 1991. The former facility, with a net book value of approximately $763,000, has been reclassified into other assets.

KIMBERLY-CLARK CORPORATION (DEC)

	1990	1989
	(Millions of dollars)	
Total Current Assets	$1,397.1	$1,443.2
Property		
Land	37.2	35.7
Timberlands	45.7	43.7
Buildings	812.5	745.6
Machinery and equipment	3,939.4	3,607.1
Construction in progress	353.2	321.5
	5,188.0	4,753.6
Less accumulated depreciation	1,801.7	1,712.7
Net Property	3,386.3	3,040.9
Investments in Equity Companies	301.9	296.6
Deferred Charges and Other Assets	198.6	142.3
	$ 5,283.9	$ 4,923.0

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

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 sold 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.

TABLE 2-15: INVESTMENTS—VALUATION BASES

	Number of Companies			
	1990	1989	1988	1987
Equity	235	236	267	308
Cost	73	83	102	93
Lower of cost or market	22	26	24	24

INVESTMENTS

APB Opinion No. 18 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.

Equity Method

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

Consolidated Balance Sheets

	1990	1989
	(in millions)	
Total Current Assets	$ 837.3	$ 756.8
Investments (Notes 1 and 6)		
Investments in net assets of and advances to equity affiliates	387.3	218.0
Other investments and advances	24.2	23.8
Total Investments	411.5	241.8
Plant and Equipment, at cost	5,010.2	4,441.9
Less—Accumulated depreciation	2,525.1	2,224.3
Plant and Equipment, net	2,485.1	2,217.6
Goodwill	54.7	52.4
Other Noncurrent Assets	110.9	97.1
	$3,899.5	$3,365.7

Consolidated Income Statement

	1990	1989	1988
		(In millions)	
Operating Income	$407.7	$388.1	$376.5
Income (Loss) from equity affiliates net of related expenses (Note 6)	7.4	.1	(8.4)
Gain (Loss) on sale of investments in equity affiliates	9.3	8.9	—
Interest expense	87.6	75.6	64.5
Income before Taxes	336.8	321.5	303.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Consolidation Principles. The consolidated financial statements include the accounts of Air Products and Chemicals, Inc. and its majority-owned subsidiary companies (the company). The equity method of accounting is used when the company has a 20% to 50% interest in other companies. Under the equity method, original investments are recorded at cost and adjusted by the company's share of undistributed earnings or losses of these companies.

6. Summarized Financial Information of Equity Affiliates

The following table presents summarized financial information on a combined 100% basis of the principal companies accounted for by the equity method. Amounts presented include the accounts of the following equity affiliates: Stockton CoGen Company (50%); Carburos Metalicos S.A. (25.5%); American REF-FUEL of Hempstead (50%); American REF-FUEL of Essex (50%); American REF-FUEL of Southeastern Connecticut (50%); Cambria CoGen Company (50%); San-Fu Chemicals (45%); Sapio Finanziaria S.r.L. (49%); Korea Industrial Gases (48.1%); Cryolnfra, S.A. de C.V. (25%); and principally other industrial gas producers.

	1990	1989
	(In millions)	
Current assets	$ 449.7	$ 324.5
Noncurrent assets	1,592.9	1,035.8
Current liabilities	437.3	297.8
Noncurrent liabilities	1,056.6	641.0
Net sales	661.1	456.2
Sales less cost of sales	408.5	275.0
Net income	59.1	38.9

The company's share of income of all unconsolidated affiliates for 1990, 1989 and 1988 was $16.9 million, $9.2 million and $1.6 million, respectively. These amounts exclude $9.5 million, $9.1 million and $10.0 million of related net expenses incurred by the company.

During the third quarter of fiscal 1990, the company acquired a 49-percent interest in Sapio Finanziaria S.r.L., a major Italian industrial gas company with annual revenues approaching $100 million.

The investment in net assets of and advances to equity affiliates at 30 September 1990 and 1989 included investment in foreign affiliates of $257.3 million and $124.1 million, respectively.

As of 30 September 1990, the amount of investment in companies accounted for by the equity method includes goodwill in the amount of $38.5 million which is being amortized into income over periods not exceeding 40 years.

THE ALLEN GROUP INC. (DEC)

Consolidated Balance Sheets

	1990	1989
	(Amounts in thousands)	
Total current assets	$179,123	$185,938
Property, Plant and Equipment		
Land and improvements	2,644	2,785
Buildings	35,683	35,629
Machinery and equipment	57,790	71,754
Leasehold improvements	4,479	5,602
	100,596	115,770
Less accumulated depreciation and amortization	(43,005)	(47,812)
	57,591	67,958
Lease Receivables, long-term	56,612	41,631
Net Investment in and Advances to Joint Ventures (Note 4)	15,860	—
Other Assets	21,241	22,730
	$330,427	$318,257

Consolidated Statements of Income (Loss)

	1990	1989	1988
	(Amounts in thousands)		
Revenues			
Product sales	$339,135	$352,689	$336,864
Lease finance income	13,146	9,309	7,552
	352,281	361,998	344,416
Costs and Expenses			
Cost of sales	222,241	237,595	230,509
Selling, general and administrative expenses	98,050	99,068	95,732
Interest and Financing Expense	11,165	10,375	11,151
Equity in Earnings of Joint Ventures (Note 4)	717	—	—
Operating Income	21,542	14,960	7,024

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Consolidation: The Company's consolidated financial statements include the accounts of its lease finance and all significant subsidiaries. Investments in and advances to joint ventures in which the Company has a 50% ownership interest are accounted for by the equity method. Under such method, the Company's share of net earnings (or losses) is included as a separate item in the consolidated statement of income.

Note 4: Investment in Joint Ventures

The Company's investments consist of three 50/50 partnership joint ventures formed during 1990: GO/DAN Industries, formed with Handy & Harman's automotive aftermarket group, which is engaged in the manufacture and sale of automotive replacement radiators and other heat-transfer products; G&O/Altec Industries, a manufacturer of aluminum charge air coolers for the heavy duty truck industry; and Marta Technologies, which operates centralized automotive emissions inspection programs.

Summarized financial data for the heat transfer joint ventures (GO/DAN and G&O/Altec Industries) and centralized emissions inspections operations for 1990 are as follows (in thousands):

	Heat Transfer	Centralized Emissions Inspections
Revenues	$72,374	$ 539
Net income (loss)	1,254	(172)
Current assets	68,221	249
Noncurrent assets	24,937	4,417
Current liabilities	45,775	1,136
Noncurrent liabilities	8,362	2,302
Partners Equity	39,021	1,228

GO/DAN Industries was organized, effective as of June 1, 1990, when the Company transferred to the joint venture machinery and equipment, raw material and work in process inventories and certain prepaid expenses, net of related accrued liabilities, while Handy & Harman transferred similar assets and liabilities. The Company retained certain fixed assets, accounts receivable, finished goods inventory and certain actual and contingent liabilities of the business. The finished goods inventory was consigned to the joint venture for sale in the ordinary course of business for which the Company will be paid at agreed upon prices. The accounts receivable from joint ventures at December 31, 1990 represented principally amounts due from the sale of such inventory as well as inventory manufactured by the Company on a temporary basis for the venture. Based on the relative values of the contributed businesses, the Company received a $4,000,000 preferential distribution from the joint venture at closing, one half of which has been recorded as a reduction in the carrying value of the investment and will be amortized, as income, over a period of forty years. The Company will also receive cumulative preferential cash distributions from the net profits of the joint venture, as earned, equal to $2,000,000 for the fiscal year ended November 30, 1990 (of which $1,500,000 was earned), $3,000,000 for the fiscal year ended November 30, 1991 and $2,000,000 for the fiscal year ended November 30, 1992, plus interest if such distributions are not paid by the end of the succeeding fiscal year of the joint venture. All other profits of the joint venture will be shared equally by the Company and Handy & Harman. In addition, the Company expects, in the course of the next eighteen months, to receive further cash distributions of approximately

$6,000,000 from the joint venture equivalent to the book value of raw material and work in process inventories contributed by it.

G&O/Altec Industries and Marta Technologies were both organized effective August 1, 1990, with an aggregate cash investment of $800,000 by the Company.

AMERICAN CYANAMID COMPANY (DEC)

Consolidated Balance Sheets

	1990	1989
	(Millions of dollars)	
Total current assets	$2,476.1	$2,446.6
Investments and advances		
Equity in net asets of and advances to associated companies	189.9	208.4
Other investments and advances	103.0	152.8
Total investments and advances	292.9	361.2
Plants, equipment and facilities, at cost	3,698.4	3,418.4
Less accumulated depreciation and depletion	1,792.4	1,661.4
Net plant investment	1,906.0	1,757.0
Intangibles resulting from business acquisitions, net of accumulated amortization	228.0	251.4
Other assets	189.0	155.0
	$5,092.0	$4,971.2

Consolidated Statements of Earnings

	1990	1989	1988
	(Millions of dollars)		
Earnings of consolidated companies before taxes on income—continuing operations	$176.7	$419.8	$375.9
Taxes on income	79.1	172.1	145.9
Earnings of consolidated companies—continuing operations	97.6	247.7	230.0
Equity in net earnings of associated companies	10.2	29.7	24.2
Earnings from continuing operations	107.8	277.4	254.2
Discontinued operations			
(Loss) earnings (after taxes of $3.7, $14.5 and $22.1)	(3.0)	14.6	41.4
Gain on sale (after taxes of $257.0)	248.0	—	—
Net earnings	$352.8	$292.0	$295.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Millions of dollars except per share amounts)

1 (In Part): Summary of Accounting Policies

Consolidation—The consolidated financial statements include the accounts of American Cyanamid Company and subsidiaries. All significant intercompany transactions and balances have been eliminated. Subsidiaries operating outside the United States and Canada are included on a fiscal year basis ending November 30.

The equity method of accounting is used for investments in associated companies (20% to 50% owned). At December 31, 1990, the principal associated companies are Criterion Catalyst Company L.P., CYRO Industries and Lederle (Japan) Ltd. (all 50% owned).

4. Equity in Net Assets of and Advances to Associated Companies

The aggregate cost of investments in associated companies accounted for under the equity method of accounting (20% to 50% owned) was $69.8 and $83.9 at December 31, 1990 and 1989, respectively. Dividends of $10.6 in 1990, $8.2 in 1989 and $4.8 in 1988 were received from these companies. Summarized financial information for the company's investments in and advances to associated companies for the years ended December 31, 1990, 1989 and 1988, and as of December 31, 1990 and 1989 is as follows:

	1990	1989	1988
Net sales	$892.5	$895.7	$837.5
Gross profit on sales	302.0	349.6	327.2
Net earnings	17.1	58.1	46.3
American Cyanamid Company's share of net earnings	$ 10.2	$ 29.7	$ 24.2
Current assets	$458.6	$436.3	
Noncurrent assets	434.7	337.1	
Total assets	$893.3	$773.4	
Current liabilities	$262.1	$228.7	
Noncurrent liabilities	222.4	164.1	
Equity	408.8	380.6	
Total liabilities and equity	$893.3	$773.4	
American Cyanamid Company's share of undistributed earnings	$133.9	$123.2	

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

Consolidated Balance Sheet

	1990	1989
	(In millions of dollars)	
Total current assets	$711	$816
Other Assets		
Goodwill, less accumulated amortization of $5 in 1990 and $1 in 1989	99	99
Investments in affiliates (Note 7)	32	28
Other noncurrent assets	33	36
Total other assets	164	163

Consolidated Statement of Income

	1990	1989	1988
	(In millions of dollars)		
Income from Operations	$293	$430	$477
Cost of borrowed funds	(165)	(166)	(170)
Other income (expense) — net	—	2	(6)
Income before Provision for Income Taxes	128	266	301
Provision for income taxes	58	103	127
Income before Equity in Net Income of Affiliates	70	163	174
Equity in net income of affiliates (Note 7)	5	9	23
Income before Extraordinary Item	75	172	197

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in Affiliates

Investments in affiliates are accounted for by using the equity method, under which the Company's share of earnings of these affiliates is reflected in income as earned and dividends are credited against the investment in affiliates when received.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Investments in Affiliates

At December 31, 1990, the Company's affiliates, which generally are engaged in the manufacture of fiber glass products for the insulation, construction, reinforcements, and textile markets, are:

	Percent Ownership
Amiantit Fiberglass Industries (Saudi Arabia)	30.0%
Arabian Fiberglass Insulation Company (Saudi Arabia)	49.0
Asahi Fiber Glass Company, Ltd. (Japan)	28.0
CAE Fiberglass Ltd. (Canada)	25.0
Polyplaster, S.A. (Brazil)	31.7
Vitro-Fibras, S.A. (Mexico)	40.0

Summarized total financial information for the Company's affiliates, including the operating results of FCI prior to its becoming a wholly owned subsidiary in 1989 (Note 3):

	1990	1989	1988
	(In millions of dollars)		
At December 31:			
Current assets	$185	$155	$256
Noncurrent assets	222	202	338
Current liabilities	241	210	299
Noncurrent liabilities	55	52	106
For the year:			
Net sales	398	617	781
Gross margin	91	167	200
Net income	20	34	56

The Company's equity in undistributed net income of affiliates was $18 million at December 31, 1990.

CABOT CORPORATION (SEP)

Consolidated Balance Sheets

	1990	1989
	(Dollars in thousands)	
Total current assets	$ 579,480	$505,411
Investments:		
At equity	144,334	135,190
At cost	4,812	3,899
Total investments	149,146	139,089
Property, plant and equipment	1,533,844	1,324,814
Accumulated depreciation, depletion and amortization	655,193	581,635
Net property, plant and equipment	878,651	743,179
Other assets:		
Intangible assets (net of accumulated amortization of $17,955 and $13,135)	104,474	16,849
Other assets	20,158	12,871
	124,632	29,720
Total other assets	$1,731,909	$1,417,399

Consolidated Statements of Income

	1990	1989	1988
	Dollars in thousands		
Income (loss) before income taxes	$111,162	$ (5,149)	$106,826
Provision for income taxes	(49,750)	(10,900)	(51,329)
Equity in net income of afiliated companies	9,618	9,540	5,678
Income (loss) before extraordinary charge	71,030	(6,509)	61,175

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Cabot Corporation and all majority-owned domestic and foreign subsidiaries. Investments in 20 percent to 50 percent-owned affiliates are accounted for on the equity method. All significant intercompany transactions have been eliminated.

D (In Part): Investments and Acquisitions

Investments

Investments in net assets of affiliate companies accounted for under the equity method amounted to $144,334,000 and $135,190,000 at September 30, 1990 and 1989, respectively. The combined results of opera-

tions and financial position of the Company's equity basis affiliates are summarized below:

Years ended September 30 Dollars in thousands	1990	1989
Condensed Income Statement Information		
Net sales	$601,205	$315,487
Gross margin	111,654	100,298
Net income	17,040	18,350
Equity in net income of affilated companies	9,618	9,540
Condensed Balance Sheet Information		
Current assets	$253,798	$212,319
Non-current assets	380,857	271,014
Current liabilities	221,995	197,211
Non-current liabilities	216,886	108,637
Net worth	195,774	177,485

TOKHEIM CORPORATION (NOV)

Consolidated Statement of Earnings and Retained Earnings

	1990	1989	1988
	(amounts in thousands)		
Net sales	$217,138	$226,485	$203,147
Cost of products sold	143,529	151,084	132,123
Selling expenses	31,126	32,437	31,930
Administrative expenses	15,938	16,022	15,009
Research and development expenses	12,312	10,832	9,620
Interest expense (net of interest income of $1,524 in 1990; $2,187 in 1989; and $878 in 1988)	2,923	4,891	2,717
Other income, net	1,593	2,627	1,074
Foreign currency gains (losses)	(384)	(632)	46
Restructuring charge	(8,287)	—	—
Equity in net loss of unconsolidated affiliate (Note 3)	(2,720)	(3,135)	(214)
Earnings before income taxes and cumulative effect of accounting change	1,512	10,079	12,654

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollar amounts in thousands except dollars per share)

1 (In Part): Summary of Significant Accounting Policies

Principles of consolidation—The consolidated financial statements include the accounts of Tokheim Corporation and all of its wholly owned and majority owned subsidiaries. As more fully described in Note 3, the Company's investment in an unconsolidated affiliate is accounted for on the equity method.

2. Restatement of Prior Year Financial Statements

Prior to 1990, the Company had accounted for its investment in preferred stock, certain loans to D-Tech Corporation, and a loan guarantee aggregating approximately $4.8 million on the cost method. During 1990, the Company made additional loans aggregating $1.3 million to D-Tech and obtained modification to certain warrants which, after the modification, give the Company the right to acquire, for nominal consideration, that number of shares which would result in the Company owning 53% of the outstanding stock of D-Tech. In fiscal 1991, the warrants were further modified to the extent that the Company has the right to acquire that number of shares which would result in the Company owning 74% of the outstanding stock of D-Tech. Because of the additional loans and modification of its warrant rights, the Company has retroactively accounted for its investment in D-Tech on the equity method. The effect of this retroactive change as previously reported for 1989 and 1988 is as follows:

	1989	1988
Net earnings as previously reported	$8,057	$10,979
Adjustment to retroactively account for investment in D-Tech Corporation on equity method, net of tax benefits	2,069	141
Net earnings as adjusted	$5,988	$10,838
Per share amounts:		
Primary:		
As previously reported	$ 1.15	$ 1.73
Adjustment to retroactively account for investment in D-Tech Corporation on equity method, net of tax benefits	.32	.03
As adjusted	$ .83	$ 1.70
Fully diluted:		
As previously reported	$ 1.12	$ 1.73
Adjustment to retroactively account for investment in D-Tech Corporation on equity method, net of tax benefits	.31	.03
As adjusted	$ .81	$ 1.70

3. Investment in Affiliate

The Company's investment in and loans to D-Tech Corporation are comprised of the following:

November 30,	1990	1989
Investment in preferred stock	$ 500	$ 500
Loans	5,269	3,964
Line of credit guarantee	300	300
	6,069	4,764
Less equity in accumulated losses of D-Tech	(6,069)	(3,349)
	$ 0	$ 1,415

While there is no obligation to do so, it may be necessary in future periods for the Company to provide additional advances to D-Tech to the extent working capital is not provided from operations or other financing sources. Such additional advances will be accounted for on the equity method.

Following is a summary of condensed unaudited financial information pertaining to D-Tech:

November 30,	1990	1989
Current assets	$ 2,355	$ 2,449
Other assets	444	434
	$ 2,799	$ 2,883
Current liabilities	$ 3,664	$ 1,530
Other liabilities	4,922	4,201
Stockholders' equity (deficit)	(5,787)	(2,848)
	$ 2,799	$ 2,883

Year ended November 30,	1990	1989	1988
Net sales	$ 2,856	$ 1,215	$ 147
Gross profit	1,069	(553)	80
Net losses	2,941	3,265	1,187
Interest expense on loans from the Company included in these amounts	396	14	—
The Company's share of net losses after eliminating intercompany transactions	2,720	3,135	214

QUANTUM CHEMICAL CORPORATION (DEC)

Consolidated Balance Sheet

	1990	1989
	(dollar amounts in millions)	
Total current assets	$ 897.1	$868.4
Investments		
Associated companies (Note 5)	31.8	128.6
Marketable securities	34.0	39.1
Property, plant and equipment, at cost—less accumulated depreciation	2,020.2	1,759.3
Deferred charges and other assets	156.4	114.9
Goodwill and other intangible assets—less accumulated amortization	82.5	93.5
Total assets	$3,222.0	$3,003.8

Consolidated Statement of Income

	1990	1989	1988
	(dollar amounts in millions)		
Operating income	$255.0	$ 475.5	$ 759.8
Interest on borrowings—net	(208.8)	(276.7)	(116.4)
Other income (expense)—net	31.7	(13.2)	(28.6)
	77.9	185.6	614.8
Provision for taxes on income	(39.3)	(64.3)	(257.6)
Share of earnings (losses) of associated companies (Note 5)	(17.4)	(7.2)	2.9
Income from continuing operations	21.2	114.1	360.1
Income from discontinued operations		133.3	22.6
Net income	$ 21.2	$ 247.4	$382.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Principles of Consolidation

The financial statements include the accounts of all majority-owned companies. Associated companies (50% owned) are accounted for under the equity method, i.e., at cost, increased or decreased by the Company's share of earnings or losses, less distributions.

Note 5. Associated Companies

The Company's equity investments in associated companies consisted of a 50% interest in each of the following partnerships:

	December 31	
	1990	1989
QFB Partners	$33.3	$ 59.9
EVAL Company of America	(1.5)	(1.9)
RMI Company		70.6
	$31.8	$128.6

In August 1989, the Company and CS First Boston, Inc., formed an equally owned partnership, QFB Partners, which acquired all of the businesses and assets of Petrolane, an operation engaged in the distribution and sale of propane gas. QFB Partners and Petrolane have substantial debt service obligations in 1991 and, in order to meet these obligations, must improve their operating results and cash flow from 1990 levels. In addition, Petrolane does not believe that it will generate sufficient cash flow in 1991 to comply with certain financial covenants in its bank credit agreement unless such covenants are waived or amended. This matter is under study and is the subject of discussions among the Company and its joint venture partner, which is an affiliate of CS First Boston, Inc.

On April 12, 1990, the Company sold its 50 percent interest in RMI Company through an initial public offering. The proceeds from the sale, net of related expenses, were $88.1 million; the pretax gain on such sale was $27.9 million (included in Other income (expense)—net) and the after tax gain on sale was $16.0 million.

The Company includes its share of the income or loss of the partnerships in computing its taxable income. The resultant tax expense or benefit is included in the computation of share of earnings (losses) of associated companies.

The Company is contingently liable with respect to indebtedness of EVAL Company of America. At December 31, 1990, the maximum amount of such contingent liability was $36.8 million.

Summary financial information for associated companies, including RMI Company prior to sale, as a group is as follows:

Balance sheet data	December 31 1990	1989
Current assets	$ 174.4	$ 314.5
Other assets	1,123.2	1,277.4
	$1,297.6	$1,591.9
Current liabilites	253.5	$ 247.9
Other liabilities	968.7*	1,072.7
Partners' equity	75.4	271.3
	$1,297.6	$1,591.9
Quantum's share of equity of associated companies	$ 37.7	$ 135.7
Eliminations	(5.9)	(7.1)
Quantum's investment in associated companies	$ 31.8	$ 128.6

Income statement data	Year ended December 31 1990	1989	1988
Revenues	$861.0	$590.6	$227.5
Gross profit	$ 92.0	$107.8	$ 28.6
Net earnings (losses) of associated companies	$ (45.6)	$ (18.6)	$ 8.5
Quantum's share of net earnings (losses) of associated companies	(22.8)	$ (9.3)	$ 4.2
Eliminations	1.2	.4	
Tax recovery (expense)	4.2	1.7	(1.3)
	$ (17.4)	$ (7.2)	$ 2.9
Distributions to Quantum	$ 15.0	$ 5.0	

*Includes $536.0 million of QFB Partners' senior debt.

WHIRLPOOL CORPORATION (DEC)

Consolidated Balance Sheets

	1990	1989
	(Millions of dollars)	
Total current assets	$ 2,900	$ 2,889
Investments, long-term receivables and other assets		
Affiliated companies	281	299
Financing receivables and leases, less allowances	628	497
Intangibles, less accumulated amortization of $36 in 1990 and $19 in 1989	437	350
Other	19	31
	1,365	1,177

Consolidated Statements of Earnings

	1990	1989	1988
	(Millions of dollars)		
Earnings from continuing operations before income taxes and other items	$ 220	$ 308	$ 233
Income taxes	110	132	87
Earnings from continuing operations before other items	110	176	146
Equity in net earnings (losses) of affiliated companies	(33)	38	15
Minority interests in net earnings of subsidiaries	(5)	(27)	—
Earnings from continuing operations	72	187	161

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Principal Accounting Policies

Principles of Consolidation: The consolidated financial statements include all majority-owned subsidiaries. Investments in affiliated companies are accounted for by the equity method.

5. Affiliated Companies

The Company has direct voting interests, ranging from 17% to 49%, in three Brazilian companies (Brastemp S.A., Embraco S.A. and Consul S.A.) engaged in the manufacture and sale of major home appliances and related component parts and in Vitromatic, S.A. de C.V., a Mexican manufacturer of home appliances. Other significant investments include an interest in Brasmotor S.A., a Brazilian holding company that has interests in Brastemp S.A., Embraco S.A. and Consul S.A.

Equity in the net earnings (losses) of affiliated companies is as follows:

	1990	1989	1988
	(millions of dollars)		
Brazilian affiliates	$ (27)	$ 32	$16
Mexican affiliate	(3)	8	3
Other	3	2	—
	(27)	42	19
Less foreign withholding and related federal income taxes	(6)	(4)	(4)
	$ (33)	$ 38	$ 15

Brazilian equity losses for 1990 were partially offset by the reversal of litigation and other non-operating reserves that were established in 1989. In 1990, the Company recorded a $12 million charge against equity earnings of its Mexican affiliate as described in Note 9.

Combined financial information for all affiliated operating companies follows:

	1990	1989	1988
	(millions of dollars)		
Current assets	$ 535	$ 541	$422
Other assets	706	602	471
	$ 1,241	$ 1,143	$ 893
Current liabilities	$ 342	$ 345	$ 246
Other liabilities	185	117	87
Stockholders' equity	714	681	560
	$ 1,241	$ 1,143	$ 893
Net sales	$ 1,823	$ 1,554	$ 934
Cost of products sold	$ 1,518	$1,226	$ 770
Net earnings (losses)	$ (74)	$ 126	$ 48
Whirlpool share of foreign currency translation gains (losses) included in operating results	$ 32	$ (46)	$ (11)
Dividends and fees paid to Whirlpool by affiliates	$ 10	$ 13	$ 11

Cost Method

GENERAL CINEMA CORPORATION (OCT)

	1990	1989
	(Dollar amounts in thousands)	
Current Assets		
Cash and short-term investments	$1,634,373	$1,687,769
Accounts receivable—trade, less allowance for doubtful accounts of $3,614 and $5,102	199,510	190,654
Sundry deposits and receivables	36,346	37,511
Merchandise inventories	276,878	251,241
Other current assets	49,747	40,944
Total current assets	$2,196,854	$2,208,119
Property and equipment		
Land, buildings and improvements	505,112	447,014
Fixtures and equipment	289,045	250,105
	794,157	697,119
Less accumulated depreciation and amortization	218,523	168,282
Total net property and equipment	575,634	528,837
Investments		
Cadbury Schweppes p.l.c.	53,000	424,030
Other	3,189	18,490
Total investments	56,189	442,520
Other assets	55,649	49,215
Intangibles	184,069	174,877
	$3,068,395	$3,403,568

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Investments

Cadbury Schweppes p.l.c. (Cadbury)

The Company owns 13,200,000 ordinary shares of Cadbury at October 31, 1990 with a market value of approximately $79,928,000. The investment is carried at cost and is held in escrow under the terms of the Company's 5% subordinated exchangeable debentures due 2002. At October 31, 1989, the Company owned 112,586,000 ordinary shares of Cadbury. In October 1990, the Company sold 98,606,000 of its shares and realized a pre-tax gain of $129,298,000.

The Company has maintained sterling denominated indebtedness equivalent to the sterling cost of its investment in Cadbury as a hedge against foreign currency fluctuations. Therefore, any foreign currency gains are offset by foreign currency losses. In addition to the interest incurred on the subordinated debentures, the Company incurred interest expense relating to foreign exchange contracts totaling $26,460,000 in 1990, $15,363,000 in 1989 and $14,791,000 in 1988.

McDERMOTT INTERNATIONAL, INC. (MAR)

	1990	1989
	(In thousands)	
Total Current Assets	$1,179,512	$1,087,832
Property, Plant and Equipment, at Cost:		
Land	19,406	21,257
Buildings	217,162	225,900
Machinery and equipment	1,904,279	1,952,688
Property under contruction	98,151	33,787
	2,238,998	2,233,632
Less accumulated depreciation	1,315,143	1,270,665
Net Property, Plant and Equipment	923,855	962,967
Investments:		
Government obligations	453,067	675,683
Eurodollar time deposits	287,595	74,994
Total Investments	740,662	750,667
Excess of Cost Over Fair Value of Net Assets of Purchased Businesses Less Accumulated Amortization of $61,499,000 at March 31, 1990 and $61,805,000 at March 31, 1989	148,565	167,560
Prepaid Pension Costs	189,269	164,556
Other Assets	153,833	160,030
Total	$3,335,696	$3,293,622

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investments

At March 31, 1990, McDermott International held $453,067,000 (amortized cost) and $287,595,000 (amortized cost) of government securities and Eurodollar

time deposits, respectively, as a long-term investment, compared with $675,683,000 and $74,994,000, respectively, at March 31, 1989. The market and face values of the government securities and Eurodollar time deposits were $451,573,000 and $453,250,000, and $286,893,000 and $287,537,000, respectively, at March 31, 1990. These securities are carried at amortized cost, as in management's opinion there is no permanent loss in value of the portfolio, and there is no present intention to liquidate the securities at less than cost.

Included in other-net expense in fiscal 1988 was a net loss of $283,725,000 on the sale of government obligations. The loss was incurred when the portfolio was repositioned to shorten the materials in order to reduce the exposure to the volatility of long-term interest rates.

Lower of Aggregate Cost Or Market Value

SCOPE INDUSTRIES (JUN)

	1990	1989
Total current assets	$ 14,949,569	$ 29,578,245
Notes Receivable	2,537,571	517,272
Property and Equipment at Cost:		
Machinery and equipment	17,827,981	16,870,326
Land, buildings and improvements	9,077,397	7,528,115
	26,905,378	24,398,441
Less accumulated depreciation and amortization	15,016,084	12,855,869
	11,889,294	11,542,572
Marketable Securities, at lower of cost or market: (Market $27,873,741 in 1990 and $24,213,725 in 1989—Note 4)	22,929,599	14,242,634
	$52,306,033	$55,880,723

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 and bonds. Interest income is accrued as earned.

Realized gains or losses are determined on the specific identification method and are reflected in income. Net 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 4: Marketable Securities

Included in Investment and Other Income (Loss) are recognized gains and losses on marketable securities. Net gains of $1,834,871 were recognized in 1990. Net losses of $1,966,867 and $5,347,315 were recognized in 1989 and 1988, respectively. The recognized gains and losses were from sales of marketable securities and from recognized but unrealized losses of $20,000, $2,463,591 and $4,084,421 in 1990, 1989 and 1988, respectively, on securities whose decline in value was deemed to be other than temporary.

At June 30, 1990, gross unrealized gains and losses (other than the above mentioned unrealized losses) on marketable securities were as follows:

	Non-current
Gross unrealized gains	$ 7,152,395
Gross unrealized losses	(2,208,253)

Subsequent to June 30, 1990 a gain on marketable securities of $100,350 has been realized. The unrealized gains, net of unrealized losses at August 21, 1990 were $1,239,591.

Carrying Amount Is Zero

SPX CORPORATION (DEC)

	1990	1989
	(Dollars in thousands)	
Total current assets	$377,336	$340,263
Investments (Note 8)	3,684	3,243
Property, Plant and Equipment, at cost		
Land	6,586	5,641
Buildings	50,378	40,136
Machinery and equipment	123,392	102,384
Construction in progress	6,398	17,829
	$186,754	$165,990
Less—Accumulated depreciation	68,842	56,876
Net property, plant and equipment	$117,912	$109,114
Other Assets	28,941	23,060
Costs in Excess of Net Assets of Businesses Acquired	96,268	98,874
	$624,141	$574,554

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Investments

As of December 31, 1990, investments, as shown on the consolidated balance sheets, include equity investments in minority-owned subsidiaries located in Japan and the cost of an investment in a Brazilian affiliate.

Prior to 1988, the Company's 49% ownership in the Brazilian affiliate was recorded on the equity basis. Upon concluding in 1988 that the Company could no longer exert a significant influence over the Brazilian affiliate's operations, the Company began accounting for this investment using the cost method (effective January 1, 1988). The carrying value of this Investment at December 31, 1990 and 1989 was $1,800,000, which approximates

the Company's pro rata share of the Brazilian affiliate's underlying value.

The Company's method of accounting for its 49% ownership in Sealed Power Technologies Limited Partnership (the "Partnership"), is based upon a consensus opinion issued in late 1989 by the Financial Accounting Standards Board's Emerging Issues Task Force. Recognition of income or loss by the Company for its interest in the Partnership wil occur only after the Partnership has earnings in excess of previously unrecorded losses and of the prorated amortization of the Company's share of the Partner's deficit. The carrying value of this investment at December 31, 1990 was zero.

Summarized financial information from the audited financial statemtns of the Partnership was as follows:

	December 31 1990	1989
	(Dollars in millions)	
Current assets	$ 73.9	$ 80.2
Non-current assets	117.8	119.0
Current liabilities	56.4	60.3
Non-current liabilities	228.1	229.5
Partners' capital (deficit)	(92.8)	(90.6)

	Twelve Months Ended Dec. 31, 1990	Seven Months Ended Dec. 31, 1989
	(Dollars in millions)	
Net sales	$332.0	$ 186.8
Costs and expenses	302.0	172.0
Earnings before interest	30.0	14.8
Interest expense, net	32.2	19.3
Income (loss)	(2.2)	(4.5)

NONCURRENT RECEIVABLES

Chapter 3A of *ARB No. 43* 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." Table 2-16 summarizes the balance sheet captions used to describe noncurrent receivables. Examples of noncurrent receivables follow.

ANACOMP, INC. (SEP)

	1990	1989
	(Dollars in thousands)	
Total current assets	$257,606	$312,394
Property and equipment, at cost less accumulated depreciation and amortization of $78,062 and $55,757, respectively	79,414	81,204
Long-term receivables, net of current portion	24,470	21,783
Excess of purchase price over net assets of businesses acquired and other intangibles	335,084	341,061
Other assets	20,939	30,323
	$717,513	$786,765

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Long-term Receivables:

Long-term receivables consist of the following:

	1990	1989
	(In thousands)	
Lease contracts receivable	$ 11,341	$15,495
Notes receivable from asset sales	9,222	3,173
Other	9,111	8,957
	29,674	27,625
Less current portion	5,204	5,842
	$ 24,470	$ 21,783

Other long-term receivables include $2,259,000 and $2,740,000 at September 30, 1990 and 1989, respectively, due from officers in connection with certain interest free loan agreements.

Lease contracts receivable result from customer leases of products under agreements which qualify as sales-type leases. Annual future lease payments under sales-type leases are as follows:

	1990
	(In thousands)
Fiscal 1991	$ 5,538
1992	3,924
1993	2,121
1994	1,028
1995	541
	13,152
Less deferred interest	1,811
	$11,341

TABLE 2-16: NONCURRENT RECEIVABLES

	1990	1989	1988	1987
Caption Title				
Notes Receivable	41	33	33	38
Long-Term Receivables	33	39	39	35
Noncurrent Receivables	4	9	8	7
Other	25	38	32	30
Receivables combined with other investments, deposits, etc.	47	45	49	39
Total Presentations	**150**	**164**	**161**	**149**
Number of Companies				
Presenting noncurrent receivables	145	158	157	149
Not presenting noncurrent receivables	455	442	443	451
Total Companies	**600**	**600**	**600**	**600**

ARMADA CORPORATION (DEC)

	1990	1989
Total current assets	$23,878,000	$30,672,000
Notes receivable	1,092,000	
Sublease receivables		1,241,000
Propety, plant and equipment, net	13,678,000	15,248,000
Cost in excess of assigned values of acquired company, net	952,000	995,000
	$39,600,000	$48,156,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Discontinued Operations

Effective March 31, 1990, the Company sold substantially all of the assets of Merlin Muffler Shops, Inc. and its subsidiary. The sales price of $2,167,000 consisted of $210,000 in cash, the assumption of $219,000 in trade liabilities, a $1,449,000 term note and a $289,000 supplemental note. In addition, the purchaser assumed all leases and subleases for installation shops used in the business.

The term note bears interest at 2% above the prime rate. The supplemental note bears interest at 13% through June 30, 1991, and 14% thereafter. Interest on the term note and supplemental note (the "Notes") is due quarterly. Regular principal payments on the Notes are due quarterly commencing June 30, 1991, until maturity at December 31, 1994. Certain mandatory prepayments are required upon the occurrence of certain events. The Notes are collateralized by the common stock and assets of the purchaser.

BERGEN BRUNSWIG CORPORATION (AUG)

	1990	1989
	(Dollars in thousands)	
Total current assets	$1,047,694	$ 833,143
Property—at cost:		
Land	4,553	4,857
Buildings and leashold improvements	38,835	31,410
Equipment and fixtures	73,770	63,270
Total property	117,158	99,537
Less accumulated depreciation and amortization	41,127	42,672
Property—net	76,031	56,865
Other assets:		
Excess of cost over net assets of acquired companies	52,316	54,010
Noncurrent receivables	10,810	9,950
Deferred charges and other assets	51,257	46,712
Total other assets	114,383	110,672
Total assets	$1,238,108	$1,000,680

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Noncurrent receivables include notes receivable from employees and officers due on demand in the amount of $5,635,000 and $4,858,000 at Auguest 31, 1990 and 1989, respectively.

EAGLE-PICHER INDUSTRIES, INC. (NOV)

	1990	1989
	(In thousands of dollars)	
Total current assets	$228,446	$259,617
Property, Plant and Equipment		
Land and land improvements	11,887	12,318
Buildings	75,683	75,434
Machinery and equipment	260,599	258,281
Construction in progress	9,458	15,709
	357,627	361,742
Less accumulated depreciation	210,894	206,499
Net Property, Plant and Equipment	146,733	155,243
Due From Insurance Carriers, less current portion	—	20,000
Other Assets	38,516	44,094
Total Assets	$413,695	$478,954

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F. Other Assets

Other assets consisted of:

	1990	1989
	(In thousands of dollars)	
Cost in excess of net assets acquired, net accumulated amortization of $2,204 in 1990 and $1,734 in 1989	$14,589	$15,140
Notes receivable	8,643	9,358
Prepaid pension cost—Note K	7,956	7,779
Prepaid tooling	2,573	2,778
Investments—Note O	1,672	5,339
Other	3,083	3,700
	$38,516	$44,094

Notes receivable include $4,550,000 received as partial consideration for the sale of the Bearings Division. This note is payable in two equal installments in 1997 and 1998 and bears interest of 8% with the first interest payment due in February, 1994.

Principal maturities on these notes receivable are as follows: 1991—$1,036,000; 1992—$572,000; 1993—$1,038,000; 1994—$462,000; 1995—$348,000; thereafter —$7,242,000.

ERLY INDUSTRIES INC. (MAR)

	1990	1989
Total current assets	$147,175,000	$119,282,000
Long-term notes receivable, net	9,662,000	9,539,000
Property, plant and equipment, net	49,242,000	48,036,000
Assets held for sale, net	9,077,000	4,819,000
Investment in American Rice	20,113,000	20,040,000
Other assets	10,000,000	9,526,000
	$245,269,000	$211,242,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Notes Receivable

Long-term notes receivable at March 31, 1990 and 1989 consist of the following:

	1990	1989
Notes receivable from California CoPackers, maturities through 1999, interest at 10.9%, collateralized by Hansen trademark license, net of $5,000,000 allowance	$ 6,000,000	$ 6,000,000
Note receivable from Aqaba Packaging Company, a 49% owned subsidiary of Comet, amounts due to be deducted from payments for future services, non-interest bearing	1,352,000	2,635,000
Various	3,346,000	1,661,000
Less current portion of long-term notes receivable	(1,036,000)	(757,000)
	$ 9,662,000	$ 9,539,000

GENERAL DYNAMICS CORPORATION (DEC)

	1990	1989
	(Dollars in millions)	
Total current assets	$3,927	$3,990
Noncurrent Assets:		
Notes and leases receivable—finance operations	469	459
Property, plant and equipment, net	1,556	1,813
Leased assets—finance operations, net	94	87
Other assets	527	341
Total Noncurrent Assets	2,646	2,700
	$6,573	$6,690

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. Notes and Leases Receivable—Finance Operations

The Company owns three liquified natural gas (LNG) tankers which have been leased to nonrelated companies through the year 2004. In addition, the Company holds notes receivable for general aviation aircraft sold by Cessna Aircraft as well as notes and leases receivables for equipment sold by or leased from the Company's divested telecommunications businesses.

Contractual maturities of the finance operations' notes and leases receivable are as follows:

1991	$174
1992	92
1993	91
1994	84
1995	82
Thereafter	366
Less:	
Unearned interest income	275
Allowance for doubtful accounts	8
	$606

THE STANLEY WORKS (DEC)

	1990	1989
	(Millions of dollars)	
Total current assets	$ 744.2	$ 759.7
Property, Plant and Equipment	538.3	519.6
Long-Term Notes Receivable, less allowance for doubtful notes of $4.9 in 1990 and $4.5 in 1989	29.6	35.7
Goodwill, Patents and Other Intangibles	104.3	108.6
Investments and Other Assets	77.4	67.6
	$1,493.8	$1,491.2

RAYTHEON COMPANY (DEC)

	1990	1989
	(In thousands)	
Total current assets	$3,603,466	$3,104,481
Property, plant, and equipment, net	1,532,081	1,456,296
Other assets (note F)	983,873	777,516
	$6,119,420	$5,338,293

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F. Other Assets

Other assets consist of the following at December 31:	1990	1989
	(In thousands)	
Long-term receivables		
Due from customers in installments to 2000	$653,575	$481,749
Other, principally due from 1992 through 1999	18,839	47,384
Investments	89,397	83,141
Deferred charges and other non-current assets	61,363	61,941
Excess of cost over net assets of acquired companies	83,724	59,310
Intangible pension asset	76,975	43,991
	$983,873	$777,516

Long-term receivables due from customers of $653.6 million at December 31, 1990 include commuter airline receivables of $360.4 million. Since it is the company's policy to have the aircraft serve as collateral for the commuter airline receivables, management does not expect to incur any material losses against the net book value of the long-term receivables.

During 1990, Raytheon Credit Company, a wholly owned finance subsidiary company, ceased operations. Activities of the credit company have been assumed by the company. For those periods prior to the cessation of operations, the financial position and results of operations of the credit company are immaterial and have been included in the consolidated financial statements of the company.

INTANGIBLE ASSETS

APB Opinion No. 17 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 summarized 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.

Tables 2-17 and 2-18 do not reflect intangible pension assets recognized when an entity records a minimum pension liability in accordance with *Statement of Financial Accounting Standards No. 87.* Such intangible pension assets are not amortized but are adjusted each year to correspond to changes in the amount of minimum pension liability. In 1990, sixty-three survey companies disclosed an intangible pension asset.

Examples of intangible asset disclosures follow.

Goodwill

ALLIED-SIGNAL INC. (DEC)

	1990	1989
	(Dollars in millions)	
Total current assets	$ 4,316	$ 4,351
Investments and long-term receivables	1,139	996
Property, plant and equipment—net	3,584	3,321
Cost in excess of net assets of acquired companies—net	1,107	1,318
Other asset	310	356
Total assets	$10,456	$10,342

NOTES TO FINANCIAL STATEMENTS

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

Cost in excess of net assets of acquired companies is being amortized on a straight-line basis over 25-or 40-year periods. The cumulative amount of goodwill amortized at December 31, 1990, and December 31, 1989, is $224 and $191 million, respectively. In 1990 the Company reduced acquired goodwill by $203 million as a result of the recognition of tax benefits associated with prior year acquisitions.

TABLE 2-17: INTANGIBLE ASSET VALUATION

	Number of Companies			
	1990	1989	1988	1987
Assets Being Amortized				
Goodwill recognized in a business combination	379	367	340	338
Patents, patent rights	62	62	67	59
Trademarks, brand names, copyrights	46	38	41	34
Licenses, franchises, memberships	16	19	22	26
Other—described	57	52	47	20
Assets Not Being Amortized				
Goodwill recognized in a business combination	42	44	60	76
Trademarks, brand names, copyrights	3	3	3	3
Basis Not Determinable	7	10	9	11

DSC COMMUNICATIONS CORPORATION (DEC)

	1990	1989
	(In thousands)	
Total current assets	$ 405,312	$ 363,519
Property and equipment, net	187,456	146,510
Long-term receivables	37,141	16,331
Capitalized software development costs	39,739	29,574
Cost in excess of net assets of businesses acquired, net	69,430	522
Net assets of discontinued operations	1,174	3,914
Other	19,172	9,625
Total assets	$ 759,424	$ 569,995

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cost in Excess of Net Assets of Businesses Acquired, Net.

Cost in excess of net assets of businesses acquired, net, represents the unamortized excess of the cost of acquiring a business over the fair values of the net assets received at the date of acquisition. Amortization expense of $1,626,000 for 1990 was computed by use of the straight-line method over the estimated life of the benefits received from the acquisitions and was included in other operating costs on the Consolidated Statements of Income (see "Business Acquisitions"). For 1989 and 1988, amortization expense was not significant.

ETHYL CORPORATION (DEC)

	1990	1989
	(In Thousands of Dollars)	
Total current assets	$ 526,193	$ 477,774
Property, plant and equiment, at cost	1,333,832	1,186,856
Less accumulated depreciation and amortization	(656,804)	(607,096)
Net property, plant and equipment	677,028	579,760
Other assets and deferred charges	119,619	97,979
Goodwill and other tangibles—net of amortization	59,898	81,412
Total assets	1,382,738	1,236,925

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Goodwill and Other Intangibles—Goodwill acquired prior to November 1, 1970, ($1,652,000) is not being amortized. Goodwill acquired subsequently ($76,427,000 net of accumulated amortization) is amortized on a straight-line basis, over periods from 10 to 40 years. Other intangibles ($22,988,000 net of accumulated amortization) are amortized on a straight-line basis over periods from 5 to 20 years. Amortization of goodwill and other intangibles amounted to $9,964,000 for 1990 and $8,539,000 for 1989. Accumulated amortization was $27,711,000 and $33,608,000 at the end of 1990 and 1989, respectively.

JOSLYN CORPORATION (DEC)

	1990	1989
Total current assets	$ 93,451,000	$ 95,309,000
Prepaid Income Taxes and Other Assets	5,376,000	5,403,000
Net Property, Plant and Equipment	38,319,000	40,872,000
Goodwill and Deferred Charges	2,073,000	22,834,000
Total Assets	$139,219,000	$164,418,000

TABLE 2-18: AMORTIZATION PERIOD—1990

	Number of Companies			
	Goodwill	Patent	Trademark	License
Period				
40	195	1	7	—
"Not exceeding 40"	84	1	3	1
25–30	12	—	1	1
20	15	—	—	1
10–15	15	2	1	—
Legal/estimated life	27	45	23	8
Other	60	12	10	4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Goodwill and Deferred Charges: Goodwill represents the excess of the cost of acquired businesses over the fair market value of their net assets and is, primarily, from the acquisitions of The Sunbank Family of Companies, Inc. and ADK Pressure Equipment Corporation in 1988. Goodwill is being amortized on the straight-line method over a period of forty years. Included in Goodwill and Deferred Charges, at December 31, 1990 and 1989 is goodwill of $1,954,000 and $20,822,000, which is net of accumulated amortization in 1990 and 1989 of $158,000 and $1,100,000, respectively. Goodwill expense was $18,868,000, $566,000 and $534,000 in 1990, 1989 and 1988 respectively. Included in 1990 expense was a write-down of goodwill of $18,329,000 related to defense businesses (See Note 13).

MASCO CORPORATION (DEC)

	1990	1989
Total current assets	$1,365,150,000	$1,393,250,000
Equity investments in Masco Industries, Inc.	263,850,000	238,060,000
Other investments in Masco Industries, Inc.	130,000,000	166,000,000
Equity investments in other affiliates	174,930,000	161,620,000
Property and equipment	970,140,000	880,670,000
Excess of cost over acquired net assets	641,320,000	627,910,000
Other assets	215,350,000	173,270,000
	$3,760,740,000	$3,640,780,000

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: building and land improvements, 2 to 10 percent, and machinery and equipment, 6 to 33 percent. Depreciation was $61.3 million, $59.4 million and $67.0 million in 1990, 1989 and 1988, 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, 1990 and 1989, such accumulated amortization totalled $73.8 million and $57.6 million, respectively. Purchase costs of patents are being amortized using the straight-line method over their remaining lives. Amortization of intangible assets was $32.2 million, $29.7 million and $19.5 million in 1990, 1989 and 1988, respectively.

SONOCO PRODUCTS COMPANY (DEC)

	1990	1989
	(Dollars in thousands)	
Property, Plant and Equipment	$562,591	$494,290
Cost in Excess of Fair Value of Assets Purchased (Note 9)	56,678	71,809
Investments in Affiliates	28,199	20,218
Other Assets	34,473	32,661

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Cost in Excess of Fair Value of Assets Purchased

Balances at December 31 are as follows:

	1990	1989
	(Dollars in thousands)	
Cost in excess of fair value of assets purchased	$ 75,335	$ 86,346
Accumulated amortization	(18,657)	(14,537)
	$56,678	$ 71,809

These amounts are being amortized on the straight-line basis over periods ranging from 20 to 40 years. Amortization expenses amounted to $4,688,000 in 1990; $4,284,000 in 1989; and $2,513,000 in 1988.

As part of the restructuring, $24,857,000 of goodwill, net of accumulated amortization, was written off.

MAXUS ENERGY CORPORATION (DEC)

	1990	1989
	(Dollars in millions)	
Total current assets	$ 248.9	$ 324.9
Properties and Equipment, less accumulated depreciation and depletion	1,077.1	1,022.3
Investments and Long-Term Receivables	71.8	64.5
Intangible Assets, less accumulated amortization	40.8	42.4
Deferred Charges	31.6	23.7
	$1,470.2	$1,477.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Depreciation, Depletion and Amortization

Depreciation and depletion related to the costs of all development drilling, successful exploratory drilling and related production equipment is calculated using the unit of production method based upon estimated proved recoverable reserves. Other properties and equipment are depreciated generally on the straight-line method over their estimated useful lives. Intangible assets are amortized on the straight-line method over their legal or estimated useful lives, not to exceed 40 years.

Intangible Assets

At December 31, 1990 and 1989, intangibles, primarily the excess of cost over fair value of net assets acquired, were $52.0 million and $51.9 million, respectively. Accumulated amortization at December 31, 1990 and 1989 was $11.2 million and $9.5 million, respectively. The charge against earnings for amortization of intangible assets was $1.7 million in 1990, $1.6 million in 1989 and $1.6 million in 1988.

Patents

UNITED STATES SURGICAL CORPORATION (DEC)

	1990	1989
	(In thousands)	
Total Current Assets	$218,512	$146,612
Property, plant and equipment, on the basis of cost:		
Land	7,696	4,977
Buildings	59,310	53,909
Molds and dies	65,646	64,052
Machinery and equipment	197,520	154,497
	330,172	277,435
Less allowance for depreciation and amortization	(132,744)	(123,528)
	197,428	153,907
Other assets	44,942	26,260
Total Assets	$460,882	$326,779

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Patents. The Company capitalizes and includes in Other Assets the costs of acquiring patents on its products and the costs of patents obtained through acquisition. Amortization is computed on the straight-line basis over the estimated economic lives (approximately ten years) of the related patents. The net carrying value of patents was $6,437,000 and $4,369,000 as of December 31, 1990 and 1989, respectively.

VISTA CHEMICAL COMPANY (SEP)

	1990	1989
	(Thousands)	
Total current assets	$185,856	$177,828
Property, plant and equipment, net	434,892	341,109
Investments	19,790	13,923
Other assets	17,485	17,734
Patents and other intangibles, net (Note 7)	15,352	16,246
Total assets	$673,375	$566,840

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Significant Accounting Policies

Intangibles

The costs of patents are amortized over their expected useful lives, which range from two to 10 years, using the straight-line method. Going concern and organization cost associated with the Company's original asset acquisition are being amortized commensurate with the depreciable lives of the related plant and equipment.

7. Patents and Other Intangibles

The components of patents and other intangibles at September 30, 1990 and 1989 are summarized as follows:

	1990	1989
	(Thousands)	
Patents	$ 2,775	$ 3,505
Going concern	5,762	7,272
Organization costs	3,772	4,754
Other	3,043	715
	$15,352	$16,246

The above amounts reflect accumulated amortization of $38,330,000 and $34,951,000 at September 30, 1990 and 1989, respectively.

WARNER-LAMBERT COMPANY (DEC)

	1990	1989
	(Millions of dollars)	
Total current assets	$1,558.6	$1,366.5
U.S. government securities and time deposits	59.2	60.8
Investments and other assets	180.5	159.9
Property, plant and equipment	1,301.4	1,132.5
Intangible assets	161.6	140.1
Total assets	$3,261.3	$2,859.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies:

Intangible assets—Intangible assets are recorded at cost and are amortized using the straight-line method over appropriate periods not exceeding 40 years.

Note 6—Intangible Assets:

December 31,	1990	1989
	(In millions)	
Purchased patents, trademarks and other intangibles	$138.6	$116.5
Goodwill	69.7	61.1
	208.3	177.6
Less accumulated amortization	(46.7)	(37.5)
	$161.6	$140.1

Amortization expense for the years 1990, 1989 and 1988 totaled $5.8 million, $6.3 million and $5.8 million, respectively.

Trademarks

INGERSOLL-RAND (DEC)

	1990	1989
	(In thousands)	
Investments and advances:		
Dresser-Rand Company	$ 157,957	$ 171,855
Partially-owned equity companies	148,979	116,869
	309,936	288,724
Property, plant and equipment, at cost:		
Land and buildings	417,720	364,696
Machinery and equipment	930,915	760,411
	1,348,635	1,125,107
Less—accumulated depreciation	582,713	518,621
	765,922	606,486
Intangibles and other assets	215,571	100,729

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies:

Intangible Assets: Intangible assets primarily represent the excess of the purchase price of acquisitions over the fair value of the net assets acquired. Such excess costs are being amortized on a straight-line basis over various periods not exceeding 40 years. Intangible asets also represent costs allocated to patents, tradenames and other specifically identifiable assets arising from business acquisitions. These assets are amortized on a straight-line basis over their estimated useful lives. Accumulated amortization at December 31, 1990, and 1989 was $11,121,000 and $5,721,000, respectively. Amortization of intangible assets was $5,685,000, $2,570,000 and $1,842,000 in 1990, 1989 and 1988, respectively.

HILLENBRAND INDUSTRIES, INC. (NOV)

	1990	1989
	(Dollars in thousands)	
Other Assets		
Intangible assets at amortized cost:		
Patents and trademarks	$ 85,804	$ 84,040
Excess of cost over net asset values of acquired companies	5,327	4,159
Other	9,344	9,688
Deferred charges and other assets	19,644	17,780
Total other assets	120,119	115,667

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands except per share data)

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

Intangible Assets

Intangible assets are stated at cost and are amortized on a straight-line basis over periods ranging from 3 to 40 years. The patents and trademarks acquired in the SSI Medical Services (SSI) acquisition (see Note 2) are being amortized over their estimated remaining useful lives. Allocable contingent purchase price accruals were added to the cost of the intangibles and are amortized over their remaining useful lives. Accumulated amortization of intangible assets was $74,192 and $62,426 as of December 1, 1990 and December 2, 1989, respectively.

HONEYWELL INC. (DEC)

	1990	1989
	(Dollars in Millions)	
Other Assets		
Deferred income taxes	$108.6	$ 71.7
Long-term receivables	90.7	93.1
Goodwill	101.0	104.3
Patents, licenses and trademarks	155.0	179.0
Software and other intangibles	322.3	318.4
Other	81.6	73.6
Net assets of discontinued operations		258.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Intangibles. Intangibles are carried at cost and amortized using the straight-line method over their estimated useful lives of not more than 40 years for goodwill, from 4 to 17 years for patents, licenses and trademarks, and from 4 to 24 years for software and other intangibles. Intangibles also include the asset resulting from recognition of the defined benefit pension plan minimum liability, which is amortized as part of net periodic pension cost.

License Agreements

HUNT MANUFACTURING CO. (NOV)

	1990	1989
	(In thousands)	
Total current assets	$ 74,880	$ 76,839
Property, plant and equipment, at cost, less accumulated depreciation and amortization	46,138	33,592
Excess of acquisition cost over net assets acquired, less accumulated amortization	18,052	5,815
Intangible assets, at cost, less accumulated amortization	14,154	10,569
Other assets	1,137	1,132
Total assets	$154,361	$127,947

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 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.

6. Intangible Assets

Intangible assets at the end of fiscal years 1990 and 1989 are as follows:

	1990	1989
Covenants not to compete	$11,447	$ 9,197
Customer lists	1,510	1,510
Trademarks	1,503	337
Patents	1,343	1,293
Licensing agreements	1,154	1,633
Other	1,806	5
	18,763	13,975
Less accumulated amortization	4,609	3,406
	$14,154	$10,569

Intangible assets increased approximately $5.7 million during fiscal 1990 as a result of the business acquisition described in Note 2.

Technology

FIRST BRANDS CORPORATION (JUN)

	1990	1989
	(In thousands)	
Total Current Assets	$400,950	$394,738
Property, Plant and Equipment (net of Accumulated Depreciation of $31,236 and $21,209)	177,813	147,935
Patents, Trademarks, Proprietary Technology and Other Intangibles (Net of Accumulated Amortization of $113,945 and $86,791) (Notes 1 and 3)	229,170	255,887
Deferred Charges and Other Assets (Net of Accumulated Amortization of $24,919 and $19,173)	27,848	31,229
Total Assets	$835,781	$829,789

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Patents, Trademarks, Proprietary Technology and Other Intangibles
Patents, trademarks, proprietary technology and other intangibles are carried at cost less accumulated amortization which is calculated on a straight-line basis over the estimated useful lives of the assets, not to exceed 40 years.

3. Patents, Trademarks, Proprietary Technology and Other Intangibles

Patents, trademarks, proprietary technology and other intangibles as of June 30, 1990 and 1989 consisted of:

(In Thousands)	1990	1989	Useful Lives
Trademarks	$ 96,078	$ 95,978	40 years
Patents, Proprietary Technology and Other Intangibles	205,292	205,163	13-17 years
Excess of Cost over Net Assets Acquired	41,745	41,537	40 years
	343,115	342,678	
Less: Accumulated amortization	(113,945)	(86,791)	
	$229,170	$255,887	

INTERMAGNETICS GENERAL CORPORATION (MAY)

	1990	1989
	(Dollars in Thousands)	
Intangible and Other Assets		
Purchased technology, less accumulated amortization of $520 in 1990 and $397 in 1989	$1,072	$1,195
Royalties receivable	404	444
Other assets	215	113

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Purchased Technology:
The Company has acquired technology in connection with business acquisitions. The cost of such purchased technology is amortized over the estimated useful life (ten to fifteen years) using the straight-line method.

THE LUBRIZOL CORPORATION (DEC)

	1990	1989
	(In Thousands of Dollars)	
Total current assets	$ 668,810	$543,166
Property and equipment—at cost	886,996	810,706
Less accumulated depreciation	533,445	494,213
Property—net	353,551	316,493
Investments in non-consolidated companies	53,698	51,966
Intangible and other assets	38,537	48,559
TOTAL	$1,114,596	$960,184

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Depreciation and Amortization—Accelerated depreciation methods are used in computing depreciation on approximately 67% of the depreciable assets. The remaining assets are depreciated using the straight-line method. Amortization of intangible and other assets is on a straight-line method over periods ranging from 5 to 25 years. For income tax purposes, different methods and rates are used in certain instances. Deferred income taxes relating to temporary differences have been provided.

Note 5 (In Part): Other Balance Sheet Information

Intangible and Other Assets:	1990	1989
Plant science technology	$11,772	$14,033
Goodwill and other intangibles	17,505	18,089
Other assets	9,260	16,437
	$38,537	$48,559

Accumulated amortization of intangible and other assets was $24.1 million and $19.1 million at December 31, 1990 and 1989.

MICRON TECHNOLOGY, INC. (AUG)

	1990	1989
	(Dollars in thousands)	
Total current assets	$198,106	$282,528
Marketable equity securities	—	9,372
Product and process technology, net	105,146	4,739
Property, plant, and equipment, net	385,147	326,047
Other assets	8,930	5,807
Total assets	$697,329	$628,493

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Product and process technology: Costs related to the conceptual formulation and design of products and processes are expensed as research and development. Costs incurred to establish patents and acquire product and process technology are capitalized. Amortization of capitalized costs is on the straight-line method over the shorter of the estimated useful life of the technology or the patent term. Royalties and amortization of capitalized costs are ascribed to inventory, cost of goods sold, and research and development expenses as appropriate.

Product and Process Technology
Significant additions during 1990 include two paid-up patent cross-license agreements and an agreement with International Business Machines Corporation (IBM) under which the Company is licensed to use IBM's 4 Meg DRAM technology. Accumulated amortization was $13,771,00 and $789,000 as of August 30, 1990, and August 31, 1989, respectively. Amortization of capitalized product and process technology costs charged to operations was $12,982,000 in 1990, $630,000 in 1989, and $159,000 in 1988.

SEAGATE TECHNOLOGY (JUN)

	1990	1989
	(In thousands)	
Total Current Assets	$ 1,139,435	$ 651,549
Property, equipment and leasehold improvements, net	537,191	382,128
Goodwill and other intangibles	129,470	4,230
Other assets	45,360	38,867
Total Assets	$1,851,456	$1,076,774

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Goodwill and Other Intangibles. Goodwill and other intangibles represent the excess of the purchase price of acquired companies over the fair value of the net assets acquired, plus the cost of technology acquired in connection with the acquisitions. Goodwill and other intangibles are being amortized on a straight-line basis over periods ranging from ten to fifteen years. The increase in goodwill and other intangibles in 1990 is principally due to the acquisition of Imprimis, effective October 2, 1989. Amortization expense, which has been included in other income (expense) was $7,048,000, $504,000 and $308,000 in 1990, 1989 and 1988 and accumulated amortization was $7,860,000 and $812,000 as of June 30, 1990 and 1989, respectively.

Covenants Not To Compete

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

	1990	1989
	(In Thousands)	
Total current assets	$ 772,225	$ 604,957
Property and Equipment, at cost, less accumulated depreciation of $1,079,816 and $895,088	1,988,221	1,908,899
Other Assets:		
Cost over fair value of net tangible assets of acquired businesses, net of accumulated amortization of $20,899 and $14,569	283,032	148,098
Other intangible assets, net of accumulated amortization of $120,525 and $91,940	169,041	160,760
Net assets of discontinued operation	90,666	—
Other	270,388	194,503
Total other assets	813,127	503,361
Total assets	$ 3,573,573	$3,017,217

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangible assets. The cost over fair value of net tangible assets of acquired businesses is amortized on the straight-line method over periods not exceeding 40 years. Other intangible assets, substantially all of which are customer lists and covenants not to compete, are amortized on the straight-line method over their estimated lives, typically no more than seven years. Amortization expense for fiscal years 1990, 1989 and 1988 related to intangible assets was $44,277,000, $34,202,000, and $26,630,000, respectively.

JOHNSON PRODUCTS CO., INC. (AUG)

	1990	1989
Total current assets	$16,663,000	$ 14,395,000
Property, plant and equipment	16,065,000	15,670,000
Less accumulated depreciation	10,579,000	10,059,000
	5,486,000	5,611,000
Intangibles, net (Notes 1 and 15)	3,605,000	—
Other assets	306,000	316,000
Total assets	$ 26,060,000	$ 20,322,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangibles: Intangible assets are amortized on a straight-line basis over a period of fifteen years.

15 (In Part): Business Acquisition:

In February, 1990, the Company purchased the intellectual property and inventory of M&M Products Co., a Georgia corporation. The purchase price was $5,000,000, consisting of $1,500,000 in cash, and $3,500,000 in short- and long-term notes. The initial debt represents long-and short-term promissory notes of $2,400,000 and $1,100,000 respectively (See Note 4). The short-term note was due in a single installment on March 1, 1990 and has been paid in full.

Intangible assets recorded in connection with the acquisition and related accumulated amortization are as follows:

	1990
Trademarks	$3,148,000
Cost in excess of net assets acquired	376,000
Noncompete agreement	200,000
	3,724,000
Less: accumulated amortization	119,000
	$3,605,000

RYKOFF-SEXTON, INC. (APR)

	1990	1989
Other Assets		
Noncompetition and consulting agreements, leasehold interests and other	$ 17,117,000	$21,358,000
Excess of cost over assets acquired	15,676,000	16,081,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Other Assets

Other assets are amortized on the straight-line method over the following periods:

Excess of cost over assets acquired	40 years
Noncompetition and consulting agreements	Term of agreement
Leasehold interests	Life of lease

Accumulated amortization of other assets was $13,003,000 and $7,039,000 as of April 28, 1990 and April 29, 1989, respectively.

Dealer Networks

BRUNSWICK CORPORATION (DEC)

	1990	1989
	(In millions)	
Current assets	$ 810.9	$ 779.3
Property		
Land	55.3	57.8
Buildings	343.5	341.5
Equipment	730.1	760.2
	1,128.9	1,159.5
Accumulated depreciation	(550.3)	(522.2)
Property	578.6	637.3
Other assets		
Dealer networks	267.1	298.9
Trademarks and other	70.2	73.4
Excess of cost over net assets of businesses acquired	125.9	148.7
Investments	42.6	47.2
Other assets	505.8	568.2
Total assets	$1,895.3	$1,984.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

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 $207.7 million and $175.8 million at December 31, 1990 and 1989, 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 $14.2 million and $20.2 million at December 31, 1990 and 1989, respectively.

Processing Rights

DIBRELL BROTHERS, INCORPORATED (JUN)

	1990	1989
Total current assets	$271,475,984	$187,284,877
Investments and other assets		
Equity in net assets of investee companies	13,261,766	14,247,126
Other investments	1,150,586	3,189,599
Notes receivable	3,207,764	2,771,264
Receivable from investee	7,131,322	8,233,772
Advance—net under Stock Purchase Agreement	50,569,307	—
Other	1,921,608	2,225,043
	77,242,353	30,666,804
Intangible assets		
Excess of cost over related assets of business acquired	11,893,518	12,914,150
Other	946,500	1,258,500
Property, plant and equipment		
Land	9,940,743	10,517,901
Buildings	45,876,307	44,363,499
Machinery and equipment	48,499,699	45,617,640
Allowances for depreciation (deduction)	(34,599,526)	(29,878,359)
	69,717,223	70,620,681
Deferred charges	161,560	156,311
	$431,437,138	$302,901,323

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Intangible assets Other is the estimated value of a five-year contract signed during 1988 between a consolidated subsidiary of the Company and the Flue-Cured Stabilization Co-operative (FC) whereby the subisidiary will have processing rights to FC Tobacco marketed in certain areas of North Carolina and Virginia. The asset is being amortized on a straight-line basis over a five year period which began July 1, 1988. The accumulated amortization at June 30, 1990 is $624,000.

Contracts

MARRIOTT CORPORATION (DEC)

	1990	1989
	(in millions)	
Property and Equipment	$2,774	$2,348
Assets Held for Sale	1,274	1,504
Investments in Affiliates	462	436
Intangible Assets	494	524
Notes Receivable and Other Assets	494	511

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets

	1990	1989
	(in millions)	
Food and services management contracts	$ 353	$ 342
Hotel management and franchise agreements	107	107
Goodwill	139	147
Other	41	40
	640	636
Less accumulated amortization	(146)	(112)
	$ 494	$ 524

Intangible assets primarily arose from purchase business combinations and are being amortized on a straight-line basis over periods of 10 to 40 years. Amortization expense totalled $34 million in 1990, $36 million in 1989 and $32 million in 1988.

Furniture Designs

LADD FURNITURE, INC. (DEC)

	1990	1989
	($000)	
Total current assets	$165,590	$225,684
Property, plant and equipment, net	79,949	103,534
Property, plant and equipment held for sale	5,592	—
Intangible assets, net	54,265	56,363
	$305,396	385,581

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangible Assets. The excess of cost over assigned value of net assets acquired is being amortized on a straight-line basis over 40 years from the dates of acquistions. The acquisition cost and excess of cost over assigned value of net assets acquired associated with the 1985 acquisition of Barclay Furniture, Inc. increased as consideration was accrued based on the earnings of the business during the five-year period ended December 30, 1989.

Intangible assets also include the values assigned to patents, furniture designs, tradenames and trademarks in connection with acquisitions, which are amortized on the straight-line method over periods of 15 to 40 years.

Note 7: Intangible Assets

A summary of intangible assets follows:

	1990	1989
	(In thousands)	
Trademarks	$21,700	21,700
Excess of cost over assigned value of net assets acquired	16,369	16,369
Furniture designs, tradenames and patents	14,901	14,901
Other	5,831	5,354
	58,801	58,324
Less accumulated amortization	(4,536)	(1,961)
	$54,265	56,363

Intangible Pension Asset

BETHLEHEM STEEL CORPORATION (DEC)

	1990	1989
	(dollars in millions)	
Total Current Assets	$1,203.2	$1,435.2
Investments	51.3	50.7
Property, Plant and Equipment, less accumulated depreciation of $4,985.6 and $4,777.8	2,796.4	2,916.7
Miscellaneous Assets	57.9	47.6
Intangible Asset—Pensions (Note I)	273.3	343.1
Total Assets	$4,382.1	$4,793.3

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 will be 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 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 our consolidated balance sheets:

	1990	1989
	(dollars in millions)	
Assumptions:		
Discount rate	9.25%	9.0%
Average rate of compensation increase	4.7%	4.9%
Actuarial present value of benefit obligations:		
Vested benefit obligation	$3,970.9	$4,029.2
Accumulated benefit obligation	$4,080.9	$4,159.6
Projected benefit obligation	$4,379.3	$4,453.5
Plan assets at fair value:		
Fixed income securities	2,023.4	1,988.4
Equity securities	974.1	1,048.6
Cash and marketable securities	256.5	244.0
Total plan assets	3,254.0	3,281.0
Projected benefits obligations in excess of plan assets	1,125.3	1,172.5
Unrecognized net gain	142.6	191.0
Unrecognized net obligation at January 1, 1987 being amortized over 15 years	(480.2)	(556.0)
Unrecognized prior service cost from plan amendments	(234.1)	(272.0)
Adjustment required to recognize minimum liability—intangible asset	273.3	343.1
Pension liability	$ 826.9	$ 878.6

LACLEDE STEEL COMPANY (DEC)

	1990	1989
	(In thousands of dollars)	
Non-current assets:		
Intangible assets	$31,110	$24,183
Bond funds in trust	10,759	—
Prepaid pension contributions	5,920	—
Property held for investment or sale, net of accumulated depreciation of $1,998 in 1990 and $2,038 in 1989	767	846
Other	2,231	4,577
Total non-current assets	50,787	29,606

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Intangible Assets:

In accordance with FASB Statement No. 87 "Employers' Accounting for Pensions," at December 31, 1989 the Company recorded an intangible asset of $22,835,000 and at December 31, 1990 increased this amount to $28,823,000. See Note 5 for further discussion.

Intangible assets also includes the excess of the purchase price of acquisitions over the fair value of the net assets acquired and this amount is amortized on a straight-line basis over 25 years.

Note 5 (In Part): Employee Benefits

In accordance with FASB Statement No. 87 "Employers' Accounting for Pensions," the Company has recorded an additional minimum pension liability for underfunded plans of $28,823,000 at December 31, 1990 and $22,835,000 at December 31, 1989, 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, 1990 and 1989 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 and 1988, for all plans other than the Alton Plant Hourly Employees' Plan, the assumed rate of increase in compensation levels was 4.5%, and in 1990 the rate was 2%.

THE OILGEAR COMPANY (DEC)

	1990	1989
Net property, plant and equipment	$21,784,715	$19,152,436
Pension intangible (note 8)	1,900,000	1,800,000
Other assets	70,082	60,432

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Employee Benefit Plans

The Company has non-contributory defined benefit retirement plans covering substantially all domestic employees. The Plan covering salaried and management employees provides pension benefits that are based on years of service and the employee's compensation during the last ten years prior to retirement. Benefits payable under the Plan may be reduced by benefits payable under The Oilgear Stock Retirement Plan. The Plan covering hourly employees and union members generally provides benefits of stated amounts for each year of service. The Company's policy is to fund pension costs to conform with the Employee Retirement Income Security Act of 1974.

Financial Accounting Standards Board Statement No. 87 (FAS #87), "Employers' Accounting For Pensions" was adopted by the Company in 1987. As allowed for under the provisions of the Statement, recognition of an additional minimum liability was deferred by the Company until the year ended December 31, 1989. The additional minimum liability equals the excess of the unfunded accumulated benefit obligation over accrued pension cost. The additional minimum liability was offset by an intangible asset limited to unrecognized prior service cost and any unrecognized net transition obligation with the remainder, if any, being reflected as an adjustment to stockholders' equity net of deferred income taxes. The change in accounting had no effect on net income. Total pension expense was approximately $700,000, $500,000 and $400,000 in 1990, 1989 and 1988, respectively. Plan assets are primarily invested in The Oilgear Company common stock (31,000 shares at December 31, 1990 and 1989), money market, equity and long-term bond mutual funds. Data relative to 1990 and 1989 is as follows:

	1990	1989
Actuarial present value of vested benefits obligaion	$ 8,500,000	7,900,00
Accumulated benefit obligation including vested benefits	$11,100,000	10,100,000
Projected benefit obligation	$11,100,000	10,100,000
Plan assets at fair value	(8,000,000)	(8,000,000)
Projected benefit obligation in excess of plan assets	3,100,000	2,100,000
Unrecognized net transition liability being recognized over 15 years	(1,800,000)	(2,000,000)
Unrecognized net gain from past experience, experience different from that assumed and effects of changes in assumptions	(1,300,000)	200,000
Accrued pension cost, reflected as current	—	300,000
Adjustment for additional minimum liability, reflected as noncurrent	3,100,000	1,800,000
Total pension liability	$ 3,100,000	2,100,000

ROCKWELL INTERNATIONAL CORPORATION (SEP)

	1990	1989
	(In millions)	
Net property	$2,668.2	$2,594.2
Intangible assets	1,171.8	1,094.6
Other assets	1,122.8	883.2

NOTES TO FINANCIAL STATEMENTS

5. Intangible Assets

Intangible assets are summarized as follows (in millions):

September 30	1990	1989
Goodwill, less accumulated amortization (1990, $93.7; 1989, $72.2)	$ 598.3	$583.9
Patents, product technology and other intangibles, less accumulated amortization (1990, $404.2; 1989, $438.3)	429.5	510.7
Intangible pension asset (see Note 16)	144.0	
Intangible assets	$1,171.8	$1,094.6

Goodwill represents the excess of the cost of purchased businesses over the fair value of their net assets at date of acquisition and generally is being amortized by the straight-line method over periods ranging from 15 to 40 years.

Patents, product technology and other intangibles relate principally to Allen-Bradley and are being amortized on a straight-line basis over their estimated useful lives, generally ranging from 5 to 20 years.

16 (In Part): Retirement Plans

The following table reconciles the plans' funded status to amounts included in the Company's balance sheet for its pension plans (in millions):

	1990	1989
	Plans With Accumulated Benefits Exceeding Assets	Plans With Accumulated Benefits Exceeding Assets
Accumulated benefit obligation, principally vested	$ 753.7	$ 691.5
Effects of projected compensation increases	64.9	56.0
Projected benefit obligation	818.6	747.5
Fair value of plan assets	490.0	469.8
Plan assets in excess of (less than) projected benefit obligation	(328.6)	(277.7)
Items not yet recognized in the balance sheet:		
Actuarial losses	83.2	71.0
Prior service cost	88.7	100.8
Remaining initial net (asset) obligation	55.3	67.5
Unfunded pension adjustment	(162.3)	
Prepaid (accrued) pension costs at September 30	$(263.7)	$ (38.4)

In 1990, as required by the pension accounting standard, the company recorded liabilities of $162.3 million for the portion of its unfunded pensions that had not been recognized as expense and an offsetting intangible asset of $144 million and adjustment to stockholders' equity of $18.3 million.

TABLE 2-19: OTHER NONCURRENT ASSETS

	Number of Companies			
	1990	**1989**	**1988**	**1987**
Prepaid pension costs	78	78	49	51
Property held for sale	65	69	49	56
Segregated cash or securities	39	36	36	52
Debt issue costs	35	32	26	22
Software	32	27	23	27
Assets leased to others	29	29	34	18
Assets of nonhomogeneous operations	26	25	11	—
Deferred income taxes	20	17	12	16
Cash surrender value of life insurance	16	15	10	11
Start up costs	6	5	7	4
Other identified noncurrent assets	50	66	56	44

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.

Prepaid Pension Costs

THE PITTSTON COMPANY (DEC)

	1990	1989
	(In thousands)	
Intangibles, net of amortization	$ 240,767	$ 228,199
Deferred pension assets (Note 11)	83,730	65,589
Investments in leveraged leases	22,298	23,675
Investments in and advances to unconsolidated affiliates	25,804	23,982
Other assets	76,964	68,394

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Employee Benefit Plans

The funded status and prepaid pension expense at December 31, 1990 and 1989 are as follows:

	1990	1989
	(In thousands)	
Actuarial present value of accumulated benefit obligation:		
Vested	$134,659	$120,400
Nonvested	4,436	4,153
	139,095	124,553
Benefits attributable to projected salaries	25,965	22,787
Projected benefit obligation	165,060	147,340
Plan assets at fair value	241,357	257,727
Excess of plan assets over projected benefit obligation	76,297	110,387
Unamortized initial net asset	(30,826)	(39,453)
Unrecognized experience loss (gain)	35,849	(6,284)
Unrecognized prior service cost	2,410	721
Net pension assets	83,730	65,371
Current pension liability	—	218
Deferred pension asset per balance sheet	$ 83,730	$ 65,589

BROCK EXPLORATION CORPORATION (MAR)

	1990	1989
Total Current Assets	$ 3,121,000	$ 3,579,000
Property and equipment—at cost, successful efforts used for oil and gas properties		
Oil and gas properties and equipment	21,133,000	18,011,000
Real estate	150,000	
Furniture, fixtures, and equipment	1,029,000	913,000
	22,312,000	18,924,000
Less accumulated depreciation, depletion and amortization	10,016,000	9,249,000
	12,296,000	9,675,000
Other Assets		
Noncurrent portion of prepaid pension costs	375,000	420,000
	$15,792,000	$13,674,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Retirement Plan

The following table sets forth the plan's funded status and amounts recognized in the Company's statement of financial position at March 31, 1990 and 1989:

	1990	1989
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $(744,000) in 1990 and $(770,000) in 1989	$(751,000)	$(773,000)
Projected benefit obligation for service rendered to date	$(805,000)	$(796,000)
Plan assets at fair value, primarily equity and fixed income securities	831,000	809,000
Plan assets in excess of projected benefit obligations	26,000	13,000
Prior service cost	8,000	
Unrecognized net loss from past experience different from that assumed	112,000	148,000
Unrecognized net asset being recognized over 15 years	271,000	294,000
Prepaid Pension Cost	$ 417,000	$455,000

FANSTEEL INC. (DEC)

	1990	1989
Total Current Assets	$70,975,534	$ 80,739,752
Net Assets of Discontinued Operations	2,828,562	3,261,754
Property, Plant and Equipment		
Land	1,915,170	1,915,170
Buildings	10,836,445	10,880,452
Machinery and equipment	59,013,792	58,469,625
	71,765,407	71,265,247
Less accumulated depreciation	54,025,319	50,160,732
Net Property, Plant and Equipment	17,740,088	21,104,515
Other Assets	2,975,383	2,858,936
	$94,519,567	$107,964,957

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Retirement Plans

The following table sets forth the plans' funded status and amounts recognized in the balance sheet at December 31:

	1990	1989
Actuarial present value of benefit obligations		
Vested	$32,554,030	$31,414,735
Non-vested	1,372,542	1,416,161
Total accumulated benefit obligations	$33,926,572	$32,830,896
Projected benefit obligations for services rendered to date	$36,317,312	$34,977,744
Plan assets at fair value, primarily U.S. government securities and publicly traded stocks and bonds	40,723,156	39,345,748
Plan assets in excess of projected benefit obligation	4,405,844	4,368,004
Effect of change in assumptions, net gains and estimated termination costs and losses	3,985,183	4,722,656
Unrecognized net excess plan assets at January 1, 1986 being recognized over approximately 14 years	(5,610,501)	(6,431,757)
Prepaid pension cost included in other assets	$ 2,780,526	$ 2,658,903

Property Held For Sale

BAKER HUGHES INCORPORATED (SEP)

	1990	1989
	(In thousands of dollars)	
Other Assets:		
Property held for disposal	$ 73,135	$ 71,604
Investments	84,532	43,911
Long-term notes receivables	27,726	28,939
Other assets	64,879	28,886
Excess costs arising from acquisitions—less accumulated amortization: 1990, $22,551; 1989, $13,707	575,394	66,979
Total other assets	$825,666	$ 240,319

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property held for disposal: Property held for disposal is stated at the lower of cost or estimated net realizable value.

M/A-COM, INC. (SEP)

	1990	1989
	(dollars in thousands)	
Total current assets	$181,390	$288,529
Plant assets:		
Land and land improvements	6,006	8,938
Buildings and building equipment	50,183	82,598
Machinery and equipment	176,784	256,928
	232,973	348,464
Less—Accumulated depreciations	(115,248)	(160,698)
	117,725	187,766
Notes and other long-term receivables	5,170	9,941
Other assets	34,401	30,878
Non-current net assets of discontinued operations	26,236	—
Total Assets	$364,922	$ 517,114

NOTES TO FINANCIAL STATEMENTS

Note 2 (In Part): Changes In Business:

Discontinued Operations

During the first quarter of 1990, the Company identified for disposition businesses primarily engaged in secure satellite communications, the development and production of subassemblies, microwave high power amplifiers, transmission equipment and radar antenna assemblies. These businesses have been accounted for and reported as discontinued operations and prior period statements of operations and of cash flows have been reclassified. The Company recorded a loss from discontinued operations of

$73.9 million, which consists of a loss from discontinued operations of $15.5 million, including $15.0 million for changes in cost-to-complete estimates on fixed price contracts, and a loss on the disposal of discontinued operations of $58.4 million. The loss on disposal includes estimated operating losses through the phaseout period, provisions to reduce the related assets to estimated realizable value and provisions for anticipated disposal costs.

In the third and fourth quarter of fiscal 1990, the Company sold for cash its MAC microwave radio business and its Government Systems Division, respectively, both of which had been identified for divestiture in the first quarter.

Interest expense and incremental corporate changes have been allocated to discontinued operations as follows: $6.7 million in 1990; $6.8 million in 1989 and $5.7 million in 1988.

The net assets of the discontinued businesses, including $8.9 million of long term debt, have been aggregated into net current and non-current amounts in the September 29, 1990 balance sheet. In addition, liabilities of the Company incurred in connection with the discontinued businesses are included in accrued expenses.

PORTEC, INC. (DEC)

	1990	1989
	(Thousands of dollars)	
Total current assets	$ 22,581	$ 27,432
Property, Plant and Equipment, at Cost		
Land	215	102
Buildings and improvements	8,354	7,848
Machinery and equipment	14,453	15,286
	23,022	23,236
Less accumulated depreciation	(12,175)	(12,834)
Total property, plant and equipment	10,847	10,402
Assets Held For Sale	3,189	3,449
Other Assets and Deferred Charges	3,978	1,924
Total	$ 40,595	$ 43,207

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Restructuring Costs

In February 1989, the Company sold the operations of its track machinery business. In the fourth quarter of 1989, the Company began to consolidate the manufacturing of the remaining product lines of its Railway Maintenance Products Division in a single manufacturing facility and the consolidation was completed during 1990. The Company's former domestic manufacturing facilities for this division have been closed. The Memphis, Tennessee, property was sold in 1990, and the two remaining properties are currently held for sale. The two remaining properties are included in the balance sheet under the caption Assets Held For Sale at the lower of their cost or net realizable value.

Management estimates that the gain from the sale of the Company's track machinery business combined with the anticipated gains from the sale of the related Assets Held For Sale will offset the costs of consolidation of the Railway Maintenance Products Division. Accordingly, the Company has deferred the costs of consolidation of the Railway Maintenance Products Division. A net deferred charge of $1,194,000 and $594,000 is reflected in the balance sheet as a part of Other Assets and Deferred Charges at December 31, 1990 and 1989, respectively. The Company accrued costs of $480,000 during 1990 relating to additional charges to be incurred prior to disposal of Assets Held for Sale. Management does not expect gains from these disposals to be sufficient to offset these additional costs.

SQUARE D COMPANY

	1990	1989
	(Dollars in thousands)	
Total Current Assets	$ 761,649	$ 690,568
Investment in Leveraged Leases	137,182	133,344
Property, Plant and Equipment:		
Land	24,477	22,216
Buildings and improvements	222,105	212,992
Equipment	552,785	501,531
Property, Plant and Equipment—at cost	799,367	736,739
Less accumulated depreciation	349,265	318,261
Property, Plant and Equipment—net	450,102	418,478
Net Assets of Discontinued Operations	36,681	52,949
Excess of Purchase Price Over Net Assets of Businesses Acquired, Less Amortization (1990—$13,769; 1989—$12,978)	51,391	50,528
Other Assets	22,744	26,718
Total Assets	$1,459,749	$1,372,585

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands, except per share)

B. Discontinued Operations

As of June 30, 1990, the company reported its General Semiconductor Industries (GSI) business as a discontinued operation, and as of September 30, 1989, the company reported its Yates Industries (Yates) copper foil business as a discontinued operation. Accordingly, the consolidated financial statements of the company have been reclassified to report separately the net assets and operating results of these discontinued operations. Financial results for periods prior to the dates of discontinuance have been restated to reflect continuing operations.

In January 1990, the company concluded the sale of its Yates operations in Europe and its 50 percent joint venture interest in Japan. In April 1990, the company completed the sale of its Yates operation in Bordentown, N.J. Total gross proceeds from the sale of all Yates operations were $175,476. The proceeds from the sale of Yates operations and the associated costs approximated management's original estimates. Management is actively pursuing the sale of the GSI business.

A gain from the sale of Yates, offset by provisions for a

loss on the prospective sale of GSI and costs associated with other previously discontinued businesses, resulted in a gain of $4,391, net of income taxes, in the second quarter of 1990 from discontinued operations. The gain on the sale of Yates is net of a $14,000 provision for long-term environmental costs. The gain from the sale of Yates' foreign locations included a gain of $6,895 from the recognition of cumulative translation adjustments.

Net assets of discontinued operations were $36,681 and $170,065 at December 31, 1990 and 1989, respectively. These amounts consist of current assets; property, plant and equipment; other noncurrent assets; and current and noncurrent liabilities.

Sales applicable to the discontinued operations prior to the dates of discontinuance were $16,158, $124,121 and $159,000 in 1990, 1989 and 1988, respectively. Interest expense of $249, $2,730 and $2,246, net of income taxes, was allocated to the discontinued operations prior to dates of discontinuance based on net assets for 1990, 1989 and 1988, respectively. The operating results of GSI from the date of discontinuance to December 31, 1990 were immaterial.

Segregated Funds

ADDSCO INDUSTRIES, INC. (JUN)

	1990	1989
Total current assets	$ 5,025,367	$ 3,821,334
Investment in Unconsolidated Affiliate	—	291,548
Propery, Plant and Equipment, at cost		
Buildings, dry docks, machinery and equipment	28,239,353	28,355,921
Less accumulated depreciation	23,393,783	22,999,680
	4,845,570	5,356,241
Land	1,219,296	1,329,296
	6,064,866	6,685,537
Other Assets		
Cash and investments (restricted)—at cost, which approximates market	1,774,948	1,263,620
Prepaid pension cost	617,697	617,697
Receivables—unbilled	—	1,592,868
Other	8,371	8,389
	2,401,016	3,482,574
	$13,491,249	$14,280,993

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accrued Workers' Compensation Claims (In Part):

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 are included in the Company's financial statements as restricted cash and investments with an aggregate cost of $1,774,948 and $838,620 at June 30, 1990 and 1989, respectively.

CURTISS-WRIGHT CORPORATION (DEC)

	1990	1989
	($000)	
Total current assets	$ 93,144	$237,802
Property, plant and equipment, at cost:		
Land	4,904	4,844
Buildings and improvements	78,009	76,878
Machinery, equipment and other	125,773	116,415
	208,686	198,137
Less, accumulated depreciation	114,412	103,449
Property, plant and equipment, net	94,274	94,688
Restricted cash	9,412	
Other assets	32,896	20,062
Total assets	$229,726	$352,552

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Restricted Cash

As of December 31, 1990, the Corporation has $18,824,550 of restricted cash of which $9,412,000 is classified as a non-current asset. This restricted cash serves as collateral for an irrevocable standby letter of credit, obtained in the fourth quarter, which provides financial assurance that the Corporation will fulfill its obligations with respect to the environmental clean-up at its Wood-Ridge, New Jersey facility, which is discussed in Note 13. The cash is held in custody by the issuing bank, is restricted as to withdrawal or use, and is currently invested in cash equivalents. Income from these investments is paid to the Corporation. On February 26, 1991, the Corporation entered into an agreement with the issuing bank which eliminated restrictions on $9,412,000 of the cash held as collateral as of December 31, 1990.

KUHLMAN CORPORATION (DEC)

	1990	1989
	(In thousands of dollars)	
Total current assets	$55,051	$46,662
Other Assets:		
Restricted revenue bond funds	2,529	—
Prepaid pension expense	1,198	796
Investments in joint ventures	502	1,767
Notes receivable	122	421
	4,351	2,984
Plant and Equipment, at cost:		
Land	745	1,232
Buildings and building equipment	12,795	17,696
Machinery and equipment	24,131	42,632
Construction in progress	2,032	1,714
	39,703	63,274
Less—Accumulated depreciation	23,731	29,001
	15,972	34,273
	$75,374	$83,919

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Line of Credit and Long-Term Debt

At December 31, 1990, the Company had borrowings under Industrial Revenue and Job Development Authority Bonds available for and restricted for the construction of a new facility and the purchase of certain equipment. The unexpended portion of such funds have been classified as restricted revenue bond funds in the accompanying consolidated balance sheets.

NORTEK, INC. (DEC)

	1990	1989
	(Amounts in thousands)	
Total current assets	$373,884	$501,564
Property and Equipment, at cost:		
Land	23,797	23,796
Buildings and improvements	95,113	87,010
Machinery and equipment	133,658	120,716
	252,568	231,522
Less—Accumulated depreciation	66,459	53,094
Total Property and Equipment, net	186,109	178,428
Other Assets:		
Restricted cash and investments	15,248	—
Goodwill, less accumulated amortization of $14,122,000 and $11,617,000	97,029	103,081
Deferred debt expense, net	4,927	7,016
Net assets of discontinued operations	7,963	17,692
Investment in and amounts due from businesses sold or discontinued	7,619	24,514
Other	22,648	24,470
	155,434	176,773
	$715,427	$856,765

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and Investments and Marketable Securities

The Company has classified as restricted, certain cash and investments and marketable securities that are not fully available for use in its operations. During 1990, the Company pledged as collateral certain cash and investments and marketable securities with an insurance company for a security bond required pending the final outcome of the Company's appeal of certain litigation (see Note 13) and other requirements. At December 31, 1990, approximately $15,248,000 of such restricted cash and investments and marketable securities was pledged as collateral in connection with this litigation and is classified in the accompanying consolidated balance sheet in other assets. Approximately $13,505,000 of such cash and investments and marketable securities was pledged as collateral for insurance and other requirements and is included as restricted in current assets in the accompanying consolidated balance sheet at December 31, 1990. Approximately $8,806,000 of additional restricted cash included in current assets in the accompanying consolidated balance sheet at December 31, 1990 is deposited with banks, in interest bearing escrow accounts, as security with the Company's insurance carriers. At December 31, 1990, approximately $17,233,000 of additional restricted cash and investments included in current assets in the accompanying consolidated balance sheet is held by certian subisidiaries and cannot be distributed to Nortek as a result of restrictive covenants contained in financing agreements entered into by such subsidiaries (see Note 6).

Investments and marketable securities are carried at the lower of aggregate cost or approximate market price. At December 31, 1989, with respect to certain securities, approximate market price was based on quotations obtained from dealers in such securities.

PALL CORPORATION (JUL)

	1990	1989
	(In thousands)	
Total current assets	$414,721	$430,048
Property, Plant and Equipment, at Cost:		
Land	22,839	13,817
Buildings and improvements	156,562	128,690
Machinery and equipment	226,624	183,152
Furniture and fixtures	35,922	30,218
Transportation equipment	12,757	10,890
	454,704	366,767
Less accumulated depreciation and amortization	135,735	110,943
Net Property, Plant and Equipment	318,969	255,824
Other Assets	52,674	21,402
Total	$786,364	$707,274

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Assets

This consists of the following:

	1990	1989
	(in thousands)	
Patents and trademarks, net of accumulated amortization	$16,769	—
Benefits protection trust	9,176	—
Prepaid pension expenses	5,377	3,291
Other	21,352	18,111
Total	$52,674	$21,402

At July 28, 1990, patents and trademarks, net of accumulated amortization includes a $12 million payment for a paid-up license with respect to four Cuno, Incorporated U.S. patents and their foreign equivalents relating to surface modification of nylon membranes, said license payment to be amortized over the remaining life of the

patents, through the year 2004; the costs related to successfully defending certain Pall patents; and expenditures made in fiscal 1990 to register new patents and trademarks.

The benefits protection trust was established during fiscal 1990 for the purpose of satisfying certain previously unfunded pension obligations, in the event of a change of control of the Company. The July 28, 1990 balance sheet reflects related liabilities included in the caption Other Non-current Liabilities in the amount of $8,279,000.

Prepaid pension expenses represent the non-current amounts arising from the excess of cumulative employer contributions and earnings thereon, over accrued net pension expenses.

Cash Surrender Value

BOWNE & COMPANY (OCT)

	1990	1989
Other assets:		
Excess of cost of subsidiaries over net assets at date of acquisition	$17,463,000	$17,930,000
Cash surrender value of insurance on lives of key employees	2,149,000	2,161,000
Deferred income taxes	1,259,000	
Deposits and sundry	5,273,000	1,040,000
	26,144,000	21,131,000

ROWE FURNITURE CORPORATION (NOV)

	1990	1989
	($000)	
Net property and equipment	$10,750	$11,228
Other Assets		
Cash value of life insurance (Note 4)	2,923	2,773
Investment property (net of accumulated depreciation of $1,714,000 in 1990 and $1,542,000 in 1989)	3,583	3,664
Other	815	779
Total other assets	7,321	7,216

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Deferred Compensation Plans

The Company has deferred compensation agreements with key employees. Vesting is based upon age and years of service. Life insurance contracts have been purchased which may be used to fund these agreements. The charges to expense were $174,000 for 1990, $172,000 for 1989 and $324,000 for 1988.

Deferred Income Taxes

HARMON INDUSTRIES, INC. (DEC)

	1990	1989
	(Dollars in thousands)	
Net property, plant and equipment	$8,125	$8,167
Deferred income taxes (note 6)	1,849	—
Net long-term assets of discontinued operations (note 2)	4,439	9,526
Cost in excess of fair value of net assets of subsidiary acquired, net of accumulated amortization of $870,000 in 1990 and $737,000 in 1989	479	613
Patents, net of accumulated amortization of $1,577,000 in 1990 and $1,320,000 in 1989	66	323
Other assets	2,129	1,615

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Income Taxes

The income tax benefit for 1990 results from the carryback of a portion of the 1990 loss for financial reporting purposes against taxable income for financial reporting purposes in the carryback period. Due primarily to the timing and nature of the Company's estimated loss on disposal of discontinued operations, a substantial portion of the 1990 loss for financial reporting purposes will not be deductible on the Company's tax returns until the Company files its apropriate tax returns for the year ended December 31, 1991. At that time, such additional losses for income tax purposes will be utilized to recover additional income taxes paid in the remaining carryback period. Accordingly, the acompanying consolidated balance sheet at December 31, 1990 reflects a deferred income tax asset relating to the amounts of operating losses uitilized for financial reporting purposes in excess of the amounts utilized for income tax purposes in 1990.

For financial reporting purposes approximately $2,000,000 of operating loss carryforward is available to offset future financial reporting income to the extent income tax provisions are incurred and the income tax effect of such offset will be treated as an extraordinary item. The Company currently has no operating loss carryforwards for income tax purposes.

The reason for the difference in the effective tax rate on discontinued operations in 1990 compared to the 34% expected statutory federal income tax results from the remaining net operating loss carryforward for financial reporting purposes for which no tax benefit was recognized.

Realty Assets

TALLEY INDUSTRIES, INC. (DEC)

	1990	1989
Total Current Assets	$228,931,000	$373,205,000
Realty assets	137,126,000	—
Long-term receivables, net	25,473,000	69,248,000
Property, plant and equipment, at cost, net of accumulated depreciation of $67,185,000 in 1990 and $58,148,000 in 1989	74,788,000	70,088,000
Intangibles, at cost, net of accumulated amortization of $11,310,000 in 1990 and $9,322,000 in 1989	51,970,000	51,914,000
Deferred charges and other assets	7,706,000	4,680,000
Total Assets	$525,994,000	$569,135,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Inventories and Realty Assets:

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method of substantially all commercial inventories. Cost 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. Real estate acquired in settlement of loans is recorded at the lower of the recorded investment in the loan satisfied or the fair value of the assets received. Valuation allowances for estimated losses are subsequently provided if the carrying value of the real estate acquired exceeds the net realizable value. As a result of the extremely depressed real estate market and the extended time anticipated to sell the real estate properties, amounts have been classified as non-current realty assets at December 31, 1990. While the Company anticipates holding the majority of its real estate assets through the current extremely depressed real estate market, if certain of the real estate assets have to be disposed of prior to the recovery of the real estate market, the carrying amounts of such real estate assets in the accompaning financial statements may not be realized.

Realty Assets

Realty assets at December 31, 1990, of $137,126,000 are primarily unimproved commercial, industrial and mixed use properties owned directly by the Company and through joint ventures. As a result of the extremely depressed local and national real estate market an increase in the Realty assets reserve and pretax charge to earnings of $65,000,000 was made during 1990. Also due to the extended time anticipated to sell the real estate properties, amounts classified in the previous year in current assets as realty inventory have been reclassified to realty assets. During 1990, Realty assets increased by $42,226,000 and notes receivable decreased by $61,432,000, net of reserves, as a result of actual or in-substance foreclosures with a resulting charge to the provision for losses on real estate assets. Realty assets decreased by $24,645,000 and debt decreased by $15,297,000 with a resulting charge to the provision for losses on real estate assets, as a result of properties forfeited by the Company during 1990. Other related non-cash transactions including the dissolution of a joint venture and assumptions and modifications of debt, resulted in net increases to realty assets, notes receivable, accrued expenses and Realty debt of $1,241,000, $309,000, $572,000 and $978,000, respectively.

Realty assets at December 31, 1990 include the Company's $3,203,000 interest in a real estate venture which is jointly owned with a partnership whose members include a stockholder and director of the Company. In addition, at December 31, 1990, the Company had loans to an officer of a Company subsidiary or loans related to other ventures, whose principals include an officer and a director of a subsidiary of the Company, of $2,099,000.

Deposits

UNITED FOODS, INC. (FEB)

	1990	1989
Net Property and Equipment	$50,870,000	$50,060,000
Other Assets (Note 3)	2,164,000	618,000

NOTES TO FINANCIAL STATEMENTS

Note 3—Other Assets

Other assets consist of the following:

	February 28,	
	1990	1989
Deposits with plan trustees	$1,160,000	$ —
Miscellaneous	1,004,000	618,000
	$2,164,000	$618,000

During fiscal 1990, the Company received notices from three multi-employer pension plans claiming that the Company is liable for a portion of the plans' unfunded vested benefits arising prior to its withdrawal from the plans during prior fiscal periods. Such claims approximate $1,624,000 in the aggregate.

The Company does not believe that the claims for the withdrawal liabilities are correct and has requested data from the plans in order to determine the accuracy of the claims. The Company has also made "Requests for Review" of each plan. However, as required by Federal law, the Company has made interim withdrawal liability payments requested by the plan trustees prior to comple-

tion of the review and appeals process. Payments to the plan trustees of $1,160,000 have been classified as "deposits with plan trustees" pending final determination of the Company's liability, if any.

Management is of the opinion, based upon advice of counsel, that it has substantial defenses to these assessments and it intends to vigorously pursue its appeals rights. Accordingly, the Company has not recorded any liability for the remaining unpaid notices of approximately $464,000, nor have any withdrawal costs been expensed.

Software Development Costs

ICOT CORPORATION (JUL)

	1990	1989
	(Dollars in thousands)	
Total current assets	$ 9,068	$11,341
Equipment and Leasehold Improvements, at cost:		
Machinery and equipment	4,594	6,568
Furniture and fixtures	916	1,013
Leasehold improvements	593	590
	6,103	8,171
Less: Accumulated depreciation and amortization	4,867	6,590
Equipment and leasehold improvements, net	1,236	1,581
Investment in Securities	6,400	7,500
Other Assets, net of amortization of $1,144 in 1990 and $4,739 in 1989	908	1,313
Total assets	$17,612	$21,735

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Other Assets

Other assets consist primarily of software development costs capitalized in accordance with Statement of Financial Accounting Standards No. 86. As of July 28, 1990 and July 29, 1989, capitalized software development costs, net of amortization, were $902,000 and $1,305,000, respectively. The capitalization of these costs begin when a product's technological feasibility has been established and ends when the product is available for general release to customers. Amortization is computed on an individual product basis and is the greater of: (a) the ratio of current gross revenues for a product to the total current and anticipated future gross revenues for that product or (b) the straight-line method over the estimated economice life of the product. Currently, the Company is using an estimated economic life of three years for all capitalized software costs. The amount of software development costs capitalized in fiscal 1990, 1989 and 1988 was $100,000, $1,302,000 and $390,000, respectively. The amortization was $439,000, $392,00 and $448,000 for fiscal 1990, 1989 and 1988, respectively.

BMC SOFTWARE, INC. (MAR)

	1990	1989
	(Dollars in thousands)	
Total current assets	$ 67,660	$ 30,980
Property and equipment, net	6,690	4,441
Software development costs, net of accumulated amortization of $1,994 and $1,027	7,120	4,371
Purchased software, net of accumulated amortization of 1,554 and $254	4,946	6,246
Deferred charges and other assets	920	744
	$ 87,336	$46,782

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(c) Software Development Costs

Commencing April 1, 1986, cost of internally developed software were expensed until the technological feasibility of the software had been established. Thereafter, all software development costs are capitalized and subsequently reported at the lower of unamortized cost or net realizable value. The cost of capitalized software is amortized over the products' estimated useful lives or five years, whichever is less. During the years ended March 31, 1990, 1989 and 1988, $3,716,000, $2,728,000 and $1,797,000, respectively, of software development costs were capitalized. Amortization for the years ended March 31, 1990, 1989 and 1988 was $967,000, $637,000 and $324,000, respectively.

Debt Issuance Costs

AMERICAN PACIFIC CORPORATION (SEP)

	1990	1989
Total current assets	$ 33,666,000	$ 13,292,000
Property, Plant and Equipment, Net	74,985,000	78,819,000
Development Property	22,399,000	22,389,000
Restricted Cash	12,846,000	—
Debt Issue Costs—Note 1	3,698,000	3,554,000
Intangible Pension Asset	2,140,000	—
Other Assets	716,000	96,000
Restricted Receivables	228,000	—
Total Assets	$150,678,000	$118,150,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Debt Issue Costs—Debt issue costs represent costs associated with bank borrowings and are amortized using the effective interest method over the terms of the related borrowing.

OAK INDUSTRIES, INC. (DEC)

	1990	1989
	(Dollars in thousands)	
Total plant and equipment	$24,929	$23,947
Other Assets		
Goodwill and other intangible assets, less accumulated amortization of $1,702 and $1,208	4,910	5,404
Other assets	8,356	7,492
Total other assets	13,266	12,896
Net assets of discontinued operations	—	18,349

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Statement of Accounting Policies:

Capitalized Debt Costs

The Company capitalizes all costs related to its issuance of debt. Costs totaling $599,000 were capitalized in 1988. The resulting capitalized debt costs ($272,000 and $344,000 at December 31, 1990 and 1989, respectively) are classified as "Other Assets" on the consolidated balance sheet. The capitalized debt costs related to each debt issue are amortized to expense under the straight-line or interest method, as appropriate, over the life of the respective debt issue. During the years 1990, 1989, and 1988, the Company amortized $72,000, $196,000, and $172,000, respectively, of capitalized debt cost. The Company wrote off $126,000 of capitalized debt costs associated with the retirement of public debt in 1989. Additionally, $514,000 was charged to interest expense in 1989 in conjunction with the Company's decision not to borrow an additional $6 million available under a term loan (See Note 3).

System Development Costs

AVON PRODUCTS INC. (DEC)

	1990	1989
	(In millions)	
Long-term receivables and investments (less allowance of $67.5 and $66.3)	$ 96.3	$126.6
Intangible assets (less accumulated amortization of $15.3 and $19.5)	149.4	304.7
Other assets	167.3	160.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In millions, except share data)

1 (In Part): Significant Accounting Policies

Other Assets

Avon defers certain costs related to the development of major information and accounting systems which are expected to benefit future periods. Upon completion, the related costs are amortized over periods not exceeding five years. Amortization was $8.9 (1989—$7.2; 1988—$4.8) and the unamortized balance at December 31, 1990 was $28.2 (December 31, 1989—$32.0).

Samples

DESIGNCRAFT INDUSTRIES, INC. (FEB)

	1990	1989
Total current assets	$ 5,927,242	$12,878,820
Property, Plant and Equipment, at cost less accumulated depreciation and amortization	2,084,629	2,856,375
Other Assets:		
Sample lines (Note 10)	1,592,270	—
Cost in excess of net assets acquired	364,030	364,030
Note receivable—noncurrent portion	368,674	—
Other	71,743	220,214
Total Other Assets	2,396,717	584,244
	$10,408,588	$16,319,439

SUMMARY OF ACCOUNTING POLICIES

Sample Lines

The Company amortizes its sample lines over their estimated life of four years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10—Sample Lines

Sample lines include models and samples utilized in the sale and promotion of various products manufactured by the Company. At February 28, 1989, net assets held for sale include $1,992,000 of models and samples, as a result of management's intention to sell the associated subsidiary. As discussed in Note 9, during fiscal 1990, management decided not to sell the subsidiary.

Prepaid Contract Costs

McCORMICK & COMPANY, INCORPORATED (NOV)

	1990	1989
	(dollars in thousands)	
Property, plant and equipment, net	$353,983	$330,081
Excess cost of acquisitions-net	75,963	57,756
Prepaid allowances (Note 1)	81,922	46,961
Other assets	4,384	3,157
Goodwill, trademarks, formulae, etc.	1	1
Human relations	1	1

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Prepaid Allowances
The Company incurs costs in connection with certain contracts which extend beyond a one year period. These costs are deferred and amortized over the life of the contracts.

Model Change Costs

A. O. SMITH CORPORATION (DEC)

	1990	1989
	(dollars in thousands)	
Total Current Assets	$257,720	$271,014
Investments in affiliated companies	19,557	16,759
Deferred model change	38,437	39,221
Other assets	43,004	43,717
Net Property, plant and equipment	328,594	298,876
Long-term assets of discontinued operations	100,980	126,132
Total Assets	$788,292	$795,719

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Model change
Tool costs not reimbursed by customers and expenses associated with significant model changes are amortized over anticipated units of production of the model involved or the time period of the model life, whichever occurs first.

TABLE 2-20: SHORT-TERM DEBT

	1990	1989	1988	1987
Description				
Notes or loans				
Payee indicated	81	86	84	88
Payee not indicated	150	163	154	177
Short-term debt or borrowings	121	131	128	125
Commercial paper	58	50	51	31
Other	38	30	36	29
Total Presentations	**448**	**460**	**453**	**450**
Number of Companies				
Showing short-term debt	386	405	390	411
Not showing short-term debt	214	195	210	189
Total Companies	**600**	**600**	**600**	**600**

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:

SHORT-TERM DEBT

BINKS MANUFACTURING COMPANY (NOV)

	1990	1989
Current liabilities:		
Notes payable	$17,468,356	9,213,182
Banker acceptances	11,585,000	—
Commercial paper	6,511,000	12,070,000
Bank overdrafts	4,020,706	5,192,995
Current maturities of long-term debt	1,821,281	1,545,661
Accounts payable	39,271,518	35,001,353
Accrued employees' profit-sharing contributions	149,638	612,559
Accrued expenses:		
Payrolls, commissions, etc.	6,362,415	5,043,839
Taxes, other than income taxes	1,560,033	1,162,203
Other	3,368,653	3,813,003
Income taxes	3,628,829	3,772,601
Total current liabilities	95,747,429	77,427,396

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Notes Payable and Lines of Credit
The Company has the following unused lines of credit, in excess of the support for domestic commercial paper borrowings and other obligations, of $13,295,000, at November 30, 1990:

Foreign	$10,841,000
Domestic	2,454,000
	$13,295,000

Notes payable consist of the following at November 31:

	1990	1989
Notes payable—banks	$ 8,366,743	9,213,182
Notes payable—other	9,101,613	—
	$17,468,356	9,213,182

CBI INDUSTRIES, INC. (DEC)

Current Liabilities	1990	1989
	($000)	
Notes payable (Note 4)	$ 31,088	$ 24,324
Current maturities of long-term debt	14,997	11,870
Accounts payable	76,396	89,663
Dividends payable	2,936	2,980
Accrued liabilities	99,611	98,074
Contracts in progress with progress billings exceeding related earned revenues	323,158	339,268
Earned revenues	(272,715)	(298,195)
Net contracts in progress	50,443	41,073
Income taxes	42,848	23,384
Total current liabilities	318,319	291,368

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Thousands of dollars

4. Notes Payable

At December 31, 1990, CBI had $156,001 of unused bank overdraft and short-term borrowing privileges available at prevailing interest rates. In addition, as discussed in Note 5, CBI has a $300,000 unsecured three year credit agreement. Certain of these credit arrangements require payment of commitment fees. While informal arrangements exist as to the level of compensating bank balances required, withdrawal of such balances is not legally restricted. Following is a summary of bank borrowings, 100% of which was borrowed outside the U.S. on December 31, 1990:

	1990	1989	1988
Weighted average interest rate at December 31	*15.7%*	*13.1%*	*11.6%*
Maximum month-end borrowings during the year	$32,559	$24,324	$37,770
Average month-end borrowings during the year	$28,519	$21,982	$21,973
Weighted average interest rate during the year	*16.0%*	*12.8%*	*11.5%*

At December 31, 1990, under a deposit loan agreement with a bank, CBI has borrowed $13,449, which is due in 1991 with interest at a rate of 8.4%, and has invested in a comparable amount of deposits, which are denominated in British Pounds, with this same bank. Given the company's right under this agreement to offset the loan at maturity which the deposits, this loan and related investment deposits have been offset in the balance sheet.

DANA CORPORATION (DEC)

	1990	1989
	$ in thousands	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Depositors' accounts	$ —	$813,417
Short-term debt	766,987	670,417
Accounts payable and other liabilities	681,041	697,504

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Short-Term Debt

Short-term funds for certain international operations are obtained through bank overdrafts and short-term notes payable with banks. Short-term notes payable for international operations amounted to $117,324,000 at December 31, 1990. Domestic short-term funds are obtained through the issuance of commercial paper and short-term notes payable with banks. At December 31, 1990 Dana Corporation and Dana Credit Corporation (DCC) issued commercial paper in the amount of $15,000,000 and $157,307,000, respectively.

Dana and DCC have open lines of credit which serve as commercial paper back-up in the amount of $300,000,000 and $250,000,000, respectively, with various U.S. and international banks. Compensating balances and commitment fees relating to these lines are not material and no borrowings were made against these lines of credit in 1990.

Dana and DCC have bank direct lines of credit for both domestic and international borrowings in the amount of $780,000,000 and $355,000,000, respectively, for which no compensating balances or commitment fees are required. At December 31, 1990 Dana and DCC have borrowed $178,000,000 and $190,000,000, respectively, against these lines.

Diamond Financial Holdings, Inc. has lines of credit with various banks totaling $110,000,000. At December 31, 1990 Diamond has borrowed $110,000,000 against these lines.

Selected details of short-term borrowings are as follows:

$ in thousands	Amount	Weighted average interest rate
Balance at Dec. 31, 1990	$766,987	8.8%
Average during 1990	781,878	8.8
Maximum during 1990 (month end)	844,263	8.6
Balance at Dec. 31, 1989	670,417	9.3
Average during 1989	620,457	9.6
Maximum during 1989 (month end)	670,417	9.3

INTERNATIONAL FLAVORS & FRAGRANCES INC. (DEC)

Current Liabilities:	1990	1989
	(Dollars in thousands)	
Bank loans	$ 12,233	$ 18,547
Accounts payable	32,197	29,840
Accrued payrolls and bonuses	7,956	5,403
Dividends payable	22,900	20,557
Income taxes	40,155	29,539
Other current liabilities	42,503	36,280
Total Current Liabilities	157,944	140,166

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Bank Loans

Bank loans (all foreign) averaged $18,983,000 in 1990, $12,930,000 in 1989 and $19,350,000 in 1988. The highest

levels were $26,146,000 in 1990, $19,788,000 in 1989 and $41,600,000 in 1988. The 1990 weighted average annual interest rate on these loans (calculated on balances outstanding at the end of each month) was approximately 116% and the average rate on loans outstanding at December 31, 1990 was 89%. These rates compare to 63% and 167%, respectively, in 1989 and 42% and 40%, respectively, in 1988. In 1990, as in prior years, the interest rates were substantially affected by very high rates in hyperinflationary countries, principally Brazil, where local borrowing is used as a hedge against devaluations. Excluding these countries, the 1990 weighted average annual interest rate would have been 11% and the average rate on loans outstanding at December 31 would have been 12%.

Cash payments for interest were $22,265,000 in 1990, $7,140,000 in 1989 and $8,109,000 in 1988.

At December 31, 1990, the Company and its subsidiaries had available unused lines of bank credit aggregating approximately $83,000,000.

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

	1990	1989
CURRENT LIABILITIES	*(In thousands)*	
Short-term borrowings (Note 4)	$148,184	$ 88,641
Current maturities of long-term debt (Note 4)	5,736	5,670
Accounts payable, trade	66,286	57,305
Accrued compensation	23,496	19,930
Other accruals	30,494	33,344
Income taxes payable	19,752	15,918
Total current liabilities	$293,948	$220,808

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Pledged Assets, Current Borrowings, Lines of Credit and Long-Term Debt

At August 31, 1990, the Company had domestic lines of credit totaling $136,000,000 available to be used as support for the issuance of the Company's commercial paper. During the year, additional lines of credit were available to meet peak borrowing requirements. At August 31, 1990, $102,707,000 in commercial paper was outstanding which bears interest at an average rate of 8.1%.

In addition, the Company's foreign subsidiaries have lines of credit and direct borrowing agreements totaling $143,326,000, substantially all of which are unsecured. At August 31, 1990, $45,477,000 had been borrowed under these lines of credit at varying interest rates.

The long-term debt at August 31, 1990 bears interest at 4%–15.0% and requires varying annual principal payments through 2001. Of this long-term debt, $2,344,000 is collateralized by property and equipment with a depreciated cost of $9,719,000. The balance of the long-term debt is unsecured.

The maturities of long-term debt for the next five fiscal years are as follows: $5,736,000; $3,581,000; $2,534,000; $2,047,000; and $1,428,000.

THE QUAKER OATS COMPANY (JUN)

	1990	1989
Current Liabilities	*Dollars in Millions*	
Short-term debt	$ 343.2	$102.2
Current portion of long-term debt	32.3	30.0
Trade accounts payable	354.0	333.8
Accrued payrolls, pensions and bonuses	106.3	118.1
Accrued advertising and merchandising	92.6	67.1
Income taxes payable	36.3	8.0
Other accrued liabilities	173.8	164.9
Total current liabilities	1,138.5	824.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5.
Short-term Debt and Lines of Credit

Dollars in Millions	1990	1989	1988
Notes payable—			
Non-U.S. subsidiaries	$127.1	$ 49.6	$ 14.4
Commercial paper—U.S.			
Dealer-placed on the open market	216.1	302.6	295.9
Commercial paper to be refinanced	—	(250.0)	—
	$343.2	$102.2	$310.3
Weighted average interest rates on debt outstanding at end of year—			
Notes payable to banks—non-U.S.	17.4%	14.5%	24.2%
Commercial paper—U.S.	8.2%	9.4%	7.2%
Weighted average interest rates on debt outstanding during the year—			
Notes payable to banks—non-U.S. (computed on month-end balances)	76%(a)	50.5%(a)	28.3%
Notes payable to others—U.S. (computed on month-end balances)	—	—	7.0%
Commercial paper—U.S. (computed on daily balances)	8.5%	8.9%	6.7%
Weighted average amount of debt outstanding during the year	$264.6	$357.7	$405.1
Maximum month-end balance during the year	$355.7	$486.5	$704.2

(a) The interest rate on debt outstanding during fiscal years 1990 and 1989 was driven principally by periods of high real interest rates in Brazil combined with artificially controlled devaluation of local currency resulting in high dollar interest rates.

The consolidated balance sheet at June 30, 1989 reflects the reclassification of $250 million of short-term debt, reflecting the Company's intent to refinance this debt on a long-term basis. During fiscal 1990, the Company issued $250 million of medium-term notes. (See Note 6.)

The Company has a Revolving Credit Agreement with various banks, which supports its commercial paper borrowings and is also available for direct borrowings. As of

May 1, 1989, the amount of available borrowings under the agreement was amended to a total commitment of $500 million throughout the year. The Agreement, which expires no sooner than June 30, 1995, requires a commitment fee of one-eighth percent per annum, payable on any available and unused portion. There were no borrowings under the Agreement during fiscal 1990, 1989 or 1988.

The Company's non-U.S. subsidiaries have additional unused short-term lines of credit of approximately $186 million at June 30, 1990.

Under the most restrictive terms of the various loan agreements in effect at June 30, 1990, minimum working capital of $250 million must be maintained.

THORN APPLE VALLEY, INC. (MAY)

Current liabilities:	1990	1989
Accounts payable	$26,014,933	$23,418,705
Notes payable, banks (Notes 3)	28,035,000	13,645,000
Notes payable, officer	1,464,011	3,654,107
Accrued liabilities	10,903,237	11,469,024
Current portion of long-term debt	1,932,730	2,924,734
Income taxes		680,632
Total current liabilities	68,349,911	55,792,202

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Lines of credit and short-term borrowings:

At May 25, 1990, the Company had unsecured lines of credit with eight banks whereby it could borrow in the aggregate up to $37,000,000 on short-term notes with interest ranging from below the prime rate to the prime rate charged by major banks. At May 25, 1990, the Company had unused lines of credit of $8,965,000.

The Company has entered into interest rate exchange agreements, whereby it has exchanged its variable rate position on $15,000,000 in short-term debt for a fixed rate of 11.7%. The agreements expire in fiscal 1996.

TABLE 2-21: TRADE ACCOUNTS PAYABLE

	1990	1989	1988	1987
Accounts payable	396	399	405	411
Trade accounts payable	107	103	127	126
Accounts payable combined with accrued liabilities or accrued expenses	81	83	50	47
Other captions	16	15	18	16
Total Companies	**600**	**600**	**600**	**600**

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.*

CROWN CORK & SEAL COMPANY, INC. (DEC)

	1990	1989
Current liabilities	*(In thousands)*	
Short term debt	$128,368	$157,603
Accounts payable and accrued liabilities—Note F	595,341	343,684
United States and foreign income taxes payable	12,532	31,349
Total current liabilities	736,241	532,636

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F. Accounts Payable and Accrued Liabilities

	At December 31	
(In thousands)	1990	1989
Trade accounts payable	$355,844	$219,878
Trade notes payable	21,997	6,434
Restructuring provisions	64,000	30,835
Accrued wages and fringe benefits	55,394	53,128
Accrued other	98,106	33,409
Total	$595,341	$343,684

GENERAL HOST CORPORATION (JAN)

	1991	1990
	(Dollars in thousands)	
Current liabilities:		
Accounts payable	$ 47,944	$ 63,405
Accrued expenses	41,631	38,625
Current portion of long-term debt	9,820	24,939
Total current liabilities	99,395	126,969

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Accounts Payable and Accrued Expenses

Accounts payable include amounts payable to brokers for purchases of cash equivalents of $20,000,000 in 1990 and $34,984,000 in $1989.

TABLE 2-22: EMPLOYEE RELATED LIABILITIES

	Number of Companies			
	1990	1989	1988	1987
Description				
Salaries, wages, payrolls, commission	295	300	306	310
Compensation and/or Benefits	199	190	187	194
Pension or profit-sharing contributions	73	91	97	98
Compensated absences	17	15	19	16
Other	33	41	32	43
Number of Companies				
Disclosing employee related liabilities	491	487	484	496
Not disclosing	109	113	116	104
Total Companies	**600**	**600**	**600**	**600**

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.

ABBOTT LABORATORIES (DEC)

	1990	1989
	(dollars in thousands)	
Current Liabilities:		
Short-term borrowings	$ 652,812	$ 106,440
Trade accounts payable	351,243	309,750
Salaries, wages and commissions	181,173	153,828
Other accrued liabilities	480,569	403,429
Dividends payable	90,020	77,200
Income taxes payable	234,338	138,912
Current portion of long-term debt	11,020	194,073
Total Current Liabilities	2,001,175	1,383,632

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

	1990	1989
	(Dollars in thousands)	
Current liabilities:		
Current portion of long-term debt	$ 54,869	$ 60,619
Current portion of obligations under capital leases	20,677	21,052
Accounts payable	522,640	531,749
Accrued salaries, wages and benefits	156,175	148,959
Accrued taxes	77,106	73,699
Other accruals	164,219	142,031
Total current liabilities	995,686	978,109

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Compensated Absences

The Company accrues for vested and non-vested vacation pay. Liabilities for compensated absences of $73 million and $69 million at February 24, 1990 and February 25, 1989, respectively, are included in the balance sheet caption "Accrued salaries, wages and benefits."

KAMAN CORPORATION (DEC)

	1990	1989
	(In thousands)	
Current liabilities:		
Notes payable	$ 13,319	$ 20,164
Current portion of long-term debt	904	2,937
Accounts payable—trade	48,877	45,468
Accrued salaries and wages	7,568	7,424
Accrued vacations	6,370	6,103
Other accruals and payables	36,243	33,410
Income taxes payable	3,429	3,099
Total current liabilities	116,710	118,605

KNIGHT-RIDDER, INC. (DEC)

	1990	1989
CURRENT LIABILITIES	(In thousands of dollars)	
Accounts payable	$ 91,231	$ 72,343
Accrued expenses and other liabilities	65,641	66,763
Accrued compensation and amounts withheld from employees	64,796	72,321
Federal and state income taxes	4,195	22,415
Deferred revenue	50,326	43,309
Dividends payable	17,314	16,987
Short-term borrowings and current portion of long-term debt	20,044	52,040
Total Current Liabilities	313,547	346,178

LOWE'S COMPANIES, INC. (JAN)

	1991	1990
	(Dollars in Thousands)	
Current Liabilities:		
Current Maturities of Long-Term Debt	$ 10,237	$ 10,658
Short-Term Notes Payable	53,914	1,994
Accounts Payable	186,860	210,197
Employee Retirement Plans	20,075	21,131
Accrued Salaries and Wages	22,012	21,225
Other Current Liabilities	44,578	42,685
Total Current Liabilities	337,676	307,890

STANHOME INC. (DEC)

	1990	1989
CURRENT LIABILITIES:		
Notes and loans payable	$ 18,803,388	$ 20,369,757
Accounts payable	49,908,292	48,718,671
Customer deposits	5,066,695	4,241,481
Federal, state and foreign taxes on income	28,655,417	22,489,295
Unredeemed coupons and certificates	824,075	932,823
Accrued expenses—		
Payroll and commissions	13,262,871	11,736,468
Pensions and profit sharing	9,633,194	7,809,380
Vacation, sick leave and retirement insurance	9,150,359	7,668,911
Payroll taxes	3,277,555	2,343,858
Other	19,158,563	19,978,163
Dividends payable	4,493,994	3,872,911
Total current liabilities	162,234,403	150,161,718

INCOME TAX LIABILITY

Table 2–23 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

TABLE 2-23: CURRENT INCOME TAX LIABILITY

	1990	1989	1988	1987
Income taxes	358	358	360	350
Taxes—type not specified	36	43	44	44
Federal and state income taxes	23	13	18	25
Federal income taxes	14	22	15	12
U.S. and foreign income taxes	9	15	14	15
Federal, state, and foreign income taxes	8	8	14	17
Federal and foreign income taxes	4	7	6	7
Other captions	20	18	22	22
No current income tax liability	128	116	107	108
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-24: CURRENT AMOUNT OF LONG-TERM DEBT

	Number of Companies			
	1990	1989	1988	1987
Current portion of long-term debt	211	202	212	207
Current maturities of long-term debt	198	193	187	202
Long-term debt due or payable within one year	52	52	61	58
Current installment of long-term debt	35	37	35	36
Current amount of long-term leases	46	48	46	51
Other captions	11	13	11	16

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.

CTS CORPORATION (DEC)

	1990	1989
	(In thousands of dollars)	
Current Liabilities:		
Notes payable	$ 7,750	$ 1,786
Current maturities of long-term obligations	1,167	1,550
Accounts payable	11,119	11,218
Accrued salaries and wages	5,178	5,372
Accrued discontinuance and relocation expense	2,704	5,172
Deferred income	786	2,371
Accrued taxes other than income	1,947	2,036
Other accrued liabilities	8,451	8,409
Total current liabilities	39,102	37,914

FEDERAL PAPER BOARD COMPANY, INC. (DEC)

	1990	1989
	(In thousands)	
Current Liabilities:		
Accounts payable	$110,456	$90,512
Debt payable within one year	24,291	20,801
Short-term bank debt	10,000	10,316
Dividends payable	10,063	10,063
Accrued salaries, wages and benefits	39,245	32,431
Accrued interest	11,742	12,391
Other current liabilities	28,581	17,120
Total Current Liabilities	234,378	193,634

PLASMA-THERM, INC. (NOV)

	1990	1989
Current liabilities:		
Short-term borrowings	$ 545,997	$ 570,791
Current portion of long-term debt	571,216	395,576
Current portion of convertible debt	396,667	396,667
Accounts payable	1,940,749	2,226,029
Customer deposits	10,850	190,118
Income taxes payable	198,168	92,451
Accrued expenses	645,802	156,752
Accrued payroll	306,820	354,427
	4,616,269	4,382,811

WAL-MART STORES, INC. (JAN)

	1991	1990
	(Amounts in thousands)	
Current liabilities:		
Commercial paper	$ 395,179	$ 184,774
Accounts payable	2,651,315	1,826,720
Accrued liabilities:		
Salaries	189,535	157,216
Other	539,020	473,677
Accrued federal and state income taxes	184,512	179,049
Long-term debt due within one year	6,394	1,581
Obligations under capital leases due within one year	24,459	22,298
TOTAL CURRENT LIABILITIES	3,990,414	2,845,315

WILLAMETTE INDUSTRIES, INC. (DEC)

	1990	1989
Current liabilities:	*($000)*	
Current installment on long-term debt	$ 11,615	3,570
Notes payable	25,000	—
Accounts payable, including book overdrafts of $39,864 (1989-$28,179)	108,006	92,667
Accrued payrolls and related expenses	46,516	39,720
Accrued interest	15,384	17,635
Other accrued expenses	31,101	20,745
Federal and state taxes on income	8,094	21,316
Total current liabilities	245,716	195,653

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.

Taxes Other Than Federal Income Taxes

AVON PRODUCTS INC. (DEC)

	1990	1989
Current Liabilities:	*(In Millions)*	
Debt maturities within one year	$ 207.1	$164.0
Accounts payable	278.0	238.6
Accrued compensation	85.0	83.8
Other accrued liabilities	255.2	238.9
Sales and other taxes	95.6	78.0
Income taxes	181.5	160.1
Total current liabilities	1,102.4	963.4

PALL CORPORATION (JUL)

	1990	1989
Current Liabilities:	*(In thousands)*	
Notes payable to banks	$144,500	$161,056
Accounts payable—trade	37,468	35,059
Accrued liabilities:		
Salaries and commissions	12,173	10,922
Payroll taxes	5,768	4,702
Income taxes	24,867	27,309
Interest	3,837	2,496
Pension and profit sharing plans	4,375	3,520
Other	15,095	10,728
	66,115	59,677
Current portion of long-term debt	7,812	8,509
Dividends payable	5,411	4,627
Total Current Liabilities	261,306	268,928

THE TIMKEN COMPANY (DEC)

	1990	1989
	(Thousands of Dollars)	
Current Liabilities		
Accounts payable and other liabilities	$148,335	$122,384
Accrued pension contributions	24,040	12,969
Salaries, wages and payroll taxes	62,076	58,509
Commercial paper	139,075	17,916
Short-term debt	10,286	14,150
Taxes, other than income taxes	16,327	15,404
Income taxes	16,059	6,726
Current portion of long-term debt	3,181	393
Total Current Liabilities	$419,379	$248,451

TABLE 2-25: OTHER CURRENT LIABILITIES

	Number of Companies			
	1990	1989	1988	1987
Taxes other than Federal income taxes	150	146	148	168
Interest	140	132	125	125
Estimated costs related to discontinued operations	88	72	80	84
Dividends payable	83	97	94	89
Insurance	78	64	50	50
Customer advances, deposits	58	53	53	59
Warranties	48	41	47	46
Deferred revenue	47	40	33	24
Deferred taxes	44	43	48	49
Advertising	27	30	26	32
Billings on uncompleted contracts	25	29	30	28
Due to affiliated companies	14	16	15	15
Other—Described	103	98	99	98

UNITED FOODS, INC. (FEB)

	1990	1989
CURRENT LIABILITIES:		
Accounts payable	$6,996,000	$7,858,000
Accruals:		
Compensation and related taxes	2,744,000	2,487,000
Pension contributions	1,455,000	349,000
Property taxes	256,000	679,000
Income taxes	853,000	263,000
Workers compensation insurance	870,000	284,000
Miscellaneous	1,474,000	778,000
Current maturities of long-term debt	881,000	751,000
TOTAL CURRENT LIABILITIES	15,529,000	13,449,000

Costs/Liabilities Related To Discontinued Operations

ATHLONE INDUSTRIES, INC. (DEC)

	1990	1989
	(In thousands)	
Current liabilities:		
Amounts due banks	$23,000	$35,000
Accounts payable	20,088	20,239
Accrued expenses	12,919	18,111
Current portion of long-term debt	1,768	1,217
Current liabilities of discontinued operations (note 13)	2,335	2,527
Total current liabilities	60,110	77,094

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Discontinued Operations

In the consolidated balance sheets as of December 31, 1990 and 1989, the assets and liabilities relating to discontinued operations have been segregated.

At December 31, 1990, current assets of discontinued operations consists primarily of receivables and inventories relating to the women's shoe business.

Noncurrent assets of discontinued operations at December 31, 1990 represents property, plant and equipment of the sporting goods and the women's shoe businesses.

Current liabilities of discontinued operations at December 31, 1990 consists primarily of accrued expenses of the women's blouse business.

The notes to consolidated financial statements have been revised to include information relating to the continuing operations of the Company.

GUILFORD MILLS, INC. (JUN)

	1990	1989
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 3,084,000	$ 4,066,000
Short-term borrowings	2,928,000	4,704,000
Accounts payable	44,205,000	45,462,000
Accrued payroll and related benefits	9,881,000	8,776,000
Accrued income taxes	784,000	4,167,000
Accrued restructuring and other costs (Note 7)	20,187,000	—
Other accrued liabilities	7,828,000	9,618,000
Total current liabilities	88,897,000	76,793,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Restructuring and Other Costs:

During the second quarter of fiscal 1990, restructuring and other costs were provided as a result of management's decision to downsize the Company's manufacturing operations and marketing arrangements and provide for certain environmental and other contingencies. The majority of these special charges related to closing the Company's circular knit dyeing and finishing operations in Augusta, Georgia and integrating those operations into the Company's plants in Greensboro, North Carolina.

SPRINGS INDUSTRIES, INC. (DEC)

	1990	1989
	(In thousands)	
Current Liabilities:		
Short-term borrowings	$ 11,175	$ 23,000
Current maturities of long-term debt	18,929	17,741
Accounts payable	95,570	107,575
Accrued retirement and incentive pay	8,325	27,369
Accrued restructuring costs	22,605	9,914
Other accrued liabilities	74,718	66,058
Total current liabilities	231,322	251,657

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Restructuring Plans:

In 1988, Springs recorded an $18.0 million charge ($11.2 million after taxes, or $.63 per share) to restructure its operations, taking steps to eliminate low-margin lines within the finished fabrics segment. Execution of this plan resulted in closing facilities, converting one facility from finished fabrics to home furnishings production and relocation of equipment.

Subsequent to the 1988 announced restructuring, the market for finished fabrics continued to erode, leading to the Company's decision to further restructure its operations. In 1990, Springs recorded a $70.0 million charge ($43.9 million after taxes, or $2.46 per share) for the estimated cost of converting certain finished fabrics manufacturing facilities to home furnishings production, consolidating and further reducing the Company's manufacturing operations and offering early retirement to qualifying employees. The process of conversion and consolidation, which will take place over the next 24 to 30 months, will further modernize Springs' textile operations and will decrease weaving and finishing capacity.

THE UNITED STATES SHOE CORPORATION (JAN)

	1991	1990
	(Thousands)	
Current Liabilities:		
Unsecured notes payable	$ 14,649	$ —
Current portion of long-term debt and capital lease obligations	14,816	21,003
Accounts payable	211,303	235,910
Accrued expenses	129,720	117,428
Accrued restructuring costs	80,000	—
Total current liabilities	450,488	374,341

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (thousands except share amounts)

2. *Restructuring Costs—*

During 1990, the company recorded the impact of a restructuring plan designed to increase the overall profitability of the company by closing or scaling back certain divisions and operations that have not met profitability expectations. Restructuring costs of $90.0 million ($57.9 million after tax benefits) represent provisions for store and factory closing costs, lease termination costs, severance pay, write-down of the related assets and estimated operating losses until sale or closing.

Current Advances/Deposits

BMC INDUSTRIES, INC. (DEC)

	1990	1989
	(in thousands)	
Current Liabilities		
Short-term borrowings	$ 10,031	$ 2,979
Current portion of long-term debt	5,697	4,968
Accounts payable	10,841	8,896
Deposits received from customers	3,301	393
Accrued fringe benefits	2,992	4,378
Accrued salaries and commissions	2,498	1,869
Accrued interest	1,266	1,269
Other accrued expenses	2,011	3,932
Total Current Liabilities	38,637	28,684

FOSTER WHEELER CORPORATION (DEC)

	1990	1989
	(In Thousands of Dollars)	
Current Liabilities:		
Current installments on long-term debt	$ 39,862	$ 14,430
Bank loans	38,176	11,186
Accounts payable	199,687	127,889
Accrued expenses	102,683	96,528
Estimated cost to complete long-term contracts	129,078	109,572
Advance payments by customers	45,796	31,448
Income taxes	10,052	12,818
Total current liabilities	565,334	403,871

LORAL CORPORATION (MAR)

	1990	1989
Current liabilities:		
Current portion of debt	$ 18,561,000	$140,441,000
Accounts payable, trade	134,987,000	87,072,000
Customer advances	27,676,000	2,877,000
Accrued salaries and wages	43,321,000	38,816,000
Other current liabilities	148,785,000	82,555,000
Income taxes	62,901,000	80,423,000
Total current liabilities	436,231,000	432,184,000

SNAP-ON TOOLS CORPORATION (DEC)

	1990	1989
	(Amounts in thousands)	
Current liabilities:		
Current maturities of long-term debt	$ 425	$ 425
Notes payable	76,500	37,000
Accounts payable	37,071	40,259
Accrued compensation and other	68,289	58,895
Dealer deposits	54,517	42,897
Total current liabilities	236,802	179,476

Insurance

LOCTITE CORPORATION (JUN)

	1990	1989
	(dollars in thousands)	
Current liabilities:		
Short-term debt	10,588	2,798
Long-term debt-current maturities	1,000	2,580
Accounts payable	30,009	24,713
Accrued salaries, wages and other compensation	18,086	15,520
Accrued taxes, other than income taxes	4,407	3,192
Accrued income taxes	16,043	16,088
Dividends payable	5,467	5,057
Accrued insurance	3,845	3,123
Accrued liabilities - other	16,559	15,431
Total current liabilities	106,004	88,502

MURPHY OIL CORPORATION (DEC)

	1990	1989
	(Thousands of dollars)	
Current liabilities:		
Current maturities of long-term debt	$ 31,016	$ 17,245
Notes payable	5,505	3,691
Accounts payable	372,791	263,720
Accrued insurance obligations	43,780	35,366
Other accrued liabilities	95,775	88,034
Income taxes	78,214	74,276
Total current liabilities	627,081	482,332

Product Warranties

BRIGGS & STRATTON CORPORATION (JUN)

	1990	1989
CURRENT LIABILITIES:		
Accounts Payable	$ 43,449,000	$ 42,309,000
Domestic Notes Payable	2,446,000	44,863,000
Foreign Loans	17,497,000	18,665,000
Accrued Liabilities -		
Wages and Salaries	14,333,000	14,069,000
Warranty	21,063,000	15,564,000
Taxes, Other Than Income Taxes	4,058,000	4,429,000
Other	14,828,000	19,582,000
Total Accrued Liabilities	54,282,000	53,644,000
Federal and State Income Taxes	462,000	624,000
Total Current Liabilities	118,136,000	160,105,000

VARIAN ASSOCIATES, INC. (SEP)

	1990	1989
	(Dollars in thousands)	
Current Liabilities		
Notes payable	$ 10,037	$ 53,648
Accounts payable—trade	71,143	74,528
Accrued expenses	223,385	182,836
Product warranty	34,260	29,910
Advance payments from customers	69,021	73,279
Total current liabilities	407,846	414,201

WINNEBAGO INDUSTRIES, INC. (AUG)

	1990	1989
	(Dollars in thousands)	
Current Liabilities:		
Current maturities of long-term debt	$ 5,272	$ 5,653
Commercial paper notes payable	—	47,276
Notes payable	—	19,106
Accounts payable, trade	26,800	31,291
Accrued expenses:		
Insurance	7,132	6,090
Profit sharing and bonuses	2,431	2,658
Other	14,138	11,820
Income taxes payable	3,363	—
Liabilities on product warranties	4,418	4,172
Total current liabilities	63,554	128,066

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Provision for Warranty Claims. Estimated warranty costs are provided at the time of sale of the warranted products.

Deferred Revenue

AM INTERNATIONAL, INC. (JUL)

	1990	1989
	(Dollars in thousands)	
Current liabilities:		
Short-term borrowings	$ 80,971	$ 17,073
Accounts payable	92,140	80,991
Service contract deferred income	46,470	43,030
Payroll related expenses	37,435	40,434
Other	69,515	44,892
Total current liabilities	326,531	226,420

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Revenue Recognition: Revenue is recognized from sales when a product is shipped. Amounts billed for service contracts are credited to Service Contract Deferred Income and reflected in Service Revenues over the term of the contract.

THE NEW YORK TIMES COMPANY (DEC)

	1990	1989
	(Dollars in thousands)	
Current Liabilities:		
Accounts payable	125,171	106,560
Payrolls	42,266	52,737
Accrued expenses	84,373	99,018
Federal income taxes	2,721	2,887
Unexpired subscriptions	130,437	99,047
Short-term debt	45,405	74,859
Total current liabilities	430,373	435,108

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Subscription Revenues. Proceeds from subscriptions are deferred at the time of sale as unexpired subscriptions and are included in revenues on a pro rata basis over the terms of the subscriptions.

PITNEY BOWES INC. (DEC)

	1990	1989
	(Dollars in thousands)	
Current liabilities:		
Accounts payable and accrued liabilities	$ 560,697	$ 501,050
Income taxes payable	159,955	96,705
Notes payable and current portion of long-term obligations	1,865,720	1,396,800
Advance billings	302,506	276,351
Total current liabilities	2,888,878	2,270,906

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Rental arrangements and advance billings. The company rents equipment to its customers, primarily postage meters and mailing, shipping, copier and facsimile systems under short-term rental agreements, generally for periods of three months to one year. Charges for equipment rental and maintenance contracts are billed in advance; the related revenue is included in advance billings and taken into income as earned.

THE STANDARD REGISTER COMPANY (DEC)

	1990	1989
	(Dollars in thousands)	
Current Liabilities		
Current maturities of long-term debt	$ 6,788	$ 6,779
Accounts payable	18,951	18,049
Dividend payable	4,009	4,172
Accrued compensation	23,589	24,246
Accrued pension expense	7,031	869
Accrued other expense	5,145	1,948
Accrued taxes, except income	4,222	4,572
Income taxes payable	663	4,237
Deferred service contract income	3,704	2,984
Total current liabilities	$ 74,102	67,856

SUN MICROSYSTEMS, INC. (JUN)

	1990	1989
	($000)	
Current liabilities:		
Notes payable	$ 20,230	$ 124,079
Accounts payable	165,687	166,882
Accrued payroll—related liabilities	79,626	43,812
Accrued liabilities	113,113	62,509
Deferred service revenues	30,913	15,168
Income taxes payable	54,236	30,353
Other current liabilities	29,097	19,732
Total current liabilities	492,902	462,535

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue recognition

Sun generally recognizes revenues from hardware and software sales at the time of shipment. Service revenues are recognized ratably over the contractual period or as the services are provided.

Environmental Costs

CURTISS-WRIGHT CORPORATION (DEC)

	1990	1989
	(in thousands)	
Current liabilities:		
Notes payable	$ 3,000	$ 302
Accounts payable	6,603	6,391
Accrued expenses	14,544	15,381
Federal and foreign income taxes payable	1,040	2,595
Deferred federal and foreign income taxes		430
Employment agreement obligation	6,796	
Other current liabilities	10,655	10,903
Total current liabilities	42,638	36,002

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Environment Costs.

The Corporation recorded a provision of $21,000,000 in the third quarter of 1990, for the estimated future cost of an environmental clean-up at its Wood-Ridge, New Jersey property. Other Current Liabilities at December 31, 1990 include $1,600,000 for estimated clean-up expenditures through 1991, while the balance of spending anticipated to be incurred in future years, of $19,302,000, is shown as a component of Other Liabilities. The Corporation has also spent $1,394,000, $266,000 and $387,000 in 1990, 1989 and 1988, respectively, for engineering, evaluation and state-approved preliminary remediation related to the property.

Litigation Judgement

ADVANCED MICRO DEVICES, INC. (DEC)

	1990	1989
	(Thousands)	
Current liabilities:		
Notes payable to banks	$ 56,509	$ 48,169
Accounts payable	84,606	67,745
Accrued compensation and benefits	36,119	36,219
Other accrued liabilities	52,161	52,726
Deferred income on shipments to distributors	56,195	66,751
Long-term debt due within one year	4,533	4,195
Litigation judgment liability	27,416	—
Total current liabilities	317,539	275,805

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Litigation Judgment

In the fourth quarter of 1990, a United States District Court entered a $27.4 million judgment in favor of Brooktree Corporation in a patent and maskwork infringement case against the company. The case involved microchips known as color palettes which are used to control color displays on computer monitor screens. Pursuant to the verdict, the court enjoined the company from making, using or selling products that infringe Brooktree patents and maskwork rights. The company has filed an appeal with the United States Court of Appeals for the Federal Circuit. The company has provided real property security with equity of more than twice the amount of judgment to Brooktree to stay execution of the judgment pending appeal. Management expects the appeal process to take approximately one year. Color palettes represented less than 1 percent of the company's business in each of the last three years.

Sales Returns

AMERICAN GREETINGS CORPORATION (FEB)

	1990	1989
	($000)	
Current Liabilities:		
Debt due within one year	$ 36,524	$ 20,941
Accounts payable	75,146	79,591
Payrolls and payroll taxes	45,315	38,839
Retirement plans	10,878	8,573
Dividends payable	5,281	5,311
Income taxes	6,430	6,693
Sales returns	21,182	24,543
Total current liabilities	200,756	184,491

Securities Sold Under Repurchase Agreements

CBS INC. (DEC)

	1990	1989
	(Dollars in millions)	
Current liabilities:		
Accounts payable	$ 43.4	$ 48.4
Accrued salaries, wages and benefits	54.3	52.8
Liabilities for talent and program rights	236.4	183.9
Liabilities for securities sold under repurchase agreements (note 1)	280.0	322.0
Debt	3.4	3.3
Income taxes		.9
Other	197.4	209.4
Total current liabilities	814.9	820.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Cash Equivalents and Marketable Securities. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less, including accrued interest thereon, to be cash equivalents. Marketable securities include U.S. Treasury notes, money market instruments, tax-exempt securities and corporate debt and equity securities. The Company also enters into agreements to sell and repurchase certain of these securities. Due to the agreements to repurchase, the sales of these securities are not recorded. Instead, the liabilities to repurchase securities sold under these agreements are reported as current liabilities and the investments acquired with the funds received from the securities sold are included in cash equivalents and/or short-term marketable securities.

Contract Completion Costs

HERCULES INCORPORATED (DEC)

	1990	1989
	(Dollars in thousands)	
Current Liabilities:		
Accounts payable	$ 219,264	$ 222,441
Short-term debt	270,623	273,615
Accrued expenses		
Contract completion costs	85,272	122,498
Payroll	75,317	76,008
Taxes on income	57,685	59,090
Other	199,680	164,411
Total current liabilities	907,841	918,063

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, a provision for estimated contract completion costs in excess of future revenues was recognized in the amount of $323,000 on the Titan IV, Delta II and SRAM II programs during the fourth quarter of 1989. Development and production phrases for rocket motors under the Titan IV contract 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 phase of the contract. 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 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 14), with the remainder reflected as a current liability.

Estimated costs at completion are reviewed periodically throughout the year. During 1990, estimated contract values were increased, due to contract claims, while the cost estimate to complete the efforts increased by a similar amount. The provisions are presently considered adequate to complete the contracts. The initial Titan IV development motor firing is scheduled for the first quarter of 1991. The adequacy of the provison will be assessed pending the outcome of this firing.

Redeemable Debt

INTEL CORPORATION (DEC)

	1990	1989
	(in thousands)	
Current liabilities:		
Short-term debt	$ 171,330	$ 156,499
Commercial paper	31,897	—
Long-term debt redeemable in 1991	75,369	—
Accounts payable	209,365	165,352
Deferred income on shipments to distributors	120,789	95,951
Accrued compensation and benefits	254,760	164,859
Income taxes payable	241,101	166,517
Total current liabilities	1,313,751	921,226

NOTES TO FINANCIAL STATEMENTS

Borrowings (In Part)

LONG-TERM DEBT

Long-term debt at fiscal year-ends is as follows:

(In thousands)	1990	1989
Payable in U.S. dollars:		
1983 Series A Industrial, Medical and Envionmental Pollution Control Revenue Bonds	$ 79,257	$ 78,980
1983 Series B Industrial, Medical and Environmental Pollution Control Revenue Bonds	29,927	29,902
Zero Coupon Notes, net of unamortized discount of $85,024 ($99,189 in 1989)	131,321	117,156
8 1/8% Notes	98,223	102,176
Other U.S. dollar debt	14,500	14,500
Payable in other currencies:		
Yen Guaranteed Bonds	—	16,080
Yen Guaranteed Step-up Coupon Notes	75,369	69,420
Other foreign currency debt	1,758	426
(Less redeemable long-term debt)	(75,369)	—
(Less current portion of long-term debt)	(10,381)	(16,160)
Total long-term debt	$344,605	$412,480

On June 10, 1988, the Company issued Yen 10 billion Guaranteed Step-up Coupon Notes (approximate U.S. dollar equivalent of $75.4 million at December 29, 1990) due June 10, 1993. The notes are redeemable on June 10, 1991 at the option of either the Company or the holder. The notes have an effective Yen interest rate of 4.8% until maturity or redemption. As a result of the June 1991 redemption option, this debt has been included in current liabilities. These notes have been hedged by investing the proceeds in Yen denominated interest-bearing investments, which are included in short-term investments as of December 29, 1990.

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* 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."

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.

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

	1990	1989
	(In millions)	
Total current liabilities	$1,411.9	$1,302.6
Long-term debt	3,147.1	3,307.3
Deferred Income Taxes	1,396.2	1,315.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5—Long-term Debt

Long-term debt at December 31 consisted of the following (in millions):

	1990	1989
Commercial paper	$ 305.8	$ 484.0
Medium-term Notes Due 1991 to 2001 (interest from 7.4% to 9.0%)	135.0	5.0
6% Dual Currency Swiss Franc Bonds Due 1991/1994	109.3	107.5
9-1/8% Notes Due 1992	100.0	100.0
11-1/8% Notes Due 1993	—	100.0
8-7/8% Notes Due September 1, 1994	100.0	100.0
8.0% Dual Currency Japanese Yen/U.S. Dollar Notes Due 1995	52.3	51.6
8-3/4% Notes Due July 15, 1995	100.0	—
8% Notes Due October 1, 1996	100.0	100.0
8% Convertible Debentures Due 1996	241.4	241.7
8-3/4% Notes Due 1999	250.0	250.0
9% Debentures Due 2009	350.0	350.0
ESOP Debt Guarantee	485.0	500.0
Sinking Fund Debentures	673.1	759.8
Industrial Revenue Bonds	89.5	94.4
Other Long-term Debt	55.7	63.3
	$3,147.1	$3,307.3

The company's sinking fund debentures at December 31 are as follows (in millions):

	1990	1989
5.45% debentures maturing 1984 to 1991	$ —	$ 2.2
6% debentures maturing 1984 to 1992	5.5	9.5
7.95% debentures maturing 1985 to 1999	61.0	61.3
9.20% debentures maturing 1986 to 2005	114.0	121.2
8.55% debentures maturing 1989 to 2008	85.6	91.2
8-5/8% debentures 1997 to 2016	150.0	150.0
8-1/2% debentures maturing 1998 to 2017	150.0	150.0
10% debentures maturing 1999 to 2018	200.0	200.0
Less: debentures held in treasury	(93.0)	(25.6)
	$673.1	$759.8

Shelf registration statements filed with the Securities and Exchange Commission (SEC) in 1989 and previous years established debt securities in the amount of $1 billion available for issuance from time to time. As of December 31, 1990, $165 million of this debt remained available for issuance.

In addition, in 1989 the company registered with the SEC $300 million of seven-year convertible debentures as part of its Wholesaler Investment Program. The debentures may be held by a qualified, independently-owned wholesaler (and certain related parties) and may be converted into a 5% convertible preferred stock, par value $1.00, at a conversion price of $47.60 per share. Each share of the convertible preferred stock may be converted into one share of the company's common stock. The convertible debentures and convertible preferred stock are subject to mandatory redemption at the end of seven years, optional redemption/repurchase based upon the occurrence of certain events with respect to particular holders.

In 1990, the company entered into an interest rate cap program on $400 million of floating rate borrowings. The program provides an interest rate ceiling on the yield of certain short-term interest rates through April 1992 to minimized the company's exposure to rising interest rates.

At December 31, 1990 and 1989 there was $305.8 million and $484.0 million, respectively, of commercial paper borrowings outstanding classified as long-term debt. The commercial paper is intended to be maintained on a long-term basis with ongoing credit provided by the company's $500 million revolving credit agreements.

Certain foreign currency denominated debt of the company was issued at a premium or discount from the redemption value or subsequently converted into a U.S. dollar liability resulting in effective interest rates different than the stated rates. For the dual currency Swiss Franc and Japanese Yen issues, these agreements result in an effective U.S. dollar rate of 8% and 10%, respectively, as compared to stated rates of 6% and 8%, respectively. The company has fully hedged its foreign currency exposure for interest and principal payments related to all foreign currency denominated debt issues through agreements with various lending institutions.

The aggregate maturities on all long-term debt are $16.6, $122.1, $89.8, $236.5 and $181.2 million, respectively,for each of the years ending December 31, 1991 through 1995. These aggregate maturities do not include the future maturities of the ESOP debt guarantee.

ARCHER DANIELS MIDLAND COMPANY (JUN)

	1990	1989
	(In thousands)	
Total Current Liabilities	$676,344	$618,529
Long-term Liabilities		
Agricultural processing	443,665	366,101
Transportation	307,236	323,951
	750,901	690,052

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5—Financing Arrangements and Long-Term Liabilities

The Company had no borrowings under lines of credit which total $216 million at June 30, 1990.

Long-term liabilities consist of:

	1990	1989
	(in thousands)	
Long-term debt		
Zero Coupon Debt $500 million face amount, due $100 million in 1992 and $400 million in 2002	$159,421	$138,836
7% Debentures $250 face amount, due in 2011	120,213	119,360
10.25% Debentures $100 million face amount, due in 2006	98,424	98,384
6% Bonds Deutsche Mark DM150 million face amount, due in 1997	90,033	76,599
Industrial Revenue Bonds at various rates from 5.90% to 13.25% and due in varying amounts to 2012	80,265	83,309
9.50% and 9.63% Senior Secured Notes payable in equal semi-annual installments of $2.8 million, including interest, through 2004	42,455	43,863
11.75% Notes payable in equal semi-annual installments of $2.1 million, including interest, through 2006	30,272	30,898
Other	92,427	50,952
Lease obligations (see Note 6)	57,640	63,198
Total long-term liabilities	771,150	705,399
Less current maturities	(20,249)	(15,347)
	$750,901	$690,052

Unamortized original issue deposits on the 7% Debentures and Zero Coupon Debt issues are being amortized at 15.35% and 14.29%, respectively. Accelerated amortization of the discounts for tax purposes has the effect of lowering the actual rate of interest to be paid over the remaining lives of the issues to approximately 11.57% and 6.91%, respectively.

The aggregate maturities of long-term liabilities for the five years after June 30, 1990 are $20 million, $128 million, $20 million, $20 million and $16 million, respectively.

THE MAY DEPARTMENT STORES COMPANY (JAN)

	1991	1990
	(dollars in millions)	
Total current liabilities	$1,742	$1,994
Long-term Debt	3,565	3,003
Deferred Income Taxes	352	329
Other Liabilities	160	153

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Debt. Long-term debt and capital lease obligations were:

(millions)	February 2, 1991	February 3, 1990
5.25% to 14.5% unsecured notes and sinking fund debentures due 1991-2021	$2,939	$2,534
MCA sale/leasebacks	570	367
5.8% to 9.875% mortgage notes and bonds due 1991-2009	71	86
Total debt	3,580	2,987
Capital lease obligations	104	107
	3,684	3,094
Less current maturities	(119)	(91)
Total	$3,565	$3,003

During the 1990 fourth quarter, the company issued $425 million of debentures with interest rates ranging from 9-7/8% to 10-5/8% with due dates ranging from 2002 to 2021. Also during the 1990 fourth quarter, the company issued $75 million of medium-term notes with interest rates ranging from 7.28% to 9.93% with maturities ranging from two years to 17 years. The company used the net proceeds from these issuances to retire a portion of its outstanding commercial paper.

In March 1989, the company's Profit Sharing Plan borrowed $400 million at an average rate of 8.5% and an average maturity of 12 years. The amount is guaranteed by the company and is included in long-term debt. See Pension and Profit Sharing on page 20.

On February 1, 1990, the company sold 37 of its department store properties to a corporation owned by MCA for $367 million and simultaneously leased back the properties. During 1990, the company and affiliates of MCA completed additional sale/leaseback transactions of 23 department store properties amounting to $210 million. As the company is a 50% partner in MCA, the accounting rules specify that the sale/leasebacks be accounted for as loans from MCA. The base lease terms are 25 years and include fixed annual payments of $53 million and percentage payments based upon defined sales levels. The leases also provide for renewal options. See May Centers Associates on page 22.

The annual maturities of long-term debt, including sinking fund requirements, are $119, $79, $102, $64 and $283 million for 1991 through 1995, respectively.

The net book value of property and equipment encumbered under long-term debt agreements was $86 million at February 2, 1991. Under the most restrictive covenants of long-term debt agreements, $1.2 billion of retained

earnings at February 2, 1991, was restricted as to the payment of dividends and/or common share repurchases.

The company has guaranteed Venture's repayment obligations up to $50 million under Venture's revolving credit facility and its mortgaged debt agreement until such time as Venture achieves certain financial ratios.

In connection with a 1986 real estate transaction, the company sold $165 million of notes received from the sale of real estate and became contingently liable for up to $42 million of the purchaser's debt in the event of default.

MAYTAG CORPORATION (DEC)

	1990	1989
	(Thousands of dollars)	
Total current liabilities	$555,719	$488,797
Deferred income taxes	71,548	60,434
Long-term debt	857,941	876,836
Other noncurrent liabilities	86,602	72,055

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Debt

In thousands	1990	1989
Commercial paper, at 8.1% in 1990 and 8.6% in 1989	$120,000	$325,000
Notes payable with interest payable semiannually:		
Due May 15, 2002 at 9.75%	200,000	
Due July 15, 1999 at 8.875%	175,000	175,000
Due July 1, 1997 at 8.875%	100,000	100,000
Medium-term notes, maturing from 1992 to 2010, from 8.23% to 9.03% payable semiannually	107,500	77,500
Employee stock ownership plan notes payable semiannually through July 2, 2004 at 9.35%	61,530	64,883
14% subordinated notes		49,436
Multi-currency loan at 8.7% in 1990 and 11.4% in 1989	50,000	28,689
Non-United States bank loans of 7.75% to 12.75%	18,765	23,356
Senior notes payable to insurance companies from 9.2% to 10.5% payable in semiannual or annual installments maturing through April 1995	18,751	31,375
Other	17,465	18,189
	869,011	893,428
Less current portion	11,070	16,592
	$857,941	$876,836

The commercial paper borrowings are classified long-term as it is the Company's intention to refinance them on a long-term basis and has established the necessary credit facilities to do so.

In May 1990, the Company issued $200 million of 9.75% notes due in May 2002 and in December 1990, issued an additional $30 million of medium-term notes. The 9.75 notes, the 8.875% notes due in 1999 and the medium-term notes grant the holders the right to require the Company to repurchase all or any portion of their notes at 100% of the principal amount thereof, together with accrued interest, following the occurence of both a change in Company control and a credit rating decline.

During July 1990, the Company redeemed the 14% subordinated notes at 105% of the principal, plus accrued interest. The redemption of these notes, which had been assumed following the acquisition of CPC, has been funded through the Company's commercial paper borrowings.

In 1989, the Company established a trust to administer a leveraged employee stock ownership plan (ESOP) within an existing employee savings plan. The trustee of the ESOP obtained outside financing and purchased 2.9 million shares of treasury stock from the Company at an average price of $22.75. The Company has guaranteed the debt of the trustee and will service the repayment of the notes, including interest, through the Company's employee savings plan contribution and from the quarterly dividends paid on stock held by the ESOP. The ESOP notes are secured by the Common stock owned by the ESOP trust.

The Company maintains a credit agreement with a consortium of banks which provides a revolving credit facility of $400 million until November 30, 1991, and which may be extended annually thereafter upon the request of the Company and acceptance by the participating banks. The Company also maintains a $200 million multi-currency line of credit with a different consortium of banks that expires November 22, 1994. This line of credit utilizes seven currencies and can be extended upon the mutual agreement of the parties involved. Subject to certain exceptions, the credit agreements require the Company to maintain certain levels of consolidated net worth adjusted for specified increases of $12.5 million per quarter. At December 31, 1990 consolidated net worth exceeds the required amounts by $146.7 million. The Company also has other line of credit arrangements for approximately $265.7 million. At December 31, 1990, funds available under all credit agreements were $668.1 million.

Interest paid during 1990, 1989 and 1988 was $88.9

TABLE 2-26: LONG-TERM DEBT

	Number of Companies			
	1990	1989	1988	1987
Unsecured				
Notes	413	415	417	426
Debentures	224	245	245	255
Loans	76	90	86	77
Commercial paper	81	70	60	66
Collateralized				
Capitalized leases	354	344	407	412
Mortgages	126	131	153	140
Notes or loans	100	87	89	93
Convertible				
Debentures	116	131	129	130
Notes	14	12	13	22

million, $82.3 million, and $17.9 million. The aggregate maturities of long-term debt in each of the next five fiscal years is as follows (in thousands): 1991—$11,070; 1992—$24,934; 1993—$32,006; 1994—$21,910; 1995—$5,309.

MICRON TECHNOLOGY, INC. (AUG)

	1990	1989
	(Dollars in thousands)	
Total current liabilities	$100,763	$73,994
Long-term debt	74,087	39,671
Deferred income taxes	31,792	30,688
Other liabilities	6,454	7,564
Total liabilities	213,096	151,917

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All tabular dollar amounts are stated in thousands.

Long-Term Debt

	8/30/90	8/31/89
Notes payable in monthly installments through 1995, interest rates ranging from 6.0% to 12.9%	$41,051	$39,699
Noninterest bearing obligation, due in annual installments through November 1994, original face amount $50 million (net of discount based on imputed interest rate of 10.25%)	40,884	—
Capitalized lease obligations payable in monthly installments through 1995, interest rates ranging from 10.5% to 12.6%	16,841	11,553
	98,776	51,252
Less current portion	(24,689)	(11,581)
	$74,087	$39,671

The notes payable are collateralized by plant and equipment with a total cost of approximately $55 million. The Company is required to maintain certain financial ratios under loan agreements. The gross amount of assets recorded under capital leases, and the accumulated amortization thereon, was approximately $21.8 million and $5.8 million as of August 30, 1990, and $13.0 million and $1.6 million as of August 31, 1989. Aggregate maturities of the notes payable, noninterest bearing obligation, and future minimum payments under capital leases are as follows:

Fiscal year	Notes payable	Noninterest bearing obligation	Capital leases
1991	$11,226	$10,000	$ 5,739
1992	11,846	10,000	5,713
1993	9,126	10,000	5,100
1994	7,875	10,000	3,312
1995	978	10,000	801
Less interest and discount	—	(9,116)	(3,824)
	$41,051	$40,884	$16,841

The Company has a $100 million credit agreement with a syndicate of banks. The agreement provides for up to $50 million of revolving credit through January 1992 at prime and up to $50 million of revolving term debt, decreasing through expiration of the loan in November 1994, at prime plus .37%. The agreement contains, among other convenants, provisions setting forth working capital requirements and limits payment of dividends to not more than 25% of net income earned after August 31, 1989. Substantially all of the Company's assets not otherwise pledged as collateral on existing loans and capital leases are pledged as collateral under the agreement.

Interest income of $9,274,000 and $3,765,000 was netted against interest expense in 1990 and 1988, respectively. Interest expense of $795,000 was netted against interest income in 1989. Construction period interest of $655,000 and $3,401,000 was capitalized in 1990 and 1989.

MORTON INTERNATIONAL, INC. (JUN)

	1990	1989
	(In millions)	
Total Current Liabilities	$405.5	$300.7
Long-term debt, less current portion	261.4	43.9
Deferred income taxes	75.7	72.7
Other noncurrent liabilities	63.0	46.3
Total Noncurrent Liabilities	400.1	162.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financing Arrangements

Various credit facilities are available with banks whereby the Company may borrow upon such terms as the Company and the banks may mutually agree. These arrangements generally do not have termination dates but are reviewed annually for renewal. At June 30, 1990, such credit lines amounted to approximately $225.1 million, land the unused portions thereof were approximately $148.0 million.

Long-term debt consisted of the following:

	June 30	
	1990	1989
	(In millions)	
Credit Sensitive Debentures (net of $1.7 unamortized discount)	$198.3	$ —
Private Placement Notes Due 1993, bearing interest at an effective rate of 9.53%	28.4	28.4
Other	38.4	16.1
	265.1	44.5
Less current portion	3.7	.6
	$261.4	$ 43.9

The Credit Sensitive Debentures ("Debentures") due June 1, 2020 are unsecured obligations of the Company.

The Debentures have an initial effective interest rate of 9.335%, subject to adjustment on the calendar day tht certain changes in the debt rating of the Debentures occur as determined by Standard & Poor's Corporation or Moody's Investor Service.

The annual aggregate maturities of long-term debt through June 30, 1995 are as follows: (in millions) 1991—$3.7; 1992—$3.3; 1993—$37.5; 1994—$.1; 1995—$19.7. Interest paid on borrowings in 1990, 1989 and 1988 was $13.6 million, $7.9 million, and $4.0 million.

PEPSICO, INC. (DEC)

	1990	1989
	(in millions)	
Total current liabilities	$4,770.5	$3,691.8
Long-term Debt	5,600.1	5,777.1
Nonrecourse Obligation	299.5	299.4
Other Liabilities and Deferred Credits	626.3	610.4
Deferred Income Taxes	942.8	856.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (tabular dollars in millions except per share amounts)

Long-term Debt

	1990	1989
Short-term borrowings, reclassified (A)	$3,500.0	$3,550.0
Notes due 1991 through 1998 (7.9% weighted average interest rate at year-end 1990 and 1989) (B)	1,513.7	871.1
Zero coupon notes, $1.1 billion due 1991-2012 (14.0% semi-annual weighted average yield to maturity at year-end 1990 and 1989)	348.1	308.7
Swiss franc perpetual Foreign Interest Payment bonds (C)	209.9	209.1
European Currency Units 7⅝% and 7⅜% notes due 1990 and 1992 (D)	135.2	239.3
Pound sterling 9⅛% notes due 1993 (D)	115.5	96.8
Swiss franc 5¼% bearer bonds due 1995 (D)	104.7	86.9
Australian dollar notes due 1990 (13.3% weighted average interest rate at year-end 1989)	—	81.5
Italian lire 10½% notes due 1991 (D)	88.8	79.0
Canadian dollar 8¾% notes due 1991 (B)	64.6	64.6
Capital lease obligations (See Note on page 44)	193.8	179.3
Other, due 1991-2020 (8.9% and 9.0% weighted average interest rate at year-end 1990 and 1989, respectively)	410.8	327.6
	6,685.1	6,093.9
Less current maturities of long-term debt issuances	(1,085.0)	(316.8)
Total long-term debt	$5,600.1	$5,777.1

Long-term debt is carried net of any related discount or premium and unamortized debt issuance cost. The debt agreements include various restrictions, none of which is presently significant to PepsiCo.

The annual maturities of long-term debt through 1995, excluding capital lease obligations and the reclassified short-term borrowings, are: 1991–$1.1 billion; 1992–$531 million; 1993–$474 million; 1994–$120 million and 1995–$134 million.

(A) At year-end 1990 $3.5 billion of short-term borrowings were classified as long-term, reflecting PepsiCo's intent and ability to refinance these borrowings on a long-term basis, through either long-term debt issuances or rollover of existing short-term borrowings. At year-end 1990 and 1989, PepsiCo had revolving credit agreements aggregating $3.5 billion and $3.6 billion, respectively, with the current agreements covering potential borrowing through 1994 and 1995. These available credit facilities provide the ability to refinance short-term borrowings.

(B) PepsiCo has entered into interest rate swap agreements to effectively convert $679 million of fixed interest rate debt issuances to variable rate debt with a weighted average interest rate of 7.8% at year-end 1990. The differential to be paid or received on interest rate swaps is accrued as interest rates change and is charged or credited to interest expense over the life of the agreements. Due to the frequency of interest payments and receipts, PepsiCo's credit risk related to interest rate is not significant.

(C) The coupon rate of the Swiss franc 400 million perpetual Foreign Interest Payment bonds issued in 1986 is 7½% through 1996. The interest payments are made in U.S. dollars at a fixed contractual exchange rate. The bonds have no stated maturity date. At the end of each 10-year period after the issuance of the bonds, PepsiCo and the bondholders each have the right to cause redemption of the bonds. If not redeemed, the coupon rate will be adjusted based on the prevailing yield of 10-year U.S. Treasury Securities. The principal of the bonds is denominated in Swiss francs. PepsiCo can and intends to limit the ultimate redemption amount to the U.S. dollar proceeds at issuance, which is the basis of the carrying value in both years.

(D) PepsiCo has entered into currency exchange agreements to hedge its foreign currency exposure on these issues of non-U.S. dollar denominated debt. At year-end 1990, the agreements effectively established U.S. dollar liabilities of $49 million with a weighted average fixed interest rate of 9.9% and $294 million with a weighted average variable interest rate of 7.5%. The carrying values of these agreements, which are based on current exchange rates, aggregated $101 million in receivables at year-end 1990. Changes in these values resulting from exchange rate movements are offset by the changes in the carrying values of the underlying foreign currency denominated obligations, which are also based on current exchange rates.

The counterparties to PepsiCo's interest rate swaps and currency exchange agreements discussed above consist of a diversified group of financial institutions. PepsiCo is exposed to credit risk to the extent of nonperformance by these counterparties; however, PepsiCo regularly monitors its positions and the credit ratings of these counterparties and considers the risk of default to be remote.

Nonrecourse Obligation

In 1987 PepsiCo entered into an agreement related to a

nonrecourse obligation (the Obligation) under which it received net proceeds of $299 million. The Obligation and related interest are payable solely from future royalty payments from certain independent domestic franchisees of one of PepsiCo's restaurant chains for a period not to exceed 10 years. The Obligation carries a variable interest rate (8.4% as of Dcember 29, 1990) based upon a commercial paper rate. Under the terms of the agreement, principal repayments during the first five years can be readvanced; as it is PepsiCo's intent to elect this provision, the entire Obligation is considered noncurrent. Principal repayments, net of amounts readvanced, are estimated to be $244 million over the next five years.

SCI SYSYEMS, INC. (JUN)

	1990	1989
	(In thousands of dollars)	
TOTAL CURRENT LIABILITIES	$135,025	$171,307
DEFERRED INCOME TAXES	-0-	4,816
LONG-TERM DEBT—NOTE C		
Industrial revenue bonds	26,634	20,213
Long-term notes	150,151	117,291
Convertible subordinated debentures	141,552	140,954
TOTAL LONG-TERM DEBT	318,337	278,458

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Long-Term Debt

Industrial Revenue Bonds. The Company is obligated by lease or guarantee under various industrial revenue bonds maturing through 2015. $8,400,000 of the outstanding balance at June 30, 1990 ($9,590,000 at June 30, 1989 and $10,170,000 at June 30, 1988) bears interest at fixed rates between 5.4% and 7.6%. $20,715,000 of the outstanding balance at June 30, 1990 ($6,445,000 at June 30, 1989 and $12,546,000 at June 30, 1988) bears interest at variable rates which ranged between 5.7% and 9.5% at June 30, 1990. Such obligations are collateralized by property, plant and equipment, unexpended funds, and irrevocable letters of credit for approximately $13,000,000. Deferred charges at year end of $631,000 in 1990, $503,000 in 1989, and $332,000 in 1988 were netted against the bond balances.

Long-term Financing. The Company is obligated under various mortgages and notes maturing through 1999. $9,057,000 of the outstanding balance at June 30, 1990 ($7,970,000 at June 30, 1989) bears interest at approximately the prime rate; $2,000,000 at June 30, 1990 and 1989 bears an average interest rate of 1%. The June 30, 1990 outstanding balance includes $9,717,000 which is collateralized by property, plant and equipment; $1,340,000 is unsecured. Deferred charges at year end of $188,000 in 1990, and $210,000 in 1989 were netted against the obligation balances.

Revolving Credit, Commercial Paper and Term Loan Agreements. At June 30, 1990, the Company's bank revolving credit agreement provided for borrowing up to $150,000,000 as revolving credit with a maturity date of July 1, 1993. Borrowings under the credit line will, at the Company's option, bear interest at either a defined Base Rate or a rate based on the London Interbank Offered Rate (LIBOR). At June 30,1990, $90,000,000 was outstanding under the credit agreement. The Company also had a credit enhanced Commercial Paper agreement for offering of up to $50,000,000 at June 30, 1990. This agreement allows the Company to enhance the marketability of its Commercial Paper with an irrevocable letter of credit and to borrow up to the difference between the line of credit and the outstanding Commercial Paper at rates similar to or below the revolving credit agreement. Conversion privileges are included to protect the maturity term in the event of nonsalability of the Commercial Paper. At June 30, 1990, the Company had outstanding Commercial Paper of $49,566,000. The Company is required under the credit agreements to maintain certain financial ratios, and meet certain net work and indebtedness tests. Under the most restrictive provision of the agreements, retained earnings of $10,577,000 were available for cash dividends at June 30, 1990. A commitment fee of .375% is paid on the unused portion of the revolving credit agreement. A .6% fee is paid on the letter of credit amount issued in support of outstanding Commercial Paper. No compensating balances are required under either agreement.

Short-term borrowings may be drawn under these credit agreements. Beacause of the Company's ability and intent to refinance such short-term borrowings, total borrowings under the credit agreements, including Commercial Paper, are classified as long-term.

At June 30, 1990, unused credit facilities and commitments approximated $82,000,000.

Convertible Subordinated Debentures. In May, 1990, the Company issued $70,000,000 of 9% Convertible Subordinated Debentures (1990 Debentures) due April 1, 2015. The 1990 Debentures are convertible into the Company's Common Stock at $11.875 per share. Beginning in 2001, the Company will be required to provide $3,500,000 annually, adjusted for redemptions and conversions, through 2014 toward a sinking fund to retire 70% of the issue prior to maturity.

In March, 1987, the Company issued $75,000,000 of 5⅝% Convertible Subordinated Debentures (1987 Debentures) due March 1, 2012. The 1987 Debentures are convertible into the Company's Common Stock at $21.33 per share. Beginning in 1998, the Company will be required to provide $3,750,000 annually, adjusted for redemptions and conversions, through 2011 toward a sinking fund to retire 70% of the issue prior to maturity.

Both the 1990 Debentures and the 1987 Debentures are callable by the Company under certain conditions. Deferred charges of $3,448,000 at June 30, 1990, $1,510,000 at June 30, 1989, and $1,576,000 at June 30, 1988 were netted against those Debenture issues outstanding balances.

In June, 1990, the Company executed an "in-substance defeasance" of its 1986 $60,000,000 3% Convertible Subordinated Debentures (1986 Debentures) issued in the Eurodollar market. Sufficient funds were deposited in an irrevocable trust to cover both the outstanding principal ($59,650,000) and the put option premium ($11,930,000) payable in September, 1990. Subsequent to June 30, 1990, substantially all outstanding 1986 Debentures were put to the Company in accordance with put option provisions. The Company accrued, as interest expense, approximately $3,000,000 per year in 1990, 1989, and 1988 for the put option premium. At June 30, 1989 and 1988, deferred charges of $1,134,000 and $1,228,000, respec-

tively, were netted against the 1986 Debenture balance. The full amount of the June 30, 1989 deferred charge ($1,134,000) was reflected as interest expense in 1990.

Debt, Lease and Rental Payments. Maturities of long-term debt for the next five fiscal years are: $2,133,000 in 1991; $1,840,000 in 1992; $4,206,000 in 1993; $140,952,000 in 1994; and $1,729,000 in 1995.

Minimum future rental payments for leased facilities and equipment are: $2,159,000 in 1991; $880,000 in 1992; $628,000 in 1993; and $572,000 thereafter. Rental expense was $2,394,000 in 1990, $3,659,000 in 1989, and $3,480,000 in 1988.

TEMTEX INDUSTRIES, INC. (AUG)

	1990	1989
	(in thousands)	
CURRENT LIABILITIES		
Notes payable—Note D	$ 3,983	$3,200
Long-term obligations in default classified as current—Note D	3,073	—
Accounts payable	2,707	2,343
Accrued expenses	935	1,029
Current maturities of long-term obligations—Note D	91	880
TOTAL CURRENT LIABILITIES	$10,789	$7,452
LONG-TERM OBLIGATIONS, less current maturities—Note D	1,390	4,027

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D—Notes Payable and Long-Term Debt

In April 1990, the Company entered into a three year credit agreement with a lending institution whereby the Company may borrow up to $6,000,000 under a revolving credit note. Proceeds from the new note were used to refinance $3,700,000 of current notes payable and $450,699 of long-term notes payable.

The revolving credit note bears interest at an annual rate of 2.5% over a specified bank's prime commercial rate and has a maturity date of April 25, 1993. Interest is payable on a monthly basis and is added to the outstanding loan balance. The loan is collateralized by the Company's accounts receivable and inventories. At August 31, 1990, $3,983,331 was outstanding.

In January, 1989, the Company borrowed $2,700,000 from a bank pursuant to a five-year term loan agreement. The credit agreement was amended and restated in April, 1990. The outstanding balance was reduced by $450,699 and the maturity date was changed from February 1, 1994 to January 1, 1993. At August 31, 1990, $1,365,000 was outstanding. The loan agreement contains restrictive covenants which include the maintenance of minimum tangible net worth, as defined, and of certain financial ratios. Failure to perform certain covenants contained in the loan documents has placed the Company in technical default of the loan agreement. As a result, the Company has classified the entire outstanding balance as a current liability. The bank has indicated in writing that it does not intend to call or accelerate the note.

On October 15, 1981, the Company borrowed $4,099,477 from a bank pursuant to a 15-year term loan agreement. Ninety percent of this loan is guaranteed by the Farmers Home Administration. The weighted average interest rate on this loan is 13.5%. The loan agreement contains restrictive convenants, among which, the Company must maintain minimum net worth, as defined, of $5,000,000. At August 31, 1990, the Company's net worth, as defined, was $2,829,000. As a result of the inability of the Company to observe this covenant, the Company is in technical default of the loan agreement. The Company has therefore classified the entire outstanding loan balance as a current liability. After the reclassification, the Company is in technical default of certain other covenants contained in the loan document.

Regardless of the non-compliance with debt convenants discussed in the two preceding paragraphs, as of August 31, 1990, the Company has made every scheduled payment of principal or interest.

Long-term obligations are summarized as follows:

	1990	1989
	(In thousands)	
Long-term obligations:		
Term bank loan, due in monthly installments of $45,000 through 1993	$1,365	$2,385
Term bank loan, due in quarterly installments of $68,000 through 1996	1,708	1,981
Capitalized lease obligations, with interest at 9.3% to 15.7%—Note G	1,481	541
	4,554	4,907
Less: current maturities	91	880
long-term obligations in default classified as current	3,073	—
	$1,390	$4,027

Annual maturities of long-term obligations for each of the five succeeding fiscal years are $91,000, $76,000, $56,000, $57,000 and $59,000.

At August 31, 1990, substantially all inventories, property, plant and equipment, and accounts receivable are pledged as collateral.

The Company made interest payments in 1990, 1989 and 1988, respectively, of $1,234,000, $1,088,000 and $1,184,000.

USX CORPORATION (DEC)

	1990	1989
	(Dollars in millions)	
Total current liabilities	$3,302	$ 3,278
Long-term debt, less unamortized discount (Note 16, page 49)	5,330	5,741
Deferred income taxes	1,503	1,320
Deferred credits and other liabilities	1,264	1,424
Total liabilities	11,399	11,763

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Long-Term Debt

(in millions)	Interest Rates—%	Maturity	December 31 1990	1989
USX Corporation:				
Revolving credit agreement (a)	8.35	1992-1995	$1,500	$1,490
Commercial paper (a)	9.37		174	652
Senior Notes	8⁷⁄₁₀-9⅖	1991-1996	494	554
Intermediate Term Notes	9	1992	298	298
Notes payable	8¼-9¾	1991-1995	71	86
Foreign currency obligations (b)	9³⁄₁₀-9½	1995-1998	210	210
Zero Coupon Convertible Senior Debentures (c)	7⅞	2005	298	—
Convertible Subordinated Debentures (d)	5¾	1996-2001	214	214
Convertible Subordinated Debentures (e)	7	1997-2017	238	238
Obligations relating to Industrial Development and Environmetnal Improvement Bonds and Notes (f)	5¼-7⅝	1991-2012	493	501
All other obligations, including sale-leaseback financing and capital leases		1991-2012	169	191
Consolidated subsidiaries:				
Guaranteed Notes (g)	9½	1994	776	937
Guaranteed Notes (g)	9¾	1999	161	—
Notes payable	8½-9⁷⁄₁₆	1991-1997	170	177
Sinking Fund Debentures	8½-11½	1991-2006	278	286
All other obligations, including capital leases		1991-2009	62	127
Total (h)(i)(j)			5,606	5,961
Less unamortized discount			79	86
			5,527	5,875
Less amount due within one year			197	134
Long-term debt due after one year			$5,330	$5,741

(a) An agreement totaling $2.350 billion with a consortium of banks provides for borrowing during a four-year revolving credit period ending September 30, 1992, followed by a three-year repayment period. Principal outstanding at September 30, 1992, will become due in 12 quarterly installments of equal amounts. Interest is based on defined short-term market rates. A facility fee of ⅛% per year will be paid on the amount of the commitment during the term of this agreement. During the revolving credit period, USX is obligated to pay a commitment fee of ¹⁄₁₆% on the unused portion. At December 31, 1990, the unused and available credit was $850 million. Commercial paper outstanding was supported by this agreement.

(b) Foreign currency exchange agreements were executed in connection with these foreign currency obligations, which effectively fixed the amount of interest and debt in U.S. dollars, thereby eliminating currency exchange risks.

(c) In 1990, USX issued for $289 million Zero Coupon Convertible Senior Debentures with a principal at maturity of $920 million. The original issue discount of $631 million is being amortized recognizing a yield to maturity of 7⅞% per annum. The carrying value represents the principal at maturity less the unamortized discount. Each debenture of $1,000 principal at maturity is convertible into 8.207 shares of common stock or, at the election of USX, cash equal to the market value of the 8.207 shares. At the option of the holder, USX will purchase debentures at the carrying value on August 9, 1995, and August 9, 2000; USX may elect to pay the purchase price in cash, shares of common stock or notes. USC may call the debentures for redemption at the issue price plus amortized discount beginning on August 9, 1995, or earlier if the market value of common stock equals or exceeds $57.375 per share for 20 trading days of 30 consecutive trading days.

(d) The debentures are convertible into common stock at $62.75 per share an are redeemable at USX's option. Sinking fund requirements for all years through 1995 have been satisfied through repurchases.

(e) The debentures are convertible into common stock at $38.125 per share and may be redeemed by USX on or after June 15, 1992. The sinking fund begins in 1997.

(f) At December 31, 1990, USX had outstanding short-term maturity Environmental Improvement Bonds in the amount of $198 million, which were supported by long-term credit arrangements.

(g) In 1990, pursuant to an exchange offer, holders of $161 million f 9½% Guaranteed Notes due 1994 elected to exchange their notes for 9¾% Guaranteed Notes due 1999. The 9¾% Guaranteed Notes may be redeemed at par by USX on or after March 1, 1996.

(h) Required payments of long-term debt, excluding commercial paper, for the years 1992-1995 are $493 million, $849 million, $1,348 million and $481 million, respectively.

(i) In the event of a change in control of USX, as defined in the related agreements, debt obligations totaling $2.6 billion may be declared immediately due and payable. The principal obligations subject to such a provision are revolving credit agreements—$1.500 billion; Senior Notes—$494 million; Zero Coupon Convertible Senior Debentures—$298

million; and 9¾% Guaranteed Notes—$161 million. In such event, USX may also be required to either repurchase the leased Fairfield slab caster for $115 million or provide a letter of credit to secure the remaining obligation.

(j) At December 31, 1990, $98 million of 4⅝% Sinking Fund Subordinated Debentures due 1996 and $34 million of 7¾% Sinking Fund Debentures due 2001, which have been extinguished by placing securities into separate irrevocable trusts, were still outstanding.

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.

TABLE 2-27: CREDIT AGREEMENTS

	1990	1989	1988	1987
Disclosing credit agreements	534	533	537	531
Not disclosing credit agreement	66	67	63	69
Total Companies	**600**	**600**	**600**	**600**

ALLEGHENY LUDLUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Credit Agreement and Long-Term Debt

Credit Agreement

The Company entered into a new Credit Agreement on December 28, 1990 with a group of banks, which amends and restates the prior credit agreement, and provides for borrowings of up to $100,000,000 under the revolving portion of the agreement and continues the $10,000,000 term portion. The Credit Agreement has various covenants which limit the Company's ability to purchase its own stock, dispose of properties and merge with another corporation. The Company is also required to maintain certain financial ratios as defined in the agreement which also limits the amount of dividend payments. Under the most restrictive requirement, approximately $102,000,000 (or 49%) of retained earnings is free of restrictions pertaining to cash dividend distributions at December 30, 1990. Borrowings outstanding under the Credit Agreement are unsecured.

Revolving Credit

At December 30, 1990 borrowings of $15,000,000 were outstanding under the revolving portion of the Credit Agreement. Current borrowings under the revolving credit portion are due June 30, 1993, subject to annual extension by the banks. The Company intends to repay these borrowings during 1991. Interest is payable at prime or other alternative interest rate bases, at the Company's option. Annual commitment fees range from ⅛% to ¼% on the unused portion of the credit line. At the end of the year, the revolving credit interest rate was 8.9%.

Term Loan

The term loan portion of borrowings under the Credit Agreement is due in two equal semi-annual installments of $5,000,000 in 1991. Interest is payable quarterly at prime plus ⅛% or other alternative interest rate bases at the Company's option.

AMERICAN BUILDING MAINTENANCE INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Debt

(b) Long-term debt and credit agreement

The Company has a $20,000,000 credit agreement with a U.S bank, which extends through June 30, 1992. At the Company's option, the interest rate is at the prime rate, LIBOR plus ½% or the commercial paper rate plue ½%. The interest rate at October 31, 1990 was 8.6%. The agreement requires the Company, among other things, to meet certain objectives with respect to financial ratios and places certain limitations on dividend payments and other outside borrowing. At October 31, 1990, the Company was not in compliance with certain covenants contained in its credit agreement; however, the Company obtained a waiver on these covenants through January 31, 1991 from the bank. The Company is prohibited from declaring or paying cash dividends exceeding 50% of its net income for any fiscal year. As of October 31, 1990, approximately $1,868,000 of its retained earnings was available for payment of dividends.

Long-term debt at October 31 is summarized as follows:

(in thousands of dollars)	1990	1989
Note payable to bank at prime or LIBOR + ½% or commercial paper rate + ½%	$20,000	$20,000
Notes payable, contracts and annuities payable with interest rates from 8% to 11% payable through 1994	12	40
	20,012	20,040
Less current portion	7	8
	$20,005	$20,032

The long-term debt of $20,012,000 matures in the years ending October 31 as follows: $7,000 in 1991; $20,002,000 in 1992; $2,000 in 1993; and $1,000 in 1994.

ARVIN INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Borrowings:

In June, 1990 the Company renegotiated two unsecured revolving credit agreements totaling $275 million. By December, 1990 the Company had reduced the aggregate amount available under the agreements to $160 million, and had borrowings outstanding of $86 million. The agreements provide for reductions in the amounts available based on long-term financings and asset disposals executed by the Company, and have a termination date of December 31, 1991, with provisions to convert any amounts then outstanding to term loans with a final maturity on December 31, 1995. Interest rates are based upon various market rates, and in some cases include additional lender margins. The agreements contain certain restrictive covenants and require commitment fees. The Company is in full compliance with the restrictive covenants contained in the agreements.

In addition to the revolving credit facilities, the Company has short-term lines of credit totaling $181 million under uncommitted money market rate facilities, of which $82 million in borrowings were outstanding at year-end.

The highest level of revolving credit borrowings during 1990 was $290.0 million (1989–$95.0 million; 1988–$10.0 million). Borrowings under these agreements averaged $168.1 million for 1990 (1989–$38.1 million; 1988–$0.8 million), with a weighted average interest rate of 8.5% (1989–9.3%; 1988–7.7%).

Under the most restrictive terms of the agreements, the Company must maintain a tangible net worth, as defined, of at least $1 billion. Tangible net worth was $1,410.3 million at December 31, 1990. The ratio of current assets to current liabilities cannot be less than 125% and at December 31, 1990, this ratio was 186%.

The Company has three agreements expiring 1993 to 1994 which fix the rate on a notional $112.4 million of its variable-rate debt. The effect of these agreements is to limit the interest rate exposure to 8.2% with respect to $100 million of the debt and 12.7% with respect to the balance, and is recorded as an adjustment to interest expense which resulted in 1990 in a $0.3 million interest charge (1989–$0.8 million interest credit; 1988–$0.8 million interest charge). The Company has exposure to credit risk but does not anticipate nonperformance by the counterparties to these agreements.

ASARCO INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Debt and Available Credit Facilities

Long-Term Debt At December 31, (In Millions)	1990	1989
Pollution control bonds, 1992/2006—rates from 6¾% to 8¾%	$171.1	$171.1
Revolving credits	290.0	95.0
9¾% Sinking Fund Debentures, 1995/2000	40.0	42.6
Foreign and other debt—rates from 4.7% to 16.75%	26.2	31.2
Total long-term debt	527.3	339.9
Less, current portion	4.8	5.7
Long-term debt	$522.5	$334.2

At December 31, 1990, maturities of long-term debt were: 1991–$4.8 million; 1992–$2.5 million; 1993–$2.4 million; 1994–$73.3 million, 1995–$150.4 million and $293.9 million thereafter. Total interest paid net of amounts capitalized in 1990 was $37.8 million (1989–$28.7 million; 1988–$27.3 million).

The Company has two revolving credit agreements that permit borrowings of up to $700 million, of which approximately $410 million was available at December 31, 1990. One facility allows the Company to borrow up to $440 million until July 1993 after which the facility will decline by $36.7 million quarterly until 1996. The second facility expires in May 1993. Borrowings under these agreements bear interest based on LIBOR, the CD or the prime rate, and averaged 8.6% at December 31, 1990. Rates may vary based upon the Company's debt rating. A commitment fee of ⅛% per annum on the unused portion of the revolving credit agreements is payable by the Company.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Long-Term Debt and Credit Arrangements.

Under the terms of the Credit Agreement dated August 22, 1990, ten banks committed a maximum of $150,000,000 to the Company for cash borrowings and letters of credit. The Credit Agreement, which is unsecured, was amended for the period November 28, 1990 through August 28, 1991 to provide additional commitments of $100,000,000 for letter of credit availability. The Company requested this additional credit because of the oil price volatility and other uncertainities associated with the Middle East crisis. There is a limitation of $75,000,000 for cash borrowings under the agreement. The Credit Agreement provides for interest on outstanding borrowings to be computed under one of four methods based on the Prime Rate, the Certificate of Deposit Rate, the Eurodollar Rate, or the Competitive Money Market Rate Bid. The Credit Agreement limits the Company to borrowings outside the agreement to a maximum of $75,000,000 in unsecured senior notes.

The Credit Agreement limits indebtedness (as defined) and cash dividends on common stocks and requires the maintenance of minimum working capital and minimum consolidated tangible net worth (as defined).

As of December 31, 1990, the Company had outstanding irrevocable standby letters of credit in the principal amount of $77,816,000 in connection with certain crude oil and petroleum product purchase agreements and outstanding irrevocable standby letters of credit in the principal amounts of $12,273,000 for other normal operations. Unused commitments totaling $159,911,000 were available for future borrowings and issuance of letters of credit at December 31, 1990. The Company pays an annual commitment fee on the unused portion of the credit line.

Effective January 3, 1991, the Company entered into an agreement with a group of institutional lenders for $60,000,000 of unsecured 10.42% senior notes (Notes). Proceeds were received on the effective date. The Notes mature January 3, 2001 and require the maintenance of various routine covenants including minimum working capital and consolidated tangible net worth. The principal will be repaid in seven equal annual installments commencing January 3, 1995. The Notes are repayable, at a premium, in whole or in part at any time at the option of the Company.

Long-term debt consists of the following:

Thousands of dollars December 31	1990	1989
Credit Agreement dated August 22, 1990 with interest based on various moving indicators at rates averaging 10.0% during 1990 (no borrowings were outstanding at December 31, 1990)		
Credit Agreement dated March 23, 1988 with interest based on various moving indicators at rates averging 10.2% during 1990 (cancelled August 22, 1990)		$40,000
Other obligations, principally capitalized leases	$ 2,583	3,050
	2,583	43,050
Less current portion	353	395
Long-Term Debt	$ 2,230	$42,655

ability to make acquisitions and repurchase its common stock and public debt.

Under the May 1990 agreement, the conditions were more restrictive in the financial covenants and in limiting the Company's ability to make acquisitions and repurchase its common stock and public debt.

At September 29, 1990, the Company had no outstanding borrowings under the May 1990 facility, which had $40 million available for borrowing.

M/A-COM, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Indebtedness and Lines of Credit

In November 1990, the Company amended its May 1990 unsecured revolving credit and term loan facility. The amended agreement initially provides a $29.3 million credit facility which reduces to $25.7 million on March 30, 1991. Borrowings outstanding at the end of the revolving period (April 1, 1991) are convertible into a term loan payable in eight quarterly installments. During the revolving period, the Company can borrow at the bank's base rate (10% at September 29, 1990) or the one, two or three month Eurodollar rate plus one and one-quarter percent. To the extent the Company repurchases stock or enters into a business combination with a purchase price in excess of specified levels or repurchases its public debt, these rates increase by one per cent on loans outstanding through March 30, 1991. These rates decrease if the Company's leverage ratio, as defined, decreases. The agreement contains certain conditions including, but not limited to, restrictions related to indebtedness, working capital, net worth, net income and debt to equity ratios. Under the most restrictive provision of the November 1990 amended agreement, the Company's actual defined tangible net worth at September 29, 1990 exceeded the required minimum by approximately $3.5 million. The agreement restricts the payment of dividends to 25% of the prior year's consolidated net income provided certain other tests are met and also currently limits the Company's

KMART CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

K. Compensating Balances and Current Notes Payable

At January 30, 1991, the company had bank lines of credit aggregating $880 million which provide for interest rates not exceeding the "prime" lending rate on any borrowings thereunder. In support of certain lines of credit, it is expected that compensating balances will be maintained on deposit with the banks, which will average 10% of the line to the extent that it is not in use and an additional 10% on the portion in use, whereas other lines require fees in lieu of compensating balances. The company is free to withdraw the entire balance in its accounts at any time.

At January 30, 1991, and January 31, 1990, notes payable of $658 million and $601 million, respectively, were comprised primarily of the company's commercial paper. The 1990 and 1989 weighted average interest rates were 7.2% and 8.3%, respectively.

VISHAY INTERTECHNOLOGY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E (In Part): Long-Term Debt

Long-term debt consisted of the following:

	December 31	
	1990	1989
Revolving and Term Credit Agreement	$ 17,500,000	$ 53,000,000
Deustche Mark Revolving and Term Credit Agreement	68,319,157	75,205,671
Convertible Subordinated Debentures	50,000,000	50,000,000
Industrial Development Revenue Bonds	5,257,207	5,910,052
French Bonds	8,773,640	10,366,275
French Industrial Bonds	4,532,800	3,851,396
Other Debt and Capital Lease Obligations	3,448,774	3,685,301
	157,831,578	202,018,695
Less current portion	17,618,910	15,836,467
	$140,212,668	$186,182,228

On July 31, 1990, Vishay amended and extended its Revolving and Term Credit and Deutsche Mark Revolving and Term Credit agreements with a group of banks that were in effect at December 31, 1989. As of December 31, 1990, three facilities are available under the loan agreements as described below. The first facility is a $45,000,000 multicurrency revolving credit loan. This facility is available to the Company on a revolving basis until June 30, 1993. Interest is payable at prime or at other interest rate options which approximate prime (9.25% at December 31, 1990). The Company is required to pay a commitment fee equal to 3/8% per annum on the average unused line. The loan agreements also provide a German subsidiary of the Company with two DM facilities. The first DM facility is a DM 42,375,000 revolving credit loan which matures on June 30, 1993. Interest is based on DM market rates plus 7/8% (11.25% at December 31, 1990). The Company is required to pay a commitment fee equal to 3/8% per annum on the average unused line. The remaining DM facility is a DM 85,554,000 fully amortizing term loan. Principal of DM 4,753,000 and interest at DM market rates plus 1% (11.38% at December 31,1990) 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 foreign subsidiaries are pledged as collateral under loan agreements.

TABLE 2-28: LONG-TERM LEASES

	Number of Companies			
	1990	1989	1988	1987
Information Disclosed as to Noncapitalized Leases				
Rental expense				
Basic	463	472	471	467
Contingent	63	67	67	76
Sublease	70	71	73	81
Minimum rental payments				
Schedule of	471	467	463	457
Classified by major categories of property	34	26	29	30
Information Disclosed as to Capitalized Leases				
Minimum lease payments	167	169	171	201
Imputed interest	159	156	168	185
Leased assets by major classifications	75	80	85	84
Executory costs	30	35	37	37
Number of Companies				
Capitalized and noncapitalized leases	323	308	348	359
Noncapitalized leases only	176	187	139	122
Capitalized leases only	31	36	59	53
No leases disclosed	70	69	54	66
Total Companies	**600**	**600**	**600**	**600**

LONG-TERM LEASES

Effective for leasing transactions entered into on or after January 1, 1977, *Statement of Financial Accounting Standards No. 13* 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. Sixty-one survey companies reported lessor leases.

Examples of long-term lease presentations and disclosures follow.

Lessee—Capital Leases

ICOT CORPORATION (JUL)

	1990	1989
	(Dollars in thousands)	
Current Liabilities:		
Current maturities of capitalized lease obligations	$ 87	$ 55
Trade accounts payable	1,187	1,110
Accrued expenses	2,712	5,729
Total current liabilities	3,986	6,894
Long-term Debt and Liabilities:		
Capitalized lease obligations, less current maturities	244	66
Obligations under lease commitments	605	1,300
Total long-term debt and liabilities	849	1,366

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Capitalized Lease Obligations and Line of Credit

At July 28, 1990 approximate future minimum lease payments under capitalized lease obligations were as follows:

Fiscal Year	(In thousands)
1991	$128
1992	95
1993	78
1994	78
Thereafter	55
Total minimum lease payments	434
Amounts representing interest (10% to 15%)	(103)
Present value of net minimum lease payments	331
Less: Current maturities	87
Long-term maturities	$244

Machinery and equipment at July 28, 1990 include approximately $513,000 of equipment under leases that

have been capitalized. Accumulated depreciation and amortization for such equipment approximated $172,000 at July 28, 1990.

THE AMERICAN SHIP BUILDING COMPANY (SEP)

	1990	1989
	(Amounts in Thousands)	
CURRENT LIABILITIES:		
Note payable to banks	$11,725	$10,800
Current maturities of capital lease obligation (Note 6)	753	565
Accounts payable	9,012	4,362
Accrued salaries, wages and employee benefits	6,149	3,222
Other accrued liabilities	4,030	3,089
Total current liabilities	31,669	22,038
LONG-TERM LIABILITIES:		
Long-term capital lease obligation (Note 6)	15,350	15,957
Long-term debt	11,914	—
Note payable to related party	1,350	—
Deferred income taxes	3,001	6,370
Other long-term liabilities	2,691	3,044
Total long-term liabilities	34,306	25,371

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 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:

September	*(Amounts in thousands)* 1990	1989
Buildings and improvements	21	21
Other manufacturing facilities	18,395	18,395
Machinery and equipment	1,908	1,908
Total	20,324	20,324
Less accumulated amortization	7,384	6,837
Assets under capital lease, net	$12,940	$13,487

The future minimum lease payments under the capitalized lease and the present value of the net minimum lease payments as of September 30, 1990 are as follows:

Fiscal Year	*(Amounts in Thousands)*
1991	$2,031
1992	2,034
1993	2,035
1994	2,036
1995	2,038
Later Years	20,039
Total minimum lease payments	30,213
Less - Amount representing interest	14,110
Present value of net minimum lease payments including current maturities of $753,000, with interest rates ranging from 7.0% to 8.0%	$16,103

THE KROGER CO. (DEC)

	1990	1989
	(in thousands of dollars)	
Current liabilities		
Current portion of long-term debt	$ 90,459	$165,706
Current portion of obligations under capital leases	6,030	5,615
Accounts payable	1,197,535	1,131,810
Other current liabilities	768,005	753,135
Total current liabilities	2,062,029	2,056,266
Long-term debt	4,409,451	4,592,303
Obligations under capital leases	148,387	145,090
Deferred income taxes	272,581	293,825
Other long-term liabilities	86,555	120,046
Total Liabilities	6,979,003	7,207,530

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:

	1990	1989	1988
Minimum rentals	$238,006	$229,255	$246,688
Contingent payments	14,494	13,151	11,459
	252,500	242,406	258,147

Assets recorded under capital leases consists of:

	1990	1989
Distribution and manufacturing facilities	$ 49,176	$ 53,395
Store facilities	164,458	155,276
Less accumulated amortization	(92,125)	(87,083)
	121,509	121,588

Minimum annual rentals for the five years subsequent to 1990 and in the aggregate are:

	Capital Leases	Operating Leases
1991	$ 25,339	$ 257,211
1992	25,164	247,128
1993	25,089	236,961
1994	24,646	225,857
1995	24,081	210,359
Thereafter	236,813	1,757,980
	361,132	$2,935,496
Less estimated executory costs included in capital leases	(34,481)	
Net minimum lease payments under capital leases	326,651	
Less amount representing interest	(172,234)	
Present value of net minimum lease payments under capital leases	$ 154,417	

THE UNITED STATES SHOE CORPORATION (JAN)

	1991	1990
	(Thousands)	
Current Liabilities:		
Unsecured notes payable	$ 14,649	$ —
Current portion of long-term debt and capital lease obligation	14,816	21,003
Accounts payable	211,303	235,910
Accrued expenses	129,720	117,428
Accrued restructuring costs	80,000	—
Total current liabilities	450,488	374,341
Long-Term Debt	230,788	163,528
Capital Lease Obligations	13,995	14,899
Deferred Income Taxes	23,154	47,285

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (thousands except share amounts)

11 (In Part): Commitments and Contingencies—

Leases and Licenses—The company leases various plant, warehouse, office and retail store facilities as well as certain of its data processing, automotive and production equipment under lease arrangements expiring between 1991 and 2015. The company also operates retail shoe departments within strong-value stores under licensing arrangements.

The company has various leased property under capital leases that are included in the "Property, Plant and Equipment" caption in the accompanying consolidated balance sheets as follows:

	February 2 1991	February 3, 1990
Land and improvements	$ 1,523	$ 1,523
Buildings	14,572	14,572
Machinery, furniture and fixtures	4,756	4,057
	20,851	20,152
Accumulated depreciation and amortization	6,368	4,652
	$14,483	$15,500

Future minimum annual rentals under lease and license arrangements at February 2, 1991 are as follows:

Fiscal Year	Capital Leases	Operating Leases and License Arrangements
1991	$ 4,287	$167,359
1992	2,959	156,908
1993	3,209	146,973
1994	2,620	134,417
1995	2,306	118,751
Thereafter	27,203	254,659
	42,584	$979,067
Less—Imputed interest	26,649	
Present value of capital less obligations	$15,935	

Rental expense for operating leases was as follows:

	1990	1989	1988
Minimum rent	$156,715	$144,486	$131,749
Contingent rent	18,038	18,240	17,489
	$174,753	$162,726	$149,238

The lease and license arrangements for the company's retail locations often include provisions requiring the payment of incremental rentals, in addition to any established minimums, contingent upon the achievement of specified levels of sales volume.

Lessee—Operating Leases

AMERADA HESS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Leased Assets and Commitments

The Corporation and certain of its subsidiaries lease tankers, gasoline stations, office space and other assets (other than oil and gas leases) for varying periods. Leases that expire generally are expected to be renewed or replaced by other leases.

At December 31, 1990 future minimum rental payments applicable to noncancelable operating leases, exclusive of minimum sublease rentals (which are immaterial) were as follows:

Thousands of dollars	Operating Leases
1991	$ 80,033
1992	60,281
1993	53,453
1994	52,791
1995	52,380
Remaining years	157,253
Total minimum lease payments	$456,191*

*Includes $33 milliion of previously accrued vessel charter costs.

Rental expense for all operating leases, other than rentals applicable to oil and gas leases, was as follows:

Thousands of dollars	1990	1989	1988
Total rental expense	$159,349	$147,701	$124,887
Less income from subleases	1,858	4,338	9,563
Net rental expense	$157,491	$143,363	$115,324

At December 31, 1990, the Corporation had contractual commitments to construct or purchase major facilities in the normal course of business of approximately $650 million.

AMCAST INDUSTRIAL CORPORATION (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In thousands except for per share data)

Leases

The company has a number of operating lease agreements primarily involving machinery and physical distribution and computer equipment. These leases are noncancelable and expire on various dates through 1998.

The following is a schedule by year of future minimum rental payments required under the operating leases that have initial or remaining noncancelable lease terms in excess of one year as of August 31, 1990:

1991	$2,790
1992	1,706
1993	986
1994	950
1995	916
1996 and thereafter	419
	7,686
Less sublease income	545
Total Minimum Lease Payments	$7,141

Rent expense (including contingent rents) was approximately $2,971, $3,265 and $3,825 for the years ended August 31, 1990, 1989, and 1988. Contingent rents, which are based on vehicle mileage, approximated $106 in 1990, $142 in 1989, and $181 in 1988.

AULT INCORPORATED (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Operating Leases:

The Company leases plant and office facilities and motor vehicles under operating leases with terms of 120 months for the facility and approximately 36 months on motor vehicles.

The lease on the plant and office facilities includes scheduled base rent increases over the term of the lease. The total amount of the base rent payments is being charged to expense on the straight-line method over the term of the lease. In addition to the base rent payment, the Company pay a monthly allocation of the building's operating expenses. The Company has recorded a deferred credit to reflect the excess of rent expense over cash payments since inception of the lease.

Approximate minimum annual rental commitments at May 28, 1990, are as follows:

	Amount
1991	$ 210,000
1992	205,000
1993	219,000
1994	216,000
1995	214,000
Thereafter	1,016,000
	$2,080,000

Total rental expense for the years ended May 27, 1990, May 28, 1989, and May 29, 1988, was approximately $355,000, $256,000, and $251,000 respectively.

The Korean manufacturing facility is leased under an agreement which expires August 20, 1990. The Company is currently negotiating a lease for a new facility.

LEGGETT & PLATT, INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F-Lease Obligations

The Company conducts certain of its operations in leased premises and also leases most of its automotive and trucking equipment and some other assets. Terms of the leases, including purchase options, renewals and maintenance costs, vary by lease. Contingent rentals on trucking equipment are generally calculated at a standard rate per mile.

Future minimum rental commitments for all long-term noncancellable operating leases are as follows:

Year ended December 31 (000's)	Amount
1991	$ 8,601
1992	6,525
1993	4,734
1994	2,804
1995	1,354
Later years	1,687
	$25,705

The above lease obligations expire at various dates through 1999. Certain of the leases contain renewal and/or purchase options. Aggregate rental commitments above include renewal amounts where it is the intention of the Company to renew the lease.

Total rental expense entering into the determination of results of operations was as follows:

Year ended December 31 (000's)	1990	1989	1988
Noncancellable operating leases	$ 9,661	$ 8,384	$ 4,857
Short-term cancellable leases	2,929	2,291	3,560
Contingent rentals, rolling stock	2,180	2,014	2,154
Total rental expense	$14,770	$12,689	$10,571

Lessor Leases

ADDSCO INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Operating Leases

The Company is the lessor of property and equipment under operating leases expiring in various years.

Following is a summary of property on lease at June 30, 1990:

Buildings	$ 542,711
Dredged slips	119,554
Air, electric, steam and water lines	167,906
Machinery and equipment	8,672,743
	9,502,914
Less: Accumulated depreciation	(7,640,330)
	1,862,584
Land	286,764
	$2,149,348

Minimum future rentals to be received on non-cancellable leases as of June 30, 1990 for each of the next five years and in the aggregate are:

Year Ended	Amount
1991	$1,494,402
1992	1,460,496
1993	1,529,996
1994	1,221,663
1995	646,663
Total minimum future rentals	$6,353,220

FLEMING COMPANIES, INC (DEC)

(In thousands)	1990	1989
Total current assets	$1,207,652	$1,140,897
Investments and notes receivable	323,161	291,022
Investment in direct financing leases	160,238	157,438

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Lease Agreements (In Part):

Direct financing leases: The company leases retail store facilities for sublease to retailers with terms generally ranging from 5 to 25 years. Most leases provide for a contingent rental based on sales performance in excess of specified minimums. Sublease rentals are normally 5% higher than the rental paid. The leases and subleases usually contain provisions for one to four renewal options of two to five years.

The following table shows the future minimum rentals to be received under direct financing leases and future minimum lease payment obligations under capital leases in effect at December 29, 1990.

(In thousands) Years	Lease Rentals Receivable	Lease Obligations
1991	$ 22,777	$ 21,507
1992	22,508	21,284
1993	22,334	21,211
1994	22,384	21,240
1995	22,449	21,307
Later	243,581	229,949
Total minimum lease payments	356,033	336,498
Less estimated executory costs	2,614	2,604
Net minimum lease payments	353,419	333,894
Less unearned income	188,749	—
Less interest	—	171,806
Present value of net minimum lease payments	164,670	162,088
Less current portion	4,432	4,676
Long-term portion	$160,238	$157,412

Contingent rent income was $.7 million, $.7 million and $1.1 million and contingent rent expense was $.6 million, $.5 million and $1 million in 1990, 1989 and 1988, respectively.

INSPIRATION RESOURCES CORPORATION (DEC)

	1990	1989
	(in thousands)	
Total current assets	$378,192	$422,014
Investments in leveraged and other leases	81,935	79,985
Equity and other investments	6,394	25,426
Property, plant and equipment, net	327,219	373,934
Other assets	11,539	13,709
Total assets	$805,279	$915,068

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Investment in leases:
Income from lease investments is based on the financing method. Accordingly, ILI's investment in leased property is recorded as a receivable from the lessee to be recovered through future rentals. The unearned income is amortized over the lease term in a manner that approximates a constant rate of return on the net investment. The cost of assets under leveraged leases is financed primarily by loans from debt participants, with ownership of the property being retained by ILI and other equity participants. The loans by debt participants, which are secured by the lessees' rental obligations and the leased property, are non-recourse to ILI or the Corporation. Residual values are reassessed in accordance with the Corporation's economic impairment policy.

6. Investment in Leases

ILI's investment in leases consisted of the following at December 31:

(in thousands)	1990	1989
Leveraged leases:		
Rentals receivable*	$ 82,379	$ 82,586
Estimated residual values of assets subject to lease	133,177	153,825
Less—unearned income	(122,901)	(148,789)
Investment in leveraged leases	92,655	87,622
Leasing limited partnerships and direct financing leases		
Rentals receivables*	1,231	1,588
Estimated residual values of assets subject to lease	895	4,132
Less—unearned income	(634)	(998)
Investment in leasing limited partnerships and direct financing leases	1,492	4,722
Liability for tax benefit transfer leases	(12,212)	(12,359)
Investment in leases	$ 81,935	$ 79,985

* Net of principal and interest on non-recourse debt.

At December 31, 1990 and 1989, deferred income taxes included in the investment in leveraged leases were $34.9 million and $28.5 million, respectively, and in the investment in leasing limited partnerships and direct financing leases were $0.3 million and $1.2 million, respectively. At December 31, 1990, minimum lease payments receivable on the leveraged and direct financing leases for each of the five years 1991 through 1995 were $12.6 million, $6.0 million, $6.2 million, $3.9 million and $4.6 million, respectively.

Summarized financial information for ILI at December 31:

[in thousands]	1990	1989
Investment in leveraged and other leases	$ 81,935	$ 79,985
Excess of cost over net assets acquired	—	2,392
Other	3,610	7,221
Total assets	$ 85,545	$ 89,598
Payable to parent company	$ 34,557	$ 68,898
Deferred income taxes	35,242	29,696
Revolving credit facility	31,000	—
Other	360	1,376
Stockholder's deficit	(15,614)	(10,372)
Total liabilities and stockholder's deficit	$ 85,545	$89,598

For the years ended December 31:

(in thousands)	1990	1989	1988
Rental and other income	$11,497	$12,279	$20,487
(Loss) gain on sales/termination of leases	(1,225)	7,018	5,815
Amortization of excess of cost over net assets acquired	(2,392)	(4,712)	(5,768)
Interest and other expenses	(3,122)	(1,282)	(4,227)
Income before taxes	4,758	13,303	16,307
Provision for income taxes	(10,000)	(21,251)	(25,322)
Net loss	$ (5,242)	$ (7,948)	$ (9,015)

During 1991 and 1990, the Corporation and ILI entered into bank credit arrangements more fully described in Note 11.

Pursuant to a tax-sharing agreement with the Corporation the unpaid portion of ILI's separate company income tax liability is reported by ILI as a payable to parent company.

In December 1990, ILI recognized a loss on the sale of a leased asset, as compared to gains in 1989 and 1988, upon the termination of a tax benefit transfer lease and the sale of its interest in certain assets, respectively.

PENNZOIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Leases

As Lessor—Pennzoil, through its majority-owned subsidiary Jiffy Lube, owns or leases numerous Center sites which are leased or subleased to franchisees. Buildings owned or leased that meet the criteria for direct financing leases are carried at the gross investment in the lease less unearned income. Unearned income is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. Any buildings leased or subleased which do not meet the criteria for a direct financing lease or any land leased or subleased are accounted for as operating leases. The typical lease period is 20 years and some leases contain renewal options. The franchisee is responsible for the payment of property taxes, insurance and maintenance costs related to the leased property. The net investment in direct financing leases is classified as other assets in the accompanying consolidated balance sheet.

Future minimum lease payment receivables under noncancellable leasing arrangements as of December 31, 1990 are as follows:

	Amounts Receivable as Lessor	
	Direct Financing Leases	Operating Leases
	(Expressed in thousands)	
Year ending December 31:		
1991	$ 7,173	$ 9,717
1992	7,377	9,822
1993	7,552	9,972
1994	7,863	9,603
1995	8,089	9,361
Thereafter	106,004	103,009
Net minimum lease payment receivables	144,058	$ 151,565
Less unearned income	87,785	
Net investment in direct financing leases at December 31, 1990	$ 56,273	

PITTWAY CORPORATION (DEC)

	1990	1989
	($000)	
Property, Plant and Equipment, at cost:		
Buildings	$ 79,456	$ 67,042
Machinery and equipment	373,875	302,737
	453,331	369,779
Less: Accumulated depreciation	214,217	172,380
	239,114	197,399
Land	5,995	5,485
	245,109	202,884
Investments:		
Real estate and other ventures	17,951	13,430
Leveraged leases (Note 8)	10,170	9,988
	28,121	23,418
Other Assets:		
Goodwill, less accumulated amortization of $4,597 and $3,207	62,330	40,974
Other intangibles, less accumulated amortization of $10,013 and $7,477	7,751	6,592
Notes receivable	8,285	10,231
Miscellaneous	9,967	11,418
	$88,333	$69,215

SUMMARY OF ACCOUNTING POLICIES (Dollars in Thousands)

Investments

Real estate and other ventures - These investments consist of equity interests in unconsolidated affiliates and limited real estate partnerships. The Company's adjusted basis in these limited real estate partnerships is carried at zero and, accordingly, no adjustment is made to reflect the Company's equity in operating losses. Cash distributions received from these zero basis partnerships are recognized as other income. These net distributions amounted to $184, $6,650 and $3,797 in the years ended December 1990, December 1989 and February 1989. Management believes that because there has been a substantial appreciation in real estate values, the market value of these investments, which is not readily determinable, is greater than their carrying values in the consolidated balance sheet.

Leveraged leases - The Company's investment in leveraged leases consists of the rentals receivable, deferred investment tax credits and estimated residual value of the leased property, net of the principal and interest on the related nonrecourse debt and unearned income. The unearned income, including the investment tax credits, is recognized as leveraged lease revenue in other income over the lease term.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8—Leveraged Leases

The Company is an equity participant in leveraged leases of aircraft and computer equipment. As the Com-

pany has no general liability for the nonrecourse debt attributable to the acquisition of such assets, the debt has been offset against the related rentals receivable. The net investment in leveraged leases consists of the following:

	1990	1989
Rentals receivable (net of principal and interest on nonrecourse debt)	$ 6,425	$ 6,772
Estimated residual value	7,713	7,494
Unearned and deferred income	(3,968)	(4,278)
Investment in leveraged leases	10,170	9,988
Deferred income taxes	(9,267)	(7,762)
Net investment	$ 903	$ 2,226

Following is a summary of the components of income from leveraged leases:

	Dec. 1990	Dec. 1989	Feb. 1989
Income before income taxes	$ 232	$ 411	$ 742
Income tax benefit	1,442	1,491	1,662
Deferred income taxes	(1,574)	(1,608)	(1,888)
Income from leveraged leases	$ 100	$ 294	$ 516

Minimum annual rent receivable (net of principal and interest on nonrecourse debt) under leveraged leases for the next five years beginning with 1991 are $563, $504, $435, $356, $224 and an aggregate of $4,343 thereafter.

TABLE 2-29: OTHER NONCURRENT LIABILITIES

	Number of Companies			
	1990	**1989**	**1988**	**1987**
Deferred income taxes	487	494	497	494
Minority interest	135	130	132	132
Production payments	3	4	5	8
Liabilities of nonhomogeneous operations	27	25	13	—
Employee Liabilities				
Minimum pension liability	138	89	12	—
Other pension accruals	102	62	74	101
Deferred compensation, bonus, etc.	53	50	44	54
Other—described	32	36	30	37
Estimated losses or expenses				
Discontinued operations	31	24	23	36
Environmental	22	N/C	N/C	N/C
Insurance	15	14	11	6
Warranties	6	5	8	10
Other—described	45	61	52	60
Deferred credits				
Deferred profit on sales	21	13	15	19
Payments received prior to rendering service	12	9	12	9
Other—described	16	16	23	18

N/C—Not Compiled.

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.

Deferred Income Taxes

MAPCO INC. (DEC)

	December 31, 1990	1989
	(Dollars in Millions)	
Total Current Liabilities	$ 372.7	$ 324.5
Long-Term Debt, excluding current maturities	654.3	504.4
Other Liabilities	45.1	25.0
Deferred Income Taxes (Note 6)	262.1	219.1
Minority Interest	35.6	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Income Taxes

The deferred income tax liability presented in MAPCO's Consolidated Balance Sheets represents income taxes at enacted statutory rates on temporary differences which primarily result from tax over book depreciation, and property, plant and equipment costs expensed for tax and capitalized for book purposes.

Minority Interest

ALUMINUM COMPANY OF AMERICA (DEC)

	1990	1989
	(in millions)	
Total current liabilities	$2,037.7	$2,142.6
Long-term debt, less amount due within one year	1,295.3	1,316.3
Noncurrent liabilities and deferred credits	572.4	429.6
Future taxes on income	763.5	852.1
Total liabilities	4,668.9	4,740.6
Minority Interests (O)	1,581.0	1,533.1

NOTES TO FINANCIAL STATEMENTS
(dollars in millions, except share amounts)

O. Minority Interests

Alcoa's consolidated financial statements include 100% of the assets, liabilities and earnings of companies that are more than 50%-owned by Alcoa. The ownership

interests of the other shareholders in these companies are called minority interests. The $358.2 reduction in Alcoa's 1990 net income is the minority shareholders' share of earnings of these subsidiaries.

The following table summarizes the minority shareholders' interests in the equity of these subsidiaries.

December 31	1990	1989
Alcoa of Australia	$ 762.2	$ 688.3
Alcoa International Holdings Company (AIHC)	250.0	250.0
Alcoa Aluminio	202.8	223.9
Alcoa Brazil Holdings Company	99.8	109.9
Other majority-owned companies	266.2	261.9
	$1,581.0	$1,533.1

AIHC's minority interests consist of five series of preferred stock with a weighted average annual dividend rate of 8.8% until 1991.

Alcoa Aluminio's minority interest include $214.7 of convertible preferred stock with an annual dividend of $18.4. See Note S for further details on Aluminio's restructuring in 1989.

GTI CORPORATION (DEC)

	1990	1989
	(thousands of dollars)	
Total current liabilities	$ 8,146	$ 3,429
Long-term debt and other non-current liabilities	6,307	172
Commitments and contingencies		
Minority interest in subsidiary (Note 1)	491	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies:

Minority Interest in Subsidiary—Minority interest in subsidiary represents the minority shareholders' proportionate share of the equity of Valor Electronics, Inc. (Valor). At December 31, 1990, the Company owned approximately 90.8% of Valor (See Note 2).

SARA LEE CORPORATION (JUN)

	1990	1989
	(dollars in thousands)	
Total current liabilities	$2,482,747	$2,275,426
Long-term debt	1,523,883	1,488,230
Deferred income taxes	405,417	346,470
Other liabilities	337,443	303,582
Minority interest in subsidiaries	257,360	11,661

NOTES TO FINANCIAL STATEMENTS
(dollars in thousands except per share data)

Minority Interest In Subsidiaries

In June 1990, a foreign subsidiary of the corporation issued $245,000 of equity securities. The securities provide a rate of return to the holder based upon specified inter-bank borrowing rates. The securities are redeemable in seven years in exchange for common shares of the issuer. The holder of the common shares may put them to the corporation in exchange for preferred stock. The subsidiary may call the equity securities at any time.

SOUTHDOWN, INC. (DEC)

	1990	1989
	(in millions)	
Total current liabilities	$ 91.6	$159.3
Long-term debt	307.6	253.7
Deferred income taxes	154.5	151.3
Minority interest in consolidated joint venture (Note 14)	30.8	30.2
Other liabilities and deferred credits	39.1	46.5
	623.6	641.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14—Minority Interest in Consolidated Joint Venture:

In March 1988, Moore McCormack and a subsidiary of Lone Star Industries, Inc. (Lone Star) completed the formation of a partnership, Kosmos Cement Company (Kosmos), in which Moore McCormack contributed its cement plant located in Kosmosdale, Kentucky along with related terminals and facilities. Lone Star contributed its cement plant located near Pittsburgh, Pennsylvania along with related terminals and facilities, including a closed cement plant in Ohio. The partnership is owned 25% by Lone Star and 75% by Moore McCormack.

On December 10, 1990 Lone Star announced that it and certain of its subsidiaries had filed for reorganization under Chapter 11 of the Federal Bankruptcy Code. Under the terms of the Kosmos partnership agreement, the Company may elect, prior to June 10, 1991, to (i) continue the partnership, (ii) purchase Lone Star's interest in the partnership or (iii) dissolve the partnership. The Company presently intends to continue the partnership.

The Company's Consolidated Balance Sheet includes 100% of the assets and liablilities of Kosmos at their fair market values at the time the Company acquired Moore McCormack. Lone Star's 25% interest in Kosmos and the earnings therefrom have been reflected as "Minority interest in consolidated joint venture" and "Minority interest in earnings of consolidated joint venture" on the Company's Consolidated Balance Sheet and Statement of Consolidated Earnings, respectively.

TOKHEIM CORPORATION (DEC)

	1990	1989
	(Dollar amounts in thousands)	
Total current liabilities	$ 54,809	$ 54,388
Term debt, less current maturities	13,815	15,015
Guaranteed Employees' Stock Ownership Plan (RSP) obligation	25,002	26,880
Other long-term liabilities	3,512	1,780
Deferred income taxes	1,847	4,656
Minority interest	28	1,008
	99,013	103,727

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollar amounts in thousands except dollars per share)

1 (In Part): Summary of Significant Accounting Policies

Minority Interest—Minority interest, representing other stockholders' interest in certain majority owned companies, is classified with noncurrent liabilities in the accompanying balance sheet. The minority interest share in the net losses of these operations was $1,226; $808; and $5 in 1990, 1989, and 1988, respectively.

Employee Related Liabilities

AMERICAN HOME PRODUCTS CORPORATION (DEC)

	1990	1989
	(Dollar amounts in thousands)	
Total Current Liabilities	$1,028,695	$1,108,895
Commercial paper	665,157	1,796,592
Long-term loans payable	111,430	99,204
Deferred compensation payable under Management Incentive Plan	51,689	53,519
Other noncurrent liabilities	1,104,914	653,254

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Management Incentive Plan

The Company's Management Incentive Plan provides for cash and deferred contingent common stock awards to key employees. The maximum shares issuable under the plan are 12,000,000 common shares, of which 8,337,762 have been awarded through December 31, 1990. Deferred contingent common stock awards plus accrued dividends for a total of 1,365,697 shares were outstanding at December 31, 1990. Awards for 1990 amounted to $20,597,000, which included deferred contingent common stock of $11,006,000 (208,118 shares). Awards for 1989, including awards to the employees of Robins under a similiar plan, amounted to $21,401,000, which included deferred contingent common stock of $8,991,000 (170,150 shares on a restated basis). Awards for 1988, including those to Robins, amounted to $22,181,000, which included deferred contingent common stock of $9,870,000 (237,796 shares on a restated basis).

ARMCO INC. (DEC)

	1990	1989
	(Dollars in Millions)	
Total current liabilities	$ 478.9	$426.7
Long-term debt and lease obligations	366.7	422.9
Long-term employee benefit obligations (Note 1)	354.1	377.5
Other liabilities	171.7	210.6
Deferred income taxes	17.0	16.2
Minority interest in consolidated subsidiaries	6.0	8.4

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

1 (In Part): Summary of Accounting Policies

Long-Term Employee Benefit Obligations
At December 31, 1990, Armco had recorded Long-term employee benefit obligations of $354.1, primarily for the present value of estimated pension and other benefits for former employees associated with facilities which have been closed or sold. Sundry other—net includes interest expense imputed on these liabilities of $11.4, $18.5 and $36.5 in 1990, 1989 and 1988.

GENERAL MILLS, INC. (MAY)

	1990	1989
	(In Millions)	
Total Current Liabilities	$ 1,173 2	$ 1,038.4
Long-term Debt	688.5	536.3
Deferred Income Taxes	203.4	172.8
Deferred Income Taxes—Tax Leases	224.2	226.5
Accrued Postretirement Benefits	109.2	122.4
Other Liabilities and Deferred Credits	81.3	59.8
Total Liabilities	2,479.8	2,156.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Ten: Other Postretirement Benefits

We sponsor a variety of plans that provide health care benefits to the majority of our retirees. Some of these plans require contributions from the retirees. While we do not fund these plans on an annual basis, in fiscal 1990 we contributed $19.8 million to a trust for the benefit of certain employees and retirees.

During fiscal 1989, we changed our method of accounting for these costs from the pay-as-you-go basis to accruing the expected cost of providing benefits to an employee and covered dependents during the employee's related service period. Accrual accounting was adopted to recognize matching of costs incurred to the period in which service is rendered by the employee. The cumulateive effect as of May 30, 1988 of changing to the accrual basis

was a decrease in net earnings of $70.0 million ($.85 per share).

We recognized health care benefit costs of $12.2 million and $12.0 million in fiscal 1990 and 1989, respectively, on the accrual basis and $4.9 million in fiscal 1988 on a pay-as-you-go basis.

FMC CORPORATION (DEC)

	1990	1989
	(In thousands)	
Current liabilities		
Short-term debt	$ 94,899	$ 73,238
Accounts payable, trade and other	677,271	623,046
Accrued payroll	83,663	78,952
Accrued and other liabilities	309,526	294,207
Current portion of long-term debt	4,728	27,835
Current portion of accrued pension cost, net (Note 13)	800	11,325
Income taxes payable	83,859	85,747
Total current liabilities	1,254,746	1,194,350
Long-term debt, less current portion	1,158,640	1,325,639
Accrued pension cost, net, less current portion (Note 13)	171,082	175,450

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Retirement Plans

The funded status of the plans and amounts recognized in the company's consolidated financial statements as of December 31 were as follows:

(In thousands)	1990	1989
Actuarial present value of benefits for service rendered to date:		
Accumulated benefit obligation based on salaries to date, including vested benefits of $422,396 in 1990 and $359,363 in 1989	$ (438,125)	$(372,961)
Additional benefits based on estimated future salary levels	(83,955)	(104,227)
Projected benefit obligation	(522,080)	(477,188)
Plan assets at fair value (1)	499,200	547,979
Projected benefit obligation (in excess of) less than plan assets	(22,880)	70,791
Unrecognized net (gain) loss	72,961	(4,621)
Unrecognized prior service cost	14,738	6,367
Unrecognized net transaction asset	(236,701)	(259,672)
Accrued pension cost included in the consolidated balance sheet	$ (171,882)	$ (186,775)

(1) Primarily equities, bonds and participating annuities.

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

	1990	1989
Total Current Liabilities	$5,886,310	$5,527,510
Long-term obligations:		
Termination benefit payable, net of current portion (Note 8)	883,072	—
Long-term debt, net of current portion	12,845,634	13,335,848
Deferred income taxes	1,043,395	1,112,978
Total long-term obligations	14,772,101	14,448,826

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments, Contingencies and Subsequent Event:

For the year ended December 31, 1990, the Company has included as a liability the present value (computed with an effective annual rate of 10.14%) of a death benefit related to the termination of an employment contract as the result of the death of the Chief Exective Officer of the Company in February 1991, subsequent to year-end. This termination death benefit will be paid in 48 equal monthly installments of $27,708, commencing in March 1991.

SAVANNAH FOODS & INDUSTRIES, INC. (DEC)

	1990	1989
	(In thousands of dollars)	
Total current liabilities	$178,531	$200,507
Long-term debt	77,411	76,406
Deferred income taxes	23,253	22,815
Deferred employee benefits (Note 8)	15,003	12,616

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Employee Retirement Plans and Other Benefit Plans:

The Company also has a deferred compensation plan which permits directors and certain management employees to defer portions of their compensation and earn a guaranteed interest rate on the deferred amounts. The salaries which have been deferred since the plan's inception have been accrued and the only expense, other than salaries, related to this plan is the interest on the deferred amounts. Interest expense during 1990, 1989, and 1988 includes $946,000, $768,000, and $636,000, respectively, related to this plan. The Company has included in "Deferred employee benefits" $7,688,000 at the end of 1990 and $6,305,000 at the end of 1989 to reflect its liability under this plan. To fund these plans, the Company purchased whole-life insurance contracts on the related directors and employees. The Company paid whole-life insurance premiums of $2,163,000 in 1990 of which the Company expensed $600,000 in 1990 and capitalized $1,563,000 which was included in "Other assets." In prior years, the Company paid whole-life

premiums of $8,696,000 which the Company has capitalized and included in "Other assets." If all of the assumptions regarding mortality, interest rates, policy dividends, and other factors are realized, the Company will ultimately realize its full investment plus a factor for the use of its money.

VULCAN MATERIALS COMPANY (DEC)

	1990	1989
	(Amounts in thousands)	
Total current liabilities	$233,839	$140,916
Long-term debt	40,175	50,175
Long-term capitalized lease obligations	4,499	4,979
Deferred income taxes	85,172	73,685
Deferred management incentive and other compensation (Note 8)	16,550	18,475
Other postretirement benefits (Note 8)	20,016	18,188
Other noncurrent liabilities	37,554	32,576

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Pension, Other Postretirement Benefit and Incentive Compensation Plans

In addition to pension benefits, the Company provides certain health care benefits and life insurance for some retired employees. Substantially all of the Company's salaried employees and, where applicable, hourly employees may become eligible for those benefits if they reach at least age 55 and meet certain service requirements while working for the Company. Generally, company-provided health care benefits terminate when covered individuals become eligible for Medicare benefits or reach age 65, whichever first occurs.

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 qualify for benefits. In the first quarter of 1989, the Company recored 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 pretax charge to 1989 earnings was $15,331,000, with a net earnings effect of $9,562,000 ($.23 per share). The latter amounts were reflected as cumulative effects of the accounting change in the consolidated statement of earnings.

The cost of providing postretirement benefits under the new accrual method amounted to $2,985,000 in 1990 and $2,549,000 in 1989. In prior years the Company recognized the cost of providing postretirement benefits by expensing the contributions when made. The amount included in expense for 1988 under the previous method approximated $629,000. If the 1990 and 1989 costs had been determined under the previous method, the amounts recognized would have been $1,157,000 and $1,064,000, respectively.

In December 1990 the Financial Accounting Standards Board issued Statements No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions,* which requires the use of an accrual method. The method adopted earlier by the Company, as described above, is substantially in compliance with the new standard. The Company expects to modify its methodology in 1991 to fully comply with SFAS No. 106. No significant effect on earnings is expected as a result of this modification.

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 issurer.

WESTMORELAND COAL COMPANY (DEC)

	1990	1989
	(in thousands)	
Total current liabilities	$66,828	$67,366
Long-term debt	38,238	46,716
Accrual for pneumoconiosis benefits	22,944	25,058
Other liabilities	22,520	28,044
Deferred income taxes	14,942	15,444
Minority interest	12,156	11,989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Workers' Compensation and Pneumoconiosis Benefits

The Company is self-insured for workers' compensation benefits. The amounts charged to expense for workers' compensation were $3,803,000, $4,652,000 and $3,674,000 for 1990, 1989 and 1988, respectiveiy, and were based on actual and estimated claims incurred. The current and non-current liabillities for workers' compensation for 1990 are $2,755,000 and $7,877,000, respectively, and for 1989 are $2,507,000 and $9,438,000, respectively. These amounts are classified in accounts payable and accrued expenses—other and other liabilities.

The Company is also self-insured for Federal and state pneumoconiosis benefits. The Company created a trust with an independent trustee to fund liabilities for payments of these benefits and uses an actuarial method of providing for projected benefits to current and former employees based on existing and estimated future claims. The projected benefit payments are accrued as a percentage of coal operations' payroll cost over a period of twenty-five years. This actuarial method is the predominant method being used in the industry to accrue for such costs. Based on actuarial data, the Company credited to earnings $1,016,000, $790,000 and $730,000 in 1990, 1989 and 1988, respectively. The credits were primarily due to a decrease in the Company's disability experience and a significant decrease in its workforce.

Based on actuarial data the Company did not make a contribution to the trust in 1990 or 1989 and does not anticipate making a contribution in 1991.

Estimated Losses Or Expenses

JOHNSTON INDUSTRIES, INC. (JUN)

	1990	1989
	(Dollars in thousands)	
Total Current Liabilities	$20,818,000	$12,133,000
Long-Term Debt	11,500,000	13,000,000
Other Liabilities—Notes 2 and 9	12,220,000	9,550,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Steel Fabrication Operations

The accompanying balance sheets as of June, 30, 1990 and 1989 include accruals of $5,822,000 and $6,205,000, net of related deferred income tax benefits of approximately $4,119,000 and $4,445,000, respectively, for the remaining costs expected to be incurred in phasing out the Company's steel fabrication operations. These operations were closed in 1981.

A legal action filed by a group of salaried employees claiming health insurance benefits was dismissed in 1990. Negotiations regarding settlement of the remaining claims of those employees relating to pension and death benefits are still in process.

In 1989, the Company received net proceeds of $2,574,000, as settlement relating to the sale of the steel fabrication product line. The proceeds received were recorded as an adjustment to the phase-out accrual.

In 1990, the Company was notified of a possible future claim for contribution towards the cost of remediation of contaminated soils and groundwater at a property owned by a former affiliate of the Company. No legal action has been initiated, and management presently believes settlement of this issue will not have a material effect on the Company's financial statements.

Management believes that the accruals described above are sufficient to cover the estimated cost to comply with the terms of settlements, outstanding litigation and other matters.

9. Other Liabilities

Other liabilities consist of the following at June 30, 1990 and 1989:

	1990	1989
Estimated phase-out costs of steel fabrication operations (see Note 2)	$ 4,832,000	$ 4,951,000
Deferred income taxes	3,821,000	4,070,000
Additional pension liability (see Note 13)	2,892,000	—
Other	675,000	529,000
Total	$12,220,000	$ 9,550,000

RYMER FOODS INC. (OCT)

	1990	1989
	(in thousands)	
Total current liabilities	$17,309	$19,827
Long-term debt, including amounts to related parties	58,338	53,735
Deferred employee benefits	942	958
Other noncurrent liabilities	1,086	
	60,366	54,693

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. EEOC Settlement

On April 26, 1990, United States District Court for the Northern District of Illinois, Eastern Division dismissed EEOC v. Rymer Foods Inc., No. 88 C 10680; an action brought by the Equal Employment Opportunity Commission against the Company on December 21, 1988, alleging certain discriminatory employment practices by the Company at its Chicago meat processing facility. Dismissal was based on a provisional settlement of the action, and was entered without prejudice and with leave to reinstate within sixty days. Under the settlement, which will be set forth in a consent decree, the Company has agreed to provide monetary relief in the amount of approximately $1.86 million, to be paid in installments over a five-year period following entry of the consent decree. The settlement is subject to further discussion between the parties involved and additional agency and court approvals. It is anticipated that such approvals will be received in the early part of 1991. The present value of the cost of the settlement and estimated additional legal fees have been included in the net loss for 1990. In addition, all costs of distributing the monetary relief, including the identification of eligible claimants and costs of the Equal Employment Opportunity Commission, have been included in the expense recorded of $1,400,000. The current portion of the liability recorded is approximately $314,000 and the remaining $1,086,000 is classified as a noncurrent liability.

TECUMSEH PRODUCTS COMPANY (DEC)

	1990	1989
	(Dollars in millions)	
Total Current Liabilities	$223.6	$268.9
Product Warranty and Self-Insured Risks	14.1	14.0
Long-Term Debt	23.6	19.9
Pension Liabilities	18.5	15.2
Deferred Income Taxes	32.2	33.8
Accrual for Environmental Matters	28.0	—
Total Liabilities	340.0	351.8

NOTES TO FINANCIAL STATEMENTS

Note 10. Nonrecurring Charge

During the third quarter of 1990, the Company provided

$30.0 million ($19.2 million after income taxes) for estimated costs associated with clean up of certain PCB contamination of the Sheboygan River and Harbor Superfund Site in Wisconsin.

The U.S. Environmental Protection Agency (EPA) advised late in 1985 that the Company, as well as others, allegedly had contributed to the Sheboygan River and harbor contamination. Shortly thereafter, the Company commissioned an extensive study to be made by an independent environmental engineering firm in order to determine the nature and extent of such contamination and to identify remedial alternatives.

As a result of substantial progress in this study, the Company has estimated that the costs of anticipated remedial action will be $30.0 million. Although the Company has commenced litigation against certain of its past insurance carriers and may have contribution claims against other parties involved with the site, it cannot reasonably estimate the amount of recovery from such action and, therefore, has not taken into consideration the likely recovery of at least a portion of the estimated remedial costs. The ultimate costs to the Company will be dependent upon certain factors beyond its control such as the definitive remedial action requirements to be established by the EPA, rapidly changing technology, and the outcome of any related litigation.

Deferred Credits

AMAX INC. (DEC)

	1990	1989
	(In thousands)	
Current liabilities	$ 845,300	$739,900
Long-term debt	1,317,100	868,700
Proceeds from sales of future production —Note 14	11,300	10,000
Capital lease obligations	61,900	66,400

NOTES TO FINANCIAL STATEMENTS

Note 14. Proceeds from Sales of Future Production

Proceeds from sales of future production primarily represent amounts payable from coal to be produced from certain properties. At December 31, 1990, the Company's obligation under these production payments was $11 million. Approximately $1 million of the obligation will be discharged out of coal sale proceeds in each of the years 1994 through 1995, and the remainder in 1996 through 1999.

The coal production facility permits the borrowing of an additional $375 million through December 31, 1992, with a lesser amount available through December 31, 1993. The estimated commitment fee relating to the facility is $1 million.

CHESAPEAKE INDUSTRIES, INC. (JUN)

	1990	1989
Total current liabilities	$ 9,196,084	$13,162,817
Long-term debt		
Note payable to bank	3,758,109	—
Long-term debt, net of current portion	3,045,640	3,770,467
Long-term capital lease obligations, net of current portion	856,244	853,432
Industrial revenue bond	—	4,000,000
Total liabilities	16,856,077	21,786,716
Deferred income, net of current portion	2,866,416	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7—Sale/leaseback of Door Manufacturing Facility

In 1990, the Company entered into a sale/leaseback transaction on the facility being used by Continental Door, Inc. The property was purchased in 1986 with the proceeds of an Industrial Revenue Bond ("IRB"). The buyer received the building and 12 acres and assumed the $4 million IRB. The Company received approximately $2 million in cash, a $1.35 million secured note receivable payable over a 15-year period, and a 15-year lease at the current market rate with three 5-year options. The gain of approximately $3.1 million has been recorded on the accompanying consolidated balance sheets as deferred income and will be taken into income over the initial lease term. The underlying security for the IRB will continue to be land and buildings, but the Company will be contingently liable until the IRB is redeemed in 1995.

DRAVO CORPORATION (DEC)

	1990	1989
	(in thousands)	
Total current liabilities	$99,099	$93,810
Long-term notes	47,356	47,637
Other liabilities	3,832	3,187
Accrued loss on leases—discontinued operations	7,884	9,672
Deferred revenue from future mineral production (Note 6)	7,342	14,027

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Deferred Revenue from Future Mineral Production

Dravo Lime conveyed mineral reserves and assigned proceeds of lime sales contracts for advance production payments of $60.0 million, of which $7.3 million and $14.0 million remained as of December 31, 1990 and 1989, respectively. Repayment with interest at 9.58 percent is

scheduled semiannually through 1991. During 1991, the related contract revenues are expected to exceed $34.1 million.

BROWN-FORMAN CORPORATION (APR)

	1990	1989
	(Expressed in thousands)	
Total Current Liabilities	$199,019	$204,276
Long-term debt	114,484	115,281
Deferred income taxes	96,278	113,641
Deferred income	15,903	14,395
Total Liabilities	425,684	447,593

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Deferred Income

Deferred income primarily represents proceeds received from a multi-year agreement for the distribution rights of certain of the company's spirit brands in the export market. These proceeds are being recognized over a ten-year period.

COHERENT, INC. (SEP)

	1990	1989
	(in thousands)	
Total Current Liabilities	$52,259	$51,914
Long-Term Obligations	6,960	6,287
Deferred Gain on Building Sale	1,938	2,705
Deferred Income Taxes	3,946	3,608
Minority Interest in Subsidiaries	2,898	2,944

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Deferred Gain on Building Sale—The deferred gain on building sale resulted from the 1983 sale and lease-back of the Company's corporate headquarters. This gain has been deferred and is being amortized over the initial ten-year lease term.

JACOBS ENGINEERING GROUP INC. (SEP)

	1990	1989
	(Dollars in thousands)	
Total current liabilities	$162,859,900	$139,524,500
Long-Term Debt, net of current portion shown above	—	6,332,100
Deferred Income Taxes	1,352,700	521,100
Deferred Gains on Real Estate Transactions	6,529,700	7,495,900

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Deferred Gains on Real Estate Transactions

In 1983, Jacobs entered into two real estate transactions which resulted in gains totalling $14,307,500. Both transactions involved long-term lease agreements and the gains were deferred and are being amortized ratably into income over their respective lease terms. Of the total amount deferred as of September 30, 1990, $5,944,900 is being amortized through December 31, 1997. The balance is being amortized through September 30, 1994.

TERADATA CORPORATION (JUN)

	1990	1989
	(in thousands)	
Total current liabilities	$54,162	$33,354
Notes payable, net of current portion	10,361	6,692
Obligations under capital leases, net of current portion	9,763	6,535
Deferred income taxes	2,858	294
Other long-term liabilities (Note 10)	12,262	792
Total Liabilities	$89,406	$47,667

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Leases

During 1990, Teradata leased several floors of a building which will be utilized as its new headquarters. As part of the terms of this new lease, Teradata was indemnified for losses stemming from Teradata vacating specific other facilities prior to the completion of these leases. In accordance with FASB Technical Bulletin 88-1, Teradata recognized a loss of $1,110,000 during the current year related to the abandonment of these other facilities. Reimbursement received from the lessor for these losses and other lease incentives will be recognized over the eleven-year lease term. At June 30, 1990, other long-term liabilities included $4,705,000 of deferred lease incentives.

RESERVES—USE OF THE TERM "RESERVE"

Prior to being superseded by the Accounting Principles Board, the Committee on Terminology of the AICPA issued four terminology bulletins. In *Accounting Terminology Bulletin No. 1* the Committee recommended that the term *reserve* be applied only to amounts of retained earnings appropriated for general or specific purposes. In practice the term *reserve*, with rare exception, is applied to amounts designated as valuation allowances deducted from assets or as accruals for estimated liabilities. Table 2-30 shows that the term *reserve* appeared occasionally in the 1990 financial statements of the survey companies.

TABLE 2-30: USE OF TERM "RESERVE"

	Number of Companies			
	1990	1989	1988	1987
To describe deductions from assets for				
Reducing inventories to LIFO cost	37	33	36	40
Doubtful accounts	20	19	21	24
Accumulated depreciation	4	4	4	3
Other—described	6	10	6	3
To describe accruals for				
Insurance	21	14	13	6
Estimated expenses relating to property abandonments or discontinued operations	20	15	12	11
Employee benefits or compensation	10	5	6	10
Environmental costs	9	N/C	N/C	N/C
Other—described	14	22	17	18
Other—not described	8	5	7	7

N/C—Not Compiled.

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

	1990	1989	1988	1987
Shareholders' Equity	253	254	239	249
Stockholders' Equity	229	238	237	228
Shareowners' Equity	18	20	18	22
Common Shareholders' Equity	13	11	16	18
Common Stockholders' Equity	18	18	17	20
Shareholders' Investment	9	9	11	14
Stockholders' Investment	16	12	15	14
Other or no title	44	38	47	35
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*. 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

	1990	1989	1988	1987
Common stock with:				
No preferred stock	447	438	440	430
One class of preferred stock	118	117	117	128
Two classes of preferred stock	28	36	38	36
Three or more classes of preferred stock	7	9	5	6
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock	56	58	60	52

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

	1990	1989	1988	1987
Bases				
Par value stock shown at:				
Par value	562	564	560	560
Amount in excess of par	22	21	34	26
Assigned per share amount	11	16	11	15
No par value stock shown at:				
Assigned per share amount	17	11	12	10
No assigned per share amount	49	48	45	43
Issues Outstanding	**661**	**660**	**662**	**654**

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 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* 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			
	1990	1989	1988	1987
Bases				
Par value stock shown at:				
Par value	57	72	82	81
Liquidation or redemption value	30	27	29	20
Assigned per share amount	10	15	9	13
Fair value at issuance date	7	11	10	11
Other	8	7	4	9
No par value stock shown at:				
Liquidation or redemption value	33	28	19	20
Assigned per share amount	17	17	23	16
Fair value at issuance date	4	4	4	4
No assigned per share amount	14	14	14	12
Number of Companies				
Preferred stock outstanding	158	170	165	170
No preferred stock outstanding	442	430	435	430
Total Companies	**600**	**600**	**600**	**600**

Preferred Stock Extended At Par Value

AM INTERNATIONAL, INC. (JUL)

	1990	1989
	(Dollars in thousands, except per share amounts)	
Shareholders' equity:		
Preferred stock, $.01 par value; 15 million shares authorized; 3,450,000 shares of $2.00 Convertible Exchangeable Preferred Stock ($86,250 aggregate liquidation preference) issued and outstanding	$ 35	$ 35
Common stock, $.01 par value; 135 million shares authorized; 52,298,238 and 51,788,238 issued in 1990 and 1989	523	518
Capital in excess of par value	340,754	338,501
Treasury stock at cost; 5,539,822 and 1,310,722 shares of common stock as of July 31, 1990 and 1989	(23,306)	(7,019)
Deferred compensation	(7,081)	(4,008)
Notes receivable from officer	(4,019)	(4,211)
Accumulated deficit	(120,011)	(71,579)
Cumulative translation adjustment	(3,294)	(9,080)
Total shareholders' equity	183,601	243,157

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Common and Preferred Stock

The $2.00 Convertible Exchangeable Preferred Stock ("$2.00 Preferred Stock") is convertible into the Company's common stock at a conversion price of $8.375 per share subject to adjustment. Annual dividends are $2.00 per share and are cumulative. At July 31, 1990, the $2.00 Preferred Stock is redeemable at the Company's option at $26.40 and shall be redeemable at premiums declining to the $25.00 liquidation preference plus accumulated unpaid dividends in February 1996. The $2.00 Preferred Stock is exchangeable in total, at the Company's option, into the Company's 8% Convertible Subordinated Debentures due 2011 at the rate of $25 principal amount of Debentures for each share of the $2.00 Preferred Stock.

Each share of common stock has one Preferred Share Purchase Right (the "Right") attached to it. Under certain conditions, 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 $25, subject to adjustment. The Rights may only be exercised 10 days after public announcement that a third party has acquired or obtained the right to acquire 20% or more of the Company's common stock or 10 days after commencement or public announcement of an offer for 30% or more of the Company's common stock. The Rights, which do not have voting rights, expire in December 1996 and may be redeemed by the Company at a price of $.02 per Right at any time prior to their expiration or the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 20% or more of the Company's outstanding common stock. In the event that (i) the Com-

pany is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power is sold or (ii) a Trigger Event has occurred, each holder of a Right (other than an Acquiring Person) shall have the right to receive, upon exercise thereof at the then current exercise price, that number of shares of common stock of the surviving company which at the time of such transaction would have a market value of two times the exercise price of the Right. A Trigger Event occurs when any person or group of affiliated or associated persons becomes the beneficial owner of 30% or more of the Company's outstanding common stock (unless such person first purchased 20% or more of the outstanding common stock in a cash tender offer for all outstanding common stock, which purchase increased the beneficial ownership to 85% of the common stock outstanding). An Acquiring Person is any person or group of affiliated or associated persons which owns 20% or more of the Company's outstanding common stock.

The Company also has outstanding warrants to purchase approximately 2.5 million common shares. The warrants are exercisable at $5.834 per share, subject to adjustment, and expire on February 28, 1997. The warrants are callable in total by the Company after February 28, 1993, or during a call period lasting 10 days immediately succeeding a period during which the closing price for the Company's common stock has equaled or exceeded 200% of the exercise price of the warrants for each of twenty consecutive business days.

CONTROL DATA CORPORATION (DEC)

	1990	1989
	(Dollars in millions, except per share data)	
Stockholders' equity		
4½% Cumulative Preferred Stock, voting, $100 par, authorized 371,135 shares, issued 108,591 shares	$ 10.9	$ 10.9
Common Stock, $.50 par, authorized 100,000,000 shares, issued 42,726,824 and 42,713,507	21.4	21.4
Additional paid-in capital	582.8	582.7
Accumulated deficit	(159.6)	(161.8)
Foreign currency translation adjustment	8.5	(23.8)
Other stockholders' equity items	(7.5)	(17.9)
Total stockholders' equity	456.5	411.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

D (In Part): Stockholders' Equity

Preferred Stock

Since December 31, 1987, there have been 108,591 shares of 4½% Cumulative Preferred Stock issued and outstanding.

Out of another class of Preferred Stock with 750,000 authorized shares, 500,000 shares have been reserved for issuance and designated as Series A Junior Participation Preferred Stock. No shares of this class have been issued. If a person acquires 20 percent or more of the Company's voting stock without the consent of the Company's "continuing directors" (a "hostile acquisition"), then holders of preferred stock purchase rights which attach to the Company's outstanding common shares become entitled to purchase either shares of the Junior Preferred Stock or shares of the common stock of the Company having a market value of twice the exercise price. Similarly, if after a hostile acquisition the Company merges or consolidates with, or sells its assets to, another person, then the holder of a right becomes entitled to purchase either shares of the Junior Preferred Stock or shares of the common stock of the surviving corporation having a market value of twice the exercise price. The rights will expire on October 14, 1996 unless the Company's "continuing directors" choose to redeem them earlier at $.04 per right.

CONSTAR INTERNATIONAL INC. (DEC)

	1990	1989
Redeemable Preferred Stock (Note 6):		
Cumulative preferred stock, $50 par value, authorized 200,000 shares—		
6% Series A, outstanding 902 shares in 1989	$ —	$ 45,000
6% Series AA, outstanding 28,618 shares in 1990 and 29,947 shares in 1989	1,431,000	1,498,000
Preferred stock without par value, authorized 3,000,000 shares	—	—
Total redeemable preferred stock	1,431,000	1,543,000
Common Stockholders' Ownership:		
Common stock, $.50 par value, authorized 15,000,000 shares, issued 9,314,979 shares in 1990 and 9,309,879 shares in 1989	4,657,000	4,655,000
Paid-in capital	69,036,000	68,935,000
Retained earnings	97,001,000	88,177,000
Less - Treasury stock (common), at cost, 1,992,400 shares in 1990 and 1,993,600 shares in 1989	(32,726,000)	(32,747,000)
	137,968,000	129,020,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Redeemable Preferred Stock:

The Series AA cumulative preferred stock is callable at $52.50 per share and is redeemable through annual sinking fund payments of approximately $50,000 on a cumulative basis. The sinking fund requirements may be met by direct redemption, and outstanding shares at December 31, 1990, 1989, and 1988, are net of those acquired for that purpose. The Series A preferred stock was callable at $52.50 per share and was fully redeemed through an annual sinking

fund payment of $45,000 in 1990. Transactions during 1990, 1989, and 1988 were as follows:

	Series A	Series AA	Total
Balance, December 31, 1987	$150,000	$1,659,000	$1,809,000
Purchase of stock to meet sinking fund requirements	(51,000)	(155,000)	(206,000)
Balance, December 31, 1988	99,000	1,504,000	1,603,000
Purchase of stock to meet sinking fund requirements	(54,000)	(6,000)	(60,000)
Balance, December 31, 1989	45,000	1,498,000	1,543,000
Purchase of stock to meet sinking fund requirements	(45,000)	(67,000)	(112,000)
Balance, December 31, 1990	$ —	$1,431,000	$1,431,000

The approximate amount of sinking fund payments required for redemption of the Series AA redeemable preferred stock is $50,000 for 1991 through 1995.

In July 1988, upon payment of $12,445,000, the Company repurchased all 50,000 outstanding shares of its 7¼% cumulative exchangeable Series D preferred stock representing $12,570,000 or $251.40 per share.

At the Company's April 1989 annual meeting, stockholders amended the certificate of incorporation to authorize a new class of preferred stock consisting of 3,000,000 shares without par value. Without further stockholder action, the Company's board of directors is entitled to issue this new preferred stock in one or more series and to fix the designation and number of shares in the class or each series and its rights and preferences, including dividend rates, conversion prices, voting rights, redemption prices, maturity dates, and similar matters.

H.B. FULLER COMPANY (NOV)

	1990	1989
	(Dollars in thousands, except per share amounts)	
Stockholders' equity:		
Preferred stock of $10 par value. Authorized and issued 30,000 shares	$ 306	$ 306
Common stock of $1 par value. Authorized 40,000,000 shares; issued 9,014,238 in 1990 and 9,355,001 shares in 1989	9,014	9,355
Additional paid-in capital	10,021	10,029
Retained earnings	168,091	160,557
Foreign currency translation adjustment	9,759	6,268
Total stockholders' equity	197,191	186,515

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Stockholders' Equity

The holder of preferred stock is entitled to cumulative dividends at an annual rate of 5%. Common stock dividends may not be paid unless provision has been made for payment of preferred dividends. The preferred stock has cumulative multiple voting rights entitling the preferred stockholder to 80 votes per share. The terms of the preferred stock include the right of the Company to purchase the shares at specified times and the right of the Company to redeem all shares at par value if authorized by the shareholders.

TULTEX CORPORATION (DEC)

	1990	1989
	(In thousands of dollars except share data)	
Stockholders' equity:		
5% cumulative preferred stock, $100 par value; authorized—22,000 shares, issued and outstanding—2,083 shares (1990), 4,126 shares (1989)	$ 208	$ 413
Common stock, $1 par value; authorized—60,000,000 shares, issued and outstanding—27,597,049 shares (1990) and 27,632,482 shares (1989)	27,597	27,632
Capital in excess of par value	328	525
Retained earnings	119,988	103,992
	148,121	132,562
Less notes receivable from stockholders	636	810
Total stockholders' equity	147,485	131,752

Preferred Stock Extended At Stated Value

THE ALLEN GROUP INC. (DEC)

	1990	1989
	(Amounts in Thousands)	
Stockholders' Equity (Note 6)		
Preferred stock, 2,300,000 shares issued ($1.00 stated value); liquidation preference, $57,500,000	2,300	2,300
Common stock, par value $1.00; authorized 20,000,000 shares	9,966	9,936
Paid-in capital	125,663	125,647
Retained earnings	10,285	15,572
Translation adjustments	52	(1)
Less: Treasury stock—common shares, at cost	(19,453)	(20,454)
Unearned compensation	(813)	(1,057)
Total stockholders' equity	128,000	131,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Capital Stock

The Company is authorized to issue up to 3,000,000

shares of preferred stock, without par value, in one or more series and to fix the powers, designations, preferences and rights of each series. The outstanding $1.75 Convertible Exchangeable Preferred Stock, Series A is convertible into common stock of the Company at a conversion rate of .909091 share of common stock for each share of preferred, subject to adjustment under certain conditions, has a liquidation preference of $25.00 per share, is cumulative as to cash dividends, and is exchangeable at the option of the Company for its 7% Convertible Subordinated Debentures due May 15, 2011.

The authorized common stock of the Company at December 31, 1990 and 1989 consisted of 20,000,000 shares, par value $1.00 per share. At such dates, 9,966,000 and 9,936,000 shares were issued and 8,468,000 and 8,386,000 shares were outstanding, respectively.

CYPRUS MINERALS COMPANY (DEC)

	1990	1989
	(In thousands except share amounts)	
Shareholders' Equity		
Preferred Stock, $1 Par Value, 20,000,000 Shares Authorized:		
$3.75 Convertible Exchangeable Preferred Stock, Series B, $50 Stated Value, 4,000,000 Authorized, 3,932,000 Issued and Outstanding	$ 196,600	$ 196,600
Series A Preferred Stock, 500,000 Shares Authorized, None Issued or Outstanding	—	—
Common Stock, Without Par Value, 150,000,000 Shares Authorized, 43,759,433 Issued in 1990 and 39,513,623 Issued in 1989	540	498
Paid-In Capital	1,529,933	1,435,386
Accumulated Deficit	(239,006)	(302,920)
Foreign Currency Translation Adjustment	(90)	(2,368)
	1,487,977	1,327,196
Treasury Stock at Cost, 4,825,274 Shares in 1990 and 1,258,702 Shares in 1989	(110,586)	(32,914)
Loan to Savings Plan	(93,038)	—
Total Shareholders' Equity	1,284,353	1,294,282

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Preferred Stock Transactions

Each share of the $3.75 Convertible Exchangeable Preferred Stock, Series B, is convertible into 2.0135 shares of Cyprus common stock. The Series B Preferred Stock is exchangeable in whole at the option of Cyprus on any dividend payment date for Cyprus' 7½ percent Convertible Subordinated Debentures due 2013 at $50 principal amount of debentures for each share of Series B Preferred Stock. The Series B Preferred Stock is non-redeemable prior to August 11, 1991. On and after August 11, 1991, the Series B Preferred Stock is redeemable, in whole or in part, at any time at the option of Cyprus at redemption prices beginning at $52.625 per share and declining to $50 per share on and after August 1, 1998. Dividends on the Series B preferred shares are cumulative.

On February 23, 1989, the Board of Directors of Cyprus declared a dividend of one preferred share purchase right for each outstanding share of common stock of Cyprus to record holders of common stock at the close of business on March 6, 1989. In this connection, the Board authorized the redemption of Cyprus' existing rights through a payment of $.05 per right to holders of record as of March 6, 1989. The new rights are neither presently exercisable nor separable from the common stock. If they become exercisable following the occurrence of certain specified events, each right will entitle the holder, within certain limitations, to purchase two-thirds of one one-hundredth of a share of Series A Preferred Stock for $93.33 subject to certain anti-dilution adjustments. If a person or group acquires 10 percent of Cyprus' common stock, every other holder of a right will be entitled to buy at the right's then-exercise price a number of shares of Cyprus common stock having a value of twice such exercise price. After the threshold is crossed, the rights become non-redeemable, except that, prior to the time a person or group acquires 50 percent or more of the common stock, the rights other than those held by such person or group can be exchanged at a ratio of one share of common stock for each right. In the event of certain extraordinary transactions, including mergers, the rights entitle holders to buy at the right's then-exercise price equity in the acquiring company having a value of twice such exercise price. The rights do not have any voting rights nor are they entitled to dividends. The rights are redeemable by Cyprus at $.0067 each until a person or group acquires 10 percent of Cyprus' common stock or until the rights expire.

Preferred Stock Extended At Redemption Or Liquidating Value

THE BFGOODRICH COMPANY (DEC)

	1990	1989
	(Dollars in millions, except per share amounts)	
Redeemable Preferred Stock—Note R		
Shareholders' Equity	$ 8.7	$ 11.3
$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	385.4	385.1
Income retained in the business	736.1	662.1
Cumulative unrealized translation adjustments	10.1	1.7
Amount related to recording minimum pension liability	(3.2)	(1.7)
Common stock held in treasury, at cost (211,970 shares in 1990 and 221,326 shares in 1989)	(7.3)	(7.8)
Total Shareholders' Equity	1,358.9	1,277.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in millions, except per share amounts)

Note R: Preferred Stock

There are 10,000,000 authorized shares of Series Preferred Stock—$1 par value. Shares of Series Preferred Stock which have been redeemed are deemed retired and extinguished and may not be reissued. As of December 31, 1990, 559,174 shares of Series Preferred Stock have been redeemed. The Board of Directors establishes and designates the series and fixes the number of shares and the relative rights, preferences and limitations of the respective series of the Series Preferred Stock.

Whenever dividends on Cumulative Series Preferred Stock are in arrears six quarters or more, holdes of such stock (voting as a class) have the right to elect two Directors of the Company until all cumulative dividends have been paid.

Dividends on outstanding Series Preferred Stock must be declared and paid or set apart for payment, and funds required for sinking-fund payments, if any, on Series Preferred Stock must be paid or set apart for payment before any dividends may be paid or set apart for payment on the Common Stock.

Redeemable Preferred Stock—Series A (stated at involuntary liquidation value of $100 per share): BFGoodrich has issued 250,000 shares of $7.85 Cumulative Preferred Stock, Series A. In order to comply with sinking-fund requirements, each year on August 15, BFGoodrich must redeem 12,500 shares of the Series A Stock. The redemption price is $100 per share, plus dividends accrued at the redemption date. BFGoodrich may redeem, at such price, up to an additional 12,500 shares in each year. The sinking-find requirements may also be satisfied with shares acquired on the open market. At December 31, 1990 and 1988, BFGoodrich held 13,500 and 12,050 shares, respectively, for future sinking-fund requirements. After giving effect to the shares held for future sinking-fund requirements, there were 86,500, 112,500 and 112,950 shares of Series A Stock outstanding at December 31, 1990, 1989 and 1988, respectively. The aggregate amount of redemption requirement for the Series A Stock is nil for 1991, $1.1 for 1992 and $1.3 in each of the years 1993 through 1995.

Redeemable Preferred Stock—Series B: BFGoodrich had issued 372,838 shares of $.975 Cumulative Preferred Stock, Series B. On July 15, 1988, BFGoodrich redeemed the then outstanding 192,838 shares of Series B Cumulative Preferred Stock at $10.24 per share plus accrued dividends.

Convertible Preferred Stock—Series D (stated at involuntary liquidation value of $50 per share): BFGoodrich has issued 2,200,000 shares of $3.50 Cumulative Convertible Preferred Stock, Series D. The Series D Stock is convertible into shares of BFGoodrich's Common Stock at a conversion rate, which is subject to certain anti-dilution provisions, of 0.909 shares of Common Stock for each share of Series D Stock. At BFGoodrich's option, the Series D Stock may be redeemed, in whole or in part, at any time. The redemption price, which decreases each January 2, is $52.10 a share until January 2, 1992, $51.75 a share until January 2, 1993 and $51.40 a share for the twelve months thereafter, plus accrued and unpaid dividends. At December 31, 1990, 1989 and 1988, there were 2,200,000 shares of Series D Stock outstanding.

Cumulative Participating Preferred Stock—Series E: On July 20, 1987, BFGoodrich declared a dividend distribution of one Right for each outstanding share of Common Stock of the Company to shareholders of record at the close of business on August 3, 1987. Each Right, when exercisable, entitles the registered holder thereof to purchase from BFGoodrich one one-hundredth of a share of Cumulative Participating Preferred Stock, Series E at a price of $200 per one one-hundredth of a share (subject to adjustment). The one one-hundredth of a share is intended to be the functional equivalent of one share of the Company's Common Stock. The Rights will not be exercisable or transferable apart from the Common Stock until a person, as defined in the Rights Agreement, as amended, without the proper consent of BFGoodrich's Board of Directors, acquires 20 percent or more of the voting power of the Company's stock or announces a tender offer that would result in 20 percent ownership. BFGoodrich will be entitled to redeem the Rights at five cents per Right any time before a 20 percent position has been acquired and in connection with certain transactions thereafter announced. Under certain circumstances, including the acquisition of 20 percent of the Company's stock, each Right not owned by a potential acquiror or related parties will entitle its holder to purchase, at the Right's then-current exercise price, shares of BFGoodrich's Series E Stock having a market value of twice the Right's exercise price. Holders of the Rights will be entitled to buy stock of an acquiror at a similar discount if, after the acquisition of 20 percent or more of the Company's voting power, BFGoodrich is involved in a merger or other business

combination transaction with another person in which its common shares are changed or converted, or BFGoodrich sells 50 percent or more of its assets or earning power to another person. At December 31, 1990, 1989 and 1988, there were authorized 350,000 shares of open Series E Stock, of which 327,320, 327,382 and 328,038 shares, respectively, were reserved for future issuance in accordance with the above plan.

COCA-COLA ENTERPRISES INC. (DEC)

	1990	1989
	(In thousands except share data)	
Shareholders' Equity		
Preferred stock, $1 par value		
Authorized—100,000,000 shares;		
Issued and outstanding—2,500 shares, at aggregate liquidation preference	250,000	250,000
Common stock, $1 par value		
Authorized—500,000,000 shares;		
Issued—140,471,081 shares and 140,363,166 shares, respectively	140,471	140,363
Paid-in capital	1,262,755	1,262,288
Reinvested earnings	382,243	311,198
Common stock in treasury, at cost		
25,636,358 shares and 17,317,010 shares, respectively	(408,990)	(283,712)
	1,626,479	1,680,137

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Preferred Stock

In May 1988, the Company issued 2,500 shares of variable dividend rate nonvoting preferred stock at a purchase price of $100,000 per share. The holders are entitled to cumulative dividends at a rate determined by an auction approximately every forty-nine days. The weighted average dividend rate of the preferred stock was 6.5% and 7.3% during 1990 and 1989, respectively.

The preferred stock is subject to redemption at the Company's option, at any time, at $101,000 per share (plus accrued dividends) through May 4, 1991 and at $100,000 per share (plus accrued dividends) thereafter.

Holders of the preferred stock are permitted to elect two additional directors to the Company's Board of Directors if the Company is in arrears for the equivalent of six quarterly dividend payments. The Company is current on all preferred dividend payments.

Fair Value

CMI CORPORATION (DEC)

	1990	1989
	(Dollars in thousands)	
Redeemable Preferred Stock		
Redemption value—$4,973 in 1990 and $4,658 in 1989, including dividends in arrears, shares outstanding 4,500 in 1990 and 1989 (note 5)	$ 4,696	$ 4,254
Shareholders' Equity		
Common stock		
Shares issued and outstanding—13,681,762	1,368	1,368
Additional paid-in capital	43,481	43,923
Accumulated deficit	(34,613)	(7,463)
Cumulative foreign currency adjustment	(14)	(44)
Less cost of treasury stock—12,217 shares	(56)	(56)
Total Shareholders' Equity	10,166	37,728

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Redeemable Preferred Stock

In connection with a 1985 acquisition, the Company issued 4,800 shares of 7% Series B Preferred Stock with a $4,800,000 redemption value. The preferred stock accrues dividends at the rate of $70 per share per year. The cumulative dividends are payable each January and July and must be fully paid or declared with funds set aside for payment before any dividend can be declared or paid on any other class of the Company's stock. The preferred stock carries mandatory redemption rights of $1,000 per share. The Company has not redeemed 750 shares ($750,000) and 500 shares ($500,000) scheduled to be redeemed in 1990 and 1989, respectively. In addition, three consecutive dividend payments have not been paid. Accrued dividends were $472,500 and $157,500 at December 31, 1990 and 1989, respectively. Additional scheduled mandatory redemptions under the preferred stock agreement are 750 shares in 1991 through 1994 and 250 shares in 1995. Terms of the preferred stock agreement are such that if two consecutive dividend payments or redemptions are not made, the Company's board of directors shall be increased by one and the preferred stockholder shall have the exclusive right to elect an individual to fill such newly created directorship. These special voting rights will continue until the dividend payments or redemptions are made. The preferred stockholder has not exercised the rights granted under the preferred stock agreement. The Company is also restricted from paying dividends on its common stock until the dividend or redemptions are made. The difference between the ultimate redemption value and the initial carrying value is being accreted over the redemption period. See note 2 regarding management's plans.

ADDITIONAL PAID-IN CAPITAL

Table 2-35 lists the balance sheet captions used to describe additional paid-in capital. Examples of descriptive captions 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

	1990	1989	1988	1987
Additional paid-in capital	238	234	230	227
Capital in excess of par or stated value	149	149	147	160
Paid-in capital or other paid-in capital	43	43	44	39
Additional capital, or other capital	40	40	41	39
Capital surplus	33	36	38	42
Paid-in surplus	5	4	6	5
Other captions	16	18	18	19
	524	524	524	531
No additional paid-in capital account	76	76	76	69
Total Companies	**600**	**600**	**600**	**600**

RETAINED EARNINGS

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

	1990	1989	1988	1987
Retained Earnings	484	479	469	464
Retained Earnings with additional words	11	11	14	17
Earnings with additional words	33	41	43	45
Income with additional words	12	12	14	14
Earned Surplus	2	2	2	1
Retained Earnings (Deficit)	20	25	36	31
Accumulated Deficit	38	30	22	28
Total Companies	**600**	**600**	**600**	**600**

FMC CORPORATION (DEC)

	1990	1989
	(In thousands, except per share data)	
Stockholders' equity (deficit)		
Common stock, $0.10 par value, authorized 60,000,000 shares; issued 35,021,436 shares in 1990 and 34,513,264 shares in 1989	$ 3,502	$ 3,451
Capital in excess of par value of capital stock	46,603	19,983
Retained earnings (deficit)	82,718	(72,570)
Foreign currency translation adjustment	23,983	(21,005)
Treasury stock, common, at cost; 258,060 shares in 1990 and 14,183 shares in 1989	(7,234)	(492)
Total stockholders' equity (deficit)	149,572	(70,633)

GEO. A. HORMEL & COMPANY (OCT)

	1990	1989
	(In thousands, except share and per share amounts)	
STOCKHOLDERS' INVESTMENT		
Preferred Stock, par value $.01 a share—authorized 10,000,000 shares; issued—none		
Common Stock, nonvoting, par value $.01 a share—authorized 10,000,000 shares; issued—none		
Common Stock, par value $.1172 a share—authorized 200,000,000 shares; issued 76,852,128 shares	$ 9,007	$ 9,007
Additional paid-in capital	3,828	3,425
Shares held in treasury	(2,855)	(2,797)
	9,980	9,635
Earnings reinvested in business	503,852	461,294
	513,832	470,929

HURCO COMPANIES, INC. (OCT)

	1990	1989
	(Dollars in thousands, except per-share data)	
Stockholders' equity:		
Common stock: no par value; $.10 stated value per share; 7,500,000 shares authorized; 5,324,666 and 5,498,683 shares issued and outstanding in 1990 and 1989, respectively	$ 532	$ 550
Additional paid-in capital	45,201	46,252
Accumulated deficit	(2,474)	(8,245)
Foreign currency translation adjustment	(1,025)	(867)
Total shareholders' equity	42,234	37,690

OUTBOARD MARINE CORPORATION (SEP)

	1990	1989
	(Dollars in millions)	
Stockholders' Investment:		
Common stock—authorized 90 million shares at $.15 par value each, outstanding 19.5 million in 1990 and 1989	$ 2.9	$ 2.9
Capital in excess of par value of common stock	105.3	105.3
Accumulated earnings employed in the business	456.1	547.1
Cumulative translation adjustments	(1.6)	(8.2)
Treasury stock at cost, .2 million shares	(4.4)	(4.4)
Total stockholders' investment	558.3	642.7

STOCK OPTION AND STOCK PURCHASE PLANS

Chapter 13B of *ARB No. 43* 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 sixty-three companies disclose the existence of stock option plans. Examples of stock option and stock purchase plans follow.

STOCK OPTION PLANS

ALLIED-SIGNAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Stock Options and Awards

Under the amended 1985 Stock Plan for Employees, the Company may grant incentive and non-qualified stock options, stock appreciation rights (SARs), restricted shares and restricted units (Units) to officers and other employees up to a maximum of 19,000,000 shares of Company common stock. SARs entitle an optionee to surrender unexercised stock options for cash or stock equal to the excess of the fair market value of the surrendered shares over the option value of such shares. Units have been granted to certain employees, which entitle the holder to receive shares of common stock or equivalent cash payments. At December 31, 1990, there were 508,157 Units outstanding, including 120,731 Units granted in 1990, the restrictions on which generally lapse over periods not exceeding eight years from date of grant. Incentive stock options have a term determined by the Compensation Committee of the Board (Committee), but not in excess of ten years. Non-qualified stock options have been granted with terms of ten years and one day. An option becomes exercisable at such times and in such installments as set by the Committee. Options generally become exercisable over a three-year period.

Under various plans of former subsidiaries merged into the Company, key employees have been granted common stock options, generally for terms of ten years, which become exercisable in installments over the first three years. No additional options may be granted under these plans.

Of the 9,156,790 shares covered by outstanding options under the plans at December 31, 1990, 2,049,294 were accompanied by SARs.

Stock options	Number of Shares
Outstanding at December 31, 1987	5,205,209
Granted at $31.19—$36.13 per share	2,614,158
Less—	
Exercised at $9.61—$34.01 per share	63,949
Lapsed or cancelled	1,300,456
Outstanding at December 31, 1988	6,454,962
Granted at $34.75—$37.69 per share	2,364,850
Less—	
Exercised at $10.83—$34.01 per share	144,995
Lapsed or cancelled	1,406,874
Surrendered upon exercise of SARs	11,232
Outstanding at December 31, 1989	7,256,711
Granted at $27.50—$36.38 per share	2,436,275
Less—	
Exercised at $13.42—$34.75 per share	120,867
Lapsed or cancelled	400,329
Surrendered upon exercise of SARs	15,000
Outstanding at December 31, 1990, $20.24—$46.82 per share	9,156,790
Exercisable at December 31, 1990	4,483,019
Available for grant at December 31, 1989	10,991,257
Available for grant at December 31, 1990	8,979,734

All options were granted at not less than fair market value at dates of grant.

Treasury shares of common stock have been used upon exercise of stock options. Differences between the cost of treasury stock used and the total option price of shares exercised have been charged to retained earnings.

The Company also has a Restricted Stock Plan for Non-Employee Directors, under which each non-employee director received a one-time grant of 1,500 shares of common stock, subject to certain restrictions.

AVERY DENNISON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Shareholders' Equity

The Company's Certificate of Incorporation authorizes 5 million shares of $1 par value preferred stock, with respect to which the Board of Directors may fix the series and terms of issuance, and 200 million shares of $1 par value voting common stock.

The 1990 Stock Option and Incentive Plan for Key Employee ("1990 Option Plan") was approved by the Company's stockholders in 1990 as a successor to the Company's 1988 Key Employee Stock Option Plan ("1988 Option Plan"). As did the 1988 Option Plan, the 1990 Option Plan provides that officers and key employees may be granted either nonqualified stock options or incentive stock options for the purchase of the Company's common stock, and also authorizes the issuance of stock appreciation rights, either coupled with or independent of outstanding or concurrently granted stock options. In addition, the 1990 Options Plan provides for the issuance of restricted stock, dividend equivalents, various forms of stock-based performance awards, and other stock awards. Up to 4,000,000 shares of the Company's common stock may be issued upon exercise of options and rights granted under this plan. Included within such number are all shares issued pursuant to the exercise of options and stock appreciation rights granted under the 1973 plan, which expired during 1988, and the 1988 Option Plan, which expired upon stockholder adoption of the 1990 Option Plan in 1990. Incentive stock option prices may not be less than 100 percent of market price on the date of grant, whereas nonqualified options may be issued at prices no less than par value. The options granted generally become exercisable in equal installments on the first through fourth anniversaries of the date of grant and remain exercisable until the tenth anniversary of the date of grant. During the term of a granted option, or for a similar term but independent of such an option, the optionee may also be awarded a stock appreciation right. Such a right will entitle the optionee to receive, with certain limitations, an amount equal to the excess of the fair market value of the Company's common stock on the date the right is exercised over either the option price of the stock or with respect to rights granted independent of such options, the fair market value of the Company's common stock on the date of grant of the stock appreciation right. To the extent that any stock appreciation right is exercised for cash, the number of shares with respect to which such exercise is effected reduces the total number of shares issuable under the plan.

In connection with the merger (see Note 1), each option outstanding under the Dennison stock option plans was converted into an option to purchase Avery Dennison common stock at a ratio of 1.12 shares of Avery Dennison Common Stock for each share of Dennison Common Stock covered by such option. The exercise prices per share for the Dennison options have been adjusted by dividing the Initial exercise price by 1.12. All options granted under the Dennison plans became fully exercisable upon consummation of the merger. No future grants may be made under these plans.

Under all Company plans discussed above, nonqualified options were granted for 1,085,352 shares in 1990 and 714,918 shares in 1989 (none of which were coupled with stock appreciation rights) and incentive stock options were granted for 5,500 shares in 1990 and 132,903 shares in 1989. Options for 246,519 shares were exercised during 1990 at prices ranging from $4.75 to $23.56 per share. During 1989, options were exercised for 288,720 shares at prices ranging from $4.36 to $23.13 per share. During 1988, options were exercised for 207,218 shares at prices ranging from $3.66 to $22.54 per share. During 1990, 149,946 options were cancelled. At December 31, 1990, there were options for 3,844,699 shares outstanding under all Company plans (15,000 of which were coupled with stock appreciation rights) at exercise prices ranging from $.89 to $28.00 per share and with expiration dates ranging from January 28, 1992, to October 1, 2000. Of these, options on 2,356,468 shares were then exercisable at prices ranging from $.89 to $24.78 per share. At December 31, 1990, 823,909 shares were authorized under the Avery plan for granting of future options and there were 655 participants in the plan.

In 1988, the shareholders approved the Company's adoption of the 1988 Non-Employee Director Stock Option Plan, pursuant to which up to 320,000 shares of Company common stock may be issued upon exercise of options granted thereunder. Option prices may not be less than 100 percent of market price on the date of grant, and only nonqualified stock options may be granted under this plan. All options granted have a term of ten years, and become exercisable in two cumulative installments of 50 percent of the number of shares with respect to which options were granted on each of the first and second anniversaries of the grant date. Options for 31,000 shares in 1990 and 21,000 shares in 1989 were granted to eleven director participants. At December 31, 1990, there were options for 87,000 shares outstanding at exercise prices ranging from $16.63 to $28.00 per share and with expiration dates ranging from January 1, 1998, to October 16, 2000. Of these, options on 48,000 shares were then exercisable at prices ranging from $20.56 to $23.56.

DOVER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Stock Option and Performance Incentive Program (adjusted for 2 for 1 stock splits):

On April 30, 1974, the stockholders approved a nonqualified stock option plan and performance incentive program, pursuant to which a maximum aggregate of 4,800,000 shares had been reserved for grant to key personnel. On January 24, 1982, the plan was amended so as to become an incentive stock option plan as well as a performance incentive program. The plan expired by its terms on February 15, 1984, but certain previous grants remain outstanding at December 31, 1990.

On April 24, 1984, the stockholders approved an incentive stock option plan and cash performance program under which a maximum aggregate of 4,800,000 shares has been reserved for grant to key personnel until January 30, 1994. At December 31, 1990, there were 3,652,126 shares available for future grant under this new stock option program.

Under both plans the option price may not be less than

the fair market value of the stock at the time the options are granted. This period during which these options are exercisable is fixed by the Company's Executive Committee at the time of grant but is not to exceed ten years plus one month with respect to nonqualified options under the 1984 plan.

On April 28, 1987, the stockholders approved an amendment to permit the grant or exercise of nonqualified stock options under each of these plans. To compensate any optionee who agrees to amend his option for Federal income tax incurred upon the exercise of the amended option, the stockholders also approved a cash bonus covering a portion of the option holder's assumed tax liability. A nonqualified exercise reduces the Company's after-tax cost of the program. During 1990, cash bonuses in connection with nonqualified exercises aggregated $344,000 ($251,000 in 1989 and $496,000 in 1988).

Transactions in stock options under these plans are summarized as follows:

	Shares Under Option	Price Range
Outstanding at Jan. 1, 1988	845,140	$ 4.91-$27.07
Granted	196,000	$31.25
Exercised	(111,048)	$ 4.91-$18.75
Cancelled	(22,260)	$14.00-$31.25
Outstanding at Dec. 31, 1988	907,832	$ 5.83-$31.25
Exercisable at Dec. 31, 1988 through January 20, 1995	364,352	$ 5.83-$18.75
Outstanding at Jan. 1, 1989	907,832	$ 5.83-$31.25
Granted	225,500	$30.50
Exercised	(81,040)	$ 5.83-$19.63
Cancelled	(39,270)	$10.09-$31.25
Outstanding at Dec. 31, 1989	1,013,022	$10.09-$31.25
Exercisable at Dec. 31, 1989 through January 30, 1996	460,702	$10.09-$19.63
Outstanding at Jan. 1, 1990	1,013,022	$10.09-$31.25
Granted	218,030	$35.63
Exercised	(112,118)	$10.09-$27.06
Cancelled	(67,200)	$15.00-$35.63
Outstanding at Dec. 31, 1990	1,051,734	$14.00-$35.63
Exercisable at Dec. 31, 1990 through:		
January 27, 1992	25,462	$14.00
January 19, 1993	36,840	$15.00
January 30, 1994	64,630	$17.00
January 20, 1995	92,960	$18.75
January 30, 1996	127,032	$19.63
February 28, 1997	131,560	$27.63
	478,484	

NCR CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Employee Stock Purchase and Option Plans

The shareholder-approved employee stock purchase plan enables eligible employees to purchase NCR's common stock at 85% of the average market price on the last day of each six-month purchase period. Employees may authorize periodic payroll deductions of up to 10% of eligible compensation for common stock purchases. Employee purchases amounted to 410,805 shares in 1990, 459,339 shares in 1989, and 469,398 shares in 1988. The purchase price per share averaged $57.45 in 1990, $50.35 in 1989, and $49.06 in 1988. At December 31, 1990, 1,660,463 shares of common stock were reserved for purchase under the plan.

In addition, shareholder-approved stock option plans provide for the grant of options to officers and other key employees to purchase common stock at 100% of the fair market value as of the date of grant. The compensation committee of the board of directors administers the plans. Options may be granted as incentive stock options or as non-qualified stock options. Stock options usually vest 25% annually, commencing upon completion of one year of employment subsequent to the date of grant, and expire ten years from the date of grant.

The following table summarizes the activity in options under stock option plans:

	Shares	Price Range
Shares under option January 1, 1988	3,274,158	$10.10-$82.19
Options granted	36,200	55.13- 61.50
Options exercised	(519,991)	10.10- 52.38
Options terminated	(31,214)	32.91- 71.69
Shares under option December 31, 1988	2,759,153	10.10- 82.19
Options granted	494,960	56.69- 60.63
Options exercised	(264,236)	10.10- 60.63
Options terminated	(59,161)	55.13- 71.69
Shares under option December 31, 1989	2,930,716	10.10- 82.19
Options granted	843,430	58.56- 68.50
Options exercised	(654,809)	10.10- 71.69
Options terminated	(40,684)	52.38- 71.69
Shares under option December 31, 1990	3,078,653	$10.10-$82.19

The number of shares of common stock reserved for granting future options was 5,759,680, 6,565,425, and 3,060,412, at December 31, 1990, 1989, and 1988, respectively. At December 31, 1990, options were exercisable to purchase 1,780,603 shares.

NASHUA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Option and Stock Award Plans

The Company has two stock compensation plans at December 31, 1990, the 1980 Stock Award Plan (1980 plan) and the 1987 Stock Option Plan (1987 plan). Awards can no longer be granted under the 1980 plan. Awards under the 1987 plan are made at the discretion of the Executive Salary Committee of the Board of Directors (Committee). During 1990, the outstanding options granted under a third stock compensation plan, the 1970 Stock Option Plan, were exercised and, as a result, the 1970 Stock Option Plan was subsequently dissolved.

Stock options and options granted in tandem with stock appreciation rights (SAR's) awarded under the 1980 plan which are outstanding at December 31, 1990 are currently

exercisable and expire on the tenth anniversary of the date of grant.

Under the 1987 plan, nonqualified stock options and incentive stock options may be awarded. Stock options under the 1987 plan become exercisable either (a) 50 percent on the first anniversary of grant, 100 percent on the second anniversary of grant, or (b) 100 percent six months from the date of grant. Nonqualified stock options expire ten years and one day from the date of grant and incentive stock options expire ten years from the date of grant.

Because the exercise price of all stock options awarded under these plans has been equal to the quoted market price of the Company's common stock at date of grant, no compensation expense has been recorded for these awards. The SAR's granted in tandem with certain stock options entitle the holder to receive the market appreciation in the Company's common stock between the date of grant and the date of exercise. Upon the exercise of a SAR, the holder is entitled to receive an amount of common stock or cash, at the election of the Committee, equal in value to the amount of such appreciation. The exercise of either the SAR or the stock option automatically cancels the related option or right. The difference between any increase or decrease in the market value of the rights and the option price is recorded currently in the consolidated statement of income. The number of stock options with outstanding SAR's attached have not been significant for each of the three years in the period ended December 31, 1990. Tax benefits resulting from compensation expense allowable for United States Federal income tax purposes in excess of the expense recorded in the consolidated statement of income have been credited to "Additional Capital."

A summary of the status of the Company's stock option plans follows:

	Outstanding Options	Options Price Per Share	Exercisable Options
December 31, 1987	402,400	$ 5.13-38.38	217,366
Options granted	90,100	31.63	—
Options that became exercisable	—	19.38-38.38	162,192
Options exercised	(114,361)	5.13-28.75	(114,361)
Options lapsed and cancelled	(14,675)	28.38-31.63	(500)
December 31, 1988	363,464	5.13-38.38	264,697
Options granted	87,800	32.75	—
Options that became exercisable	—	28.38-38.38	120,717
Options exercised	(54,480)	5.13-31.63	(54,480)
Options lapsed and cancelled	(7,400)	28.75-32.75	—
December 31, 1989	389,384	5.13-38.38	330,934
Options granted	85,100	33.88	—
Options that became exercisable	—	31.63-33.88	84,050
Options exercised	(75,064)	5.13-32.75	(75,064)
Options lapsed and cancelled	(10,050)	32.75-33.88	—
December 31, 1990	389,370	$ 5.13-38.38	339,920

At December 31, 1990, additional options may be granted under the 1987 plan to purchase 313,416 shares of common stock.

TEREX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (In Part): Stockholders' Investment

Stock Options. The Company maintains a qualified stock option plan ("ISO") and a non-qualified stock option plan covering certain officers and key employees. The exercise price of the ISO stock option is the fair market value of the shares at the date of grant, while options under the non-qualified plan were exercisable at $4.40 per share ($5.50 per share prior to the May, 1990 stock split). The ISO allows the holder to purchase shares of common stock, commencing one year after grant. ISO options expire after ten years. Options under the non-qualified plan become exercisable over the four years following the date of grant, and expire in 1997. At December 31, 1990, 428,625 of the 437,500 stock options available for grant under the Company's stock option plans had been granted, including all shares in the non-qualified plan.

The following table is a summary of stock options:

	Number of Options	Exercise Price per Option
Outstanding at December 31, 1987	237,000	$ 4.00 to 8.00
Granted	30,000	13.25
Exercised	(60,000)	4.00 to 8.00
Cancelled or expired	(16,000)	4.00 to 8.00
Outstanding at December 31, 1988	191,000	$ 4.00 to 13.25
Granted	61,500	12.75 to 18.50
Exercised	(49,250)	4.00 to 8.00
Cancelled or expired	(3,750)	4.00 to 13.25
Outstanding at December 31, 1989	199,500	$ 4.00 to 18.50
Granted	18,000	20.50
Exercised	(118,292)	4.00 to 16.25
Cancelled or expired	(2,000)	12.75
Five-for-four stock split adjustment	34,542	—
Outstanding at December 31, 1990	131,750	$ 6.40 to 20.50
Exercisable at December 31, 1990	55,918	$ 6.40 to 14.80

PHELPS DODGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Stock Option Plans; Restricted Stock

Executives and other key employees have been granted options to purchase common shares under stock option plans adopted in 1979 and 1987. In each case, the option price equals the fair market value of the common shares on the day of the grant. Some of the options include stock appreciation rights (SARs) under which an optionee has the right, in lieu of purchasing the shares subject to his option, to relinquish the option and to receive from the Corporation an amount equal to the excess of the fair market value of the shares with respect to which the option is relinquished over the option price for such shares. SARs granted to date may be exercised

only up to a specified dollar amount or in the event common shares are purchased pursuant to a third party tender offer or in the event a merger or similar transaction in which the Corporation shall not survive as a publicly held corporation is approved by the Corporation's shareholders.

The 1987 plan permits "reload" option grants to executives and other key employees. If an optionee elects to exercise an option with previously owned shares of the Corporation, reload options will restore the option opportunity on a number of common shares equal to the number of shares used to exercise the original option. Reload options may be granted under the 1987 plan with respect to the exercise of options under both the 1987 and the 1979 plans. A reload option has terms similar to the original option except that it has an exercise price per share equal to the fair market value of a common share on the date the reload option is granted and it will not be exercisable until six months after the date it is granted.

The 1987 plan also provides for the issuance to executives and other key employees, without any payment by them, of common shares subject to certain restrictions.

Under a stock option plan adopted in 1989, options to purchase common shares have been granted to directors who have not been employees of the Corporation or its subsidiaries for one year or are not eligible to participate in any plan of the Corporation or its subsidiaries entitling participants to acquire stock, stock options or SARs.

At December 31, 1990, options for 66,450 shares, 369,079 shares and 2,664 shares were exercisable under the 1979 plan, the 1987 plan and the 1989 plan, respectively, at average prices of $24.47, $39.43 and $52.81 per share. In addition, 36,800 restricted shares had been issued under the 1987 plan. Also at December 31, 1990, 856,085 shares were available for option grants or restricted stock awards under the 1987 plan and 72,988 shares were available for option grants under the 1989 plan. Both of these numbers are subject to future adjustment. No further options may be granted under the 1979 plan.

Changes during 1988, 1989 and 1990 in options outstanding for the combined plans were as follows:

	Shares	Average option price per share
Outstanding at December 31, 1987	870,502	$ 29.33
Granted	283,500	48.43
Exercised	(126,579)	18.76
Expired or terminated	(29,500)	36.05
Outstanding at December 31, 1988	977,923	35.79
Granted	29,000	59.10
Exercised	(366,542)	29.21
Expired or terminated	(5,249)	39.71
Adjustment for extraordinary dividend	104,752	N/A
Outstanding at December 31, 1989	759,884	35.02
Granted	668,688	53.35
Restricted stock granted	36,800	N/A
Exercised	(216,872)	29.05
Expired or terminated	(215)	18.38
Outstanding at December 31, 1990	1,248,285	44.87

STOCK PURCHASE PLANS

AMERICAN BUILDING MAINTENANCE INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Capital Stock

The Company has an employee stock purchase plan under which sale of one million shares of its common stock has been authorized. The purchase price of the shares under the plan is the lesser of 85% of the fair market value at the commencement of each plan year or 85% of the fair market value on the date of purchase. Employees may designate up to 10% of their compensation for the purchase of stock. During 1990, 1989 and 1988, 86,000, 90,000 and 109,000 shares of stock were issued under the plan for an aggregate purchase price of $2,513,000, $2,073,000 and $1,958,000, respectively. At October 31, 1990, 521,000 shares remained unissued under the plan.

THE BLACK & DECKER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 (In Part): Stock Option and Purchase Plans

Under the 1986 Employees' Stock Purchase Plan, which expired in April 1990, employees may subscribe to purchase shares of the Corporation's common stock at the lower of 90% of market value on the date offered or on the date purchased.

The Board of Directors approved The Black & Decker 1991 Employees' Stock Purchase Plan in February 1991. A total of 2.5 million shares are reserved for issuance over a five-year period on substantially the same terms as the 1986 plan. Transactions under the 1986 plan are summarized as follows:

	Common Share Subscribed	Price Range
September 24, 1989	46,446	$21.25
Subscriptions	290,636	14.75
Purchases	(35,239)	14.75
Cancellations	(67,361)	14.75-21.25
December 31, 1990	234,482	14.75
Shares purchased during the fiscal year ended September 24, 1989	110,942	16.63
Shares purchased during the fiscal year ended September 25, 1988	45,128	17.63

COHERENT, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Employee Benefit Plans

Employee Stock Purchase Plan—The Company has an Employee Stock Purchase Plan whereby eligible employees may authorize payroll deductions up to 10% of their regular base salary to purchase shares at the lower of 85% of the fair market value of the common stock on the date of commencement of the offering or on the last day of the twelve-month offering period. In fiscal 1990, 158,000 shares were purchased by and distributed to employees at an average price of $8.62 per share. In fiscal 1989, 165,000 shares were purchased by and distributed to employees at an average price of $8.48 per share. In fiscal 1988, 125,000 shares were purchased by and distributed to employees at an average price of $8.01 per share.

At September 29, 1990, $1,063,000 had been contributed by employees that will be used to purchase a maximum of 160,000 shares in fiscal 1991 at a price determined under the terms of the Plan. At September 29, 1990, the Company had 512,000 shares of its common stock reserved for future issuance under the Plan.

GEORGIA-PACIFIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Common Stock

At December 31, 1990, the following authorized shares of the Corporation's common stock were reserved for issue:

1990 Long-Term Incentive Plan	4,000,000
1989 Employee Stock Purchase Plan	642,000
1984 Employee Stock Option Plan	2,258,000
Common stock reserved	6,900,000

Employee Stock Purchase Plans. At December 31, 1990, the 1989 Employee Stock Purchase Plan (Purchase Plan) had reserved for issue 642,000 shares of common stock at a subscription price of $34.90. Subscribers have the option to receive their payments plus interest at the rate of 8% per annum in lieu of stock. Additional shares can no longer be subscribed under the Purchase Plan, which expires on April 30, 1991. Approximately 4,400 subscribers remained in the Purchase Plan at December 31, 1990.

During 1990, the Corporation issued 45,000 shares of common stock under the 1989 Employee Stock Purchase Plan. During 1989, the Corporation issued 114,000 shares of common stock under the 1987 Employee Stock Purchase Plan (which expired on March 31, 1989) and 11,000 shares under the 1989 Employee Stock Purchase Plan.

TREASURY STOCK

APB Opinion No. 6 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

FARR COMPANY (DEC)

	1990	1989
Stockholders' investment:		
Common stock, $.10 par value Authorized—5,000,000 shares Outstanding—3,688,527 at December 29, 1990 and 3,591,565 shares at December 30, 1989	$ 369,000	$ 359,000
Additional paid-in capital	11,755,000	11,172,000
Cumulative translation adjustments	610,000	4,000
Retained earnings	19,589,000	17,047,000
Loans to ESOPs	(1,116,000)	
Treasury stock at cost—91,406 shares (Notes 6)	(814,000)	
Total stockholders' investment	30,393,000	28,582,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Common Stock

During 1990, the Company purchased 187,656 shares of its common stock. Subsequently, the Company sold 96,250 shares to its two ESOPs with 91,406 shares remaining as Treasury Stock as of December 29, 1990.

On April 3, 1989, The Company's Board of Directors declared a dividend distribution of one common share purchase right for each share of common stock outstanding on April 17, 1989. An exercisable right will, under certain conditions, entitle its holder to purchase from the Company one-half of one share of common stock at the exercise price, subject to adjustment, at a price of $40 per whole share, subject to adjustment. The exercise price as of March 31, 1991 is $32 per whole share of common stock. The right will become exercisable ten days after any person acquires 20 percent or more of the Company's outstanding common stock, or announces an offer which would result in such person acquiring 30 percent or more of the Company's common stock. The rights will expire on April 3, 1999, and may be redeemed by the Company for $.01 per right at any time until ten business days after a person acquires 20 percent of more of the Company's common stock. Under certain circumstances after a person acquires 20 percent or more of the Company's common stock, or after a merger or other business combination

TABLE 2-37: TREASURY STOCK—BALANCE SHEET PRESENTATION

	1990	1989	1988	1987
Common stock				
Cost of treasury stock shown as stockholders' equity deduction	351	350	352	356
Par or stated value of treasury stock deducted from issued stock of the same class	29	27	21	21
Cost of treasury stock deducted from stock of the same class	8	11	11	10
Cost of treasury stock shown as noncurrent asset	1	2	2	2
Other	2	3	3	2
Total Presentations	**391**	**393**	**389**	**391**
Preferred Stock				
Cost of treasury stock shown as stockholders' equity deduction	4	1	3	3
Par or stated value of treasury stock deducted from issued stock of the same class	3	—	2	4
Other	—	2	—	1
Total Presentations	**7**	**3**	**5**	**8**
Number of Companies				
Disclosing treasury stock	391	390	387	391
Not disclosing treasury stock	209	210	213	209
Total Companies	**600**	**600**	**600**	**600**

involving the Company, an exercisable right will entitle its holder to purchase shares of common stock (or shares of an acquiring company) having a market value of twice the exercise price of one right.

In August 1990, the Company's Board of Directors authorized the purchase of up to 375,000 shares of its common stock by the Company within established limits. The shares acquired will be held either as treasury shares or will be allocated to the Company's ESOPs as determined by the Company's Board of Directors. The financing for the stock purchases will be provided through bank borrowings. While no common stock has been repurchased to date under this program, the Company will continue to evaluate its capital resources, market conditions and other factors prevailing from time to time in determining whether it's appropriate to commence the repurchase program. No time limits have been established for completion of the repurchase program.

FEDDERS CORPORATION (DEC)

	1990	1989
	(Amounts in thousands, except per share data)	
Stockholders' equity:		
Common Stock, $1 par value, 30,000,000 shares authorized, 16,836,230 and 16,754,154 issued at December 31, 1990 and 1989, respectively	$16,836	$ 16,754
Class B Stock, $1 par value, 30,000,000 shares authorized, 2,270,306 and 2,349,306 issued and outstanding at December 31, 1990 and 1989, respectively	2,270	2,349
Additional paid-in capital	41,668	42,312
Retained earnings	9,317	33,576
Cumulative translation adjustment	621	234
	70,712	95,225
Less—treasury stock, at cost, 670,508 and 931,597 shares of Common Stock at December 31, 1990 and 1989, respectively	(9,188)	(12,609)
Total stockholders' equity	61,524	82,616

THE LOUISIANA LAND AND EXPLORATION COMPANY (DEC)

	1990	1989
	(Millions of dollars)	
Stockholders' equity:		
Capital stock of $.15 par value. Authorized—100,000,000 shares; issued—38,004,537	$ 5.7	$ 5.7
Additional paid-in capital	40.7	40.3
Retained earnings	747.0	720.2
	793.4	766.2
Loans to ESOP	(17.4)	(19.8)
Cost of capital stock in treasury—9,802,002 shares in 1990 and 9,937,325 shares in 1989	(327.3)	(330.2)
Total stockholders' equity	448.7	416.2

MERCK & CO., INC. (DEC)

	1990	1989
	($ in millions)	
STOCKHOLDERS' EQUITY		
Common stock Authorized—900,000,000 shares Issued—455,524,308 shares	$ 166.4	$ 152.4
Retained earnings	6,387.3	5,394.2
	6,553.7	5,546.6
Less treasury stock, at cost 68,533,112 shares—1990 60,116,101 shares—1989	2,719.3	2,026.0
Total stockholders' equity	3,834.4	3,520.6

NOTES TO FINANCIAL STATEMENTS
($ in millions except per share amounts)

11 (In Part): Stockholders' Equity

A summary of treasury stock transactions (shares in thousands) follows:

	1990		1989		1988	
	Shares	Cost	Shares	Cost	Shares	Cost
Balance, January 1	60,116.1	$2,026.0	58,784.2	$1,869.9	61,527.2	$1,954.7
Purchases	9,840.6	744.8	2,973.5	208.2	—	—
Issued under stock option and executive incentive plans	(1,423.6)	(51.5)	(1,641.6)	(52.1)	(2,743.0)	(84.8)
Balance, December 31	68,533.1	$2,719.3	60,116.1	$2,026.0	58,784.2	$1,869.9

Common stock increased by $14.0 million in 1990, increased by $7.0 million in 1989 and decreased by $6.2 million in 1988, as a result of issuances of treasury stock for exercises of stock options and distributions under executive incentive plans.

Par Value Of Treasury Stock Deducted From Issued Stock

BADGER METER, INC. (DEC)

Shareholders' equity: Note 2	1990	1989
Common stock, $1 par; authorized 5,000,000 shares; issued 1,526,242 shares in 1990, 1,521,242 shares in 1989	$1,526,242	$1,521,242
Less: Treasury stock, 389,038 in 1990, 552,085 shares in 1989	(389,038)	(552,085)
	1,137,204	969,157
Class B Common stock, $.10 par; authorized 5,000,000 shares; issued 562,785 shares in 1990, 574,385 shares in 1989	56,278	57,438
Capital in excess of par value	6,447,161	3,913,401
Reinvested earnings	23,280,023	21,896,755
Less: Employee benefit stock	(2,752,501)	(939,898)
Total shareholders' equity	28,168,165	25,896,853

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Class B Common stock

Shareholders of Class B Common stock may convert their shares of Class B Common stock into shares of Common stock at any time. Class B Common stock shareholders are substantially restricted in their ability to transfer their shares. Holders of Common stock are entitled to cash dividends per share equal to 110% of all dividends declared and paid on each share of the Class B Common stock when and if such cash dividends are declared by the company's Board of Directors and paid.

Holders of Class B Common stock are entitled to ten votes per share on any matters brought before the shareholders of the company, while holders of Common stock are entitled to one vote per share. Liquidation rights are the same for both classes of stock.

Common shares received in exchange for the issuance of Class B Common shares have been recorded as Treasury shares at par value.

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 1990 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 losses/gains related to noncurrent marketable equity securities. Table 2-38 shows the number of survey company balance sheets presenting other stockholders' equity accounts.

Three hundred fifteen 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			
	1990	**1989**	**1988**	**1987**
Cumulative translation adjustment	352	345	335	356
Guarantee of ESOP debt	94	76	23	18
Unearned compensation	71	69	50	42
Pension liability adjustment	39	14	—	—
Unrealized loss/gain on noncurrent marketable equity securities	26	19	23	20
Receivable from sale of stock	17	26	22	20

Cumulative Translation Adjustments

GREIF BROS. CORPORATION (OCT)

	1990	**1989**
SHAREHOLDERS' EQUITY		
Capital stock, without par value	$ 9,033,988	$ 9,033,988
Class A Common Stock: Authorized 16,000,000 shares; issued 10,570,480 shares; in treasury 5,133,894 shares; outstanding 5,436,586 shares (1990 and 1989)		
Class B Common Stock: Authorized and issued 8,640,000 shares; in treasury 1,882,017 shares; (1,796,048 in 1989) outstanding (6,843,952 in 1989)		
Earnings retained for use in the business	249,016,410	238,963,212
Cumulative translation adjustment (Note 1)	2,020,876	1,718,697
	260,071,274	249,715,897

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign Currency Translation

In accordance with Statement of Financial Accounting Standard No. 52, "Foreign Currency Translation", the assets and liabilities denominated in foreign currency are translated into U.S. dollars at the current rate of exchange existing at year-end and revenues and expenses are translated at the average monthly exchange rates.

The following were the cumulative translation adjustments which represent the effect of translating assets and liabilities of the Company's foreign operation (000's omitted):

	1990	1989
Balance at beginning of year	$1,719	$ 508
Effect of a balance sheet translation	302	1,211
Balance at end of year	$2,021	$1,719

The transaction gains and losses included in income are immaterial.

JOHNSON & JOHNSON (DEC)

	1990	**1989**
	(Dollars in Millions)	
Stockholders' equity		
Preferred stock—without par value (authorized and unissued 2,000,000 shares)	$ —	$ —
Common stock—par value $1.00 per share (authorized 540,000,000 shares; issued 383,677,000 and 383,670,000 shares)	384	384
Note receivable from employee stock ownership plan	(100)	—
Cumulative currency translation adjustments (Notes 8)	241	(9)
Retained earnings	5,863	5,260
	6,388	5,635
Less common stock held in treasury, at cost (50,601,000 and 50,616,000 shares)	1,488	1,487
Total stockholders' equity	4,900	4,148

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Foreign Currency Translation

For translation of its international currencies, the Company has determined that the local currencies of its

international subsidiaries are the functional currencies except those in highly inflationary economies, which are defined as those which have had compound cumulative rates of inflation of 100% of more during the past three years.

In consolidating international subsidiaries, balance sheet currency effects are recorded as a separate component of stockholders' equity. This equity account includes the results of translating all balance sheet assets and liabilities at current exchange rates, except for those located in highly inflationary economies, principally Brazil, which are reflected in operating results. These translation adjustments do not exist in terms of functional cash flows; such adjustments are not reported as part of operating results since realization is remote unless the international businesses were sold or liquidated.

An analysis of the changes during 1990 and 1989 in the separate component of stockholders' equity for cumulative currency translation adjustments follows:

(Dollars in Millions)	1990	1989
Beginning of year	$ (9)	(22)
Translation adjustments	250	13
End of year	241	(9)

Net currency transaction and translation gains and losses included in other expense were after-tax losses of $124, $141 and $61 million in 1990, 1989 and 1988, respectively, incurred principally in Latin America.

KELLOGG COMPANY (DEC)

	1990	1989
	(millions)	
Shareholders' equity		
Common stock, $.25 par value—shares authorized 165,000,000; issued 154,501,434 and 154,336,742	$ 38.6	$ 38.6
Capital in excess of par value	81.2	72.8
Retained earnings	2,542.4	2,271.4
Treasury stock, at cost—33,843,183 and 32,461,183 shares	(797.3)	(710.4)
Currency translation adjustment	36.9	(38.0)
Total shareholders' equity	1,901.8	1,634.4

NOTES TO FINANCIAL STATEMENTS

Note 4. Foreign currency translations

Most effects of exchange rate changes are reflected as a currency translation adjustment in shareholders' equity.

Exchange adjustments attributable to operations in highly inflationary economies are reflected in earnings along with the exchange adjustments related to foreign currency transactions that affect cash flows.

The currency translation adjustment included in shareholders' equity consists of the following components.

(millions)	1990	1989
Balance, January 1,	$(38.0)	$ 2.1
Exchange adjustments	72.8	(40.4)
Income tax effect of the adjustments	2.1	.3
Balance, December 31,	$ 36.9	$(38.0)

RALSTON PURINA COMPANY (SEP)

	1990	1989
	(Dollars in millions)	
Shareholders' equity		
Preferred stock, $1 par value, authorized 6,000,000 shares—None outstanding		
Common stock, $.41⅔ par value, authorized 380,000,000 shares—Issued 114,620,753 in 1990 and 114,604,912 in 1989	$ 47.8	$ 47.8
Capital in excess of par value	290.6	261.8
Retained earnings	3,190.0	2,919.7
Cumulative translation adjustment	(25.7)	(33.3)
Common stock in treasury, at cost, 58,947,637 shares in 1990 and 53,004,774 in 1989	(2,886.3)	(2,350.1)
Unearned portion of restricted stock	(31.0)	(14.2)
Total Shareholders' Equity	585.4	831.7

NOTES TO FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Foreign Currency Translation—Foreign currency financial statements of foreign operations where the local currency is the functional currency are translated using exchange rates in effect at period end for assets and liabilities and average exchange rates during the period for results of operations. Related translation adjustments are reported as a separate component of shareholders' equity. For foreign operations where the U.S. dollar is the functional currency and for countries which are considered highly inflationary, translation practices differ in that inventories, properties, accumulated depreciation and depreciation accounts are translated at historical rates of exchange and related translation adjustments are included in earnings. Gains and losses from foreign currency transactions are generally included in earnings.

SNAP-ON TOOLS CORPORATION (DEC)

	1990	1989
	(Amounts in thousands)	
Shareholders' equity		
Preferred stock—authorized 15,000,000 shares of $1 par value; none outstanding	$ —	$ —
Common stock—authorized 125,000,000 shares of $1 par value; issued and outstanding—41,277,279 and 41,116,771 shares, respectively	41,277	41,117
Additional contributed capital	9,333	5,243
Retained earnings	582,704	526,449
Foreign currency translation adjustment (Note 7)	3,089	(152)
Total shareholders' equity	636,403	572,657

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Foreign Currency Translation

The financial statements of the Company's non-U.S. subsidiaries are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." Net assets of certain non-U.S. subsidiaries whose "functional" currencies are other than the U.S. dollar are translated at current rates of exchange. Income and expense items are translated at the average exchange rate for the year. The resulting translation adjustments are recorded directly into a separate component of shareholders' equity. Certain other translation adjustments continue to be reported in net income and were not significant in 1990, 1989 and 1988.

Guarantee of ESOP Debt

BECTON, DICKINSON AND COMPANY (SEP)

	1990	1989
	(Thousands of dollars)	
Shareholders' Equity		
ESOP convertible preferred stock—par value $1: authorized, issued and outstanding, 1,016,949 shares	$ 53,470	$ —
Common stock—par value $1: authorized—160,000,000 shares; issued—42,674,523 shares	42,674	42,674
Capital in excess of par value	148,422	145,842
Cumulative currency translation adjustments	43,574	(17,623)
Retained earnings	1,265,898	1,126,220
Unearned ESOP compensation	(50,889)	—
Common shares in treasury—at cost—5,033,069 shares in 1990 and 4,397,146 shares in 1989	(269,594)	(225,616)
Total Shareholders' Equity	1,233,555	1,071,497

NOTES TO FINANCIAL STATEMENTS

Note 3—Employee Stock Ownership Plan (ESOP)/Savings Plan

The Company sponsors a voluntary defined contribution plan (savings plan) covering most domestic employees. In January 1990, the Company implemented an ESOP as part of the savings plan. The ESOP will operate to satisfy all or part of the Company's obligation to match 50% of employees' contributions, up to a maximum of 3% of each participant's salary. To accomplish this, the ESOP borrowed $60,000 in a private debt offering and used the proceeds to buy the Company's newly issued Series B convertible preferred stock. The Company repurchased 1,029,200 shares of its common stock (at an average price of $58.30) with the proceeds obtained from the sale of preferred stock.

At the time of issuance, each share of preferred stock had a guaranteed liquidation value of $59 per share and was convertible into 0.8 share (or an aggregate of 813,559 shares) of the Company's common stock at a conversion price of $73.75 per share. The preferred stock pays an annual dividend of $3.835 per share which will be used by the ESOP, together with Company contributions, to repay the ESOP debt. The initial allocation of preferred stock to plan participants began in March 1990 based on principal and interest payments due on the ESOP debt.

Since the ESOP debt is guaranteed by the Company, it is reflected in the consolidated balance sheet as short-term and long-term debt. The debt has an approximate 14 year maturity and a fixed interest rate of 9.45%. As principal payments are made by the ESOP, the amount shown as long-term debt of the Company will be reduced. Preferred stock (and related unearned ESOP compensation associated with the unallocated shares) was recorded based on the underlying value of the Company's common stock at the time of issuance. Due to redemption provisions, $6,511 of the preferred stock (and the related offsetting unearned ESOP compensation) was classified outside of shareholders' equity. These amounts will be adjusted at each balance sheet date for changes in the market price of the underlying common stock, as long as such price is less than the conversion price of the preferred stock.

The amount of ESOP expense recognized is equal to the cost of the preferred shares allocated and the ESOP interest for the year. Total expense of the savings plan (including the ESOP) amounted to $6,193 in 1990, of which $1,692 represented interest expense. Total expenses for 1989 and 1988 were $5,656 and $5,103, respectively. In 1990, the Company's cash contribution to the ESOP was $686. Dividends on preferred shares of $1,733 were used for debt service by the ESOP in 1990.

THE GILLETTE COMPANY (DEC)

	1990	1989
	(Millions of dollars)	
Stockholders' equity		
8.0% Cumulative Series C ESOP Convertible Preferred, without par value, 165,872 shares issued	$ 100.0	$ —
Unearned ESOP compensation	(92.4)	—
Common stock, par value $1 per share Authorized 290,000,000 shares Issued: 1990, 138,083,494 shares; 1989, 137,714,292 shares	138.1	137.7
Additional paid-in capital	176.8	169.4
Earnings reinvested in the business	1,635.6	1,430.0
Cumulative foreign currency translation adjustments	(209.5)	(183.9)
Treasury stock, at cost: 1990, 40,865,085 shares; 1989, 40,864,775 shares	(1,483.2)	(1,483.2)
Total Stockholders' Equity	265.4	70.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Ownership Plan

In January 1990, the Company established an employee stock ownership plan, or ESOP, to assist employees who retire after January 1, 1992, to finance their retiree medical costs. Employees hired before July 1, 1990, will be required to pay some portion of the cost of such retiree medical coverage if they elect it. Employees hired after July 1, 1990, will be required to pay 100% of such cost if they elect it.

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 stock pays an annual dividend of 8% and will be allocated to eligible employees over a 10-year period which began in September 1990. In general, the Series C shares 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 is entitled to vote as if it were converted to common stock and 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 ESOP loan principal and interest will be repaid on a semi-annual basis over a 10-year period by Company contributions to the ESOP and by the dividends paid on the Series C shares. In 1990, Company cash contributions and dividend payments to the ESOP were $10.9 million. The ESOP made principal and interest payments of $3.2 million and $7.7 million, respectively.

The Company has guaranteed the ESOP's borrowings and reported the unpaid balance of this loan as a liability of the Company. An unearned ESOP compensation amount is reported as an offset to the Series C share amount in the equity section.

Compensation expense related to the plan is based upon the preferred shares allocated to participants and amounted to $7.6 million in 1990.

MEDTRONIC, INC. (APR)

	1990	1989
	($000)	
Shareholders' Equity:		
Preferred stock—par value $1.00; 2,500,000 shares authorized, none outstanding		
Common stock—par value $.10; 100,000,00 shares authorized, 27,110,229 and 26,780,190 shares issued and outstanding	$ 2,711	$ 2,678
Retained earnings	572,632	470,146
Cumulative translation adjustment	5,649	785
	580,992	473,609
Receivable from Employee Stock Ownership Plan	(40,000)	—
Total Shareholders' Equity	540,992	473,609

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7—Employee Stock Ownership Plan

Effective October 6, 1989, the company established an Employee Stock Ownership Plan (ESOP) for eligible U.S. employees. On December 13, 1989, the ESOP used $40.0 million of proceeds of a loan from the company to purchase 591,654 shares of Medtronic, Inc. common stock. Each year the company will make contributions to the plan which will be used, in part, by the ESOP to make loan and interest payments. These contributions will begin in fiscal year 1991. Shares of common stock acquired by the plan are to be allocated to each employee in amounts based on company performance and employee's annual compensation. The loan from the company to the ESOP is repayable over 20 years commencing on April 30, 1991, and ending on April 30, 2010. Interset is payable annually at a rate of 9.0%. The company's receivable from the ESOP Is recorded as a separate reduction of the company's shareholders' equity.

STANDARD MOTOR PRODUCTS, INC. (DEC)

	1990	1989
Stockholders' equity (Note 11):	*(Dollars in Thousands)*	
Common Stock—par value $2.00 per share: Authorized 30,000,000 shares, issued and outstanding 13,228,788 shares (including 109,115 and 110,115 shares held as treasury shares in 1990 and 1989)	$ 26,458	$26,458
Capital in excess of par value	1,417	1,292
Loan to E.S.O.P.	(13,424)	(15,103)
Retained earnings	138,011	134,475
	152,462	147,122
Less: Treasury stock—at cost	1,427	1,440
Total stockholders' equity	151,035	145,682

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Employee Benefit Plans

In January 1989, the Company established an Employee Stock Ownership Plan (ESOP) and Trust for employees who are not covered by a collective bargaining agreement. The ESOP Plan authorized the Trust to purchase up to 1,000,000 shares of the Company's common stock in the open market. On March 10, 1989 the Company entered into an agreement with a bank authorizing the Company to borrow up to $18,000,000 in connection with the ESOP. Under this agreement the Company borrowed $16,729,000 payable in equal annual installments through 1998 (see Note 8) which was loaned on the same terms to the ESOP for the purchase of common stock. During 1989, the ESOP made open market purchases of 1,000,000 shares at an average cost of $16.78 per share. The ESOP allocated 100,000 shares of common stock per annum to participants in 1990 and 1989. At December 31, 1990, the ESOP owned

800,000 shares of common stock. Future company contributions plus dividends earned will be used to service the debt.

At December 31, 1990 and 1989, indebtedness of the ESOP to the Company in the amounts of $13,424,000 and $15,103,000, respectively, are shown as deductions from shareholders' equity in the consolidated balance sheet.

Federal income tax benefits of $126,000 in 1990 and $82,000 in 1989 resulting from the deductibility of certain dividends paid by the Company to the ESOP were credited directly to capital in excess of par. The provision for expense in connection with the ESOP was approximately $1,519,000 in 1990 and $1,676,000 in 1989.

TRIBUNE COMPANY (DEC)

	1990	1989
	(In thousands of dollars, except share data)	
Stockholders' Investment		
Series B convertible preferred stock (without par value) Authorized: 1,600,000 shares Issued and outstanding: 1,588,965 in 1990 and 1,590,909 shares in 1989 (liquidation value $220 per share)	$ 348,218	$ 348,644
Common stock (without par value) Authorized: 400,000,000 shares; 81,771,658 shares issued	1,018	1,018
Additional paid-in capital	103,758	104,857
Retained earnings	1,380,032	1,523,675
Treasury stock—at cost—17,613,453 shares in 1990 and 13,136,743 shares in 1989	(714,501)	(537,230)
Unearned compensation related to ESOP	(358,531)	(369,150)
Cumulative translation adjustment	4,518	6,182
Total stockholders' investment	764,512	1,077,996

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Incentive Compensation and Stock Plans

Employee Stock Ownership Plan (ESOP)

This plan provides for the awarding of shares of the Company's preferred and common stock on a noncontributory basis to eligible employees of the Company. In 1988 the ESOP purchased 796,7000 shares of the Company's common stock, financed by the proceeds from a $30,000,000 note issued by the ESOP and an initial contribution of $1,000,000 from the Company. In 1989 the Company issued 1,590,909 shares or $350,000,000 of convertible preferred stock to the ESOP of which $345,000,000 was purchased by the ESOP and $5,000,000 was contributed to the ESOP by the Company.

The shares of stock held by the ESOP have been placed with the ESOP Trustee and are allocated to eligible employees annually. These common and preferred shares are allocated in the same proportion that the current year's principal and interest payments bear to the total principal and interest paid over the lives of these borrowings. Each preferred share is convertible into four shares of the Company's common stock. The ESOP Trustee must convert the preferred shares when making distributions to participants upon their withdrawal from the ESOP. If at the time of such conversion, the price of the Company's common stock is below $55 per share, the Company must at its option either pay the difference in cash or issue additional common stock. The expense of this plan was $15,400,000 in 1990, $15,200,000 in 1989 and $1,000,000 in 1988. ESOP debt service costs for 1990 and 1989 were paid from dividends received on common and preferred stock held in the ESOP and Company contributions. At December 30, 1990 6,400,000 shares of common stock were received for issuance in connection with this plan.

WETTERAU INCORPORATED (MAR)

	1990	1989
	(Dollars in thousands)	
Shareholders' equity		
Common stock, $1.00 par value Authorized—60,000,000 shares Issued—27,045,364	$ 27,045,000	$ 27,045,000
Additional paid-in capital	124,303,000	123,444,000
Retained earnings	203,396,000	170,618,000
	354,744,000	321,107,000
Less guaranteed loans of Employee Stock Ownership Plan, net of tax	19,709,000	20,680,000
Less 5,216,866 and 3,394,344 treasury shares at cost	128,485,000	70,380,000
Total shareholders' equity	206,550,000	230,047,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Benefit Plans (In Part)

Effective April 1985, the company established an Employee Stock Ownership Plan (ESOP) which purchased 526,544 common shares of the company with the proceeds from a $9,375,000 bank borrowing. During 1988, the ESOP purchased an additional 1,800,000 common shares of the company with the proceeds from a $31,050,000 bank borrowing. The company guaranteed the loans and is obligated to make annual contributions sufficient to enable the ESOP to repay the loan principal and interest. Interest incurred on these loans was $2,678,000, $2,719,000 and $1,403,000 for 1990, 1989 and 1988, respectively. Dividends on unallocated shares used for debt service by the ESOP were $1,086,000, $1,089,000 and $398,000 for 1990, 1989 and 1988, respectively. Charges to operations for the cost of this plan were $3,490,000, $2,880,000 and $2,788,000 for 1990, 1989 and 1988, respectively. The ESOP loan guarantees are recorded net of taxes in the shareholders' equity section of the balance sheet.

Unearned Compensation Relating To Stock Award Plans

ANALOGIC CORPORATION (JUL)

	1990	1989
	(000 omitted)	
Stockholders' equity		
Common stock, $.05 par; authorized 30,000,000 shares; issued 1990, 16,013,501 shares; issued 1989, 16,001,376 shares	$ 801	$ 800
Capital in excess of par value	38,132	38,480
Retained earnings	130,971	118,540
	169,904	157,820
Less:		
Treasury stock, at cost (1990, 1,978,980 shares; 1989, 1,333,020 shares)	15,674	9,865
Unearned compensation	729	1,430
	153,501	146,525

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Stock option and stock bonus plans:

At July 31, 1990, the Company had four key employee stock option plans, one key employee stock bonus plan, one non-employee director stock option plan and one employee stock purchase plan.

Options granted under the five stock option plans become exercisable in installments commencing no earlier than one year from the date of grant and no later than five years from the date of the grant. Options issued under the plans are nonqualified options or incentive stock options and are issued at prices of not less than 100% of the fair market value at the date of grant. Tax benefits from early disposition of the stock by optionees under incentive stock options, and from exercise of nonqualified options are credited to capital in excess of par value.

Under the Company's key employee stock bonus plan, common stock may be granted to key employees under terms and conditions as determined by the Board of Directors. Participants under the stock bonus plan may not dispose or otherwise transfer stock granted for three years from date of grant. Thereafter, restrictions lapse at the rate of 25% of the stock per year. Upon issuance of stock under the plan, unearned compensation equivalent to the market value at the date of grant is charged to stockholders' equity and subsequently amortized over a period of seven years. Amortization of $245,000, $411,000 and $380,000 was recorded in fiscal 1990, 1989 and 1988, respectively.

BETZ LABORATORIES, INC. (DEC)

	1990	1989
	(In thousands)	
Common Shareholders' Equity:		
Common shares—		
Authorized—35,000,000 shares, $.10 par value; Issued (including treasury shares): 1990—33,705,330 shares; 1989—33,718,368 shares	$ 3,371	$ 3,372
Capital in excess of par value of shares	59,551	52,049
Retained earnings	297,686	267,038
Foreign currency translation adjustments	9,900	2,259
	370,508	324,718
Less:		
Cost of Common Shares in treasury: 1990—5,289,007 shares; 1989—5,290,656 shares	134,730	126,246
Unearned compensation	12,028	11,565
Unrealized loss on investments	5,050	4,041
COMMON SHAREHOLDERS' EQUITY	218,700	182,866

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Stock Option, Stock Incentive, and Shareholder Rights Plans

Incentive Plan—The Employee Stock Incentive Plan provides that up to 1,000,000 shares of common stock may be granted to April 30, 1993, at the discretion of the Board, to key employees at no cost to the employees. The Company granted 120,632, 152,174 and 226,790 shares during 1990, 1989 and 1988, respectively. Key employees receiving grants are entitled to receive dividends, but assumption of full beneficial ownership is contingent at the time of grant. In the event the employee does not remain in continuous employment for the periods stipulated, the shares are cancelled and revert to the Company for reissuance under the Plan.

The aggregate fair market value of the shares granted under this Plan is considered unearned compensation at the time of grant and compensation is earned ratably over the stipulated period.

At December 31, 1990, the Company had remaining an aggregate of 2,209,269 shares of its common stock reserved for issuance under its Stock Option Plans and 279,000 shares of common stock available for issuance under its Employee Stock Incentive Plan.

LORAL CORPORATION (MAR)

	1990	1989
Shareholders' equity (Note 8):		
Common stock, $.25 par value; authorized 70,000,000 shares, issued 25,616,432 and 25,525,941 shares	6,404,000	6,381,000
Paid-in capital	174,103,000	167,720,000
Retained earnings	428,125,000	368,839,000
	608,632,000	543,940,000
Less:		
Treasury stock, at cost (12,214 and 11,190 shares)	164,000	214,000
Unearned compensation	23,592,000	24,053,000
Cumulative translation adjustment	355,000	—
Total shareholders' equity	584,521,000	519,673,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Shareholders' Equity:

The Company has 2,000,000 authorized and unissued shares of preferred stock (par value $1.00). The designation of terms, conditions and amounts of such preferred stock will be set by the Board of Directors.

Under the Company's various stock option plans, options may be granted at prices determined by the Stock Option Committee. The Committee determines the exercise and expiration dates of the options, which may not be later than 10 years from the date of grant. For options granted at less than 75% of the fair market value at date of grant, the plans provide for return of stock issued on exercise of these options on a ratable basis should the recipient leave the Company's employment under certain circumstances within six years of the grant of these options. Unearned compensation expense with respect to options granted at less than fair market value at date of grant, included as a separate component of shareholders' equity, aggregated $8,247,000 and $2,224,000 at March 31, 1990 and 1989, respectively, and is being amortized over the period that the options vest.

SARA LEE CORPORATION (JUN)

	1990	1989	1988
	(Dollars in thousands except share data)		
Common stockholders' equity			
Common stock: (authorized 300,000,000 shares; $1.33⅓ par value) 230,338,919 shares issued in 1990, 113,667,303 shares in 1989 and 119,596,068 shares in 1988	307,079	151,556	159,461
Paid-in capital	18,598	18,779	24,212
Retained earnings	1,919,541	1,750,961	1,597,259
Translation adjustments	75,035	(6,380)	15,337
Unearned restricted stock issued for future services	(28,597)	—	—
Treasury stock, at cost: None in 1990 and 1989, 9,037,505 shares in 1988	—	—	(221,172)
Total common stockholders' equity	2,291,656	1,914,916	1,575,097

NOTES TO FINANCIAL STATEMENTS

Common Stock (In Part)

A restricted stock plan was adopted in 1990 which provides for awards of common stock to executive employees, subject to forfeiture if employment terminates prior to the end of prescribed periods. The market value of shares awarded under the plan is recorded as unearned restricted stock. The unearned amount is amortized to compensation expense over the periods the restrictions lapse. During 1990, 1,137,400 shares with employment restriction periods ranging from three to ten years were awarded at a market value of $29.88 per share. In 1990, 47,000 shares were forfeited.

Unrealized Losses/Gains On Noncurrent Marketable Equity Securities

AMERICAN BRANDS, INC. (DEC)

	1990	1989
	(In millions, except per share amounts)	
Common stockholders' equity		
Common stock, par value $3.125 per share issued 1990, 229.6; 1989, 114.8 (unadjusted for two-for-one stock split)	$ 717.4	$ 358.7
Additional paid-in capital	137.7	87.6
Unrealized depreciation on marketable equity securities	(15.4)	(1.7)
Foreign currency adjustments	33.3	(130.5)
Retained earnings	3,386.7	3,438.2
Treasury stock, at cost	(626.6)	(814.2)
Total Common shareholders' equity	**3,633.1**	2,938.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Investment income is recognized as revenue when earned. Realized gains and losses on disposal of investments are determined on a specific identification basis and are included in income. Fixed maturity securities are valued at amortized cost. Franklin has the ability and intent to hold substantially all of these securities for the foreseeable future. Unrealized appreciation and depreciation on investments in equity securities are included directly in Common stockholders' equity, net of applicable deferred federal income taxes and amounts allocable to participating policyholders' interests.

HERCULES INCORPORATED (DEC)

	1990	1989
	(Dollars in thousands)	
Stockholders' Equity		
Common stock (Shares issued: 1990, 58,117,531; 1989, 57,694,847)	$ 30,270	$ 30,049
Additional paid-in capital	357,571	343,287
Foreign currency translation adjustment	87,496	42,733
Investment valuation allowance	(5,448)	—
Retained earnings	2,026,342	2,035,379
	2,496,231	2,451,448
Reacquired stock, at cost (11,155,967 shares)	554,242	554,242
Total Stockholders' Equity	1,941,989	1,897,206

NOTES TO FINANCIAL STATEMENTS
(Dollar in thousands)

17. Investments, Other

Investments, Other includes marketable equity securities with a book value of $26,945. Due to a decline in market value during 1990, a valuation allowance of $5,448 was recorded at December 31, 1990.

NEWELL CO. (DEC)

	1990	1989
	(In thousands)	
Stockholders' Equity		
Preferred Stock issued & outstanding: 1990-4,500 shares; 1989-6,000 shares	$ 4,748	$ 6,330
Common Stock issued & Outstanding: 1990-59,573,000 shares; 1989-59,061,000 shares	59,573	59,061
Additional paid-in capital	169,407	166,442
Retained earnings	289,738	218,625
Cumulative translation adjustment	1,953	5,416
Unrealized loss on marketable securities	(16,700)	—
Treasury stock, at cost	(54)	(56)
Total Stockholders' Equity	508,665	455,818

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Marketable Securities: Marketable securities at December 31, 1990 respresents current marketable equity securities valued at lower of cost or market value. 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. Noncurrent other assets as of December 31, 1990, includes Newell's ownership in publicly-owned companies. These investments are carried at aggregate market value at December 31, 1990 of $35.8 million. Aggregate cost of these investments is $59.7 million. The unrealized loss in market value of the equity securities is reflected on an after-tax basis as a reduction of stockholders' equity since management deems such unrealized losses to be temporary.

SERVICE CORPORATION INTERNATIONAL (DEC)

	1990	1989
	(Thousands)	
Stockholders' equity:		
Preferred stock, $1 par value, 1,000,000 shares authorized, -0- and 100,000 shares issued and outstanding	$ —	$ 100
Common stock, $1 par value, 100,000,000 shares authorized, 45,867,137 and 48,382,689 issued and outstanding (net of 3,098,415 and 40,499 shares repurchased)	45,867	48,383
Capital in excess of par value	264,895	372,040
Retained earnings	133,443	135,413
Unrealized depreciation of investments	(11,351)	—
Foreign translation adjustment	1,469	1,841
Total stockholders' equity	434,323	557,777

NOTES TO FINANCIAL STATEMENTS

7 (In Part): Investments

Investments, which include the amounts collected and held in trust for prearranged funeral and cemetery obligations are carried on the balance sheet at the lower of cost or market. Unrealized depreciation, due to the aggregate of temporary differences between market value and cost, is reflected in stockholders' equity with no current effect on income. If declines in market value are considered to be other than temporary, the investment is reduced to net realizable value, and the reduction is recorded as a realized loss. Realized gains and losses on sales of investments are recognized on a first-in, first-out basis.

Receivables From Sale of Stock

DATA GENERAL CORPORATION (SEP)

	1990	1989
	(Dollars in thousands except par value)	
Stockholders' equity;		
Preferred stock, $.01 par value: Issued—none		
Common stock, $.01 par value: Outstanding—30,707,000 shares at Sept. 29, 1990 and 29,528,000 shares at Sept. 30, 1989 (net of deferred compensation of $20,933 at Sept. 29, 1990 and $25,922 at Sept. 30, 1989)	$379,304	$361,031
Notes receivable—related parties	(1,044)	(2,093)
Retained earnings	8,120	147,895
Cumulative translation adjustment	19,112	15,293
Total stockholders' equity	405,492	522,126

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Notes Receivable—Related Parties

In fiscal 1984 the company's stockholders approved the Executive Stock Option Loan Program. The program was discontinued in fiscal 1990. No new loans are being granted under the program.

The maximum term to maturity of each loan is sixty months. Loans may be extended or renewed at the discretion of the Board of Directors. Loans granted under the program are full recourse loans and are secured by pledge of the company's common stock or other collateral. The company has entered into agreements with the participants which, under certain circumstances, provide for forgiveness of up to 50% of the principal amount of the participants' notes. Estimated amounts to be forgiven under such agreements are considered deferred compensation. These amounts are being amortized to expense over the related service period and will be deductible by the company for tax purposes within one year from the date of forgiveness.

Loans to finance the exercise of stock options are made pursuant to notes bearing interest at the applicable federal rate as defined in Section 1274 of the U.S. Internal Revenue Code. Interest rates on loans outstanding during 1990 ranged from 7.0% to 9.5%. The aggregate principal of these notes outstanding, net of amortized deferred compensation, is recorded as a reduction of stockholders' equity. Loans to finance a portion of the tax liabilities arising from exercise of the stock options are made pursuant to interest-free notes. The aggregate principal of these notes outstanding, net of amortized deferred compensation, is recorded as a long-term receivable.

In fiscal 1988 the company entered into agreements with participants providing for the vesting of a pro rata portion of the total forgiveness to be granted on maturity of their loans. During fiscal 1988, as a result of these agreements, $8.1 million of previously amortized forgiveness relating to outstanding option and tax loans, less withholding taxes of $2.0 million, was applied to reduce $5.5 million of option loan principal and $0.6 million of tax loan principal.

GENERAL INSTRUMENT CORPORATION (FEB)

	1990	1989
	(Dollars in thousands)	
Stockholders' equity:		
Cumulative preferred stock without par value: shares authorized, 2,000,000; shares outstanding, none		
Common stock, $1.00 par value: shares authorized, 120,000,000; shares outstanding, 27,582,000 and 33,914,000 in 1990 and 1989, respectively	$ 27,582	$ 33,914
Additional paid-in capital	110,288	239,464
Cumulative translation adjustments	(230)	1,336
Employee notes for common stock purchase	(1,430)	(1,509)
Retained earnings	348,781	358,771
Total stockholders' equity	484,991	631,976

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Stock Option Plans and Stock Rights

Under the Company's stock option plans, 3,940,525 shares of common stock were reserved for issuance to officers and key employees at February 28, 1990. Options are granted at the fair market value of the stock at the date of grant. The options become exercisable at annual intervals beginning one year from date of grant and expire ten years from date of grant.

Stock options granted under the 1980 Stock Option Plan may include a stock appreciation right, either at the time of grant or by amendment. The difference between the number of options surrendered and shares issuable in satisfaction of the stock appreciation right are available for future grant. During 1990, 1989 and 1988, $4,020, $6,804 and $601, respectively, was charged to compensation expense relating to stock appreciation rights.

Under the terms of the 1978 Stock Option Plan, an optionee may borrow the amount of the option price from the Company. In such a case the optionee executes a series of non-recourse interest free notes collateralized by the shares covered by the option. The notes may be repaid at any time.

MAGNETEK, INC. (JUN)

	1990	1989
	Amounts in thousands	
Common Stockholders' Equity		
Common stock, $.01 par value, 100,000,000 shares authorized, 22,869,000 and 22,751,000 shares issued and outstanding	$ 229	$ 228
Additional paid-in capital	61,958	62,012
Stock subscriptions receivable	(171)	(408)
Retained earnings	67,987	35,622
Cumulative translation adjustment	1,873	1,308
Total common stockholders' equity	131,876	98,762

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Common stock, stock purchase and stock option agreements

During the fourth quarter of the fiscal year ended June 30, 1989, the Company completed the public sale of 5,250,000 shares of common stock at a price of $12.00 per share. The proceeds, net of offering costs, were $57,247 and were used to redeem certain securities and repay borrowings under the Company's prior bank loan agreements (see Note 4).

Prior to the public sale of common stock, the Company had entered into stock purchase agreements with key executives whereby the executive acquired shares of the Company's common stock at fair market value. The executives generally paid $.01 per share in cash and the balance is in the form of a 12 percent recourse promissory note payable to the Company. The promissory notes are due five years from the date of issuance or upon the earlier termination of the executive's employment with the Company and are secured by the stock issued. The executives may elect to defer interest payments during the first two years. The promissory notes are included in the accompanying balance sheet as a reduction (stock subscriptions receivable) of common shareholders' equity. The shares are subject to vesting provisions which provide for vesting in four equal annual installments. The executives are eligible to vote the shares.

The agreements provide for a partial accleration of vesting in the case of certain specified events and repurchase by the Company of unvested shares in the event of termination of the executive's employment. Shares outstanding under stock purchase agreements subject to repurchase by the Company aggregated 57,505 at June 30, 1990.

OPTICAL COATING LABORATORY, INC. (OCT)

	1990	1989
	(Amounts in thousands)	
Common stock, $.01 par value; authorized 30,000,000 shares; issued and outstanding 6,954,000 and 6,928,000 shares	$ 70	$ 69
Paid-in capital	24,495	24,322
Retained earnings	15,505	12,435
Cumulative foreign currency translation adjustment	890	(63)
	40,960	36,763
Notes receivable from officer stockholders	(1,253)	(1,417)
Common stockholders' equity	39,707	35,346

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Notes Receivable from Officer Stockholders

Under the Company's incentive compensation and officer loan plan approved by the stockholders, the Board of Directors is authorized to grant loans to officers to purchase the Company's common stock by direct purchase from the Company or through exercise of stock options.

At October 31, 1990, notes and accrued interest aggregating $1,253,000 were outstanding collateralized by 238,080 shares of the Company's common stock. The notes bear interest at rates from 7% to 12.5% and are payable on various dates through 1992. During 1990, interest of $94,000 was accrued and $100,000 of interest and $25,000 of principal was paid on the notes.

During 1990, the Company forgave $133,000 of notes receivable from officer stockholders and bonused related personal income taxes as additional compensation to such officers.

Adjustment Related To Recording Minimum Pension Liability

DRESSER INDUSTRIES, INC. (OCT)

	1990	1989
	(In Millions)	
Shareholders' Investment—Note L		
Preferred shares, 10,000,000 authorized		
Common shares, $0.25 par value		
Authorized shares: 200,000,000		
Issued shares: 166,585,516 in 1990 and 83,222,405 in 1989	$ 41.6	$ 20.8
Capital in excess of par value	423.3	442.8
Retained earnings	1,694.3	1,584.6
Cumulative translation adjustments	11.4	(39.3)
Pension liability adjustment	(1.7)	—
	2,168.9	2,008.9
Less treasury shares, at cost	405.2	400.7
Total Shareholders' Investment	1,763.7	1,608.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L (In Part): Postretirement Benefits

Beginning in 1990, SFAS 87 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. The Company has recorded as of October 31, 1990, an additional liability of $10.9 million, an intangible asset of $8.8 million and an equity reduction, net of income taxes, of $1.7 million.

EASTMAN KODAK COMPANY (DEC)

	1990	1989
	(In millions)	
Shareowners' Equity		
Common stock, par value $2.50 per share 950,000,000 shares authorized; issued at December 31, 1990—373,638,981 at December 31, 1989—373,581,604	$ 934	$ 934
Additional capital paid in or transferred from retained earnings	7	6
Retained earnings	7,859	7,802
Accumulated translation adjustment	7	(41)
Pension liability adjustment	(11)	—
	8,796	8,701
Less: Treasury stock at cost	2,059	2,059
at December 31, 1990—49,001,140 shares		
at December 31, 1989—49,004,563 shares		
Total shareowners' equity	6,737	6,642

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Plans (In Part):

SFAS No. 87 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. The minimum liability for the Company's unfunded plan of $47 million has been recorded as a long-term liability with a partially offsetting intangible asset. A reduction of shareowners' equity in the amount of $11 million has been separately reported since the intangible asset recognized may not exceed the amount of unrecognized prior service cost.

THE LTV CORPORATION (DEC)

	1990	1989
	(in millions)	
Other Preferred Stock, Common Stock and Other Shareholders' Equity (Deficit)		
Series B cumulative covertible preferred stock	$ 6.0	$ 6.0
Series D cumulative convertible preferred stock	2.8	3.9
Common stock—outstanding shares: 114,517,372 in 1990 and 108,630,352 in 1989	57.3	54.3
Additional capital	1,655.8	1,651.7
Retained earnings (deficit)	(6,464.8)	(6,535.7)
Minimum pension liability adjustment	(34.6)	(20.4)
Excess of redemption value over par value of Series A and C cumulative preferred stock	(67.8)	(79.6)
Total Other Preferred Stock, Common Stock and Other Shareholders' Equity (Deficit)	(4,845.3)	(4,919.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension Benefits (In Part):

In 1990 and 1989, as required by Statement of Financial Accounting Standards No. 87, the Company recorded additional pension liabilities to reflect the excess of accumulated benefits over the fair value of pension plan assets for defined benefit plans. To the extent that these additional liabilities exceed related unrecognized prior service cost, the increase in liabilities is charged directly to shareholders' equity.

ROBBINS & MYERS, INC. (AUG)

	1990	1989
Shareholders' equity		
Common stock—without par value:		
Authorized shares—10,000,000		
Outstanding shares—2,494,187 in 1990 and 2,523,399 in 1989 after deducting shares in treasury of 66,400 in 1990 and 31,838 in 1989		
Stated amount	$19,031,570	$19,499,044
Retained earnings	24,582,497	19,549,777
Equity adjustment for foreign currency translation	1,211,006	522,663
Equity adjustment to recognize minimum pension liability	(230,000)	0
	44,595,073	39,571,484

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension Plans (In Part):

The company and its subsidiaries have several pension plans covering most of their employees. Plans covering salaried employees provide pension benefits that are based primarily on years of service and employees generally provide benefits of stated amounts for each year of service. The company's funding policy is consistent with the funding requirements of applicable Federal regulations. At August 31, 1990, pension plan assets were invested in short and long-term interest bearing obligations and equity securities, including 94,000 shares of the company's common stock.

During 1990 the company recorded an adjustment of $2,857,000 to recognize the minimum pension liability required by the final provisions of Statement of Financial Accounting Standard No. 87, "Employers' Accounting for Pensions." The adjustment, which had no effect on 1990 income, was offset by recording an Intangible Asset in the amount of $2,627,000 and devereasing Shareholders' Equity by $230,000.

Stock Purchase Rights

AMCAST INDUSTRIAL CORPORATION (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Preferred Share Purchase Rights

In February 1988, the company adopted a Shareholder Rights Plan pursuant to which holders of the company's common shares received a dividend of one preferred share purchase right (collectively, the "Rights") for each common share held. The Rights contain features which, under defined circumstances, allow holders to buy shares at a bargain price. The Rights will expire on February 28, 1998. The Rights are not presently exercisable and trade in tandem with the common shares. The Rights become exercisable following the close of business on the tenth day after a public announcement that a person or grooup has acquired 20% or more of the common shares of Amcast or a public announcement or commencement of a tender or exchange offer which would result in ownership of 30% or more of the common shares of Amcast. It is expected that the Rights will begin to trade independently of the company's common shares at that time.

Amcast may redeem the Rights for 1 cent per Right any time prior to the close of business on the tenth day following the day that a 20% position was acquired and under certain circumstances thereafter, including in connection with certain transactions not involving a 20% shareholder of Amcast.

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 occurence 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.

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Preferred Stock Purchase Rights

On March 23, 1988, the Company distributed a dividend of one purchase right for each outstanding share of common

stock. Until the occurrence of specified events, the rights are represented by the associated common stock certificates. Following the distribution of the Class B common stock on June 10, 1988, and until the occurence of specified events, each certificate representing a share of Class A or Class B common stock also represents three-quarters of a right. Each right entitles the shareowner to buy from the company one-hundredth of a share of Series A Participating Preferred Stock at an exercise price of $55 per right. The rights become exercisable ten days after a party acquires 20% of the Company's common stock. The rights, which are subject to adjustment, may be redeemed by the Company at a price of $.03 per right at any time prior to the fifteenth day after a person acquires 20% of the Company's common stock. The rights expire on March 23, 1998.

In the event the Company is involved in certain business combination transactions with a 20% shareowner, each right will entitle its holder (other than a 20% shareowner) to purchase, at the right's then exercise price, an equity interest in the acquiring person having a market value of two times the exercise price. In the event a 20% stockholder engages in certain other transactions with the Company or (pursuant to a February, 1989 amendment) any person becomes a 20% shareowner, each right will entitle its holder (other than a 20% shareowner) to purchase, at the right's then exercise price, shares of Class A common stock having a market value of two times the exercise price.

CHEVRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Stockholders' Equity

In 1988, the company adopted a Stockholder Rights Agreement and declared a dividend distribution of one Right for each outstanding share of common stock. The Stockholder Rights Agreement was amended in December 1989. Each Right, when exercisable, entitles the holder to purchase one or more one-hundredths of a share of an authorized Series A participating preferred stock, or in certain cases other securities, for $130 (whole dollars). The exercise price and the number of shares issuable also are subject to adjustment to prevent dilution. Under the amended Stockholder Rights Agreement, the Rights will be exercisable, unless redeemed earlier by the company, if (1) a person or group acquires, or obtains the right to acquire, 10 percent or more of the outstanding shares of common stock or (2) a person or group commences a tender or exchange offer for such outstanding shares that would result in such person or group acquiring 10 percent or more of the outstanding shares of common stock, either event occurring without the prior consent of the company. Upon any such acquisition and assuming the Rights had not been redeemed, each Right entitles its holder to purchase stock having a value equal to two times the exercise price of the Right. The person or group who had acquired 10 percent or more of the outstanding shares of common stock without the prior consent of the company would not be entitled to this purchase opportunity.

The Rights will expire in November 1998, or they may be redeemed by the company at 5 cents per share prior to that date. The Rights do not have voting or dividend rights and, until they become exercisable, have no dilutive effect on the earnings of the company. Five million shares of the company's preferred stock have been designated Series A participating preferred stock and reserved for issuance upon exercise of the Rights.

Each Series A share is entitled to 100 votes on any matter submitted generally to a vote of stockholders, and to 100 times the amount of any dividends or other distributions paid on shares of common stock.

No event during 1990 made the Rights exercisable.

ECOLAB INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Shareholders' Equity

Authorized common stock, par value $1.00 per share, was 100 million shares in 1990, 1989 and 1988. Treasury stock is stated at cost. Dividends per share of common stock were $0.67 for 1990, $0.66 for 1989 and $0.64 for 1988.

In addition to the Series A Cumulative Convertible Preferred stock, the company has 13,900,000 shares, without par value, of authorzied but unissued preferred stock.

Each share of outstanding common stock entitles the holder to one-half of one preferred stock purchase right. A right entitles the holder, upon occurrence of certain events, to buy one one-hundredth of a share of Series A Junior Participating Preferred Stock at a purchase price of $150, subject to adjustment. The rights will become exercisable, and a Distribution Date will occur, 15 days after a person or group acquires, or commences a tender offer for, 20 percent or more of the company's outstanding common stock. The company may redeem the rights at five cents per right at any time until 15 days after a 20 percent or greater interest has been acquired. If any person or group acquires 20 percent or more of the company's common stock, each right not owned by a 20 percent stockholder will, after the company's right of redemption has expired (the "Stock Acquisition Date"), become exercisable for common stock of the company having a market value of twice the exercise price of a right. If, after the Stock Acquisition Date, the company is acquired in a merger or other business combination, each right will become exercisable for common stock of the acquiring company having a market value of twice the exercise price of a right. Unless redeemed earlier, the rights will expire on March 11, 1996.

On September 10, 1990, the rights were amended to provide that the acquisition by Henkel KGaA or its affiliates of 20 percent or more of the company's common stock will not constitute, subject to certain conditions, a Distribution Date or a Stock Acquisition Date.

NATIONAL INTERGROUP, INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Capital Stock

Stockholders' Rights Agreement: On March 3, 1986, the Corporation declared a dividend distribution of one preferred share purchase right on each outstanding share of common stock. Each right will entitle stockholders to buy one-hundredth of a series of junior participating preferred stock at an exercise price of $75.00 per share. The rights are exercisable only if a person or group acquires ownership of or announces a tender offer for a certain percentage of the Corporation's common stock. The Corporation is entitled to redeem the rights, at five cents per right, at any time before a public announcement that the requisite percentage ownership has been acquired.

On December 21, 1988, the Board of Directors approved a first amendment to the Stockholders' Rights Agreement dated as of March 15, 1986 (the Rights Agreement). This amendment provides that if a person or group acquires 20 percent or more of the Corporation's common stock (any such person being referred to as an Acquiring Person), the holders of the rights (with the exception of the Acquiring Person whose rights become void), shall have the right to receive, upon exercise of each right, that number of shares of the Corporation's common stock having a market value equal to two times the exercise price of the rights. The exercise price of the rights is currently $75.00, but is subject to adjustment as provided in the Rights Agreement.

On January 26, 1990, the Board of Directors of the Corporation approved a second amendment (the Second Amendment) to the Rights Amendment. The Second Amendment provides that the rights become exercisable when an Acquiring Person attains owenership of 10 percent or more of the Corporation's common stock. Remaining in effect are all of the provisions of the Rights Agreement, including the provisions which state that in the event that the Corporation is acquired in a merger or other business combination transaction, proper provision shall be made so that each holder of rights (with the exception of the Acquiring Person, whose rights shall become void), shall thereafter have the right to receive, upon exercise of each right, that number of shares of common stock of the surviving company having a market value equal to two times the exercise price. The Second Amendment also enables the Corporation's Board of Directors to elect to exchange all of the then outstanding rights (other than those rights owned by the Acquiring Person, which rights become void) for common stock of the Corporation at an exchange ratio of one common share per right at any time after a person becomes an Acquiring Person, but before such person owns more than 50 percent of the Corporation's outstanding common stock.

Pursuant to a shareholder resolution adopted at the 1989 Annual Meeting of Stockholders, unless the Rights Agreement, as adopted and as amended or modified at any time since its adoption, shall be approved for continuation for a three year period by stockholders at the July 1992 Annual Meeting of Stockholders, the Plan shall expire on July 31, 1992, unless prior thereto it is extinguished by the redemption of the rights issued. The Rights Agreement, if continued by affirmative vote at the July 1992 Annual Meeting of Stockholders, shall similarly be submitted for stockholder approval at three year intervals thereafter.

The validity of the adoption by the Board of Directors of the Second Amendment to the Rights Agreement is currently under legal challenge by a dissident group of stockholders.

Warrants

OAK INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Capital Stock

Warrants

The Company, in conjunction with the Nordco financing (see Note 3), issued Series E warrants to purchase 750,000 shares of common stock to the lender in consideration for execution of the financing agreement.

The Company issued a Series F warrant in conjunction with the sale of common stock to MIM Ltd. (see Common Stock).

Under the terms of the warrant agreements, the exercise price of the warrants and the number of shares purchasable with each warrant are adjusted whenever common stock is issued at a share price below the current market value. At December 31, 1990, the following warrants were outstanding:

Warrant Series	Number of Shares	Exercise Price	Expiration Date
E	750,000	$1.20	December 1, 1997
F	3,000,000	$1.20	January 25, 1996

Section 3: Income Statement

INCOME STATEMENT TITLE

Table 3-1 summarizes the key word terms used in income statement titles.

TABLE 3-1: INCOME STATEMENT TITLE

	1990	1989	1988	1987
Income	323	323	314	317
Earnings	140	145	146	143
Operations	126	120	130	126
Other	11	12	10	14
Total Companies	**600**	**600**	**600**	**600**

INCOME STATEMENT FORMAT

Table 3-2 shows continuing increase in the number of survey companies presenting a multiple-step income statement. Frequently, regardless of income statement format, certain captions (income taxes, equity in operating results of investees, or minority interest) appear as a separate caption immediately preceding *net income* or *income before extraordinary items.*

The Securities and Exchange Commission requires that annual reports to stockholders include an income statement presenting the 3 most recent fiscal years.

TABLE 3-2: INCOME STATEMENT FORMAT

	1990	1989	1988	1987
Single-step Form				
Federal income tax shown as separate last item	206	229	233	251
Federal income tax listed among operating items	9	3	7	8
Multiple-step Form				
Costs and expenses deducted from sales to show operating income	229	220	225	220
Costs deducted from sales to show gross margin	156	148	135	121
Total Companies	**600**	**600**	**600**	**600**

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.

TABLE 3-3: REVENUE CAPTION TITLE

	1990	1989	1988	1987
Net Sales				
Net sales	345	350	355	361
Net sales and operating revenues	15	13	13	12
Net sales combined with other items	8	9	8	7
Sales				
Sales	82	76	78	85
Sales and operating revenue	24	28	27	23
Sales combined with other items	13	11	17	11
Other Captions				
Revenue	101	103	94	91
Gross sales, income, billing, shipments, etc.	12	10	8	10
Total Companies	**600**	**600**	**600**	**600**

REVENUES

EATON CORPORATION (DEC)

	1990	1989	1988
	(Millions of Dollars)		
Net Sales	$3,639	$3,671	$3,469
Costs and expenses:			
Cost of products sold	2,751	2,728	2,519
Selling and administrative expenses	467	444	428
Research and development expenses	128	124	122
Unusual items	(2)	-0-	-0-
	3,344	3,296	3,069
Income From Operations	295	375	400

HARCOURT BRACE JOVANOVICH, INC. (DEC)

	1990	1989	1988
		(In thousands)	
Publishing Revenues	$ 935,937	$ 885,722	$ 868,269
Insurance Revenues (Note 3)	476,810	456,298	402,453
Total revenues	1,412,747	1,342,020	1,270,722

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): HBJ Insurance

Consolidated condensed financial statements of HBJ Insurance are presented as follows.

RESULTS OF OPERATIONS
(in thousands)

	Year Ended December 31		
	1990	1989	1988
Insurance premiums and other	$325,950	$325,561	$286,572
Net investment income	150,860	130,737	115,881
Total revenues	476,810	456,298	402,453
Benefits incurred (Note 1)	197,212	192,588	152,201
Increase in policyholder reserves and deposits	124,389	92,088	77,454
Underwriting, acquisition, and general expenses (Note 1)	129,091	143,473	125,756
Income before income taxes	26,118	28,149	47,042
Provision for income taxes	9,494	10,534	16,788
Net income	$ 16,624	$ 17,615	$ 30,254

TIME WARNER INC. (DEC)

	1990	1989	1988
		(millions)	
Revenues	$11,517	$7,642	$4,507
Costs and expenses:			
Cost of revenues	7,539	4,582	2,219
Division selling, general and administrative	2,864	2,212	1,624
interest and other, net	1,133	1,068	100
Corporate expenses	126	85	42
Gain on investments, net	—	(63)	—
Total costs and expenses	11,662	7,884	3,985
Income (loss) before income taxes	(145)	(242)	522

TABLE 3-4: GAINS

	Number of Companies			
	1990	1989	1988	1987
Interest	315	307	305	292
Sale of assets	131	160	141	151
Equity in earnings of investees	91	85	90	102
Dividends	89	82	90	85
Foreign currency transactions	56	51	63	76
Royalties	31	22	17	28
Pension plan settlements	27	20	21	27
Rentals	19	13	20	17
Litigation settlements	14	12	14	14
Early retirement of debt	7	3	4	5
Public offering of subsidiary stock	6	7	8	16

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Film Revenues and Costs

Theatrical films are produced by the Filmed Entertainment division for exhibition in theatres and on home video devices and licensed pay television telecasts (the primary markets) during a period generally one year from the initial release date, and on licensed telecasts by network and independent television stations (the secondary markets) during a period generally two to seven years from the initial release date. Television films are produced for exhibition initially on television, often pursuant to a contract of sale, and include features, pilots, series and mini-series. The more successful television films produced for initial exhibition on networks or on a group of independent television stations (the primary market) often are subsequently licensed to other television stations or networks (the secondary markets).

Revenue from the theatrical distribution of films is recognized as the films are exhibited. Revenue from television films and from theatrical films exhibited on television is recognized when the films are first available for telecasting by the licensee, provided certain conditions of sale have been met. Home video revenue, less a provision for returns, is recognized when the home videos are sold.

UNISYS CORPORATION (DEC)

	1990	1989	1988
		(Millions)	
Revenue			
Net sales	$ 6,819.1	$ 6,965.5	$6,804.2
Service and rentals	3,292.2	3,131.4	3.131.0
	10,111.3	10,096.9	9,935.2

VARIAN ASSOCIATES, INC. (SEP)

	1990	1989	1988
		(Dollars in thousands)	
Sales	$1,264,840	$1,219,604	$1,045,142
Operating Costs and Expenses			
Cost of sales	872,233	853,192	696,657
Research and development	77,402	72,650	69,786
Marketing	156,259	145,707	135,410
General and administrative	75,272	78,819	63,074
Restructuring charges	51,482	—	35,018
Total operating costs and expenses	1,232,648	1,150,368	999,945
Operating Earnings	32,192	69,236	45,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Revenue Recognition—Sales and related cost of sales are recognized primarily upon shipment of products. Sales and related cost of sales under long-term contracts to commercial customers and the U.S. Government are recognized primarily as units are delivered.

The estimated sales values of performance under certain U.S. Government fixed-price and fixed-price incentive contracts in process are recognized under the percentage of completion method of accounting where the sales value is determined on the basis of physical completion and costs are expensed as incurred. Sales under cost-reimbursement contracts, primarily research and development 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. The fees under certain U.S. Government contracts may be increased or decreased in accordance with cost or performance incentive provisions which measure actual performance against established targets or other criteria. Such incentive fee awards or penalties are included in revenue at the time the amounts can be reasonably determined.

GAINS

Interest Income

RUBBERMAID INCORPORATED (DEC)

	1990	1989	1988
		(Dollars in thousands)	
Net sales	$1,534,013	$1,452,365	$1,291,584
Cost of sales and operating expenses:			
Cost of sales	1,014,526	967,563	886,850
Selling, general and administrative expenses	286,647	268,148	221,497
	1,301,173	1,235,711	1,108,347
Operating earnings	232,840	216,654	183,237
Other charges (credits), net:			
Interest expense	8,627	8,810	7,987
Interest income	(5,363)	(5,650)	(1,531)
Miscellaneous, net	(1,693)	8,814	4,951
	1,571	11,974	11,407
Earnings before income taxes	231,269	204,680	171,830

Sale Of Assets

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

	1990	1989	1988
		(millions)	
Net sales	$2,531.3	$2,503.7	$2,280.2
Cost of goods sold	1,826.8	1,775.5	1,625.4
Gross profit	704.5	728.2	654.8
Selling and administrative expense	468.9	443.3	399.1
Earnings from continuing business before other income (expense) and income taxes	235.6	284.9	255.7
Other income (expense):			
Interest expense	(37.5)	(41.2)	(26.4)
Gain on sale of woodlands	60.4	9.5	1.9
Miscellaneous income (expense)	(40.0)	(13.8)	11.7
	(17.1)	(45.5)	(12.8)
Earnings from continuing business before income taxes	218.5	239.4	242.9

ADDSCO INDUSTRIES, INC. (JUN)

	1990	1989	1988
Revenues			
Rent income	$1,504,010	$ 840,029	$ 272,779
Wharfage income	1,140,346	1,351,680	1,262,446
Other fees and charges	-0-	120,640	268,682
Equity in income of affiliate	32,185	57,247	55,268
Interest and other	446,863	200,149	101,237
Total revenues	3,123,404	2,569,745	1,960,412
General and administrative expenses	1,942,895	1,137,074	999,842
Operating income	1,180,509	1,432,671	960,570
Other income			
Gain on sale of land and equipment	363,563	-0-	-0-
Gain on sale of affiliate	1,276,268	-0-	-0-
Income from continuing operations before income taxes	2,820,340	1,432,671	960,570
Federal and state income taxes (benefit)	115,485	-0-	(115,876)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment in Unconsolidated Affiliate (In Part)

During 1990, the Company sold its investment in Pinto Island Land Company, Inc. The Company's investment in this unconsolidated affiliate was composed of a 50% ownership of the outstanding common stock of Pinto Island Land Company, Inc. and was accounted for using the equity method. The Company sold its stock for $1,600,000 during the year ended June 30, 1990 and recognized a gain of $1,276,268.

BRUNSWICK CORPORATION (DEC)

	1990	1989	1988
		(in millions)	
Net sales	$2,477.6	$2,826.1	$3,282.0
Cost of sales	1,914.1	2,209.8	2,418.3
Selling, general and administrative	475.2	540.3	539.4
Restructuring charge	15.0	100.0	16.5
Operating earnings (loss)	73.3	(24.0)	307.8
Interest expense	(46.3)	(56.7)	(40.5)
Interest income and other items, net	11.5	3.3	7.2
Gains on dispositions of Technical segment businesses	84.2	—	42.0
Earnings (loss) before income taxes	122.7	(77.4)	316.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Dispositions and Restructuring

In 1989, the Company's Board of Directors approved plans to offer for sale the businesses that comprised 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. The disposition of these businesses was completed in 1990. A pretax gain on the dispositions of $84.2 million ($46.7 million after-tax) was recorded in 1990. Net proceeds from the sale of assets of $213.1 million, primarily from the sales of these businesses, were used principally to pay off privately placed commercial paper borrowings.

In December 1990, the Company recorded a $15.0 million ($10.0 million after-tax) restructuring charge in the Marine segment for the consolidation of marine engine production facilities.

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 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 May 1988, the Company completed the sale of the filtration technology business of the Technical segment 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 these 1988 transactions increased net earnings by $10.6 million.

COCA-COLA ENTERPRISES INC. (DEC)

	1990	1989	1988
		(In thousands)	
Operating Revenues	$4,034,043	$3,881,947	$3,874,445
Cost of sales	2,359,267	2,313,032	2,268,038
Gross Profit	1,674,776	1,568,915	1,606,407
Selling, general and administrative expenses	1,339,928	1,258,848	1,225,238
Provision for restructuring	9,300	—	27,000
Operating Income	325,548	310,067	354,169
Nonoperating income (deductions):			
Interest income	6,566	6,564	8,505
Interest expense	(206,648)	(200,163)	(210,936)
Other income (deductions)—net	(519)	10,463	12,183
Gain on sale of operations	59,300	11,000	103,800
Income Before Income Taxes	184,247	137,931	267,721

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisitions and Divestitures (In Part)

Also in 1990, the Company sold in separate transactions (i) its food service vending operations in Memphis, Tennessee for approximately $11 million in cash and (ii) its majority ownership interest in Coca-Cola Bottling Company of Ohio and 100% ownership interest in Portsmouth Coca-Cola Bottling Company, Inc. for approximately $122 million in cash and notes. These transactions resulted in pretax gains of approximately $3.7 million and $55.6 million, respectively. The Coca-Cola Company owns an approximate 22% equity ownership interest in the purchaser of the Ohio operations and has representation on its Board of Directors.

Provision for Restructuring

In the second quarter of 1990, the Company recognized a $9.3 million restructuring charge relating primarily to the planned standardization of the Company's information systems operations. In the fourth quarter of 1988, the Company recognized a $27 million restructuring charge which principally provided for costs related to consolidation and relocation of certain manufacturing and administrative facilities and the write-down of certain property, plant and equipment and other assets.

HOMASOTE COMPANY (DEC)

	1990	1989	1988
Net sales	$28,130,134	$29,734,113	$30,596,396
Cost of sales	21,675,498	22,779,240	23,515,202
Gross profit	6,454,636	6,954,873	7,081,194
Selling, general and administrative expenses	5,822,666	5,717,924	5,564,188
Operating income	631,970	1,236,949	1,517,006
Other income (expense):			
Gain on sale of assets	18,344	24,923	46,978
Interest income	52,995	108,861	30,337
Interest expense	(124,850)	(129,953)	(163,095)
Other income	18,688	—	—
	(34,823)	3,831	(85,780)
Earnings before income taxes	597,147	1,240,780	1,431,226

Equity In Earnings Of Investees

TWIN DISC, INCORPORATED (JUN)

	1990	1989	1988
		(In thousands)	
Net sales	$163,021	$187,347	$162,397
Cost of goods sold	134,734	147,411	126,955
Gross profit	28,287	39,936	35,442
Operating expenses:			
Marketing, engineering and administrative expenses	24,444	24,603	23,614
Earnings from operations	3,843	15,333	11,828
Other income (expense):			
Interest income	521	376	323
Interest expense	(1,007)	(572)	(294)
Equity in earnings of affiliate	635	689	310
Other, net	362	1,375	1,422
	511	1,868	1,761
Earnings before income taxes	4,354	17,201	13,589

Foreign Currency Transactions

BAUSCH & LOMB INCORPORATED (DEC)

	1990	1989	1988
		Dollar Amounts in Thousands	
Net Sales	$1,368,580	$1,220,299	$978,276
Costs and Expenses:			
Cost of products sold	616,360	558,376	439,338
Selling, administrative and general	449,478	389,514	321,731
Research and development	48,050	41,109	31,048
	1,113,888	988,999	792,117
Operating Earnings	254,692	231,300	186,159
Other (Income) Expenses:			
Investment income	(17,677)	(10,451)	(15,448)
Interest expense	39,907	30,797	26,485
(Gain) loss from foreign currency	(871)	3,985	95
Other, net	34,907	33,107	26,184
	56,266	57,438	37,316
Earnings Before Income Taxes and Minority Interest	198,426	173,862	148,843

NOTES TO FINANCIAL STATEMENTS

Accounting Policies (In Part)

Foreign Currency Translation

Assets and liabilities of international subsidiaries have been translated at current exchange rates, and related revenues and expenses have been translated at average rates of exchange in effect during the year. Resulting cumulative translation adjustments have been recorded as a separate component of shareholders' equity. Also included in this component of shareholders' equity are gains and losses on forward contracts designated as hedges of foreign intercompany investments of a long-term nature. Translation adjustments relating to subsidiaries in countries with highly inflationary economies are included in net earnings, along with all transaction gains and losses for the period.

THE DOW CHEMICAL COMPANY (DEC)

	1990	1989	1988
		In millions	
Net sales	$19,773	$17,600	$16,682
Operating costs and expenses			
Cost of sales	13,035	10,478	9,806
Insurance and finance company operations, net (income)	(65)	(59)	(28)
Research and development expenses	1,136	873	772
Promotion and advertising expenses	639	494	415
Selling and administrative expenses	2,084	1,758	1,625
Amortization of intangibles	126	46	43
Total operating costs and expenses	16,955	13,590	12,633
Operating income	2,818	4,010	4,049
Other income (expense)			
Equity in earnings of 20%-50% owned companies	143	138	89
Interest income	123	130	86
Capitalized interest	84	49	30
Interest expense and amortization of debt discount	(740)	(513)	(400)
Gains on foreign currency transactions	56	58	5
Sundry income (expense)—net	79	63	(4)
Income before provision for taxes on income and minority interest	2,563	3,935	3,855

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

Primarily, the local currency has been used as the functional currency throughout the world. Where the U.S. dollar is used as the functional currency, foreign currency gains and losses are reflected in income currently. Translation gains and losses of those operations that use local currencies as the functional currency, and the effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included as a separate component of stockholders' equity.

Royalties

TEREX CORPORATION (DEC)

	1990	1989	1988
		(in thousands)	
Net Sales	$1,023,178	$790,903	$343,721
Cost of Goods Sold	853,714	665,487	280,254
Gross Profit	169,464	125,416	63,467
Engineering, Selling and Administrative Expenses	119,323	86,019	41,473
Income from operations	50,141	39,397	21,994
Other Income (Expense)			
Interest income	4,412	6,354	4,338
Interest expense	(46,657)	(32,598)	(13,724)
Equity in net income of affiliate companies	7,480	5,555	—
Royalty income	5,159	2,548	—
Other income (expense)	(2,691)	(96)	1,698
Income before income taxes	17,844	21,160	14,306

AMERON, INC. (NOV)

	1990	1989	1988
		($000)	
Sales	$445,900	$426,464	$363,625
Cost of Sales	329,239	319,308	268,060
Gross Profit	116,661	107,156	95,565
Expenses			
Selling, general and administrative	88,947	84,619	76,198
Interest	13,644	10,735	9,642
Other Income (Expense)			
Royalties and fees from affiliated companies and licensees	2,217	2,450	2,609
Sale of assets, net	42	1,889	1,584
Interest	691	392	400
Miscellaneous, net	(26)	488	282
Income before Income Taxes	16,994	17,021	14,600

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation. The consolidated financial statements include the accounts of Ameron and all significant wholly owned subsidiaries (the Company). All material inter-company accounts and transactions have been eliminated. Investments in significant 30 to 50 percent owned affiliates are accounted for by the equity method, whereby the investment is carried at cost of acquisition, plus the Company's equity in undistributed earnings or losses since acquisition.

The Company provides technical services and receives fees, royalties and other income from several of its affiliates and licensees, which are included in "Royalties and fees from affiliated companies and licensees."

Certain prior year balances have been reclassified to conform with the current year's presentation.

Litigation Settlements

PRAB ROBOTS, INC. (OCT)

	1990	1989	1988
Net Sales	$16,236,615	$21,437,583	$24,617,631
Cost and expenses:			
Cost of products sold	11,627,794	14,116,287	16,313,065
Selling, general and administrative expenses	5,509,024	6,829,062	6,848,519
Restructuring charges	66,319	1,825,969	—
	17,203,137	22,834,318	23,161,584
Operating income (loss)	(966,522)	(1,396,735)	1,456,047
Other Income (deductions):			
Interest expense	(943,643)	(797,544)	(620,278)
Loss on disposal of investment	(141,927)	—	—
Gain (loss) on Foreign Currency Transactions	414,419	(101,738)	—
Litigation settlement (Note 8)	477,865	—	—
Interest income	—	—	28,666
	(193,286)	(899,282)	(591,612)
Income (loss) from continuing operations before income taxes	(1,159,808)	(2,296,017)	864,435

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Litigation Settlement:

During the current year, an out-of-court settlement of litigation was reached in which the Company was a plaintiff. The total settlement amounting to $850,000, is presented net of directly related expenses of $372,135.

SUNDSTRAND CORPORATION (DEC)

	1990	1989	1988
	(Amounts in millions)		
Net sales	$1,599.8	$1,516.9	$1,401.8
Costs and expenses:			
Costs of products sold	1,021.9	964.8	960.3
Marketing and administration	341.1	324.1	334.0
Provision for resolution of government contracts disputes	—	—	125.9
	1,363.0	1,288.9	1,420.2
Earnings (loss) before other income (deductions)	236.8	228.0	(18.4)
Other income (deductions):			
Royalties and commissions	4.8	4.1	2.8
Interest expense	(95.5)	(96.6)	(104.2)
Interest income	51.9	49.9	48.4
Shareholder derivative action settlement	6.6	—	—
Gain on sale of Trans Com	—	16.6	—
Other, net	(15.1)	(1.6)	(11.2)
	(47.3)	(27.6)	(64.2)
Earnings (loss) from continuing operations before income taxes and cumulative effect of accounting change	189.5	200.4	(82.6)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholder Litigation

On August 9, 1990, the Company announced entry into a settlement agreement to fully dispose of shareholder litigation pending in federal district court in Chicago, *Rodney B. Shields v. Evans W. Erikson, et al.*, and in Delaware state court, *Harry Lewis v. Sundstrand Corporation, et al.* The terms of the settlement, which were approved by the court in Chicago and which resulted in the dismissal of all pending shareholder litigation, included a payment of $15 million to the Company from the proceeds of an insurance policy. After payment of legal fees and other expenses, this resulted in net proceeds of approximately $6.6 million to the Company. The Company also agreed to implement certain corporate governance procedures as a condition of the settlement.

Insurance Proceeds

WAUSAU PAPER MILLS COMPANY (AUG)

	1990	1989	1988
	(all dollar amounts in thousands)		
Net Sales	$339,935	$317,097	$284,240
Cost of products sold	298,584	269,803	242,740
Abandonment of fixed assets			1,138
Gross Profit	41,351	47,294	40,362
Selling, administrative and research expenses	15,799	15,555	15,389
Operating Income	25,552	31,739	24,973
Interest income	334	783	1,117
Life insurance proceeds	1,936		
Other income and expense—net	(81)	139	294
Interest expense	(3,510)	(372)	(1,913)
Debt discount amortization	(61)	(77)	(95)
Earnings before provision for income taxes	24,170	32,212	24,376

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Life Insurance Proceeds

Due to the death of William L. Goggins, President and Chief Executive Officer in December 1989, the company realized non-taxable income from life insurance proceeds in the amount of $1,936,000, which is separately stated in the Consolidated Statement of Operations for the year ended August 31, 1990.

Restructuring Credits

AMERICAN BRANDS, INC. (DEC)

	1990	1989	1988
		(In millions)	
Revenues			
Consumer products	$12,975.4	$11,090.4	$11,056.6
Life insurance	805.5	831.0	923.4
	13,780.9	11,921.4	11,980.0
Operating expenses			
Cost of products sold	3,760.1	3,348.0	3,405.7
Excise taxes on products sold	5,510.6	4,656.7	4,744.1
Insurance benefits	527.1	534.1	602.3
Advertising, selling and administrative expenses			
Consumer products	2,269.9	1,842.0	1,740.1
Life insurance	137.9	137.1	163.3
Restructuring (credits) charges	(31.9)	5.7	10.6
	12,173.7	10,523.6	10,666.1
Operating income	1,607.2	1,397.8	1,313.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information on Business Segments (In Part)

Operating income in 1990 includes a restructuring credit of $56.3 million relating to international tobacco's disposition of Niemeyer in July for gross proceeds of approximately $130 million and charges of $10.5 million relating to a facilities consolidation program in the hardware and home improvement products segment and $13.9 million relating to restructuring charges in specialty businesses (housewares and optics).

Investment Income

BANNER INDUSTRIES, INC. (JUN)

	1990	1989	1988
		(In thousands)	
Net Sales	$703,202	$313,705	$250,393
Costs and Expenses:			
Cost of Sales	471,425	200,755	155,692
Selling and Administrative Expenses	177,068	95,386	81,678
	648,493	296,141	237,370
Operating Income	54,709	17,564	13,023
Interest Expense	90,518	78,922	65,029
Investment (Income) Loss, Net	(26,074)	(42,472)	5,973
Equity in (Income) Loss of Affiliates	(4,414)	(14,139)	1,905
Net Interest and Investment Expenses	60,030	22,311	72,907
	(5,321)	(4,747)	(59,884)
Non-Recurring Income, Net	—	85,555	40,220
Income (Loss) From Continuing Operations Before Taxes on Income and Extraordinary Items	(5,321)	80,808	(19,664)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In thousands except for per share data)

8 (In Part): Investments

In determining realized gains and losses, the cost of the securities sold was based on specific identification of the security. Interest on commercial paper and corporate obligations as well as dividends on preferred and common stock are accrued at the balance sheet date. The overall net realized loss in fiscal 1988 was primarily the result of the significant decline in the market value of securities in October 1987.

Investment income (loss) for fiscal 1990, 1989 and 1988 is summarized as follows:

	1990	1989	1988
Interest income	$13,106	$20,551	$ 9,672
Dividend income	1,110	1,146	778
Net realized gains (losses)	16,858	32,811	(15,291)
Temporary valuation adjustment	(5,000)	1,132	(1,132)
Foreign currency transaction losses	—	(13,168)	—
Investment income (loss), net	$26,074	$42,472	$(5,973)

Nonrecurring/Unusual Gains

ACME STEEL COMPANY (DEC)

	1990	1989	1988
		(in thousands)	
Net sales	$446,042	$439,412	$412,453
Costs and expenses:			
Cost of products sold	396,726	375,902	347,505
Depreciation expense	12,540	11,624	10,455
Gross profit	36,776	51,886	54,493
Selling and administrative expense	28,028	25,751	22,858
Operating Income	8,748	26,135	31,635
Unusual income item—Wabush settlement	4,005	—	—
Interest expense—net	4,178	2,116	271
Other income (expense)—net	813	2,107	(382)
Income before income taxes and extraordinary credit	9,388	26,126	30,982

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unusual Income Item:

Results for 1990 include a pre-tax gain of $4 million arising from the settlement of a bankruptcy claim filed by Wabush Iron Company on behalf of Acme Steel and the other participants in an iron ore mining joint venture. The claim was filed against Wheeling-Pittsburgh Steel, a former participant that filed for bankruptcy in 1985. All proceeds have been invested at the iron ore operation to fund its required capital expenditure program to control air emissions.

USG CORPORATION (DEC)

	1990	1989	1988
		(All dollar amounts in millions)	
Net Sales	$1,915	$2,007	$2,070
Cost of products sold	1,499	1,506	1,536
Gross Profit	416	501	534
Selling and administrative expenses	203	209	223
Recapitalization and restructuring expenses	18	—	20
Operating Profit	195	292	291
Interest expense	292	297	178
Interest income	(8)	(10)	(13)
Other expense, net	5	15	16
Nonrecurring gains	(34)	(33)	—
Earnings/(Loss) from Continuing Operations Before Taxes on Income	(60)	23	110

SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

Nonrecurring Gains

In January 1990, a nonrecurring pre-tax gain of $34 million was recorded on the sale of USG's corporate headquarters building at 101 South Wacker Drive in Chicago. This gain was calculated after deducting $9 million as a reserve against which lease payments made by the Corporation while occupying the 101 South Wacker facility are being charged. The Corporation will continue to lease office space in this building until it moves to new leased offices scheduled for completion in 1992. Proceeds from this transaction were used to reduce debt.

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 which obligated the 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 a payment of $35 million, which included approximately $10 million in pre- and post-judgment interest.

In June 1989, a pre-tax 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 1988 plan of recapitalization and restructuring, included five plants and the production equipment from another location in Torrance, California. The disposal of the assets 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 the latter transaction.

TABLE 3-5: EXPENSES—COST OF GOODS SOLD CAPTIONS

	1990	1989	1988	1987
Single Amount				
Cost of sales	247	253	242	243
Cost of products sold	114	113	114	114
Cost of goods sold	106	102	104	105
Elements of cost	7	8	10	8
Other captions	89	83	95	97
	563	559	565	567
More Than One Amount	37	41	35	33
Total Companies	**600**	**600**	**600**	**600**

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 3-7 lists losses most frequently disclosed by the survey companies. 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.

TABLE 3-6: EXPENSES—OTHER THAN COST OF GOODS SOLD

	Number of Companies			
	1990	1989	1988	1987
Selling, general and administrative	336	327	329	323
Selling and administrative	166	166	166	170
General and/or administrative	72	80	78	79
Selling	14	21	13	21
Interest	575	572	572	577
Research, development, engineering, etc	301	284	295	281
Maintenance and repairs	84	94	93	87
Taxes other than income taxes	62	61	62	70
Advertising	47	53	47	51
Bad debts	29	26	28	27
Exploration, dry holes, abandonments	26	24	27	25

EXPENSES

Cost Of Goods Sold

BRENCO INC. (DEC)

	1990	1989	1988
Net sales	$73,063,234	$70,291,255	$50,086,787
Costs and Expenses:			
Cost of goods sold	59,416,523	56,934,249	41,738,409
Administrative and selling expenses	7,783,832	6,229,267	4,298,726
	67,200,355	63,163,516	46,037,135
Operating Income	5,862,879	7,127,739	4,049,652

BRIGGS & STRATTON CORPORATION (JUN)

	1990	1989	1988
		($000)	
Net Sales	$1,002,857	$876,379	$914,057
Cost of Goods Sold	870,419	816,750	798,944
Gross Profit on Sales	132,438	59,629	115,113

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

	1990	1989	1988
	(Dollars in thousands)		
Sales	$11,147,997	$10,067,776	$9,531,780
Cost of merchandise sold	8,211,263	7,481,373	7,112,915
Gross margin	2,936,734	2,586,403	2,418,865

JOSTENS, INC. (JUN)

	1990	1989	1988
	(In thousands)		
Net Sales	$787,503	$696,352	$575,857
Cost of products sold	414,151	354,177	295,974
	373,352	342,175	279,883
Selling and administrative expenses	270,329	248,317	209,934
Operating Income	103,023	93,858	69,949

STANDARD MOTOR PRODUCTS, INC. (DEC)

	1990	1989	1988
	(Dollars in Thousands)		
Net sales	$507,820	$428,857	$398,399
Cost of sales	317,310	270,592	242,267
Gross profit on sales	190,510	158,265	156,132

TABLE 3-7: LOSSES

	Number of Companies			
	1990	1989	1988	1987
Restructuring of operations	114	93	74	81
Foreign currency transactions	99	94	96	78
Intangible asset amortization	85	69	67	52
Write-down of assets	71	47	43	30
Sale of assets	36	29	25	28
Minority interest	33	34	34	31
Environmental	29	N/C	N/C	N/C
Equity in losses of investees	22	19	29	29
Litigation settlements	19	9	17	11

N/C—Not Compiled.

THE STANDARD REGISTER COMPANY (DEC)

	1990	1989	1988
		(Dollars in thousands)	
Revenue	$716,410	$708,876	$675,197
Cost and Expense			
Cost of products sold	$464,514	$451,133	$429,205
Engineering and research	9,647	9,222	8,624
Selling and administrative	169,462	161,720	154,122
Depreciation and amortization	21,368	19,269	16,620
Interest	4,462	5,571	5,316
Restructuring costs	13,998	—	—
Total cost and expense	$683,451	$646,915	$613,887
Income Before Income Taxes	$ 32,959	$ 61,961	$ 61,310

Interest Expense

JOHNSON PRODUCTS CO. INC. (AUG)

	1990	1989	1988
		($000)	
Net sales	$33,497	$29,368	$29,104
Costs and expenses:			
Cost of sales	15,909	13,515	13,292
Selling, general and administrative expenses	15,270	15,300	18,153
Total costs and expenses	31,179	28,815	31,445
Income (loss) from operations	2,318	553	(2,341)
Other income (expense):			
Fees received on asset held for sale	—	—	451
Interest income	43	78	66
Interest expense	(840)	(797)	(650)
Gain on sale of land	—	2,200	—
Gain on sale of investment	369	—	—
Other income	269	—	—
Income (loss) from continuing operations before income taxes	2,159	2,034	(2,474)

QUANEX CORPORATION (OCT)

	1990	1989	1988
		(In thousands)	
Net sales	$650,316	$501,991	$462,916
Costs and expenses:			
Cost of sales	551,929	418,580	383,399
Selling, general and administrative	41,207	30,136	29,495
Operating income	57,180	53,275	50,022
Other income (expense):			
Provision for business disposition	—	—	(1,500)
Pension obligation settlement gain	—	—	1,523
Interest expense	(10,851)	(6,837)	(15,081)
Capitalized interest	239	—	—
Other, net	(1,374)	703	1,573
Income before income taxes and extraordinary items	45,194	47,141	36,537

SAVANNAH FOODS & INDUSTRIES, INC. (DEC)

	1990	1989	1989
		(In thousands of dollars)	
Net sales	$1,213,721	$1,096,698	$916,904
Operating expenses:			
Cost of sales and operating expenses	1,064,077	973,837	835,580
Selling, general and administrative expenses	51,181	41,711	35,025
Depreciation and amortization	17,626	15,555	13,625
	1,132,884	1,031,103	884,230
Income from operations	80,837	65,595	32,674
Other income and expenses:			
Interest and other investment income	4,210	2,967	2,226
Interest expense (Note 5)	(9,672)	(8,010)	(6,602)
Other	(498)	196	2,278
	(5,960)	(4,847)	(2,098)
Income before income taxes	74,877	60,748	30,576

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Long-Term Debt and Credit Arrangements

Interest expense, as disclosed in the financial statements, was $9,672,000 in 1990, $8,010,000 in 1989 and $6,602,000 in 1988. This compares to cash payments of interest of $8,910,000 in 1990, $7,991,000 in 1989 and $6,879,000 in 1988.

Research And Development

BECTON, DICKINSON AND COMPANY (SEP)

	1990	1989	1988
		Thousands of dollars	
Net sales	$2,012,654	$1,811,456	$1,709,368
Cost of products sold	1,091,298	983,142	914,318
Selling and administrative expense	513,054	474,976	462,754
Research and development expense	102,826	97,543	93,255
Total Operating Costs and Expenses	1,707,178	1,555,661	1,470,327
Operating Income	305,476	255,795	239,041

RAYTHEON COMPANY (DEC)

	1990	1989	1988
		(In thousands)	
Net sales	$9,267,666	$8,796,076	$8,192,083
Cost of sales	7,391,362	6,996,512	6,536,521
Administrative and selling expenses	809,834	779,277	743,512
Research and development expenses (note A)	267,576	274,652	271,032
Total operating expenses	8,468,772	8,050,441	7,551,065
Operating income	798,894	745,635	641,018

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Research and Development Expenses

Research and development expenditures for company-sponsored projects are expensed as incurred.

Taxes Other Than Income Taxes

AMOCO CORPORATION (DEC)

	1990	1989	1988
		millions of dollars	
Revenues			
Sales and other operating revenues	$28,010	$23,966	$21,150
Consumer excise taxes	2,380	2,381	2,402
Other income	1,191	413	367
Total revenues	31,581	26,760	23,919
Costs and expenses			
Purchased crude oil, petroleum products, and merchandise	13,697	10,619	8,471
Operating expenses	5,395	4,380	3,915
Petroleum exploration expenses, including exploratory dry holes	693	726	767
Selling and administrative expenses	1,991	1,888	1,466
Taxes other than income taxes	3,395	3,224	3,207
Depreciation, depletion, amortization, and retirements and abandonments	2,413	2,500	2,318
Interest expense	587	728	468
Total costs and expenses	28,171	24,065	20,612
Income before income taxes	3,410	2,695	3,307

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 (In Part): Taxes

Taxes other than income taxes include:

	1990	1989	1988
		millions of dollars	
Consumer excise taxes	$2,380	$2,381	$2,402
Production and severance taxes			
United States	174	158	150
Foreign	298	167	181
Property taxes	250	254	216
Social Security, corporation, and other taxes	293	264	258
	$3,395	$3,224	$3,207

WINN-DIXIE STORES, INC. (JUN)

	1990	1989	1988
	Amounts in thousands		
Net sales	$9,744,494	9,151,145	9,007,707
Cost of sales, including warehousing and delivery expenses	7,617,426	7,137,745	7,016,255
Gross profit on sales	2,127,068	2,013,400	1,991,452
Other operating expenses:			
Operating and administrative	1,884,101	1,802,985	1,802,239
Taxes other than income taxes	114,077	104,901	104,058
Total other operating expenses	1,998,178	1,907,886	1,906,297
Operating income	128,890	105,514	85,155

Provision For Doubtful Accounts

HUGHES SUPPLY, INC. (JAN)

	1991	1990	1989
	(in thousands)		
Net Sales	$548,475	$529,926	$501,852
Cost of Sales	439,814	421,088	397,693
Gross profit	108,661	108,838	104,159
Operating Expenses:			
Selling, general and administrative	89,283	81,947	75,036
Depreciation and amortization	9,187	9,100	8,737
Provision for doubtful accounts	2,591	2,601	1,464
Total operating expenses	101,061	93,648	85,237
Operating Income	7,600	15,190	18,922

Losses

Restructuring Of Operations

BETHLEHEM STEEL CORPORATION (DEC)

	1990	1989	1988
	(dollars in millions)		
Net Sales	$4,899.2	$5,250.9	$5,488.8
Costs and Expenses:			
Cost of sales	4,327.2	4,399.1	4,475.5
Depreciation	305.7	325.3	333.6
Selling, administrative and general expense	159.6	154.1	140.7
Estimated restructuring losses—net (Note C)	550.0	105.0	113.0
Total Costs and Expenses	5,342.5	4,983.5	5,062.8
Income (Loss) From Operations	(443.3)	267.4	426.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C. Estimated Restructuring Losses

On January 24, 1991, we signed a letter of intent with British Steel plc to complete a feasibility study to form an equally owned joint venture in the United States to produce and market structural and rail products. The proposed venture would restructure and combine into a single entity most of the assets of our existing structural and rail business units located in Bethlehem and Steelton, Pennsylvania and make a significant capital investment. In 1990, we recorded a $550 million restructuring charge principally in connection with this proposed modernization, restructuring and venture. This charge also includes certain other steel assets and non-strategic coal mines and is net of a gain from the sale of two Great Lakes ore vessels. In 1989, we recorded a $105 million loss for restructuring our Baltimore Marine and BethForge Divisions. In 1988, we recorded a $113 million loss principally for divesting our wire rope, anthracite and Kentucky coal operations and for costs, primarily workers' compensation and environmental, at previously closed facilities. These amounts include certain pension costs related to the employees involved in these businesses and assets of $113.7, $28.1 and $19.5 million for 1990, 1989 and 1988. Prior to 1988, we also recorded significant restructuring losses.

During 1990 and 1989, we charged $14.6 and $27.5 million for net payments and losses to the accrued liabilities established for proceeds of $14.6 and $36.9 million in 1990 and 1989 from the sale of certain related assets. Other long-term liabilities are primarily accrued employee benefit obligations other than pensions such as health care and workers' compensation.

CHAMPION INTERNATIONAL CORPORATION (DEC)

	1990	1989	1988
	In Thousands		
Net Sales	$5,089,944	$5,163,218	$5,128,513
Cost of products sold	4,289,835	4,115,258	3,987,931
Selling, general, and administrative expenses	266,734	278,965	279,350
Provision for restructuring (Note 10)	42,860	—	—
Income From Operations	490,515	768,995	861,232

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Provision for Restructuring

The 1990 provision for restructuring of $42,860,000 includes $33 million for equipment abandonment, severance, and other costs related to the implementation of the company's project to address environmental issues at the Canton, North Carolina, printing and writing papers mill. The restructuring charge also includes a provision for obsolescence at other facilities principally due to modernization projects.

VF CORPORATION (DEC)

	1990	1989	1988
	In thousands		
Net Sales	$2,612,613	$2,532,711	$2,516,107
Costs and Operating Expenses			
Cost of products sold	1,852,301	1,753,476	1,739,677
Marketing, administrative and general expenses	510,759	466,371	455,429
Restructuring costs	42,300		16,400
	2,405,360	2,219,847	2,211,506
Operating Income	207,253	312,864	304,601

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H. Restructuring Costs

Restructuring costs in 1990 include $19.9 million relating to reductions in domestic manufacturing capacity in response to lower overall jeanswear demand and increased offshore jeanswear production. In addition, $12.4 million of the 1990 charges result from manufacturing, sales and marketing reorganizations of other operating divisions. The 1990 costs also include $10.0 million relating to the sale or closing of several retail outlet store locations. The after-tax effect of these charges reduced net income by $24.3 million ($.43 per share). Restructuring costs in 1988, resulting from lower jeanswear market demand, reduced net income by $10.3 million ($.15 per share).

THE UNITED STATES SHOE CORPORATION (JAN)

	1991	1990	1989
	(Thousands)		
Net Sales	$2,718,666	$2,557,158	$2,343,045
Cost of Sales	1,470,965	1,392,045	1,328,807
Gross profit	1,247,701	1,165,113	1,014,238
Selling, General and Administrative Expenses	1,179,999	1,051,998	941,907
Restructuring Costs	90,000	—	—
Earnings (loss) from operations	(22,298)	113,115	72,331

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restructuring Costs—

During 1990, the company recorded the impact of a restructuring plan designed to increase the overall profitability of the company by closing or scaling back certain divisions and operations that have not met profitability expectations. Restructuring costs of $90.0 million ($57.9 million after tax benefits) represent provisions for store and factory closing costs, lease termination costs, severance pay, write-down of the related assets and estimated operating losses until sale or closing.

WHITMAN CORPORATION (DEC)

	1990	1989	1988
	(in millions)		
Sales and revenues	$2,305.0	$2,184.0	$2,023.0
Cost of goods sold	1,513.7	1,450.1	1,327.6
Gross profit	791.3	733.9	695.4
Selling, general and administrative expenses	541.7	507.3	453.7
Restructuring charge (Note 3)	170.8	—	—
Operating income	78.8	226.6	241.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Restructuring Charge

In September, 1990, the Company announced a restructuring program designed to reduce costs, improve operating efficiencies and increase shareholder value. The program included, among other items, severance or early retirement of employees, acceleration of certain employee benefit programs, and the consolidation and elimination of certain production and other facilities. The restructuring program costs are shown as a separate item in the accompanying income statment and resulted in an after-tax charge of $105.4 million ($1.03 a share) and $44.0 million ($0.42 a share) to continuing and discontinued operations, respectively. Excluding the restructuring charge, income from continuing operations for the year would have been $0.35 a share compared with $0.48 a share in the previous year. Earnings from discontinued

operations, excluding the restructuring charge, would have been $0.91 a share in 1990 compared with $1.02 a share in 1989.

Foreign Currency Transactions

THE UPJOHN COMPANY (DEC)

	1990	1989	1988
	Dollar amounts in thousands		
Operating revenue:			
Net sales	$3,020,868	$2,724,809	$2,524,119
Other revenue	11,878	7,308	6,420
Total	3,032,746	2,732,117	2,530,539
Operating costs and expenses:			
Cost of products sold	823,227	763,870	697,584
Research and development	427,197	407,139	379,671
Marketing and administrative	1,158,065	1,030,535	932,657
Restructuring and nonrecurring items	(37,804)	57,529	
Total	2,370,685	2,259,073	2,009,912
Operating income	662,061	473,044	520,627
Interest income	45,513	47,715	51,685
Interest expense	(30,954)	(31,707)	(42,265)
Foreign exchange (losses) gains	(4,030)	5,198	4,493
All other, net	(17,040)	(12,470)	(2,655)
Earnings from continuing operations before income taxes and minority equity	655,550	481,780	531,885

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign Exchange—Results of operations for foreign subsidiaries, other than those located in highly inflationary countries, are translated using the average exchange rates during the period, while assets and liabilities are translated into U.S. dollars using the current rates. Resulting translation adjustments are recorded in currency translation adjustments in shareholders' equity. For subsidiaries in highly inflationary countries, currency gains and losses resulting from translation and transactions are determined using a combination of current and historical rates, and are reported directly in the earnings statement.

MOLEX INCORPORATED (JUN)

	1990	1989	1988
Net Revenue	$594,372,294	$571,891,959	$502,368,072
Cost of Sales	337,790,936	314,737,913	262,306,053
Gross profit	256,581,358	257,154,046	240,062,019
Operating Expenses:			
Selling	69,505,200	70,847,487	62,121,085
Administrative	82,450,064	87,460,643	75,598,775
Total operating expenses	151,955,264	158,308,130	137,719,860
Income from operations	104,626,094	98,845,916	102,342,159
Other Income (Expense):			
Gain on sale of investments	—	4,013,472	2,647,197
Foreign currency transaction loss	(1,431,759)	(2,016,919)	(1,765,014)
Interest	6,846,975	3,829,365	2,909,134
Total other income	5,415,216	5,825,918	3,791,317
Income before income taxes and minority interest	110,041,310	104,671,834	106,133,476

Intangible Asset Amortization

TYSON FOODS, INC. (SEP)

	1990	1989	1988
	(In Thousands)		
Sales	$3,825,274	$2,538,244	$1,935,960
Cost of Sales	3,081,739	2,056,085	1,627,598
	743,535	482,159	308,362
Operating Expenses:			
Selling	290,208	194,983	138,239
General and administrative	107,466	72,614	45,537
Amortization of excess of investments over net assets acquired	19,117	3,899	209
	416,791	271,496	183,985
Operating Income	326,744	210,663	124,377

Write-Down Of Assets

AMPCO-PITTSBURGH CORPORATION (DEC)

	1990	1989	1988
Net sales	$217,228,602	$219,252,438	$203,547,261
Operating costs and expenses:			
Cost of products sold (excluding depreciation)	149,376,670	155,168,683	142,222,333
Selling and administrative expenses	41,532,589	39,816,469	37,846,460
Depreciation	8,092,693	8,259,363	8,176,463
	199,001,952	203,244,515	188,245,256
Income from operations	18,226,650	16,007,923	15,302,005
Other income and (expense):			
Interest expense	(6,988,323)	(8,431,836)	(8,176,769)
Equity in net income of affiliates	2,089,493	3,686,406	650,944
Provision for writedown of investment in Midway Airlines, Inc.	(15,000,000)	—	—
Interest and other income	4,377,332	3,375,283	3,013,590
	(15,521,498)	(1,370,147)	(4,512,235)
Income from continuing operations before income taxes and extraordinary credit	2,705,152	14,637,776	10,789,770

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS STATED IN THOUSANDS)

Note 4 (In Part): Investments

MIDWAY AIRLINES, INC. ("Midway")

In 1989, the Corporation invested $16,225 for 960,000 shares, representing 9.6% of the common stock of Midway, a New York Stock Exchange listed company. During the first quarter 1990, the Corporation purchased 280,300 additional shares of the common stock of Midway for $3,285, increasing the total number of shares owned by the Corporation to 1,240,300, which represents 12.4% of the outstanding common stock of Midway. The market value of the shares at December 31, 1990 was $4,496. During 1990, as a result of rising fuel costs and competitive pricing, Midway incurred substantial operating losses. That, together with expenses incurred in connection with its entry and subsequent retreat from the Philadelphia hub, has resulted in a decline in the market price of its common stock. As of September 30, 1990, the Corporation decided that a portion of this decline may be other than temporary and, accordingly, recorded a loss provision of $2,500 for this investment. On February 7, 1991, Midway announced that it incurred record losses for the fourth quarter 1990—further deepening its net worth deficit. In addition, Midway has unilaterally halted lease payments for aircraft, jet engines and facilities through May 1991. This information, coupled with the general decline and rising fuel prices in the airline travel industry, caused management to reconsider the permanent impairment in its investment in Midway. It was concluded that the Corporation should record an additional loss provision of $12,500 for a total of $15,000. Due to the recognition of the loss provision for Midway as a charge against operations, no valuation allowance for investment as a separate component in shareholders' equity is required in 1990.

BASSETT FURNITURE INDUSTRIES, INCORPORATED (NOV)

	1990	1989	1988
Net sales	$435,660,901	$459,890,525	$466,080,599
Operating costs and expenses:			
Cost of goods sold	359,995,572	380,689,951	383,519,229
Selling, general and administrative	60,018,134	62,034,425	61,359,224
Restructuring charges	14,300,000	-0-	-0-
	434,313,706	442,724,376	444,878,453
Income from Operations	1,347,195	17,166,149	21,202,146
Other income	11,485,312	9,740,689	6,032,166
Other deductions	(214,918)	(207,671)	(219,460)
Unrealized loss on marketable securities	(5,750,000)	-0-	-0-
Income Before Income Taxes	6,867,589	26,699,167	27,014,852

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B. Marketable Securities

At November 30, 1990, the portfolio of marketable securities had a cost of $32,142,435, and unrealized losses of $5,750,000. These unrealized losses are attributable principally to investments in equity securities of Dominion Bankshares Corporation and Crestar Financial Corporation (both are major regional banks headquartered in Virginia), and a portfolio of securities managed by the Company's outside investment advisor. At November 30, 1989, the cost of the portfolio of marketable securities approximated market.

BROWN-FORMAN CORPORATION (APR)

	1990	1989	1988
	(Expressed in thousands)		
Net sales	$1,292,562	$1,287,079	$1,354,598
Excise taxes	276,006	281,298	288,010
Cost of sales	417,572	433,735	510,763
Gross profit	598,984	572,046	555,825
Selling, advertising, administrative and general expenses	374,040	363,566	364,141
Operating income	224,944	208,480	191,684
Gain before income taxes on sale of Lenox Awards in 1990, Martell marketing rights in 1989 and ArtCarved in 1988	2,103	36,000	33,581
Interest income	7,250	6,172	1,513
Interest expense	16,654	24,821	18,399
Nondeductible write-off of intangible assets	59,868	—	33,000
Income before taxes	157,775	225,831	175,379

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Changes in Operations

On February 27, 1990, the company completed the sale of the Lenox Awards division. The sale resulted in a pretax gain of $2,103,000 ($1,218,000 net of income tax).

Since the acquisition of California Cooler in 1985, the profitability of the brand has declined significantly due to increased price competition and lower volume. In the fourth quarter of 1988, net income was reduced by a $33,000,000 noncash charge to write down California Cooler's intangible assets to the value estimated at that time. In 1990, the company determined the value of these intangible assets had been further impaired and all remaining intangible assets associated with this brand were written off. Accordingly, net income was reduced in the second quarter of 1990 by a $59,868,000 noncash charge which included the reversal of a previously established $11,000,000 accrual for contingencies associated with the acquisition of this brand. In the second quarter of 1989, net income was reduced by $5,400,000 for the closing costs associated with the shutdown of the California Cooler production facility in Stockton, California. California Cooler is now produced for the company under contract with others.

The company sold the U.S. marketing rights for Martell Cognacs effective January 31, 1989 for $36,000,000. The sale resulted in a pretax gain of $36,000,000 ($22,334,000 net of income tax).

On April 27, 1988, the company completed the sale of the ArtCarved jewelry division for approximately $118,400,000. The sale resulted in a pretax gain of $33,600,000 ($16,706,000 net of income tax).

Minority Interest

McDERMOTT INTERNATIONAL, INC. (MAR)

	1990	1989	1988
	(In thousands)		
Revenues	$2,644,690	$2,166,806	$2,118,810
Costs and Expenses:			
Cost of operations	2,399,947	1,928,875	1,856,932
Depreciation and amortization	112,966	107,658	131,601
Selling, general and administrative expenses	221,183	187,453	185,849
	2,734,096	2,223,986	2,174,382
Operating Loss	(89,406)	(57,180)	(55,572)
Other Income (Expense):			
Interest income	74,751	73,079	85,244
Interest expense	(135,865)	(129,204)	(129,099)
Interest expense adjustment	—	—	78,411
Equity in loss of investees	(9,422)	(15,544)	(3,340)
Minority interest	(14,726)	(14,528)	(15,954)
Other—net	52,094	11,085	(274,512)
	(33,168)	(75,112)	(259,250)
Loss From Continuing Operations Before Provision for Income Taxes, Extraordinary Item and Cumulative Effect of Accounting Change	(122,574)	(132,292)	(314,822)

Sale Of Assets

KERR-McGEE CORPORATION (DEC)

	1990	1989	1988
	(In millions of dollars)		
Sales and Services	$3,683	$3,000	$2,611
Costs and Expenses			
Costs and operating expenses	2,742	2,159	1,877
Selling, general, and administrative expenses	169	154	129
Depreciation and depletion	285	274	274
Exploration, including dry holes and amortization of undeveloped leases	95	72	61
Taxes, other than income taxes	83	73	63
Interest and debt expense	86	72	65
Total Costs and Expenses	3,460	2,804	2,469
	223	196	142
Other Income	18	19	25
Loss on Sale of Soda Products Division	(85)	—	—
Income from Continuing Operations before Income Taxes	156	215	167

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Sale of Soda Products Division

In December 1990, the sale of the soda products division of the chemical segment was completed (effective November 30, 1990). This sale resulted in an after-tax loss of $37 million or $.76 per common share. Revenues applicable to the soda products division totaled $190 million to the date of the sale in 1990, $199 million in 1989, and $188 million in 1988.

TRIBUNE COMPANY (DEC)

	1990	1989	1988
	(In thousands of dollars)		
Operating revenues			
Newspaper publishing			
Advertising	$1,134,062	$1,235,482	$1,180,262
Circulation	330,334	348,214	335,912
Other	54,166	46,988	45,543
Total	1,518,562	1,630,684	1,561,717
Broadcasting and entertainment	623,981	584,326	505,729
Newsprint operations (Canada)	351,738	456,666	462,550
Intercompany (primarily newsprint)	(141,234)	(216,892)	(195,157)
Total operating revenues	2,353,047	2,454,784	2,334,839
Operating expenses			
Cost of sales (exclusive of items shown below)	1,306,887	1,332,561	1,286,260
Selling, general and administrative	665,883	561,014	513,971
Depreciation and amortization of intangible assets	142,335	128,118	116,665
Total operating expenses	2,115,105	2,021,693	1,916,896
Operating income	237,942	433,091	417,943
Interest income	16,406	22,526	18,079
interest expense	(53,576)	(47,866)	(57,594)
Sale of New York *Daily News*	(295,000)	—	—
Other income	—	3,133	—
Income (loss) before income taxes	(94,228)	410,884	378,428

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Sale of New York Daily News

On March 20, 1991 the Company sold substantially all of the assets of the New York *Daily News*. In reaching its decision to sell the *News*, the Company considered the *News'* economic and competitive conditions and the failure to achieve contract settlements with its labor unions, nine of which stuck the *News* on October 25 and 26, 1990. Contracts with its labor unions had expired on March 30, 1990.

The sale of the *News* resulted in a fourth quarter 1990 pre-tax charge of $295,000,000 which reduced full year net income by $185,000,000 and primary net income per share by $2.80. The pre-tax charge includes a $60,000,000 payment to the purchaser to fund employee buyout costs and other transition expenses, a $92,000,000 non-cash charge for the write-down of the *News'* assets to their net realizable values, $86,000,000 of accrued employee compensation costs and other expenses resulting from the sale, and $57,000,000 of 1991 *News* operating losses through the date of sale.

The operating assets of the *News* as of December 30, 1990 are included in the accompanying consolidated statement of financial position at their estimated net realizable values. The liabilities of the *News* at December 30, 1990 include operating liabilities not assumed by the buyer, accrued costs associated with the sale of the *News* and 1991 operating losses through the date of sale. The current portion of these liabilities as of December 30, 1990 is presented as "Accrued *Daily News* costs and liabilities" in the accompanying consolidated statement of financial position.

Operating results fo the *News* for the three years ended December 30, 1990 were as follows:

(In thousands)	1990	1989	1988
Operating revenues			
Advertising	$ 205,279	$276,230	$281,839
Circulation	116,222	145,629	153,918
Other	322	165	1,086
Total revenues	321,823	422,024	436,843
Operating expenses			
Cost of sales	236,973	281,796	290,906
Selling, general & administrative	187,129	131,243	120,400
Depreciation and amortization	12,189	11,164	10,370
Total expenses	436,291	424,203	421,676
Operating profit (loss)	$ (114,468)	$ (2,179)	$ 15,167

UNIVAR CORPORATION (FEB)

	1990	1989	1988
	(Thousands of dollars)		
Sales	$1,378,864	$1,307,865	$1,117,309
Cost of Sales	1,173,134	1,120,139	950,464
Gross Margin	205,730	187,726	166,845
Operating Expenses	158,662	145,450	137,589
Income from Operations	47,068	42,166	29,256
Other Income (Expense):			
Interest on borrowed capital	(13,109)	(11,443)	(10,315)
Gain (loss) on sale of assets	(90)	(152)	526
Other—net	2,163	3,286	1,969
Income Before Provision for Taxes on Income	36,032	33,857	21,436

Litigation Settlements

HARLEY-DAVIDSON, INC. (DEC)

	1990	1989	1988
		(In thousands)	
Net sales	$864,600	$790,967	$709,360
Operating costs and expenses:			
Cost of goods sold	635,551	596,940	533,448
Selling, administrative, and engineering	145,674	127,606	111,582
	781,225	724,546	645,030
Income from operations	83,375	66,421	64,330
Interest income	1,736	3,634	4,149
Interest expense	(11,437)	(17,956)	(22,612)
Lawsuit judgement	(7,200)	—	—
Other—net	(3,857)	910	165
Income from continuing operations before provision for income taxes and extraordinary items	62,617	53,009	46,032

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Commitments and Contingencies

During December 1990, the Company was found liable for damages in a lawsuit brought by a former supplier of aftermarket motorcycle parts. Compensatory and punitive damages, including accrued interest, awarded by the jury totaled $7.2 million. The Company has appealed the verdict and plans to aggressively seek its reversal.

RYMER FOODS INC. (OCT)

	1990	1989	1988
		(in thousands)	
Net sales	$254,689	$231,828	$214,595
Cost of sales	230,394	209,180	193,017
Gross profit	24,295	22,648	21,578
Selling, general and administrative expenses	16,112	17,408	16,161
Operating income	8,183	5,240	5,417
EEOC settlement	1,400		
Interest expense	7,756	7,512	7,371
Other income	(136)	(471)	(168)
Loss from continuing operations before extraordinary items	(837)	(1,801)	(1,786)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. EEOC Settlement

On April 26, 1990, United States District Court for the Northern District of Illinois, Eastern Division dismissed EEOC v. Rymer Foods Inc., No 88 C 10680; an action brought by the Equal Employment Opportunity Commission against the Company on December 21, 1988, alleging certain discriminatory employment practices by the Company at its Chicago meat processing facility. Dismissal was based on a provisional settlement of the action, and was entered without prejudice and with leave to reinstate within sixty days. Under the settlement, which will be set forth in a consent decree, the Company has agreed to provide monetary relief in the amount of approximately $1.86 million, to be paid in installments over a five-year period following entry of the consent decree. The settlement is subject to further discussion between the parties involved and additional agency and court approvals. It is anticipated that such approvals will be received in the early part of 1991. The present value of the cost of the settlement and estimated additional legal fees have been included in the net loss for 1990. In addition, all costs of distributing the monetary relief, including the identification of eligible claimants and costs of the Equal Employment Opportunity Commission, have been included in the expense recorded of $1,400,000. The current portion of the liability recorded is approximately $314,000 and the remaining $1,086,000 is classified as a noncurrent liability.

Environmental Cleanup Costs

REYNOLDS METALS COMPANY (DEC)

	1990	1989	1988
		(In millions)	
Revenues			
Net sales	$6,022.4	$6,143.1	$5,567.1
Equity, interest and other income	53.3	68.0	51.5
	6,075.7	6,211.1	5,618.6
Costs and Expenses			
Cost of products sold	4,823.4	4,775.9	4,292.0
Selling, administrative and general expenses	370.1	364.1	339.0
Provision for depreciation and amortization	214.2	199.8	183.6
Interest—principally on long-term obligations	96.1	113.0	145.3
Provision for estimated environmental costs	150.0	—	—
	5,653.8	5,452.8	4,959.9
Income before income taxes	421.9	758.3	658.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Contingent Liabilities and Commitments

The Company is involved in various worldwide environmental improvement activities resulting from past operations. The Company has recorded amounts which, in management's best estimate, will be sufficient to satisfy anticipated costs of such activities.

WEYERHAEUSER COMPANY (DEC)

	1990	1989	1988
	(Dollar amounts in thousands)		
Net sales and revenues	$7,406,317	$8,280,754	$7,862,505
Operating costs	6,063,511	6,642,984	6,203,054
Selling, general and administrative expenses	672,399	737,539	693,631
Research and development expenses	57,225	64,753	57,456
Restructuring charges	—	334,516	—
Net gains on sales of businesses	—	46,516	—
Operating income	613,182	547,478	908,364
Interest expense incurred	172,792	167,285	170,850
Less interest capitalized	22,076	26,954	15,343
Other income (expense), net (Note 4)	55,464	99,209	14,072
Gain on sale of common stock of a subsidiary	—	48,990	—
Earnings before income taxes	517,930	555,346	766,929

NOTES TO FINANCIAL STATEMENTS
(Dollar amounts in thousands)

Note 4: Other Income (Expense), Net

Other income (expense), net is an aggregation of non-operating income and expense items, both recurring and occasional, and as a result fluctuates from period to period. No individual income or (expense) item is significant in relationship to net earnings, other than:

	1990	1989	1988
Interest income:			
Weyerhaeuser Company	$ 24,510	$ 16,667	$12,639
WRECO	5,850	5,586	6,611
Gain on involuntary conversions	240	23,541	5,238
Gain on disposal of land and timber	31,753	61,315	21,819
Environmental clean up costs	(12,670)	(21,711)	—

Factoring Costs

ACCLAIM ENTERTAINMENT, INC. (AUG)

	1990	1989	1988
Net Sales	$141,469,978	$69,077,245	$39,347,905
Cost Of Sales	75,377,019	33,198,234	20,747,957
Gross Profit	66,092,959	35,879,011	18,599,948
Operating Expenses			
Selling expenses	18,866,050	9,372,649	5,789,518
Advertising	9,886,710	3,487,823	896,168
Product development	822,838	331,317	—
Factoring expenses (Note 5)	1,324,840	575,519	642,367
Freight	1,131,423	584,807	465,075
Interest	3,219,156	783,448	139,056
Depreciation and amortization	763,215	81,610	37,975
General and administrative expenses	8,461,168	5,801,743	3,066,202
Total Operating Expenses	44,475,400	21,018,916	11,036,361
Income From Operations	21,617,559	14,860,095	7,563,587
Other Income			
Interest	106,915	109,669	23,514
Other	1,392,718	—	—
Income Before Income Taxes	23,117,192	14,969,764	7,587,101

NOTES TO CONSOLIDATED FINANCIAL STATMENTS

5. Accounts Receivable

Accounts receivable are comprised of the following:

	AUGUST 31	
	1990	1989
Receivables assigned to factor	$35,714,662	$21,892,862
Less advances from factor	25,983,007	11,874,336
Due from factor	9,731,655	10,018,526
Accounts receivable	2,589,565	4,362,842
Other misc. receivables	1,140,626	360,262
Allowances for uncollectible accounts	(1,080,000)	(600,000)
	$12,381,846	$14,141,630

Prior to February 23, 1990, pursuant to the terms of a factoring and letter of credit agreement, the Company assigned substantially all of its accounts receivable to a factor on a pre-approved, nonrecourse basis. The factoring charge amounted to 0.8% of the receivables assigned. The Company was permitted to receive advances of up to 85% of uncollected amounts factored. Interest at prime plus 1% per annum was charged on such advances. On February 23, 1990, the Company terminated the existing

agreement and entered into a new factoring and letter of credit agreement with a different factor on substantially the same terms except that the factoring charge amounts to 0.7% of the receivables assigned. In an effort to minimize interest expense, advances are requested as and when the Company has immediate working capital requirements.

Professional Fees

JUNO LIGHTING, INC. (NOV)

	1990	1989	1988
	(In thousands)		
Net sales	$85,474	$76,040	$57,708
Cost of sales	42,924	38,388	28,185
Gross profit	42,550	37,652	29,523
Operating expenses:			
Selling	12,900	10,642	8,095
Administrative and general	9,210	7,946	5,231
Total operating expenses	22,110	18,588	13,326
Operating income	20,440	19,064	16,197
Other income (expense):			
Interest expense	(340)	(398)	(347)
Interest and dividend income	2,204	1,692	1,688
Rental income	104	230	207
Miscellaneous	65	4	33
Professional fees—Patent litigation	(881)	(245)	—
Total other income	1,152	1,283	1,581
Income from continuing operations before taxes on income and cumulative effect of a change in accounting principle	21,592	20,347	17,778

Merger Costs

AVERY DENNISON CORPORATION (DEC)

	1990	1989	1988
	(In millions)		
Net sales	$2,590.2	$2,490.9	$2,291.4
Cost of products sold	1,781.9	1,684.2	1,511.2
Gross profit	808.3	806.7	780.2
Marketing, general and administrative expense	653.7	591.0	554.7
Merger expense	13.8	—	—
Restructuring costs	85.2	—	—
Operating income	55.6	215.7	225.5
Interest expense	40.0	35.1	35.5
Income before taxes on income	15.6	180.6	190.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Merger

Costs related to the merger of $13.8 million were charged to expense, primarily during the third quarter of 1990.

Nonrecurring/Special/Unusual Losses

ALUMINUM COMPANY OF AMERICA (DEC)

	1990	1989	1988
	(In millions)		
Revenues			
Sales and operating revenues	$10,710.2	$10,910.0	$9,795.3
Other income, principally interest	154.9	251.5	140.3
	10,865.1	11,161.5	9,935.6
Costs and Expenses			
Cost of goods sold and operating expenses	7,606.2	7,338.3	6,527.7
Selling, general administrative and other expenses	592.3	540.8	485.0
Research and development expenses	220.3	182.4	167.4
Provision for depreciation, depletion and amortization	689.9	638.3	623.2
Translation and exchange adjustments	(5.4)	1.9	168.1
Interest expense	184.7	178.3	208.4
Taxes other than payroll and severance taxes	115.5	115.7	120.7
Special items (B)	414.4	—	—
	9,817.9	8,995.7	8,300.5
Income before taxes on income	1,047.2	2,165.8	1,635.1

NOTES TO FINANCIAL STATEMENTS
(dollars in millions, except share amounts)

B. Special Items

In the 1990 fourth quarter Alcoa recorded a special charge of $414.4 ($275.0 aftertax). Of the total charge, $212.8 is associated with writedowns reflecting the decline in the value of certain business assets, mainly related to non-aluminum activities; $136.4 is related to environmental clean-up activities at the company's U.S. plant sites; and $65.2 reflects an anticipated loss from the sale of the Astech Division of Alcoa Composites, Inc., an Alcoa subsidiary.

BALL CORPORATION (DEC)

	1990	1989	1988
	(dollars in millions)		
Net sales	$1,357.2	$1,222.4	$1,073.0
Costs and expenses			
Cost of sales	1,165.2	1,078.5	911.3
Selling, general and administrative expenses	97.4	84.2	87.2
Unusual items	9.1	—	24.1
Interest expense	22.2	20.3	10.7
	1,293.9	1,183.0	1,033.3
Income before taxes on income and cumulative effect of accounting change	63.3	39.4	39.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unusual Items

The $9.1 million cost of the company's proposed 1990 acquisition of the European packaging interests of Continental Can Europe, Inc., which was terminated, was charged to fourth quarter 1990 results of operations with an after tax effect of $5.6 million or 26 cents per share.

In December 1988, the company recorded unusual charges of $30.0 million ($18.6 million or 80 cents per share after tax), including a provision of $18.3 million ($11.3 million or 49 cents per share after tax) for the cost of exiting the blow molded, coextruded plastic bottle business. Operating losses of this business were $2.9 million in 1988. A charge of $8.6 million ($5.3 million or 23 cents per share after tax) was made for the write-down of certain metal container production equipment removed from service as part of plant modernization programs. Other individually insignificant items totaling $3.1 million ($2.0 million or eight cents per share after tax) were charged to results of operations.

During the first quarter of 1988, the company sold its remaining investment in Constar International at a gain of approximately $5.9 million ($3.6 million or 16 cents per share after tax).

ADOLPH COORS COMPANY (DEC)

	1990	1989	1988
	(In thousands)		
Sales	$2,050,110	$1,934,337	$1,680,968
Less—federal and state beer excise taxes	186,756	170,467	159,271
Net sales	1,863,354	1,763,870	1,521,697
Costs and expenses:			
Cost of goods sold	1,273,840	1,232,028	1,021,084
Marketing, general and administrative	462,911	433,435	408,348
Research and project development	22,219	22,991	22,723
Special charge (Note 7)	30,000	—	—
Asset write-downs	—	41,670	—
Total operating expenses	1,788,970	1,730,124	1,452,155
Operating income	74,384	33,746	69,542

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Special Charge and Asset Write-Downs

Included in 1990 is a special pre-tax charge of $30,000,000 for potential costs related to remediation of the Lowry Landfill Superfund site. The Company has received notice from the U.S. Environmental Protection Agency that it is a "potentially responsible party" under the Comprehensive Environmental Response Compensation and Liability Act (as amended by the Superfund Amendment and Reauthorization Act) and may be required to share in the cost of study and any clean-up of the Lowry Landfill Superfund site. The impact of this charge on 1990 net earnings was $18,600,000, or $0.50 per share. The ultimate remediation methods and appropriate allocation of costs for Lowry are not yet final. The Company, in cooperation with certain other users of the landfill, is vigorously studying the site in an effort to understand the scope of the problem and recommend appropriate remedies.

Included in 1989 is a charge of $41,670,000 representing the excess of net book value over estimated recoverable value for certain assets. The impact of this charge on 1989 net earnings was $26,232,000, or $0.71 per share. The Company decided to offer for sale certain natural gas properties as market conditions made it uneconomical for the Company to produce based on its investment in these properties. In addition, the Company discontinued mining operations at its Keenesburg, Colorado, coal mine because of the availability of attractive long-term coal supply contracts. The Company also wrote off the cost of certain budgetary engineering studies for projects no longer considered feasible and wrote down assets used in a snack food business. The snack food business was sold during 1990.

THE LUBRIZOL CORPORATION (DEC)

	1990	1989	1988
	(In Thousands of Dollars)		
Net sales	$1,444,758	$1,220,386	$1,117,493
Royalties and other revenues	7,943	7,524	8,238
Total revenues	1,452,701	1,227,910	1,125,731
Cost of sales	1,006,341	864,576	783,113
Selling, testing and administrative expenses	207,626	175,474	161,456
Research and development expenses	74,424	69,658	65,320
Total cost and expenses	1,288,391	1,109,708	1,009,889
Gain on sale of Genentech	101,921		
Patent litigation settlement			81,180
Special charges	(9,734)		(31,154)
Other income—net	10,238	8,329	17,287
Interest income	10,526	16,653	8,798
Interest expense	(6,049)	(5,438)	(6,203)
Income before income taxes and cumulative effect of accounting change	271,212	137,746	185,750

NOTES TO FINANCIAL STATEMENTS

Note 7 (In Part): Genentech Gain, Patent Litigation Settlement and Other Items

On September 7, 1990, a merger between Genentech, Inc. and Roche Holdings, Inc. was completed. As a result of this transaction, the company's 5.8 million common shares of Genentech and its warrant to purchase an additional 180,000 common shares were exchanged for $105.8 million in cash and 3.0 million shares of newly issued Genentech redeemable common stock. The company realized a gain of $101.9 million on this transaction. After taxes, and related expenses of $5.1 million, the Genentech gain contributed $62.9 million or $1.79 per share to net income. At the option of Genentech, the newly issued common stock may be redeemed in whole, but not in part, at various redemption prices per share that range from $39.00 at January 1, 1991, and increase to $60.00 through June 30, 1995.

The special charge in 1990 of $9.7 million relates to the write-off of receivables due from a former affiliate of Agrigenetics in Italy and for inventories which were dedicated to the market which this affiliate served. The write-off was necessary because the former affiliate did not meet its financial obligations to the company.

VISHAY INTERTECHNOLOGY INC. (DEC)

	1990	1989	1988
Net sales	$445,595,708	$415,619,365	$244,374,412
Costs of products sold	312,924,211	290,801,354	168,862,532
Gross Profit	132,671,497	124,818,011	75,511,880
Selling, general, and administrative expenses	77,740,659	76,467,423	48,484,967
	54,930,838	48,350,588	27,026,913
Other income (expense):			
Interest expense	(19,425,880)	(21,067,986)	(11,116,089)
Amortization of goodwill	(1,551,841)	(1,502,034)	(550,840)
Other	2,343,893	1,438,577	8,853,355
Unusual items	(2,441,247)	(801,595)	-0-
Equity in earnings of unconsolidated affiliate	-0-	-0-	560,947
	(21,075,075)	(21,933,038)	(2,252,627)
Earnings Before Income Taxes	33,855,763	26,417,550	24,774,286

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Unusual Items

In 1990, the Company paid $3,779,801 to the U.S. Government with regard to reporting irregularities by its subsidiary, Dale Electronics, Inc. A charge of $801,595 was made in 1989 for reimbursement of certain resistor inventories and administrative costs incurred by the Defense Logistics Agency during its investigation. The 1990 unusual items amount also includes a gain of $1,338,554 from the sale of a currency option acquired in connection with the Company's unsuccessful tender offer for Crystalate Holdings plc, net of tender offer expenses.

TABLE 3-8: ASSUMED DISCOUNT RATE

%	1990	1989	1988	1987
4.5 or less	—	—	—	—
5	—	—	—	—
5.5	—	—	—	—
6	—	—	—	—
6.5	2	3	3	1
7	6	8	7	2
7.5	16	25	13	18
8	88	96	74	81
8.5	137	137	118	113
9	154	152	167	134
9.5	54	44	73	61
10	17	12	31	25
10.5	—	1	2	4
11	—	—	1	1
11.5 or greater	1	1	—	—
Not disclosed	8	9	12	—
Companies Disclosing Defined Benefit Plans	**483**	**488**	**501**	**440**

EMPLOYEE RETIREMENT BENEFITS

Statements of Financial Accounting Standards No. 87 and *No. 88* are the authoritative pronouncements on pension accounting and reporting. 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, 379 survey companies disclosed that they provide postretirement health care and life insurance benefits. Effective for fiscal years beginning after December 15, 1992, *Statement of Financial Accounting Standards No. 106* requires publicly held companies to accrue the costs of postretirement health care and life insurance benefits. Currently most publicly held companies account for the costs of such postretirement benefits on the cash basis.

Examples of employee retirement benefit disclosures follow.

TABLE 3-9: ASSUMED RATE OF COMPENSATION INCREASE

%	1990	1989	1988	1987
4.5 or less	21	18	22	17
5	89	90	85	81
5.5	82	83	74	59
6	162	162	168	152
6.5	52	56	52	46
7	37	31	39	42
7.5	5	7	12	14
8	3	3	8	9
8.5	—	1	2	1
9	2	2	2	—
9.5	—	2	—	—
10	—	—	—	—
10.5	1	—	—	—
11	—	—	—	—
11.5 or greater	—	—	—	—
Not disclosed	29	33	37	19
Companies Disclosing Defined Benefit Plans	**483**	**488**	**501**	**440**

TABLE 3-10: EXPECTED RATE OF RETURN

%	1990	1989	1988	1987
4.5 or less	—	—	—	—
5	—	—	—	—
5.5	—	—	—	—
6	1	1	2	1
6.5	—	3	1	—
7	7	7	14	8
7.5	10	10	12	15
8	57	66	77	66
8.5	43	55	48	47
9	135	130	141	126
9.5	81	68	56	61
10	88	87	92	73
10.5	17	17	18	16
11	18	22	15	19
11.5 or greater	14	9	10	4
Not disclosed	12	13	15	4
Companies Disclosing Defined Benefit Plans	**483**	**488**	**501**	**440**

PENSION PLANS

Defined Benefit Plans

ATLANTIC RICHFIELD COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Retirement Plans

The Company and its subsidiaries have defined benefit pension plans to provide pension benefits to substanially all employees. The benefits are based on years of service and the employee's compensation, primarily during the last three years of service. The Company's funding policy is to make annual contributions as required by applicable regulations. In 1990, 1989 and 1988, the Company charged pension costs as accrued, based on an actuarial valuation for each plan, and funded the plans through contributions to trust funds that are kept apart from Company funds.

The following table sets forth the plans' funded status and amounts recognized in the Company's balance sheet at December 31, 1990 and 1989:

Millions of dollars	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
1990		
Actuarial present value of benefit obligations:		
Vested benefit obligation	$1,314	$ 244
Accumulated benefit obligation	$1,322	$ 247
Projected benefit obligation	$1,499	$ 270
Plan assets at fair value, primarily stocks and bonds	2,193	14
Projected benefit obligation (in excess of) or less than plan assets	694	(256)
Unrecognized net gain	(36)	(18)
Prior service cost not yet recognized in net periodic pension cost	(2)	103
Remaining unrecognized (asset) obligation from January 1, 1986	(498)	82
Adjustment required to recognize minimum liability	—	(144)
Prepaid pension cost (pension liability) recognized in the balance sheet	$ 158	$ (233)
1989		
Actuarial present value of benefit obligations:		
Vested benefit obligation	$1,271	$ 155
Accumulated benefit obligation	$1,301	$ 157
Projected benefit obligation	$1,460	$ 172
Plan assets at fair value, primarily stocks and bonds	2,427	11
Projected benefit obligation (in excess of) or less than plan assets	967	(161)
Unrecognized net gain	(441)	(26)
Prior service cost not yet recognized in net periodic pension cost	44	13
Remaining unrecognized (asset) obligation from January 1, 1986	(535)	100
Adjustment required to recognize minimum liability	—	(74)
Prepaid pension cost (pension liability) recognized in the balance sheet	$ 35	$(148)

Pension costs related to Company-sponsored plans, on a pre-tax basis, including amortization of unfunded projected benefit obligations for 1990, 1989 and 1988, were as follows:

Millions of dollars	1990	1989	1988
Service cost-benefits earned during the period	$ 38	$ 32	$ 28
Interest cost on projected benefit obligation	130	117	120
Actual return on plan assets	127	(349)	(180)
Net amortization and deferral	(317)	190	26
Net periodic pension cost (benefit)	$ (22)	$ (10)	$ (6)

The Company's assumptions used as of December 31, 1990, 1989 and 1988, in determining the pension cost and pension liability shown above were as follows:

Percent	1990	1989	1988
Discount rate	9.5	9.75	10.0
Rate of salary progression	5.0	5.0	5.0
Long-term rate of return on assets	9.5	9.5	9.5

The Company provides certain health care and life insurance benefits for substantially all retired employees. The costs of such benefits are recognized as incurred. In 1990, 1989 and 1988, these costs totaled $39 million, $25 million and $22 million, respectively.

INGERSOLL-RAND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11-Pension Plans and Postretirement Benefits: The company has noncontributory pension plans covering substantially all domestic employees. In addition, certain employees in other countries are covered by pension plans. The company's domestic salaried plans principally provide benefits based on a career average earnings formula. The company's hourly pension plans provide benefits under flat benefit formulas. Foreign plans provide benefits based on earnings and years of service. Most of the foreign plans require employee contributions based on the employee's earnings. The company's policy is to fund an amount which could be in excess of the pension cost expensed, subject to the limitations imposed by current statutes or tax regulations.

The components of the company's pension costs for the years ended December 31, include the following:

In thousands	1990	1989	1988
Benefits earned during the year	$22,296	$19,900	$18,225
Interest cost on projected benefit obligation	62,800	60,508	57,671
Actual return on plan assets	(8,611)	(168,840)	(78,864)
Net amortization and deferral	(74,261)	100,627	17,888
Net pension costs	$ 2,224	$ 12,195	$ 14,920

The status of employee pension benefit plans at December 31, 1990 and 1989, was as follow:

	1990		1989	
In thousands	Overfunded plans	Underfunded plans	Overfunded plans	Underfunded plans
Actuarial present value of projected benefit obligation, based on employment service to date and current salary levels:				
Vested employees	$695,939	$86,641	$ 705,888	$40,855
Nonvested employees	5,152	1,535	4,646	997
Accumulated benefit obligation	701,091	88,176	710,534	41,852
Additional amount related to projected salary increases	61,692	2,942	57,216	1,260
Total projected benefit obligation	762,783	91,118	767,750	43,112
Funded assets at fair value	837,544	70,795	877,572	24,432
Assets (in excess of) less than projected benefit obligation	(74,761)	20,323	(109,822)	18,680
Unamortized net asset (liability) existing at date of adoption	13,393	(3,830)	11,269	(1,655)
Unrecognized prior service cost	6,526	722	6,879	628
Unrecognized net (gain) loss	11,135	911	(56,815)	438
Adjustment required to recognize minimum liability	—	4,294	—	2,343
Purchase accounting tax benefit on unfunded pension liability	—	(5,414)	—	(6,105)
Accrued (prepaid) pension cost	$ (79,029)	$13,740	$ (48,617)	$12,197

Plan investment assets of domestic plans are balanced between equity securities and cash equivalents or debt securities. Assets of foreign plans are invested principally in equity securities.

The present values of benefit obligations for domestic plans were determined using an assumed discount rate of 7.5%, an expected long-term rate of return on assets of 9.0% and an assumed rate of increase in future compensation levels of 5.0%, in 1990 and 1989. The weighted averages of the actuarially assumed discount rate, long-term rate of return on assets and the rate for compensation increases for foreign plans were 9.5%, 9.0% and 7.0%, respectively, in 1990 and 9.0%, 9.0% and 7.0%, respectively, in 1989.

Most of the company's domestic employees covered by savings and other defined contribution plans. Employer contributions and costs are determined based on criteria specific to the individual plans and amounted to approximately $18,277,000, $14,811,000 and $12,950,000 in 1990, 1989 and 1988, respectively. In addition, the company maintains other supplemental benefit plans for officers and other key employees.

The company's costs relating to foreign defined contribution plans, insured plans and other foreign benefit plans were $505,000, $378,000 and $1,667,000 in 1990, 1989 and 1988, respectively. In 1990, 1989 and 1988, 248, 339 and 313 employees, respectively, were covered by multiemployer pension plans. Amounts charged to pension cost and contributed to multiemployer plans in 1990, 1989 and 1988 were $446,000, $637,000 and $618,000, respectively.

The existing pension rules require the recognition of a liability in the amount of the company's unfunded accumulated benefit obligation with an equal amount recognized as an intangible asset. As a result, the company recorded current and

noncurrent liabilities in 1990 of $770,000 and $3,524,000, respectively, and in 1989, $649,000 and $1,694,000, respectively. An offsetting intangible asset was recorded in the consolidated balance sheet in both years.

In addition to providing pension benefits, health care and life insurance benefits are provided for retired employees. Substantially all employees may become eligible for health care and life insurance benefits (excluding employees covered by national health plans and multiemployer sponsored plans) if they reach retirement age while working for the company and have completed the required years of service. Health care and life insurance benefits for retired employees are provided through insurance companies whose charges are based on benefits paid and expenses incurred on the company's behalf during the year. Such charges are expensed annually and approximated $11,529,000 in 1990, $10,199,000 in 1989 and $9,165,000 in 1988.

Statements of Financial Standards No. 106—"Employers' Accounting for Postretirement Benefits Other Than Pensions" was issued in December 1990. This statement requires companies to accrue for all postretirement benefits other than pensions (which are principally health care and life insurance) for the employee, the employee's beneficiaries and covered dependents during the years that the empoyee renders the necessary service to be entitled to receive such postretirement benefits. The statement requires the company to make the necessary changes in accounting for these postretirement benefits effective January 1, 1993. Due to the complexity of the changes required to implement this statement, it is not possible at this time to determine the exact effect of this change on the company's financial position and results of operations. Although the implementation of this statement will have a negative effect on the company's operating results, the extent of this impact will depend upon future medical inflation factors and other assumptions.

THE CLOROX COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Employee Benefit Plans

The Company has defined benefit pension plans for substantially all its domestic employees. Benefits are based on either employee years of service and compensation or stated dollar amounts per year of service. Effective July 1, 1989, the full-benefit vesting period was reduced from ten to five years. The Company is the sole contributor to the plans, in amounts deemed necessary to provide benefits and to the extent deductible for federal income tax purposes. Assets of the plans consist primarily of stocks and bonds.

The components of pension credit are:

In thousands	1990	1989	1988
Service cost—benefits earned in current year	$ 4,547	$ 3,177	$ 3,147
Interest on projected benefit obligation	4,346	3,688	3,220
Return on plan assets:			
Actual gain	(6,860)	(12,171)	(684)
Deferred (loss) gain in excess of the assumed rate of 9%	(968)	5,677	(5,578)
Other gains, including amortization over 15 years of the net pension transition asset at July 1, 1985	(1,639)	(1,548)	(1,831)
Net pension credit	$ (574)	$(1,177)	$(1,726)

The plans' funded status at June 30 is as follows:

In thousands	1990	1989
Actuarial present value of the accumulated benefit obligation, including vested benefits of $46,276 in 1990 and $35,755 in 1989	$ 47,753	$ 41,152
Plans' assets at market value	$ 91,076	$ 86,976
Projected benefit obligation, determined using discount rates of 8% and including the effect of an assumed 5% annual increase in future compensation levels in both years	59,794	51,208
Excess of plans' assets over pension obligation	31,282	35,768
Less deferrals:		
Remaining unamortized balance of net pension transition asset at July 1, 1985	(16,926)	(18,574)
Prior service cost	3,047	1,638
Other net gains	(9,353)	(11,724)
Accrued pension asset included on the consolidated balance sheets in Other Assets	$ 8,050	$ 7,108

The Company has defined contribution plans for most of its domestic employees not covered by collective bargaining agreements, to which it contributes based on its earnings or participants' contributions. The Company also participates in multi-employer pension plans for certain of its hourly-paid production employees and contributes to those plans based on collective bargaining agreements. The aggregate cost of the defined contribution and multi-employer pension plans charged to earnings for continuing operations was $8,011,000 in 1990, $6,960,000 in 1989 and $7,449,000 in 1988.

THE INTERLAKE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7—Retirement Benefits

The Corporation has various defined benefit and defined contribution pension plans which cover substantially all employees.

The provision for defined benefit pension costs includes current costs, interest costs, actual return on plan assets, amortization of the unrecognized net asset existing at the date of transition and net unrealized gains and losses. Benefits are computed based mainly on years of service and compensation during the latter years of employment. Corporation contributions are determined according to the funding requirements set forth by ERISA.

The following table sets forth the funded status of the ongoing, domestic and foreign defined benefit plans and the amounts included in the year-end balance sheet. The Corporation's plans were generally overfunded. The underfunded plans which existed were not significant.

	1990	1989
	(In thousands)	
Plan assets at fair value	$127,040	$131,968
Actuarial present value of accumulated benefit obligation:		
• Vested benefits	90,011	78,064
• Non-vested benefits	1,108	3,098
	91,119	81,162
Effect of assumed future compensation increases	24,437	17,894
Projected benefit obligation for service to date	115,556	99,056
Plan assets in excess of projected benefit obligation	11,484	32,912
Items not yet recognized in earnings:		
• Unrecognized net asset at December 28, 1986 (being recognized over 15 years)	24,815	24,747
• Unrecognized net actuarial gain (loss)	(18,477)	6,081
• Unrecognized prior service cost	(1,072)	(116)
	5,266	30,712
Prepaid (Accrued) pension liability	$ 6,218	$ 2,200

Net pension cost (income) included in operating income from continuing operations for these plans consists of the following components:

	1990	1989	1988
		(In thousands)	
Service cost	$ 4,000	$ 3,608	$ 3,190
Interest cost	8,747	6,595	5,995
Actual return on plan assets	6,511	(21,292)	(9,815)
Net amortization and deferred items	(21,030)	11,462	992
Net pension cost (income)	$ (1,772)	$ 373	$ 362
Assumptions used in the computations:			
Assumed discount rate	7-9%	7-9%	7-9%
Expected long-term rate of return on plan assets	7-9%	7-9%	7-9%
Rate of increase in future compensation levels	5-7%	5-7%	5-7%

Sale of the investment casting business resulted in a curtailment of related pension plans, benefiting discontinued operations by $1,389,000.

U.S. pension plan assets are primarily invested in short and intermediate term cash investments, corporate bonds and common and preferred stock.

The expense for the Corporation's defined contribution pension plans which was included in income from continuing operations was $2,710,000, $2,542,000, and $3,140,000, in 1990, 1989, and 1988, respectively. Annual contributions to defined contribution plans are equal to the amounts accrued during the year.

The Corporation also has postretirement health care and death benefit plans covering certain domestic employees. The provision for postretirement benefit costs includes current costs, amortization of prior service costs over periods not exceeding twenty-five years and interest on the accrued liability. The provision for such plans included in operation profit was $1,210,000, $1,231,000, and $1,277,000, in 1990, 1989, and 1988, respectively. The provision for plans covering previously closed locations, where liabilities have been fully accrued, is included in non-operating income and was $223,000, $1,168,000 and $1,752,000, in 1990, 1989, and 1988, respectively. Favorable actual cost experience resulted in a lower actuarial present value at year end 1990, which reduced expenses provided in 1990. The postretirement benefits are not funded. The accumulated liability for postretirement medical and death benefits was $20,574,000 and $21,549,000 in 1990 and 1989, respectively.

JOHNSON & JOHNSON (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Retirement and Pension Plans

The Company has various retirement and pension plans, including defined benefit, defined contribution and termination indemnity plans, which cover most employees worldwide. Total pension expense related to these plans amounted to $65 million in 1990, $56 million in 1989, and $51 million in 1988.

Plan benefits are primarily based on the employee's compensation during the last three to five years before retirement and the number of years of service.

Domestic Pension Plans

The Company's objective in funding its domestic plans is to accumulate funds sufficient to provide for all accrued benefits. Net pension expense for the domestic defined benefit plans for 1990, 1989 and 1988 included the following components:

(Dollars in Millions)	1990	1989	1988
Service cost-benefits earned during period	$ 55	42	38
Interest cost on projected benefit obligations	87	75	68
Investment loss (gain) on plan assets	6	(221)	(123)
Net amortization and deferral	(108)	138	48
Special termination benefits	—	—	2
Net periodic pension cost	$ 40	34	33

The following table sets forth the actuarial present value of benefit obligations and funded status at December 31, 1990 and 1989 for the Company's domestic plans:

(Dollars in Millions)	1990	1989
Plan assets at fair value, primarily stocks and bonds	$1,166	1,212
Actuarial present value of benefit obligations		
Vested benefits	857	823
Nonvested benefits	13	16
Accumulated benefit obligation	870	839
Effect of projected future salary increases	259	254
Projected benefit obligation	1,129	1,093
Overfunded	37	119
Unrecognized prior service cost	79	86
Unrecognized net (gain)	(157)	(232)
Unamortized net transition (assets)	(47)	(52)
Voluntary supplemental benefits liability	(9)	(31)
Net pension (liability) included in the balance sheet	$ (97)	(110)

The domestic pension data includes unrecognized prior service cost of $8 million in 1990 and $29 million in 1989 and a net pension liability of $8 million in 1990 and $30 million in 1989, related to unfunded supplemental pension benefits.

Assumptions used to develop domestic net periodic pension expense and the actuarial present value of projected benefit obligations:

	1990	1989	1988
Expected long-term rate of return on plan assets	9.50%	9.50%	8.50%
Weighted average discount rate	8.50	8.00	8.75
Rate of increase in compensation levels	7.50	7.50	7.50

International Pensions Plans

International subsidiaries have plans under which funds are deposited with trustees, annuities are purchased under group contracts, or reserves are provided. Net pension expense for international defined benefit plans for 1990, 1989 and 1988 included the following components:

(Dollars in Millions)	1990	1989	1988
Service cost-benefits earned during period	$ 41	33	30
Interest cost on projected benefit obligations	45	33	31
Investment loss (gain) on plan assets	28	(87)	(43)
Net amortization and deferral	(89)	35	(7)
Net periodic pension cost	$ 25	14	11

In certain countries, the funding of pension plans is not a common practice as funding provides no economic benefit. Consequently, the Company has pension plans which are underfunded. The following table sets forth the actuarial present value of benefit obligations and funded status at year-end 1990 and 1989 for the Company's international plans:

(Dollars in Millions)	December 31, 1990 Overfunded	December 31, 1990 Underfunded	December 31, 1989 Overfunded	December 31, 1989 Underfunded
Plan assets at fair value, primarily stocks and bonds	$ 580	25	596	23
Actuarial present value of benefit obligations				
Vested benefits	283	110	258	89
Nonvested benefits	9	25	9	18
Accumulated benefit obligation	292	135	267	107
Effect of projected future salary increases	129	57	102	43
Projected benefit obligation	421	192	369	150
Funded status	159	(167)	227	(127)
Unrecognized prior service cost	14	2	10	2
Unrecognized net loss (gain)	56	(9)	(20)	(13)
Additional minimum liability	—	(9)	—	—
Unamortized net transition (assets) liabilities	(146)	31	(157)	26
Net pension asset (liability) included in the balance sheet	$ 83	(152)	60	(112)

The following table provides the range of assumptions, which are based on the economic environment of each applicable country, used to develop international net periodic pension expense and the actuarial present value of projected benefit obligations for international plans:

	1990	1989	1988
Expected long-term rate of return on plan assets	5-17.0%	5-17.0%	4-16.5%
Weighted average discount rate	5-16.5	5-16.5	4-16.5
Rate of increase in compensation levels	3.5-15.0	3.5-15.0	3-14.5

LOCKHEED CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Plans

Substantially all employees are covered by Lockheed-sponsored contributory or noncontributory defined benefit pension plans. Normal retirement age is 65, but provision is made for earlier retirement. Benefits for salaried plans are generally based on salary and years of service, while those for hourly plans are based on negotiated benefits and years of service. Substantially all benefits are paid from funds previously provided to trustees. Lockheed's funding policy is to make contributions that are consistent with U.S. government cost allowability and Internal Revenue Service deductibility requirements, subject to the full-funding limits of the Employee Retirement Income Security Act of 1974 (ERISA). When any Lockheed funded plan exceeds the full-funding limits of ERISA, no contribution is made to that plan. In addition, Lockheed has certain supplemental retirement and other benefit plans, which are not material. Under these plans, benefits are paid directly by Lockheed and charged against liabilities previously accrued. Lockheed has set aside in a grantor trust certain assets and bank letters of credit sufficient to satisfy a portion of the liabilities payable under these and other plans under certain circumstances.

Net pension cost for 1990, 1989 and 1988, as determined by Statements of Financial Accounting Standards No. 87 (SFAS 87), was $62 million, $12 million and $7 million, respectively, as shown in the following table:

In millions	1990	1989	1988
Service cost—benefits earned during the period	$ 169	$ 134	$ 132
Interest cost on projected benefit obligation	377	345	323
Actual return on plan assets	(103)	(918)	(541)
Net amortization (deferral)	(378)	454	95
Employee contributions	(3)	(3)	(2)
	$ 62	$ 12	$ 7

An analysis of the status of the plans follows:

In millions	December 30, 1990	December 31, 1989
Plan assets, at fair value	$5,563	$5,711
Actuarial present value of benefit obligations		
Vested benefits	4,208	3,574
Nonvested benefits	51	46
Accumulated benefit obligation	4,259	3,620
Effect of projected future salary increases	585	562
Projected benefit obligation	4,844	4,182
Plan assets in excess of projected benefit obligation	$ 719	$1,529
Consisting of		
Unrecognized net asset existing at the date of initial application of SFAS 87	$ 678	$ 764
Unrecognized prior service cost	(89)	(12)
Unrecognized net gain	83	661
Prepaid pension expense	47	116
	$ 719	$1,529

At December 30, 1990 and December 31, 1989, approximately 45 percent and 46 percent, respectively, of the plan assets were equity securities and the rest were primarily fixed income securities. The actuarial determinations were based on various assumptions as illustrated in the following table:

	1990	1989	1988
Discount rate on benefit obligations	8.5%	8.8%	9.7%
Range of compensation increases for those employees whose benefits are affected by compensation levels	3.5-8.5%	3.5-8.5%	3.5-8.5%
Expected long-term rate of return on plan assets	8.0%	8.0%	8.0%

As required by SFAS 87, the projected benefit obligation includes the effect of projected future salary increases, but not the effect of projected future credited service. The excess of plan assets over the projected benefit obligation will be required to fund the plans' continuing benefit obligations that will result from, among other things, future credited service. The decline in this excess is primarily attributable to lower returns on plan assets, and is reflective of the general performance of financial markets during 1990.

The company has no present intention of terminating any of its pension plans. However, if a qualified defined benefit pension plan is terminated, the company would be required to vest all participants and purchase annuities with plan assets to meet the accumulated benefit obligation for such participants. The cost to purchase annuities to satisfy the accumulated benefit obligation of Lockheed's qualified defined benefit plans would be in excess of $4.6 billion, compared to the $4.3 billion of accumulated benefit obligation reflected on the second table on page 45. The main salaried retirement plan provides that, after satisfaction of the accumulated benefit obligation and payment of federal excise taxes and federal and state income taxes, remaining plan assets would, in the event of plan termination within five years following a change in control of the company, be transferred to a trust and applied to the payment of certain other employee benefits otherwise payable to employees and retirees (e.g. retiree medical benefits). To the extent that contributions to a defined benefit pension plan were reimbursed under U.S. government contracts, any remaining surplus amounts at the time of plan termination are subject to equitable sharing under an agreement with the government.

PARKER HANNIFIN CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In Thousands of Dollars)

9. Pensions

The Company has noncontributory defined benefit pension plans covering eligible employees, including certain employees in foreign countries. Benefits for salaried plans are generally based on the employees' compensation during the three to five years prior to retirement. Under the hourly plans, benefits are generally based on various monthly amounts for each year of credited service. The Company also has contractual arrangements with certain key employees which provide for supplemental retirement benefits. In general, the Company's policy is to fund these plans based on legal requirements, tax considerations and local practices.

The Company also sponsors defined contribution plans and participates in Government-sponsored programs in certain foreign countries. Contributions and costs are determined as a percentage of each covered employee's salary.

In conjunction with the divestiture of the Automotive Aftermarket Divisions and the Biomedical Group, accrued benefits under the applicable defined benefit pension plans were frozen and active participants became fully vested. The plans' trustee will continue to maintain and invest plan assets and will administer benefit payments. In accordance with SFAS No. 88 – Employers' Accounting for Settlements and Curtailments of Defined Benefit Pen-

sion Plans, curtailment gains of $951 were included in the gain on disposal.

Pension costs for all plans were $5,754, $9,331 and $6,098 for 1990, 1989 and 1988, respectively. Pension costs for 1990 were reduced by the curtailment gain and the amortization of previously unrecognized gains. The adoption of SFAS No. 87, Employers' Accounting for Pensions, for substantially all foreign plans, reduced 1988 pension costs by $2.5 million.

Pension costs for all defined benefit plans are as follows:

	1990	1989	1988
Service cost-benefits earned during the period	$13,979	$13,458	$11,990
Interest cost on projected benefit obligation	22,975	21,245	18,902
Actual return on assets	(30,453)	(33,329)	(5,740)
Net amortization and deferral	(1,888)	6,018	(21,249)
Special benefits for early retirement			888
Net periodic pension costs	$ 4,613	$ 7,392	$ 4,791

For domestic plans, the weighted average discount rates and the rates of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations were 8.5% and 5%, respectively, at June 30, 1990 and 1989. The expected long-term rate of return on assets was 9% at June 30, 1990 and 1989. For the principal foreign plans located in the United Kingdom and West Germany, the weighted average discount rates used were 10.5% and 7%, respectively, at June 30, 1990 and 9.5% and 6.5%, respectively, at June 30, 1989 and rates of increase in future compensation used were 8% and 4.5%, respectively, at June 30, 1990 and 7% and 4%, respectivley, at June 30, 1989. The rates of return on assets used in the United Kingdom were 11.5% and 10.5% at June 30, 1990 and 1989, respectively.

The following tables set forth the funded status of all the plans accounted for using FAS 87 and the amounts recognized in the Company's consolidated balance sheet:

	Assets Exceed Accumulated Benefits	
	1990	1989
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(185,804)	$(161,097)
Accumulated benefit obligation	$(196,774)	$(175,251)
Projected benefit obligation	$(246,302)	$(224,226)
Plan assets at fair value	338,904	307,363
Projected benefit obligation less than plan assets	92,602	83,137
Unrecognized net (gain) or loss	(38,961)	(33,868)
Unrecognized prior service cost	4,992	5,739
Unrecognized net (asset) obligation	(42,015)	(45,217)
Prepaid pension cost (pension liability) recognized in consolidated balance sheet	$ 16,618	$ 9,791

	Accumulated Benefits Exceed Assets	
	1990	1989
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ (39,195)	$ (32,802)
Accumulated benefit obligation	$ (43,609)	$ (36,800)
Projected benefit obligation	$ (51,389)	$ (43,755)
Plan assets at fair value	2,940	4,679
Projected benefit obligation in excess of plan assets	(48,449)	(39,076)
Unrecognized net (gain) or loss	4,276	3,503
Unrecognized prior service cost	1,795	1,376
Unrecognized net (asset) obligation	4,863	5,299
Prepaid pension cost (pension liability) recognized in consolidated balance sheet	$ (37,515)	$ (28,898)

The plans' assets consists primarily of listed common stocks, corporate and government bonds, and real estate investments. At June 30, 1990 and 1989, the plans' assets included Company stock with market values of $6,968 and $6,378.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may receive those benefits if they become eligible for retirement while working for the Company. The cost of retiree health care and life insurance benefits is recognized as expense as claims are paid. For 1990, 1989, and 1988 those costs totalled $2,997, $2,899 and $2,494, respectively.

TELEDYNE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Pension Plans and Post-Retirement Benefits. The Company sponsors defined benefit pension plans covering substantially all of its employees. Benefits are generally based on years of service and/or final average pay. The Company funds the pension plans in accordance with the requirements of the Employee Retirement Income Sercurity Act of 1974, as amended.

Components of pension expense (income) for the years ended December 31, 1990, 1989 and 1988 include the following (in millions):

	Expense (Income)		
	1990	1989	1988
Service cost—benefits earned during the year	$ 40.2	$ 35.0	$ 30.2
Interest cost on projected benefit obligation	61.8	58.3	53.4
Actual return on assets	(136.1)	(159.3)	(95.1)
Net amortization and deferral	11.0	41.7	(20.4)
Pension expense (income) for defined benefit plans	(23.1)	(24.3)	(31.9)
Other	(0.1)	1.4	1.4
Pension expense (income)	$ (23.2)	$ (22.9)	$(30.5)

Actuarial assumptions used to develop the components of pension expense (income) for the years ended December 31, 1990, 1989 and 1988 were as follows:

	1990	1989	1988
Discount rate	7.25%	7.75%	8.25%
Rate of increase in future compensation levels	4.50%	4.50%	4.50%
Expected long-term rate of return on assets	6.00%	6.00%	6.00%

Plan assets in excess of projected benefit obligations at December 31, 1990 and 1989 were as follows (in millions):

	1990	1989
Plan assets at fair value	$1,567.9	$1,487.2
Actuarial present value of benefit obligations:		
Vested benefit obligation	739.7	735.8
Non-vested benefit obligation	15.0	16.9
Accumulated benefit obligation	754.7	752.7
Additional benefits related to future compensation levels	130.6	130.0
Projected benefit obligation	885.3	882.7
Plan assets in excess of projected benefit obligation	$ 682.6	$ 604.5

	1990	1989
Plan assets in excess of projected benefit obligation:		
Included in balance sheet:		
Prepaid pension cost	$ 137.6	$ 95.4
Accrued pension liability	(21.2)	(5.0)
Not included in balance sheet:		
Unrecognized net asset at adoption of SFAS No. 87, net of amortization	390.4	429.4
Unrecognized net gain due to experience different from that assumed and changes in the discount rate	198.7	109.9
Unrecognized prior service cost	(22.9)	(25.2)
Plan assets in excess of projected benefit obligation	$ 682.6	$ 604.5

At December 31, 1990 and 1989, the plans' assets, consisting primarily of fixed maturities, include debt obligations of the Company (primarily Teledyne 10% Subordinated Debentures) with a market value of $98.3 million and $83.6 million, respectively.

A discount rate of 7.50 percent at December 31, 1990, 7.25 percent at December 31, 1989 and 7.75 percent at December 31, 1988 and a rate of increase in future compensation levels of 4.50 percent at December 31, 1990, 1989 and 1988 were used for the valuation of pension obligations.

The Company provides post-retirement health care and life insurance benefits to certain of its employees. The costs for these benefits, which are charged to costs and expenses as incurred, were $16.4 million, $17.3 million and $17.5 million in 1990, 1989 and 1988, respectively.

In 1990, the FASB approved a statement which requires a change in accounting for post-retirement benefits other than pension. This statement must be adopted no later than 1993. The Company has post-retirement benefit plans at certain locations. Since these plans are unfunded, the adoption of this statement will require that the estimated cost of these plans be recorded on an accrual basis. The Company has not yet determined the effect, which is expected to be material, of the adoption of the statement on the financial statements or the date or method of adoption.

THE STANLEY WORKS (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Pension Plans

Pension costs accrued under pension plans covering substantially all employees are funded. The company's funding policy for defined benefit plans is based on actuarially determined cost methods which recognize current service costs plus amortization of unfunded prior service liabilities over ten to twenty-five years.

Note J (In Part): Employee Benefit Plans

Pension Plans

The company has several pension plans covering substantially all employees. The principal plans are in the U.S. covering salaried and hourly employees. A defined contribution plan covers the majority of U.S. salaried employees. Company contributions are made to the defined contribution plan at 2%, 4% or 6% of an employee's salary, depending on length of service. Upon retirement, an employee is entitled to receive the value of this pension account, plus the excess, if any, of a minimum guaranteed benefit over the value of his pension account. If the plan is terminated or merged with another plan within three years following a change in control of the company, any excess plan assets are to be applied to increase the benefits of all participants. The U.S. hourly and salaried defined benefit plans provide benefits of stated amounts for each year of service. Investments of these pension funds are in equity securities, fixed income investments, real estate and money market instruments.

The company's contributions to union-sponsored multiemployer defined benefit plans are generally based on the number of hours worked by the participating employees.

Total pension expense includes the following components, in millions of dollars:

	1990	1989	1988
Defined benefit plans:			
Service cost-benefits earned during the period	$ 7.8	$ 8.5	$ 7.5
Interest cost on projected benefit obligation	18.4	17.7	16.7
Actual return on plan assets	10.3	(40.9)	(24.1)
Net amortization and deferral	(34.7)	17.8	2.9
Net pension cost of significant plans	1.8	3.1	3.0
Other defined benefit plans	0.8	1.0	0.9
Defined contribution plan	6.5	3.3	3.1
Multiemployer plans	0.5	0.7	0.6
Total pension expense	$ 9.6	$ 8.1	$ 7.6

Assumptions used in the accounting for the principal defined benefit plans in 1990, 1989, and 1988 were:

Discount rate	8.0%
Average wage increase	5.5%
Long-term rate of return on assets	8.5%

The funded status of the company's plans at December 29, 1990 was as follows, in millions of dollars:

	United States Plans Where Assets Exceed Accumulated Benefits	United States Plans Where Accumulated Benefits Exceed Assets	Foreign Plans Where Assets Exceed Accumulated Benefits	Foreign Plans Where Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested	$124.0	$ 3.5	$ 48.0	$ 7.7
Non-vested	0.7		0.5	2.1
Accumulated benefit obligation	124.7	3.5	48.5	9.8
Additional amounts related to projected pay increases	35.6	2.1	7.7	2.5
Total projected benefit obligation	160.3	5.6	56.2	12.3
Funded assets at fair value	180.2		67.5	7.1
Assets in excess of (less than) projected benefit obligation	19.9	(5.6)	11.3	(5.2)
Unrecognized net (gain) or loss at transition	(7.0)	1.2	(11.2)	(0.6)
Unrecognized net 1990 (gain) or loss	(12.5)	1.9	7.7	0.3
Unrecognized prior service cost	20.4	0.7	2.1	0.4
Adjustment required to recognize minimum liability		(1.7)		
Prepaid (accrued) pension expense at December 29, 1990 (long-term)	$ 20.8	$(3.5)	$ 9.9	$(5.1)

The funded status of the company's plans at December 30, 1989 was as follows, in millions of dollars:

	United States Plans Where Assets Exceed Accumulated Benefits	United States Plans Where Accumulated Benefits Exceed Assets	Foreign Plans Where Assets Exceed Accumulated Benefits	Foreign Plans Where Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:				
Vested	$138.0	$ 3.3	$ 44.3	$ 1.7
Non-vested	1.0		0.6	1.4
Accumulated benefit obligation	139.0	3.3	44.9	3.1
Additional amounts related to projected pay increases	29.7	1.6	6.2	3.2
Total projected benefit obligation	168.7	4.9	51.1	6.3
Funded assets at fair value	209.5		75.1	0.7
Assets in excess of (less than) projected benefit obligation	40.8	(4.9)	24.0	(5.6)
Unrecognized net (gain) or loss at transition	(7.6)	1.3	(12.5)	0.3
Unrecognized net 1989 (gain) or loss	(28.3)	1.3	(6.4)	(0.2)
Unrecognized prior service cost	12.0	0.8	2.2	
Adjustment required to recognize minimum liability		(1.8)		
Prepaid (accrued) pension expense at December 30, 1989 (long-term)	$ 16.9	$(3.3)	$ 7.3	$(5.5)

Minimum Liability Recognized

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.

A summary of the components of net periodic pension cost for 1990, 1989 and 1988 are as follows (in thousands):

	1990	1989	1988
Service cost-benefits earned during the period	$ 1,377	$ 1,220	$ 1,178
Interest cost on projected benefit obligation	5,045	4,833	4,729
Actual return on plan assets	(2,120)	(6,291)	(4,022)
Net amortization and deferral	(2,334)	1,976	(154)
Net pension cost of defined benefit plans	$ 1,968	$ 1,738	$ 1,731

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, 1990 and 1989 (in thousands):

	1990	1989
Actuarial present value of:		
Vested accumulated benefit obligation	$54,573	$52,362
Nonvested accumulated benefit obligation	$2,295	$2,321
Projected benefit obligation	$ 58,141	$ 55,405
Fair value of plan assets	48,765	50,666
Excess of projected benefit obligation over fair value of plan assets	(9,376)	(4,739)
Unrecognized net asset at transition to SFAS 87, net of amortization	(1,331)	(1,963)
Unrecognized net loss	6,837	2,971
Unrecognized prior service cost	226	9
Adjustment required to recognize minimum liability	(5,762)	
Accrued pension cost	$(9,406)*	$(3,722)*

* Accrued pension cost includes $2,414 of unfunded pension liability for restructured employees recorded on the Corporation's balance sheet.

As of September 30, 1990, 1989 and 1988, the projected benefit obligation was determined using an assumed discount rate of 9% and an assumed 4½% rate of increase in future compensation levels. For all three years the assumed long-term rate of return on plan assets was 9%.

Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," required the Corporation to adopt its additional minimum liability provisions in 1990. This required the Corporation to record a long-term pension liability of $5,762,000, an intangible asset of $525,000 which is included with other assets, and a reduction of shareholders' equity of $5,237,000.

The Corporation has defined contribution retirement plans that cover its eligible employees. The purpose of these defined contribution plans is generally to provide additional financial security during retirement by providing employees with an incentive to make regular savings. The Corporation's contributions to the plans are based on employee contributions and totalled $796,000, $493,000 and $531,000 in 1990, 1989 and 1988, respectively.

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 $4,002,000, $3,615,000 and $3,486,000 in 1990, 1989 and 1988, respectively.

In October 1990, the Financial Accounting Standards Board approved Statement No. 106, "Accounting for Postretirement Benefits Other Than Pensions" which the Corporation is required to adopt no later than 1994. The Corporation expects that adoption of this Statement will have a material impact on its financial position.

The present value of future health care benefits for retirees of discontinued operations and certain employees retiring because of restructuring were recorded at the time of disposal or at the time of the decision to restructure. Amounts related to these costs were $5,628,000 and $5,647,000 at September 30, 1990 and 1989, respectively, which are included in the Unfunded Pension and Health Care Costs liability.

AMETEK, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Retirement and Pension Plans

The Company maintains noncontributory defined benefit retirement and pension plans, with benefits for eligible salaried and hourly employees funded through trusts established in conjunction with these plans. Employees of certain foreign operations participate in various local plans which in the aggregate are not significant. A retirement plan for the Company's directors and certain supplemental pension benefits are unfunded.

The Company's funding policy with respect to its qualified plans is to contribute amounts determined annually on an actuarial basis that provides for current and future benefits in accordance with funding requirements of federal law and regulations. Assets of funded benefit plans are invested in a variety of equity and debt instruments and in pooled temporary funds.

The charge to income for all retirement and pension plans, including plan administrative expenses, was $4,700,000 in 1990, $4,800,000 in 1989 and $2,700,000 in 1988. Improvements to certain plans and an acquired business in 1989 increased 1989 pension expense. Net pension expense, other than plan administrative expenses, consists of the following components:

	(In thousands)		
	1990	1989	1988
Service cost for benefits earned during the period	$ 5,628	$ 4,069	$ 3,333
Interest cost on projected benefit obligation	11,118	10,374	8,201
Actual loss (return) on plan assets	8,329	(25,079)	6,574
Net amortization and deferrals	(20,882)	14,799	(15,688)
Net pension expense	$ 4,193	$ 4,163	$ 2,420

Net pension expense reflects an expected long-term rate of return on plan assets of 9½% (9% for 1989 and 1988). The actual return has been adjusted to defer gains or losses which differ from the expected return. The present value of the projected benefit obligation was determined using an assumed discount rate of 8¾% for 1990 (8½% for 1989 and 9% for 1988). The assumed rate of compensation increase used in determining the present value of the projected benefit obligation was 6% for each year.

For pension plans with accumulated benefits in excess of assets at December 31, 1990, the accompanying balance sheet reflects an additional long-term pension liability of $10.7 million ($5.8 million-1989), a long-term intangible asset of $8.8 million ($5.8 million-1989) and a charge to stockholders' equity of $1.2 million, net of a deferred tax benefit, representing the excess of the additional long-term pension liability over unrecognized prior service cost. No balance sheet recognition is given to pension plans with assets in excess of accumulated benefits.

The Company provides limited postretirement benefits other than pensions to certain retirees. Most of these benefits are accounted for on the accrual basis, thereby meeting the requirements of a new accounting standard for postretirement benefits other than pensions, which will become effective beginning in 1993.

PHELPS DODGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Pension Plans And Postretirement Benefits

The Corporation has several non-contributory employee pension benefit plans covering substantially all U.S. employees. Employees covered under the salaried pension benefit plans are eligible to participate upon the completion of one year of service, and benefits are based upon final average salary and years of service. Employees covered under the remaining plans are eligible to participate at the time of employment, and benefits are based on a fixed amount for each year of service. All employees are vested in the plans after five years of service. The Corporation also maintains pension plans for employees of certain international subsidiaries following the legal requirements in those countries.

In a number of these plans, the plan assets exceed the benefit obligations (overfunded plans) and in the remainder of the plans, the benefit obligations exceed the plan assets (underfunded plans).

The status of employee pension benefit plans at December 31 is summarized below (in millions):

	Overfunded Plans		Underfunded Plans	
	1990	1989	1990	1989
Actuarial present value of projected benefit obligation, based on employment service to date and current salary levels:				
Vested employees	$232	240	168	173
Non-vested employees	13	15	7	7
Accumulated benefit obligation	245	255	175	180
Additional amounts related to projected salary increases	35	36	4	4
Total projected benefit obligation	280	291	179	184
Assets available for benefits:				
Funded assets	340	360	124	120
Accrued (prepaid) pension expense	(38)	(27)	28	45
Total assets	302	333	152	165
Assets in excess of (less than) projected benefit obligation	$ 22	42	(27)	(19)
Consisting of:				
Unamortized net asset (liability) existing at January 1, 1985	$ 27	31	(9)	(10)
Unrecognized net gain (loss) from actuarial experience and changes in actuarial assumptions	$ (5)	11	(18)	(9)

The Corporation's pension benefit plans were valued between December 1, 1989 and January 1, 1990 and the obligations were projected to, and the assets were valued as of, the end of 1990. The majority of plan assets are invested in a diversified portfolio of stocks, bonds and cash or cash equivalents. A small portion of the plan

assets are invested in pooled real estate and other private corporate investment funds.

The components of net periodic pension cost (credit) were as follows (in millions):

	1990	1989	1988
Benefits earned during the year	$ 9.7	8.0	6.5
Interest accrued on projected benefit obligation	37.7	35.3	31.7
Return on assets			
—actual	4.3	(59.5)	(60.0)
—unrecognized gain (loss)	(50.9)	16.9	22.4
Amortization of net asset at January 1, 1986	(0.1)	(1.0)	(1.5)
Net periodic pension cost (credit) for the year	$ 0.7	$(0.3)	(0.9)

Assumptions used to develop the net periodic pension cost (credit) in years 1990, 1989 and 1988 were a discount rate of eight percent, an expected long-term rate of return on assets of 10 percent and a rate of increase in compensation levels of five percent. For the valuation of pension obligations as of the end of 1990, the discount rate was increased to nine percent from eight percent in 1989.

Beginning in 1989, the Corporation recognized a minimum liability in its financial statements for its underfunded plans. "Other liabilities and deferred credits" at December 31, 1990, included $20 million relating to this minimum liability, compared with $16 million at December 31, 1989. This amount was offset by a $16 million intangible asset as well as a $4 million reduction in "Common Shareholders' Equity" at December 31, 1990, compared with offsets of $11 million and $5 million in the corresponding accounts at December 31, 1989.

The Corporation intends to fund at least the minimum amount required under the Employee Retirement Income Security Act of 1974. The excess of amounts accrued over minimum funding requirements, together with such excess amounts accrued in prior years, have been included in "Other liabilities and deferred credits" which totaled $8 million at December 31, 1990 ($17 million at December 31, 1989). Additionally, $9 million was included in "Accounts payable and accrued expenses" at December 31, 1990 ($8 million was included at December 31, 1989).

Substantially all of the Corporation's employees who retire from active service on or after normal retirement age of 65 are eligible for life insurance benefits. Life insurance benefits are also available under certain early retirement programs or pursuant to the terms of certain collective bargaining agreements. The costs of such benefits were approximately $800,000 in 1990 (1989 and 1988–$800,000). The majority of such costs were paid out of a previously established fund maintained by an insurance company; however, a portion was paid through an insured contract. Health care insurance benefits are also provided for most employees retiring from active service. The coverage is provided on a non-contributory basis for certain groups of employees and on a contributory basis for other groups. The majority of these benefits are paid by the Corporation. The cost to the Corporation of such health care benefits for retirees amounted to approximately $4.3 million in 1990 (1989—$4 million; 1988—$3.7 million).

In December 1990, the Financial Accounting Standards Board issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 mandates the accrual method of accounting for postretirement life, health and welfare benefits. One of the principal requirements of the method is that the expected cost of providing such postretirement benefits be accrued during the years employees render the necessary service. Under the current accounting method, such benefits are accounted for on a cash basis in most cases. SFAS No. 106 calls for implementation no later than the first quarter of 1993. A single method is prescribed by SFAS No. 106, but two options are available for recognizing the transition obligation; immediate recognition as an effect of the accounting change, or delayed recognition over the plan participants' future service periods. The financial statement impact of the standard has not been estimated, since it was issued late in 1990 and the method and date of implementation have not been determined.

Defined Contribution Plans

CTS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Employee Retirement Plans

Defined contribution plans

The Company sponsors defined contribution plans for some of its non-U.S. employees and its domestic hourly employees not covered by a defined benefit pension plan. Contributions and costs are generally determined as a percentage of the covered employee's annual salary. Amounts expensed for these plans totaled $1,487,000 in 1990, $2,524,000 in 1989 and $2,613,000 in 1988.

OXFORD INDUSTRIES, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. 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. The Company recorded a pretax curtailment gain of $2,973,000 in the fourth quarter of 1989.

In 1990, the Company completed the settlement of the vested accumulated benefit obligation by the purchase of annuity contracts for, or lump-sum payments to, each covered employee. The Company recorded a pretax settlement loss of $452,000 in the fourth quarter of 1990.

The Company also has defined contribution retirement savings plans covering substantially all full-time U.S.

employees. If a participant decides to contribute, a portion of the contribution is matched by the Company. The Company increased its matching contribution rates in these plans effective with the termination of its non-contributory defined benefit plan. Total expense under these plans was $1,596,000 in 1990, $932,000 in 1989 and $443,000 in 1988.

M/A-COM, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10—Retirement Plans:

The Corporation and its subsidiaries have defined contribution retirement plans covering substantially all employees. Costs and expenses of continuing operations include retirement plan charges of $5.2 million in 1990 ($3.1 million in 1989 and $3.4 million in 1988). The Company's policy is to fund accrued retirement costs.

TRINOVA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Retirement Plans

The Company has adopted trusteed defined-contribution pension plans as the primary retirement vehicle. Such plans now cover most full-time U.S. employees and certain non-U.S. employees. Annual expense provisions for the major defined-contribution plans are based primarily upon employee participation and earnings of the Company. The Company follows the policy of funding retirement plan contributions as accrued.

The Company has trusteed defined-benefit pension plans covering a limited number of full-time U.S. employees. The defined-benefit plans typically provide for full vesting after five years of service, and benefits are principally based on employee earnings and/or length of service. The Company's funding policy for these plans is to make annual contributions at least sufficient to meet minimum legal funding requirements. Various pension plans are also in effect for subsidiaries operating outside the U.S., including trusteed or insured, government-sponsored and unfunded plans.

In 1990 and 1988, the Company terminated defined-benefit pension plans covering certain U.S. salaried employees of subsidiary companies and established successor pension plans with different benefit formulas for those employees. The Company recognized settlement gains in 1990 of $5,224,000 pretax, $2,797,000 after tax, or $.09 per share, and in 1988 of $6,061,000 pretax, $3,296,000 after tax, or $.09 per share.

The Company recognized net periodic pension cost in accordance with FASB Statement No. 87, "Employers' Accounting for Pensions," for its U.S. and U.K. defined-benefit plans beginning in 1987. In 1989, the Company adopted the provisions of FASB Statement No. 87 for its defined-benefit plans in other non-U.S. locations. The change in pension expense due to adoption of this standard was not material to the results of operations.

A summary of the components on net periodic pension cost for the defined-benefit plans and the total contributions charged to pension expense for the defined-contribution plans follows:

	Year Ended December 31		
(in thousands)	1990	1989	1988
Defined-benefit plans:			
Service cost—benefits earned during the period	$ 4,000	$ 5,000	$ 5,200
Interest cost on projected benefit obligation	10,800	11,400	8,400
Actual return on plans' assets	(2,300)	(19,400)	(15,800)
Net amortization and deferral	(5,800)	9,700	5,900
Net pension cost—defined-benefit plans	6,700	6,700	3,700
U.S. defined-contribution plans	14,200	18,400	13,000
Other non-U.S. retirement plans	800	1,100	2,800
Totals	$21,700	$ 26,200	$ 19,500

Supplemental Retirement Plans

AVON PRODUCTS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In millions, except share data)

7 (In Part): Employee Benefit Plans

Supplemental Executive Retirement and Life Insurance Plans

Avon has a Supplemental Executive Retirement Plan ("SERP") which is a defined benefit plan under which Avon will pay supplemental pension benefits to key executives in addition to the amount participants will receive under Avon's retirement plan. The annual cost of this plan has been included in the determination of the net retirement plan expense shown above and amounted to $4.1 (1989—$3.6; 1988—$3.7). Such benefits will be paid from Avon's assets and not retirement plan assets. The unfunded accumulated benefit obligation under this plan at December 31, 1990 was $10.6 (1989—$18.3) and is included in the accrued retirement plan cost shown above.

During 1990, the SERP was amended to permit participants who retired prior to July 1, 1988 to elect a lump sum distribution of their remaining benefits, to be paid in shares of Avon common stock. A distribution of 177,644 shares of Avon common stock with a market value at the date of the offer of $6.6 was made to participants electing the lump sum distribution. Additional expense of $2.1 was recognized as a result of this distribution.

Avon also maintains a Supplemental Life Insurance

Plan ("SLIP") under which additional death benefits ranging from $1.0 to $2.0 are provided to certain active and retired officers. Avon has acquired corporate-owned life insurance policies to provide partial funding of the benefits. The cash surrender value of these policies at December 31, 1990 was $15.3 (1989—$8.1) and is held in the grantor trust described below.

Avon has established a grantor trust to provide partial funding for the benefits payable under the SERP and SLIP. The trust is irrevocable and assets contributed to the trust can only be used to pay such benefits with certain exceptions. The assets held in the trust at December 31, 1990 amounted to $30.6 (1989—$18.7), consisting of cash, corporate-owned life insurance policies and 278,846 shares of Avon's common and preferred stock, and are included in Other Assets.

TULTEX CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8 (In Part): Employee Benefits

The company has a nonqualified, unfunded supplementary retirement plan for which it has purchased cost recovery life insurance on the lives of the participants. The company is the sole owner and beneficiary of such policies. The amount of coverage is designed to provide sufficient revenues to recover all costs of the plan if assumptions made as to mortality experience, policy earnings and other factors are realized. Expenses related to the plan were $325,000 in 1990, $353,000 in 1989 and $272,000 in 1988. The actuarially determined liability which has been included in other deferrals was $1,676,000 at December 29, 1990, $1,578,000 at December 30, 1989 and $1,281,000 at December 2, 1988.

The following table sets forth the plan's status and amounts recognized in the company's financial statements at December 29, 1990 and December 30, 1989:

(In thousands of dollars)	1990	1989
Fair value of plan assets	$ —	$ —
Accumulated benefit obligation, including vested benefits of $1,673 and $1,578, respectively	1,676	1,578
Additional benefits based on estimated future salary levels	560	653
Projected benefit obligation	2,236	2,231
Projected benefit obligation in excess of plan assets	(2,236)	(2,231)
Unrecognized net (gain)	(602)	(612)
Unrecognized transitional obligation	1,393	1,493
Adjustment required to recognize minimum liability	(231)	(228)
Unfunded accrued supplementary costs	$(1,676)	$(1,578)

Net supplementary pension cost for the year included the following components:

(In thousands of dollars)	1990	1989
Service cost-benefits earned during the period	$ 75	$139
Interest on projected benefit obligation	179	149
Actual return on plan assets	—	—
Net deferral	71	65
Net periodic supplementary pension cost	$325	$353

GIANT FOOD INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Employee Benefit Plans

Retirement plans: The Company maintains a defined pension plan which covers all non-union employees meeting minimum age and service requirements. Plan benefits are based on the participant's years of service and average annual earnings in the five consecutive highest paid years during the last ten years preceding retirement. The Company's policy is to fund the amount expensed for accounting purposes subject to it being deductible for income tax purposes. Because of the funding surplus, no contribution was made for 1990, 1989 or 1988. Plan assets are invested in a bank money market account, corporate and government debt securities and common stock.

A supplementary non-qualified, non-funded pension plan for certain officers is also maintained and is being provided for by charges to earnings sufficient to meet the project benefit obligation. The pension cost for this plan is based on substantially the same actuarial methods and economic assumptions as those used for the defined benefit pension plan.

Net periodic pension income for these plans for 1990, 1989 and 1988 includes the following benefit and cost components:

	1990	1989	1988
Service cost			
Defined benefit plan	$2,023	$2,011	$ 2,001
Supplemental plan	25	21	
Interest cost			
Defined benefit plan	3,671	3,243	2,693
Supplemental plan	110	124	191
Actual return on plan assets	(7,088)	(3,623)	(1,195)
Net amortization and deferral			
Defined benefit plan	976	(2,202)	(4,799)
Supplemental plan	(30)	123	102
	($ 313)	($ 303)	($1,007)

The funded status and amounts recognized in the consolidated balance sheets as of February 24, 1990 and February 25, 1989 are as follows:

	Defined benefit plan		Supplemental plan	
	1990	1989	1990	1989
Actuarial present value of benefit obligations:				
Vested benefit obligation	$31,571	$ 24,788	$ 854	$ 807
Accumulated benefit obligation	$31,927	$ 26,371	$ 854	$ 807
Projected benefit obligation	$44,713	$ 36,593	$ 1,318	$ 1,191
Plan assets at fair value	(56,858)	(51,004)		
Projected benefit obligation in excess of (less than) plan assets	(12,145)	(14,411)	1,318	1,191
Unrecognized net gain (loss)	(64)	862	1,738	1,942
Unrecognized prior service cost	(2,441)	(1,934)	(318)	(341)
Unrecognized transition (obligation) asset	14,862	16,113	(1,228)	(1,330)
Pension liability recognized in the consolidated balance sheet	$ 212	$ 630	$ 1,510	$ 1,462

DURR-FILLAUER MEDICAL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Employee Benefit Plans

The Company has a defined contribution profit sharing plan, including features under Section 401(k) of the Internal Revenue Code, which will provide retirement benefits to its employees. The Company's contribution to the plan is determined by the Board of Directors. Charges to income with respect to this plan were $1,450,000 in 1990, $1,275,000 in 1989, and $1,300,000 in 1988.

In December 1990, the Financial Accounting Standards Board issued a new standard on accounting for post retirement benefits other than pensions. Currently, the Company provides health care benefits to a limited number of retired employees. None of the Company's current employees will be eligible for these benefits. The cost to the Company of providing these benefits under the new statement will not be significant.

During 1989, the Company converted its deferred compensation plan into a Supplemental Executive Retirement Plan ("SERP") for certain officers. The plan provides, among other things, for certain compensation to become payable on the employee's death, retirement, or total disability as set forth in the plan. The SERP is accounted for under Financial Accounting Standards No. 87, "Employers' Accounting for Pensions". Expense for 1990 and 1989 was $561,000 and $393,000, respectively. During 1988, the Company provided $100,000 under its deferred compensation plan.

PACCAR INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (thousands of dollars)

H (In Part): Pension Plans

The Company has an unfunded supplemental retirement plan for employees whose benefits under the principal salaried retirement plan are reduced because of compensation deferral elections or limitations under federal tax laws. Pension expense for this plan was $997 in 1990, $1,070 in 1989, and $907 in 1988. At December 31, 1990, the projected benefit obligation for this plan was $6,158. The corresponding accumulated benefit obligation of $4,774 has been recognized as a liability in the balance sheet and is equal to the amount of vested benefits.

SEQUA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Pension Plans

During 1990, the Company adopted several nonfunded supplemental executive retirement plans for certain key executives. These plans provide for benefits which supplement those provided by the Company's other retirement plans. At December 31, 1990, the accumulated benefit obligation for these plans of $5,524,000 is included in accrued pension cost in the accompanying consolidated balance sheet. The projected benefit obligation at December 31, 1990 totaled $8,532,000 and the expense for these plans in 1990 was $2,215,000.

Multiemployer Plans

RYKOFF-SEXTON, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Pension and Profit Sharing Plans

For collectively bargained, multi-employer pension plans, contributions are made in accordance with negotiated labor contracts and generally are based on the number of hours worked. With the passage of the Multi-Employer Pension Plan Amendments Act of 1980 ("the Act"), the Company may, under certain circumstances, become subject to liabilities in excess of contributions made under collective bargaining agreements. Generally, these liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the plans. The Company has not taken any action to terminate, withdraw or partially withdraw from these plans which would result in any material liability. Under the Act, liabilities would be based upon the Company's proportional share of each plan's unfunded vested benefits which have been estimated by the trustees of the funds to be in the range of approximately $3,800,000. The amount of accumulated benefits and net assets of such plans is not currently available to the Company. Total contributions charged to expense under all pension plans were $4,404,000, $3,757,000 and $3,578,000 for the fiscal years 1990, 1989, and 1988, respectively.

SAFEWAY INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Employee Pension and Benefit Plans

Multi-employer Pension Plans
The Company participates in various multi-employer pension plans, covering virtually all Company employees not covered under the Company's non-contributory pension plans, pursuant to agreements between the Company and employee bargaining units who are members of such plans. These plans are generally defined benefit plans; however, in many cases, specific benefit levels are not negotiated with, or known by the employer-contributors. Contributions of $73 million, $78 million and $91 million were made and charged to income in 1990, 1989 and 1988, respectively.

Under U.S. legislation regarding such pension plans, a Company is required to continue funding its proportionate share of a plan's unfunded vested benefits in the event of withdrawal (as defined by the legislation) from a plan or plan termination. The Company participates in a number of these pension plans and the potential obligation as a participant in these plans may be significant. The information required to determine the total amount of this contingent obligation, as well as the total amount of accumulated benefits and net assets of such plans, is not readily available. During 1988 and 1987 the Company sold certain operations. In most cases the party acquiring the operations agreed to continue making contributions to the plans, thus relieving the Company of the obligations related to those sold operations. Whether such sales could result in withdrawal under ERISA and if so, whether such withdrawals could result in liability to the Company is not determinable at this time.

VALHI, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 21 (In Part): Employee Benefit Plans

Multiemployer Pension Plans
Certain of the Company's employees, substantially all of which are employed by Medford, are covered by union-sponsored, collectively-bargained multi-employer pension plans. Contributions to multi-employer plans are based upon collectively-bargained agreements and were $118,000 in 1990, $229,000 in 1989 and $449,000 in 1988. Based upon information provided by the multi-employer plans' administrators, the Company's share of such plans unfunded vested benefits is not significant.

Settlement Of Pension Obligations

BROWN GROUP, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Retirement and Other Benefit Plans

The corporation and its subsidiaries have several non-contributory pension plans covering substantially all U.S. employees. Plans covering salaried and management employees provide pension benefits that are based on the employee's compensation during the five years before retirement. Plans covering hourly employees and union members generally provide benefits of stated amounts for each year of service. The corporation's funding policy for all plans is to make the minimum annual contributions required by applicable regulations.

The corporation also participates in several multi-employer plans, which provide defined benefits to certain of the corporation's union employees. Additionally, the corporation sponsors a defined contribution 401(k) plan covering salaried and management employees who have one year of service and who are 21 years of age, or who are 35 years of age or older. Company contributions represent a partial matching of employee contributions up to a maximum of 3.5% of the employee's salary.

The following table sets forth the plans' funded status at the December 31, 1990 and 1989 measurement dates, and amounts recognized in the corporation's Balance Sheet at February 2, 1991 and February 3, 1990 (in thousands):

	1990	1989
Actuarial present value of benefit obligations:		
Vested benefit obligation	$100,713	$119,935
Accumulated benefit obligation	$103,740	$122,742
Projected benefit obligation	$117,211	$139,639
Plan assets at fair value	167,734	199,265
Excess of plan assets over projected benefit obligation	50,523	59,626
Unrecognized net gain	(22,707)	(34,922)
Unrecognized prior service costs	9,266	5,274
Unrecognized net transition asset	(16,941)	(26,791)
Net pension asset recognized in the balance sheet	$ 20,141	$ 3,187

Pension plan assets include common stock of the corporation with a market value of $310,000 at December 31, 1990. The plan assets are invested primarily in listed stocks, bonds, and guaranteed interest contracts with insurance companies. The plan assets are valued using the current market value for bonds and a five-year moving average for equities.

Prior service costs are amortized over the average remaining service period of employees expected to receive benefits under the plan.

Net periodic pension costs included the following components (in thousands):

	1990	1989	1988
Defined Benefit Plans:			
Service cost	$ 5,958	$ 5,434	$ 4,736
Interest cost	10,614	10,473	9,674
Actual return on plan assets	(7,201)	(28,246)	(18,309)
Net amortization and deferral	(13,186)	9,969	1,147
Net pension (income) of defined benefit plans	(3,815)	(2,370)	(2,752)
Defined Contribution Plans	2,932	3,515	3,244
Multiemployer Plans	286	444	314
	$ (597)	$ 1,589	$ 806
Assumptions used in the accounting for defined benefit plans were:			
Discount rate in determining benefit obligation	8.25%	8.00%	9.00%
Discount rate in determining expense	8.00%	9.00%	9.00%
Expected long-term rate of return on assets	9.50%	9.00%	9.00%
Rates of increase in compensation levels	5.00%	5.50%	6.75%

In the Fourth Quarter of 1990, the accumulated benefit obligation of certain of the corporation's pension plans was settled by the purchase of a nonparticipating group annuity contract for substantially all of the plans' retired participants. This settlement 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," and resulted in a pre-tax gain to the corporation of $12,949,000.

In addition to providing pension benefits, the corporation offers health care benefits on a shared cost basis to its employees who qualify for early retirement. This coverage ceases when the retiree reaches age 64. The corporation does not provide health care benefits to any retired employees beyond the age of 65. Additionally, life insurance coverage ranging from $1,000 to $11,000 is provided to qualifying retired employees. The cost of retiree health care and life insurance benefits is recognized as expense as claims or premiums are paid. For 1990 the combined cost of these benefits was approximately $1,100,000.

In December 1990, the Financial Accounting Standards Board issued Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Statement No. 106 must be adopted no later than fiscal 1993 with earlier adoption permitted. The Statement will require the corporation to change the manner in which it accounts for postretirement nonpension benefits by recognizing and accruing the costs of the benefits during the employees' working years. The financial impact on Statement No. 106 has not been precisely estimated. However, preliminary analysis indicates the corporation's annual expense for postretirement nonpension benefits may be between two and three times the 1990 cash-basis cost of $1,100,000.

DRESSER INDUSTRIES, INC. (OCT)

	1990	1989	1988
		In Millions	
Earnings from operations	$226.4	$ 196.5	$155.5
Other income (deductions)			
Interest expense	(39.4)	(45.4)	(55.0)
Interest earned	38.2	46.9	46.6
Royalties earned	9.6	9.9	19.4
Pension plan settlements—Note L	11.1	22.0	13.6
Other, net	16.8	16.9	3.6
Total other income, net	36.3	50.3	28.2
Earnings from continuing operations before income taxes, minority interest and equity earnings	$262.7	$ 246.8	$183.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L—Postretirement Benefits

Defined Benefit Pension Plans

The Company has numerous defined benefit pension plans covering substantially all employees in the United States. The benefits for the U.S. plans covering the salaried employees are based primarily on years of service and employees' qualifying compensation during the final years of employment. The benefits for the U.S. plans covering the hourly employees are based primarily on years of service. The U.S. plans are funded in accordance with the requirements of applicable laws and regulations. About 84% of the U.S. plan assets are invested in cash, short-term investments, listed stocks, and bonds, of which $27 million are debentures of the Company. The remaining U.S. plan assets are primarily invested in real estate.

The Company has additional defined benefit pension plans for employees outside the United States. The benefits under these plans are based primarily on years of service and compensation levels. The Company funds these plans in amounts sufficient to meet the minimum funding requirements under governmental regulations, plus such additional amounts as the Company may deem appropriate.

The Company adopted both Statement of Financial Accounting Standards No. 87—Employers' Accounting for Pensions (SFAS 87) and Statement of Financial Accounting Standards No. 88—Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans (SFAS 88) in 1986 for plans in the United States. The Company adopted SFAS 87 and SFAS 88 for plans in Canada in 1987, for plans in the United Kingdom in 1989 and for all other significant foreign plans in 1990. The effects of such adoptions were not material in 1989 or 1990.

Beginning in 1990, SFAS 87 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. The Company has recorded as of October 31, 1990, an additional liability of $10. 9 million, an intangible asset of $8.9 million and an equity reduction, net of income taxes, of $1.7 million.

Pension expense under SFAS 87 includes the following components (in millions):

	U.S. & Foreign 1990	U.S., Canada and U.K. 1989	U.S. and Canada 1988
Service cost for benefits earned during the year	$ 15.9	$ 12.8	$ 12.7
Interest cost on projected benefit obligation	30.8	27.2	25.3
Actual return on plan assets	(31.7)	(32.0)	(22.9)
Net amortization and deferral	(7.0)	(6.4)	(8.6)
Joint venture adjustments	—	—	(1.0)
Net pension costs	$ 8.0	$ 1.6	$ 5.5

The actuarial assumptions used for the plans under SFAS 87 for 1990, 1989 and 1988 were as follows:

	1990	1989 and 1988
Discount rate	7.5% to 12.5%	8.5% to 9.0%
Expected long-term rate of return on assets	7.5% to 13.5%	8.5% to 9.0%
Rate of increase in compensation levels	5.0% to 11.0%	5.5% to 6.0%

The funded status of the plans under SFAS 87 on the August 1 measurement dates was as follows (in millions):

	U.S. & Foreign 1990	U.S., Canada and U.K. 1989	U.S. and Canada 1988
Plans with Assets Exceeding Accumulated Benefits			
Actuarial present value of benefit obligations:			
Vested benefit obligation	$ 200.9	$ 171.3	$ 133.1
Accumulated benefit obligation	$ 202.7	$ 174.2	$ 137.0
Projected benefit obligation	$ 235.6	$ 191.4	$ 139.1
Plan assets at fair value	379.7	312.2	215.1
Projected benefit obligation (over) under plan assets	144.1	120.8	76.0
Unrecognized net (gain) loss	(39.2)	(30.6)	(4.9)
Prior service cost not yet recognized in net periodic pension cost	5.9	5.7	5.1
Unrecognized net asset at date of adoption of SFAS 87	(61.0)	(65.3)	(48.1)
Prepaid pension costs recognized as of August 1	$ 49.8	$ 30.6	$ 28.1

	U.S. & Foreign 1990	U.S., Canada and U.K. 1989	U.S. and Canada 1988
Plans with Accumulated Benefits Exceeding Assets			
Actuarial present value of benefit obligations:			
Vested benefit obligation	$ 128.6	$ 63.8	$ 75.4
Accumulated benefit obligation	$ 132.7	$ 73.2	$ 79.9
Projected benefit obligation	$ 199.6	$ 123.1	$ 129.5
Plan assets at fair value	70.0	50.8	52.6
Projected benefit obligation (over) under plan assets	(129.6)	(72.3)	(76.9)
Unrecognized net (gain) loss	11.8	(8.1)	.2
Prior service cost not yet recognized in net periodic pension cost	14.9	6.6	(2.9)
Unrecognized net asset at date of adoption of SFAS 87	(7.9)	(15.0)	(20.9)
Adjustment required to recognize minimum liability	(10.9)	—	—
Pension liability recognized as of August 1	$ (121.7)	$ (88.8)	$(100.5)

Contributions made in September and October 1990 decreased the liability for plans with accumulated benefits exceeding assets by $2.8 million. Contributions made in September 1989 to the trust for the pension plans

increased the prepaid pension cost for plans with assets exceeding accumulated benefits by $.3 million and decreased the liability for plans with accumulated benefits exceeding assets by $18.5 million.

Pension expense for foreign plans not under SFAS 87 was $2.5 million and $5.6 million for 1989 and 1988, respectively.

The Company terminated certain defined benefit pension plans during 1990, 1989 and 1988, and $15.5 million, $20.7 million and $13.0 million of plan assets reverted to the Company during 1990, 1989 and 1988, respectively. As a result of the settlement of certain liabilities of the terminated plans, the Company recognized gains of $11.1 million, $22.0 million and $13.6 million in 1990, 1989 and 1988, respectively. The 1990, 1989 and 1988 gains are net of provisions for U.S. excise taxes of $2.2 million, $4.6 million and $1.4 million, respectively. The difference between the assets which reverted to the Company and the recognized gains is included in long-term pension plan liabilities.

"Other assets and deferred income taxes" include prepaid pension costs and "Accrued compensation and benefits" include current pension liabilities.

Defined Contribution Plans

Two consolidated subsidiaries maintain defined contribution plans for most U.S. salaried employees. Under these plans, eligible employees may contribute amounts through payroll deductions supplemented by employer contributions for investment in various funds established by the plans. The cost of these plans was $6.3 million, $5.3 million and $4.1 million in 1990, 1989 and 1988, respectively.

Consolidated Company Pension Costs

On a consolidated basis, pension costs were $14.3 million in 1990, $9.4 million in 1989 and $15.2 million in 1988.

Other Postretirement Benefits

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and life insurance benefits for retired employees. Most of the employees who retire from the Company are eligible for these benefits. The cost of these benefits is recognized as an expense as claims or premiums are paid. These costs totaled approximately $23.9 million in 1990, $20.8 million in 1989 and $19.8 million in 1988.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106 that requires the Company to change accounting for the cost of postretirement benefits other than pensions no later than fiscal year 1994. Because of the complexities involved, it is not possible at this time to estimate the effect of the changes on the Company's financial position and results of operations. However, when the new standard is adopted, there will be a significant increase in annual benefit expense and there may be a significant reduction of Shareholders' Investment.

Curtailment/Settlement

HANDY & HARMAN (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8: Retirement Plans

The Company and substantially all of its subsidiaries have non-contributory defined plans covering most of their employees. The benefits are based on years of service and employee's compensation at the time of retirement. Contributions are made by the Company as necessary to provide assets sufficient to meet the benefits payable to plan participants, and are determined in accordance with applicable minimum funding standard requirements as promulgated by the Internal Revenue Service. Such contributions are based on actuarial computations of the amount sufficient to fund normal (current service) cost plus an amortization of the unfunded actuarial accrued liability over 30 years.

The approximate total pension credit for 1990, 1989 and 1988 was $8,215,000, $5,321,000, $4,059,000, respectively.

The net periodic pension cost (credit) for 1990, 1989 and 1988 included the following components:

	1990	1989	1988
Service cost-benefits earned during the period	$ 3,665,000	$ 3,192,000	$ 3,251,000
Interest cost on the projected benefits obligation	7,251,000	6,805,000	6,392,000
Return on plan assets	9,059,000	(19,610,000)	(16,972,000)
Net amortization and deferral	(28,190,000)	4,292,000	3,270,000
Net periodic pension cost (credit)	$ (8,215,000)	$ (5,321,000)	$ (4,059,000)

Assumptions used in the accounting at December 31 are:

	1990	1989	1988
Discount rate:			
Beginning of year	8.0%	8.75%	8.75%
End of year	8.0%	8.0%	8.75%
Compensation increase	6.0%	6.0%	6.0%
Expected asset return	9.5% to 10.5%	9.5% to 10.5%	9.5% to 10.5%

The plans' funded status as of December 31 and the amounts recognized in the accompanying financial state-

ments are as follows:

	1990	1989
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 75,084,000	$ 68,135,000
Accumulated benefit obligation	$ 79,436,000	$ 72,545,000
Projected benefit obligation	$ 94,044,000	$ 90,100,000
Plan assets as fair value	124,138,000	137,277,000
Plan assets in excess of projected benefit obligation	30,094,000	47,177,000
Unrecognized net loss	21,604,000	614,000
Unrecognized prior service cost	1,799,000	891,000
Unrecognized net asset	(25,980,000)	(28,726,000)
Prepaid pension cost	$ 27,517,000	$ 19,956,000

The plans' assets are invested primarily in stocks and insurance contracts.

During the second quarter of 1990, the Company incurred a pension curtailment when the automotive replacement segment's employees were transferred to a joint venture. The result was a gain $1,470,000. In the fourth quarter of 1990 the Company settled its pension liability for these employees through the purchase of an annuity contract from an insurance company. The result was a gain of $782,000. These items are included in the net periodic pension credit for 1990.

Plan Amendments

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Pension Costs. Net pension cost for the company's domestic defined benefit pension plan is funded as accrued, to the extent that current pension cost is deductible for U.S. Federal tax purposes. The plan's transition surplus is amortized over 19 years.

In fiscal 1990 the company adopted the provisions of Statement of Financial Accounting Standards No. 87, "Employer's Accounting for Pensions," for its non-U.S. defined benefit pension plans. Net pension cost for these plans is generally funded as accrued. The net transition surplus/obligation for these plans is amortized over periods ranging from 15 to 21 years.

Note 12 (In Part): Benefit Plans (in thousands)

The company has a noncontributory defined benefit pension plan which covers substantially all U.S. employees. The company also has a supplemental retirement benefit plan, adopted in fiscal 1990, which covers certain U.S. employees. Benefits under the plans are based on an employee's regular base pay and creditable years of service, as defined in the plans. Funds contributed to the plans are invested primarily in common stocks and cash equivalents securities.

The components of net pension (income) expense are as follows:

	Year Ended		
	Sept. 29, 1990	Sept. 30, 1989	Sept. 24, 1988
Service cost	$ 7,684	$ 5,991	$ 6,092
Interest on projected benefit obligation	5,148	3,779	3,353
Actual (gain) loss on plan assets	7,296	(11,948)	5,946
Deferral of net actuarial gains (losses) and amortization of transition surplus and prior service cost	(12,996)	6,427	(11,732)
Curtailment gain	(5,821)	—	—
Settlement gain	(2,529)	(721)	—
Net pension (income) expense	$ (1,218)	$ 3,528	$ 3,659

The funded status of the plans is as follows:

	Sept. 29, 1990	Sept. 30, 1989
Actuarial present value of benefit obligations:		
Vested benefit obligation	$31,592	$ 29,975
Accumulated benefit obligation	$32,273	$ 30,804
Projected benefit obligation	$46,537	$ 53,138
Market value of plan assets	52,642	64,040
Excess of plan assets over projected benefit obligation	(6,105)	(10,902)
Unrecognized actuarial gain	5,348	3,291
Unrecognized prior service cost	(6,600)	(1,624)
Unrecognized transition surplus	14,553	17,459
Net pension liability included in accrued expenses	$ 7,196	$ 8,224
Assumptions used in computing the funded status of the plans are as follows:		
Discount rate	9.0%	8.5%
Expected long-term rate of return on assets	9.0%	8.5%
Rate of increase in compensation levels	4.0%	6.0%

On October 1, 1989, the U.S. plan was amended to change the benefit formula for service after September 30, 1989 to 1.5% of base earnings. Prior to the change, benefits were based on 1% of base earnings not in excess of the FICA wage base plus 2% of earnings in excess of the FICA wage base. The effect of the amendment was an increase of $9,479 in the projected benefit obligation.

The assumptions used to compute the funded status of the U.S. plan were changed in fiscal 1990, as indicated above. The changes in assumptions resulted in decreases of $3,127, $3,219, and $14,943 in the vested benefit obligation, accumulated benefit obligation, and projected benefit obligation, respectively.

The company's restructuring and cost containment programs resulted in a significant decrease in U.S. pension plan participants during fiscal 1990. The decrease in participants resulted in a decrease of $9,983 in the projected

benefit obligation and a decrease of $4,162 in the unrecognized prior service cost. Of the total curtailment and settlement gains of $8,350 in fiscal 1990, $7,042 was applied to the 1990 restructuring charge.

Certain of the company's foreign subsidiaries also have retirement plans covering substantially all of their employees. In fiscal 1990 the company adopted the provisions of Statement of Financial Accounting Standards No. 87 ("SFAS 87"), "Employer's Accounting for Pensions," for its foreign defined benefit pension plans. Benefits under these plans are generally based on either career average or final average salaries and creditable years of service, as defined in the plans. Plan assets consist primarily of common stocks, debentures, cash equivalent securities, and insurance contracts.

The components of net pension expense for foreign defined plans are as follows:

	Year Ended Sept. 29, 1990
Service cost	$ 4,198
Interest on projected benefit obligation	2,266
Actual loss on plan assets	4,453
Deferral of net actuarial gains (losses) and amortization of net transition obligation	(6,338)
Net pension expense	$ 4,579

The funded status of the foreign defined benefit plans is as follows:

	Sept. 29, 1990
Actuarial present value of benefit obligations:	
Vested benefit obligation	$27,749
Accumulated benefit obligation	$28,446
Projected benefit obligation	$40,928
Market value of plan assets	28,262
Excess of projected benefit obligation over plan assets	12,666
Unrecognized actuarial loss	(6,016)
Unrecognized transition obligation	(4,307)
Net pension liability included in accrued expenses	$ 2,343
Assumptions used in computing the funded status of the plans are as follows:	
Discount rate	5.0%-9.0%
Expected long-term rate of return on assets	5.0%-9.0%
Rate of increase in compensation levels	3.5%-7.0%

Total pension costs charged to expense for other foreign plans were $1,424 in fiscal 1990. Total pension costs charged to expense for all foreign plans for fiscal years 1989 and 1988, prior to adoption of SFAS 87, were $5,052 and $4,494, respectively.

RAYCHEM CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension Plans

The company has noncontributory defined benefit pension plans which cover substantially all U.S. employees and a number of its employees in foreign countries. The benefits for these plans are based primarily on years of service and employee compensation. The company funds these pension plans when legally or contractually required.

Plan assets for the U.S. and non-U.S. defined benefit pension plans generally consist of publicly traded securities, bonds and cash investments. Amortization of prior service cost is calculated on a straight-line basis over the expected future years of service of the plans' active participants.

On January 1, 1990, two U.S. plan amendments became effective. One amendment updated the years used to calculate past service benefits. The other amendment, prompted by the Tax Reform Act of 1986, raised the minimum pension benefit and reduced the social security offset. The amendments generated an unrecognized prior service cost of $14.3 million.

During 1990, the company undertook a comprehensive restructuring program which included an early retirement program for certain U.S. employees. Additional pension-related benefits resulting from the early retirement program were $7.0 million, of which $5.8 million was paid from pension plan assets and the remainder by the company. The $7.0 million cost was offset by a gain of $6.9 million relating to the settlement of pension obligations for those retirees electing lump-sum payments of their accrued benefits. Other costs associated with the early retirement program were cash bonuses and health care costs resulting in a total program cost of $2.6 million. Also in connection with the restructuring program, the company had a reduction in the workforce which resulted in a net curtailment loss of $0.7 million.

The assumptions used to measure the projected benefit obligation and to compute the expected long-term return on assets for the company's defined benefit pension plans are as follows:

	1990	1989	1988
U.S. plans:			
Discount rate	9%	9%	9%
Average increase in compensation levels	6%	6%	6%
Expected long-term return on assets	9%	9%	9%
Non-U.S. plans:			
Discount rates	6%-11%	6%-9%	6%-9%
Average increase in compensation levels	5.5%-8%	5.5%-7%	5.5%-7%
Expected long-term return on assets	9%-10%	9%-10%	9%-10%

HARSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Retirement Plans:

The Company has pension and profit sharing retirement plans, most of which are noncontributory, covering substantially all its employees and outside directors. The benefits for salaried employees generally are based on years of service and the employee's level of compensation during specified periods of employment. Plans covering hourly employees generally provide benefits of stated amounts for each year of service. The Company's funding policy for qualified plans is consistent with federal regulations and customarily equals the amount deducted for federal income tax purposes.

Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106), will require companies to accrue postretirement benefits during the vesting period. The primary postretirement benefit provided by the Company is a minimal amount of life insurance for which cost is recognized as premiums are paid. The effect of the change will be impacted by many variables prior to required implementation in 1993; however, the Company does not believe the new standard will have a material effect on the results of operations or financial position.

5: Pension and Retirement Plans

Net pension cost includes the following components:

(In thousands)	1990	1989	1988
Defined Benefit Plans			
Service cost	$ 7,671	$ 6,666	$ 6,378
Interest cost	9,786	10,071	9,322
Actual return on plan assets	(2,227)	(24,324)	(20,879)
Net amortization and deferral	(18,008)	6,776	4,245
Net periodic pension cost (income)	(2,778)	(811)	(934)
Multi-employer and defined contribution plans	5,811	5,294	4,993
Total pension cost	$ 3,033	$ 4,483	$ 4,059

The Company participated in multi-employer plans, providing defined benefits for certain unionized employees, the cost of which totaled $2,091,000, $2,191,000 and $1,993,000, for 1990, 1989 and 1988, respectively.

The funded status of the plans is as follows:

(In thousands)	1990	1989
Plan assets at fair value October 31	$231,783	$202,795
Actuarial present value of benefit obligations:		
Accumulated benefit obligation (including vested benefits of $129,707 in 1990 and $89,145 in 1989)	139,308	104,773
Effect of increase in compensation	39,822	30,349
Projected benefit obligation	179,130	135,122
Plan assets in excess of projected benefit obligation	52,653	67,673
Unrecognized prior service costs	13,119	7,188
Unrecognized net gain	(5,261)	(21,346)
Unrecognized net asset	(44,710)	(39,989)
Prepaid pension cost	$ 15,801	$ 13,526

Plan assets include equity and fixed-income securities. Harsco common stock and debentures with a fair market value of $3,904,000 and $2,805,000 in 1990 and 1989, respectively, are included in the above assets.

The projected benefit obligation was determined using an assumed discount rate of 8.2% for 1990 and 7.5% for 1989. The assumed rate of compensation increase was 5.75% for 1990 and 1989. The expected rate of return on plan assets was 9.0% in 1990 and 8.5% in 1989 and 1988. The change in the expected rate of return on plan assets from 8.5% in 1989 to 9.0% in 1990 had the effect of reducing pension expense by $991,000 in 1990. The change from 8.0% in 1987 to 8.5% in 1988 had the effect of reducing pension expense by $823,000 in 1988.

A plan amendment approved near the end of 1990 increased the projected benefit obligation by $4,572,000 at year end. This change, along with other amendments that will be effective in 1991, is expected to increase pension expense by approximately $1,769,000 in 1991.

Actuarial Assumption Changes

BOWATER INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Plans

The company has defined benefit plans covering substantially all employees. Benefits are based upon years of service and, depending on the plan, average compensation earned by employees either during their last years of employment or over their career.

Pension expense (credit) for 1990, 1989 and 1988

included the following components:

(In thousands)	1990	1989	1988
Service cost	$ 7,989	$ 8,237	$ 7,287
Interest cost	20,184	17,923	15,631
Actual return on plan assets	(5,556)	(37,464)	(30,924)
Net amortization and deferral	(23,304)	12,102	6,298
Net pension expense (credit)	$ (687)	$ 798	$ (1,708)

The following table sets forth the funded status of the plans at December 31, 1990:

(In thousands)	Plan Assets Exceed Plan Liabilities	Plan Liabilities Exceed Plan Assets
Actuarial present value of accumulated benefit obligation:		
Vested	$172,525	$ 8,664
Non-vested	5,661	11,083
	178,186	19,747
Benefits attributable to future salaries	43,002	4,700
Projected benefit obligation	221,188	24,447
Plan assets at fair value	247,991	9,468
Excess of plan assets (projected benefit obligation)	26,803	(14,979)
Unrecognized prior service cost	5,913	1,624
Unrecognized net loss	32,897	6,013
Unrecognized net (gain) loss at January 1, 1986	(38,760)	1,907
Excess accumulated benefit obligation recognized as intangible asset	—	(4,843)
Prepaid pension cost (pension liability)	$ 26,853	$(10,278)

During 1990, two changes in actuarial assumptions were made. The 1971 Group Annuity Mortality (GAM), used to determine mortality probabilities, was replaced by the 1983 GAM. Also, the discount rate used to determine the projected benefit obligation was increased from 8 percent to 9 percent to approximate more closely rates on high-quality long-term obligations. The net effect of these changes on the company's results of operations and financial condition was not material.

The assumed long-term rates of compensation increase and return on plan assets were 6 percent and 11 percent, respectively. Plan assets consist principally of common stocks and fixed income securities.

In addition, the company provides certain health care and life insurance benefits to retired employees. Substantially all of the company's employees may become eligible for these benefits upon reaching retirement age while working for the company. The cost of retiree health care and life insurance benefits is expensed as claims are incurred. For 1990, 1989 and 1988, these costs totaled approximately $1.0 million, $0.9 million and $0.6 million, respectively, net of retiree contributions.

The Financial Accounting Standards Board has issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This Statement requires employers to accrue the cost of postretirement benefits other than pensions, such as health care and other insurance benefits, over the working life of employees, in a manner similar to that currently used to account for pension costs. The mandatory adoption date is 1993. The company is currently studying the effects of this Standard, but at this time does not believe it will have a material effect on its results of operations or financial condition.

OTHER POSTRETIREMENT BENEFITS

AMAX INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Postretirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, AMAX provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's domestic employees, and some employees in foreign countries, may become eligible for such benefits if they reach normal, or in certain cases, early retirement age while working for the Company. The cost of retiree health care and life insurance benefits is recognized as paid. For 1990, these costs totaled $10 million (1989 and 1988—$11 million).

In December 1990, the Financial Accounting Standards Board issued Statement No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" which requires companies to accrue the expected cost of providing postretirement benefits other than pensions over the years that employees render the necessary service. The Statement is effective for fiscal years beginning after December 15, 1992, although earlier adoption is permitted, and allows companies to recognize any excess deficiency of plan assets over obligations either immediately as the effect of a change in accounting principle, or on a delayed basis as a component of postretirement benefit cost. The Company expects that annual postretirement benefit expense will be higher under the accrual method required by the Statement.

CONSOLIDATED PAPERS, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 2 (In Part): Employee Pension and Benefit Plans

In addition to providing pension benefits, the company and its subsidiaries provide certain health care and life insurance benefits for its retired employees. Substantially all of the company's employees may become eligible for those benefits after they reach age 55. The cost of retiree health care and life insurance benefits is recognized

as expense as claims are paid. These costs totaled $4,589,000 in 1990, $3,233,000 in 1989 and $3,083,000 in 1988. The company contributed $4,731,000, $4,676,000 and $5,699,000 in 1990, 1989 and 1988, respectively, to the Consolidated Employees' Benefit Trust to fund such current and future payments.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement is effective beginning in 1993 and requires accrual, during the years that the employee renders the necessary service, of the expected cost of providing these benefits to an employee and the employee's beneficiaries and covered dependents. When adopted, the company can choose to immediately recognize the effect of the change in net income for the period of the change. Alternatively, the company can recognize the effect of the change on a delayed basis as a component of net periodic postretirement benefit cost. The company has not determined the effect of the change or when such adoption will be made.

DAYTON HUDSON CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Millions of Dollars, Except Per-Share Data)

Cumulative Effects of Accounting Changes

At the beginning of the 1990 fiscal year, the provisions of Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes" were adopted. The Statement requires the liability method of accounting for income taxes rather than the deferred method previously used. The cumulative effect of this accounting change was to increase net earnings by $54 million or $.72 per share. The impact of this accounting change on the 1990 income tax provision was not material.

The Corporation also change to the accrual method of accounting for postretirement health care benefits at the beginning of fiscal year 1990. In prior years, expense was recognized when claims were paid. The projected benefit obligation of $48 million (net of tax) relating to prior service cost was recognized as a cumulative effect of accounting change as of beginning-of-year 1990. In December 1990, SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," was issued. Following this, the Corporation increased the beginning-of-year net charge by $4 million. The method of accounting for postretirement health care benefits conforms to the provisons of the new standard. The total cumulative effect of this accounting change was to decrease net earnings by $52 million or $.69 per share.

Postretirement Health Care Benefits

In addition to providing pension and other supplemental benefits, certain health care benefits are provided for retired employees. Employees become eligible for these benefits if they meet minimum age and service requirements, are eligible for retirement benefits and if they agree to contribute a portion of the cost. The Corporation has the right to modify or terminate these benefits.

Net Periodic Cost	1990
Service cost—benefits earned during the period	$1
Interest cost on accumulated benefit	7
Net cost	$8

Accumulated Postretirement Benefit Obligation	December 31, 1990
Retirees	$48
Fully eligible active plan participants	28
Other active plan participants	10
Total accumulated postretirement benefit obligation	$86

A 15% increase in the cost of covered health care benefits was assumed for fiscal 1991. This rate is assumed to decrease incrementally to 9% after ten years and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, a 1% increase in the health care trend rate would increase the accumulated postretirement benefit obligation by $7 million at year-end 1990 and the net periodic cost by $1 million for the year. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.8%.

The expense for postretirement health care benefits was approximately $4 million in 1989 and $2 million in 1988.

R.R. DONNELLEY & SONS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Post-Retirement Benefits

In addition to pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's domestic, full-time employees become eligible for those benefits upon reaching age 55 while working for the Company and having ten years of continuous service at retirement. The cost ($8,114,000 in 1990; $6,055,000 in 1989; and $6,505,000 in 1988) of retiree health care and life insurance benefits is recognized as expense when paid.

In December 1990, the Financial Accounting Standards Board issued a new standard on accounting for post-retirement benefits other than pensions. This new standard requires that the expected cost of these benefits must be charged to expense during the years that the employees render service. This is a significant change from the Company's current policy of recognizing these costs on the cash basis. The Company is required to adopt the new accounting and disclosure rules no later than 1993, although earlier implementation is permitted. The Company may adopt the new standard prospectively or via a cumulative catch-up adjustment.

The Company has not decided when, or how it will

adopt the new standard. Because of the complexities of the new standard, management has not yet determined the effect that the change in accounting will have on the Company's reported financial position and results of operations. However, management expects that the annual post-retirement benefit expense computed in accordance with the new standard will be significantly greater than the annual cash payments.

The Company continues to evaluate ways in which it can better manage these benefits and control the costs. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefits may have a significant effect on the amount of the reported obligation and annual expense.

THE DURIRON COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 (In Part): Retirement Benefits

The Company provides health care and life insurance benefits for domestic employees and certain retirees. These benefits are provided through insurance companies, Medicare and other health organizations and include participant contributions, deductibles, co-insurance provisions and other limitations, and may be amended or changed periodically. The Company recognizes the cost of providing these benefits for both active and retired employees by expensing the annual premiums which are based on benefits paid during the year. The cost of providing these benefits to approximately 2,050 active and 460 retired employees during 1990 was $8,318,000. The cost of providing these benefits to approximately 1,860 active and 460 retired employees during 1989 was approximately $7,493,000. The cost of providing these benefits to approximately 1,740 active and 460 retired employees during 1988 was $6,741,000.

Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," was issued in December 1990 and is generally effective for years beginning after December 15, 1992. The provisions of this statement are similar, in many respects, to accounting for defined benefit pension plans and, generally require the accrual of other post-retirement benefit costs during periods of active service rather than during retirement. The statement allows immediate or delayed recognition of the unfunded and unrecognized costs determined at the date of adoption. The effect of compliance with the principles established in this standard on future net earnings or shareholders' equity are not presently known, but could be substantial.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Postretirement Health Care and Life Insurance Benefits

The Company and its subsidiaries provide substantially all domestic employees and employees at certain foreign subsidiaries with health care and life insurance benefits upon retirement. Substantial portions of health care benefits for domestic retirees are not insured and are paid by the Company. The life insurance benefits and certain health care benefits are provided by insurance companies through premiums based on expected benefits to be paid during the year. The Company recognized the cost of these benefits by expensing the annual insurance premium and the amount of health care costs incurred by retirees during the year. The cost of providing these benefits for retirees for 1990, 1989 and 1988 was $103.0 million, $93.9 million and $82.5 million, respectively.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" in December, 1990. This Statement will significantly change the Company's practice of accounting for non-pension postretirement benefits from a pay-as-you-go (cash) basis to an accrual basis. The Company does not intend to adopt this Statement until the required implementation date of 1993. The Company is studying this Statement to determine its effect on the financial statements. It is too early to quantify the impact of this Statement, however, expenses for postretirement benefits are likely to materially adversely affect the Company's results of operations and equity in future periods.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Postretirement Benefits. The company and its U.S. subsidiaries have medical, dental and life insurance plans for retirees, the estimated cost of which is fully accrued, principally at retirement. This cost amounted to $96 million, $303 million and $105 million in 1990, 1989 and 1988, respectively.

Cost was lower in 1990 primarily because of amounts recorded in 1989 as a result of the announced U.S. restructuring. Cost in 1989 was higher than in 1988 primarily for the same reason.

It is the company's practice to fund amounts for post-retirement benefits, with an independent trustee, as deemed appropriate from time to time.

Certain of the company's non-U.S. subsidiaries have similar plans for retirees. However, many retirees outside the U.S. are covered by government-sponsored and administered programs. As a result, the cost of company-sponsored programs outside the U.S. is not significant.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Stan-

dards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires that the cost of these benefits be recognized in the financial statements over an employee's active working career. The prevalent practice in industry is to account for these costs on a pay-as-you-go (cash) basis. However, the company's current accounting practice of accruing at retirement, along with its funding policy, will significantly mitigate the financial impact of adopting the new standard.

Adoption is required no later than 1993 for U.S. plans and by 1995 for non-U.S. plans, although earlier adoption is encouraged. Adopting the new standard will create a previously unrecognized obligation covering prior years. This transition obligation may be recognized in future financial statements in one of two ways: (1) by immediate recognition through a cumulative adjustment in the statement of earnings, or (2) on a delayed basis, by amortizing the obligation on a straight-line basis over the average remaining service period of active plan participants.

If the company implements this standard using the delayed recognition basis, the impact on net earnings is expected to be immaterial. If implemented by immediate recognition of the transition obligation, the impact on net earnings will be material in the period adopted.

THE LTV CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary Of Significant Accounting Policies (In Part)

Postemployment Benefits

The Company provides health care and other insurance benefits, primarily life, for all active and substantially all retired employees and for certain other inactive employees. Effective January 1, 1988, the Company changed its method of accounting for postemployment health care and other insurance benefits to a method which accrues these benefits over the period in which active employees become eligible under existing benefit plans or agreements for such postemployment benefits. Previously, such costs were generally expensed as paid. These benefits and agreements are subject to amendment, and the effects of any amendments are amortized prospectively over the average remaining years of service to the full eligibility date of active employees. Actuarial gains and losses are recognized prospectively using a corridor method. Although the Company has not formally adopted the recently issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," the Company is substantially in compliance with its requirements. The Statement will require most companies to adopt the accrual method of accounting by 1993. The results for 1988 include the cumulative effect of this change in accounting. See "Employee Compensation and Benefits" note.

Employee Compensation and Benefits (In Part)

Postemployment Health Care and Other Insurance Benefits

Effective January 1, 1988, the Company changed its method of accounting for postemployment health care and other insurance benefits to a method which accrues these benefits over the period in which active employees become eligible for such postemployment benefits. Previously, such costs were generally expensed as paid.

At January 1, 1988, the actuarial present value of the accumulated benefit obligation for postemployment health care and other insurance benefits was $2,363 million. Approximately $89 million of the January 1, 1988 liability had been recorded previously in conjunction with idlings or shutdowns of facilities. The change in accounting for these postemployment benefits resulted in an additional noncash expense in 1988 of $2,395 million ($23.26 per fully diluted share), including a charge as of January 1, 1988, of $2,263 million (net of a related tax benefit of $11 million) for the cumulative effect adjustment. In addition to the one-time cumulative effect adjustment, the expense for these postemployment benefits for 1990, 1989 and 1988 is incrementally higher than the cash paid by $203 million, $126 million and $132 million, respectively, as a result of having adopted this method of accounting.

The cumulative effect adjustment recognizes the unfunded present value of the accumulated benefit obligation for retirees and an obligation for the prior services of currently active employees. Because LTV is operating under Chapter 11, it was determined that the aggregate liability for the cumulative effect adjustment at January 1, 1988 should recognize all of the pre-Chapter 11 effects of actuarial gains and losses and any plan amendments applicable to these benefits.

The components of periodic expense for these postemployment benefits are as follows (in millions):

	1990	1989	1988
Service cost-benefits earned during the year	$ 61.3	$ 48.8	$ 42.6
Interest cost on accumulated benefit obligation	260.6	199.5	196.2
Amortization of unrecognized prior service cost	30.8	—	—
Total expense	$352.7	$248.3	$238.8

The principal cause for the increase in postemployment benefits costs in 1990 was the increase in the health care costs which resulted from improved benefits negotiated as part of the April 1990 United Steelworkers of America ("USWA") Agreement. The additional costs in 1990 of such postemployment benefits to the steel group as a result of the April 1990 labor agreement were $71.8 million.

The actuarial and recorded liabilities for these postemployment benefits, none of which have been funded,

are as follows at December 31, (in millions):

	1990	1989
Accumulated benefit obligation:		
Retirees	$2,354.9	$2,029.8
Fully eligible active plan participants	301.7	199.1
Other active plan participants	802.0	555.5
Total	3,458.6	2,784.4
Unrecognized prior service cost	(542.0)	—
Unrecognized net actuarial gains (losses)	(168.8)	(211.7)
Liability included on the balance sheet	2,747.8	2,572.7
Less current portion	(187.5)	(132.0)
Noncurrent liability for postemployment health care and other insurance benefits	$2,560.3	$2,440.7

The unrecognized prior service cost shown above reflects the additional cost which resulted from improved postemployment benefits of the April 1990 USWA Agreement. The most significant additional benefits are payment of 50 percent of retiree major medical costs and elimination of monthly medical insurance contributions for active and retired employees. Since this is a plan amendment, the impact is being amortized prospectively over the average remaining years of service to the full eligibility date of active employees. The December 31, 1990 and 1989 accumulated benefit obligations reflect the repeal in December 1989 of the Medicare Catastrophic Coverage Act. Such repeal was a change in assumption on which the accumulated benefit obligation was determined and resulted in the unrecognized net actuarial loss in 1989. The 1990 accumulated benefit obligation is based on a December 31, 1990 actuarial valuation which includes the most recent actuarial estimates for the postemployment benefits liability which resulted in a gain, thereby decreasing the previous unrecognized net actuarial losses which resulted from the above repeal.

The accumulated benefit obligation in both years was determined using the unit credit method and an assumed discount rate of 8.5%. The December 31, 1990 accumulated benefit obligation was determined using an assumed health care cost trend rate of 12.5% in 1991, gradually declining to 6.6% in the year 2011 and thereafter over the projected payout period of the benefits. Under the previous actuarial calculation, the accumulated benefit obligations were determined using an assumed health care cost trend rate of 17.0% in 1988, 14.0% in 1989 and 13.2% in 1990, gradually declining to 6.8% in the year 2002 and thereafter over the projected payout period of the benefits.

The effect on the present value of the accumulated benefit obligation at January 1, 1990 of a one percent increase each year in the health care cost trend rate used, would result in an increase of $385 million in the obligation. Correspondingly, a one percent increase in the health care cost trend rate would have resulted in a $52 million increase in the 1990 aggregate service and interest components of expense.

Cash payments made by the Company for these benefits totaled $150 million, $122 million and $117 million in 1990, 1989 and 1988, respectively.

JOHNSON CONTROLS, INC. (SEP)

NOTES TO FINANCIAL STATEMENTS

Note 8 (In Part): Retirement Plans

The company provides certain health care and life insurance benefits for retired employees. The cost of providing such benefits is generally recognized by expensing claims as incurred and premiums as paid. The amounts presented below exclude World Services, as its 1990 and 1989 retiree health and life insurance benefits were paid from assets of a welfare benefit trust which accumulated from prior years' contributions. The expense related to benefits for retired employees has not been separated from the expense for active employees.

Year Ended September 30,	1990	1989	1988
	(dollars in millions)		
Health care and life insurance expense	$61.4	$54.1	$47.4
Number of covered active employees	25,500	23,100	21,700
Number of covered retired employees	2,200	2,000	1,600

TESORO PETROLEUM CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D (In Part): Employee Benefit Plans

Postretirement Insurance Benefits

In addition to providing pension benefits, the Company provides health, dental and life insurance benefits to its retirees and eligible dependents who were participating prior to retirement in the Company's group insurance program. The Company provides these benefits at nominal cost to retirees and recognizes the benefit payouts as an expense in the year paid. In 1990 and 1989, the costs of providing retirees with medical and dental benefits amounted to $621,000 and $491,000, respectively, and life insurance benefits amounted to $288,000 and $211,000, respectively. In 1988, the costs of the Company's medical and dental plans for both active and retired employees totaled $2,230,000. The costs of providing these benefits during 1988 for the 294 eligible retirees are not separable from the costs of providing these benefits for the 774 participating active employees. The costs of providing life insurance benefits for both active and retired employees totaled $501,000 in 1988. The costs of providing life insurance benefits during 1988 for the 289 covered retirees are not separable from the costs of providing these benefits for the 658 active employees.

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* is the authoritative pronouncement on accounting for employee compensatory plans. Examples of disclosures for such plans follow.

TABLE 3-11: COMPENSATORY PLANS

	Number of Companies			
	1990	1989	1988	1987
Stock award	235	219	179	166
Savings/investment	181	153	139	118
Employee stock ownership	145	140	78	79
Profit-sharing	80	80	86	86
Incentive compensation	85	71	76	75
Deferred compensation	30	33	30	29

Stock Award Plans

BEMIS COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part) Stock Option and Incentive Plans

In 1984, the Company adopted a Stock Award Plan for certain key executive employees. Distribution of the shares will be made not less than three years nor more than seven years from date of grant. All shares granted under the plan are subject to restrictions as to continuous employment, except in the case of death, permanent disability or retirement. In addition, cash payments are made during the grant period equal to the dividend on Bemis common stock. The value of these shares at date of grant was $17,928,000. The cost of the awards is charged to income over the period of the grant: $1,691,000 was expensed in 1990, $1,301,000 in 1989 and $3,327,000 in 1988.

Details of the stock award plan at December 31, 1990, 1989, and 1988 are:

	Number of Shares
Outstanding at December 31, 1987	1,034,000
Granted	242,000
Paid	(12,000)
Outstanding at December 31, 1988	1,264,000
Granted	16,500
Paid	(914,000)
Cancelled	(2,000)
Outstanding at December 31, 1989	364,500
Granted	111,500
Paid	(13,810)
Cancelled	(5,758)
Outstanding at December 31, 1990	456,432

CLARCOR INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Thousands Except Per Share Data)

H (In Part): Stock Option And Award Plans

Long Range Performance Share Plan

The Long Range Performance Share Plan became effective December 1, 1987. Under this Plan, officers and key employees may be granted target awards of Company shares of common stock, and performance units which represent the right to a cash payment. The awards are earned and shares are issued only to the extent that the Company achieves performance goals determined by the Board of Directors, during a three-year performance period. As of November 30, 1990, 457,546 shares of restricted stock had been reserved for the Plan.

During the performance period, officers and key employees are permitted to vote the restricted stock and receive compensation equal to dividends declared on common shares. The Company accrues compensation expense for the performance opportunity ratably during the performance cycle. Compensation expense for the Plan totaled $329, $253 and $160 in 1990, 1989 and 1988, respectively. During 1990, $249 in Company shares of common stock was issued under the Plan.

HONEYWELL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions Except Per Share Data)

Note 17 (In Part): Capital Stock

Performance Stock Plans. These plans authorize the issuance of common stock to certain key employees, as compensation, based on actual performance measured against pre-established Honeywell performance criteria. Payments made to participants of these plans are made in the form of restricted shares. Restricted shares are awarded with a fixed restriction period, usually five years, or a restriction period that is dependent on the achievement of performance goals within a specified measurement period. Participants have the rights of stockholders,

including the right to receive cash dividends and the right to vote. Shares forfeited under these plans revert to Honeywell at no cost. Restricted shares outstanding totaled 475,844, 162,872 and 207,050 at December 31, 1990, 1989, and 1988, respectively. The cost of performance stock plans, which is charged to income over the restriction period, amounted to $7.0 in 1990. Costs in prior years were not material.

KMART CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

P. Restricted Stock Plan

The Restricted Stock Plan, which was approved by shareholders in May 1988, authorizes the Compensation and Incentives Committee to grant awards to officers and other key employees of the company, consisting of shares of restricted common stock of the company or an agreement to issue stock upon the satisfaction of specified terms and conditions. Restricted shares are held in custody by the company until the expiration or termination of the restrictions. If the conditions or terms under which an award is granted are not satisfied, the shares are forfeited. Compensation expense is based on the stock price at the date restricted stock is issued or ending market price for those shares subject to other terms and conditions and is accrued over the periods in which an employee performs service. In 1990, the Company recorded $2 million of compensation expense related to the Restricted Stock Plan.

Under the Restricted Stock Plan, awards for up to 2,000,000 shares of common stock may be granted through March 21, 1998. Outstanding awards granted under the Restricted Stock Plan at January 30, 1991 totaled 228,976 shares of restricted stock or stock to be issued upon the satisfaction of terms and conditions prescribed by the Compensation and Incentives Committee. As of January 30, 1991, 1,771,024 shares were available for the grant of additional awards.

PEERLESS MFG. CO. (JUN)

NOTES TO FINANCIAL STATEMENTS

Note E—Restricted Stock Plan

The Company has a restricted stock plan whereby the Company can award up to 50,000 shares of common stock to employees. Sale of the stock awarded is restricted for five years from the date of grant. For the years ended June 30, 1990 and 1989, the Company awarded 10,000 and 3,750 shares of common stock which had a fair value at the date of grant of $146,250 and $37,500, respectively. Compensation under the plan is charged to earnings over the five-year restriction period and amounted to $91,116, $62,750 and $46,325 in 1990, 1989 and 1988, respectively. At June 30, 1990, 13,750 shares were available for issuance.

PENTAIR, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Omnibus Stock Incentive Plan

In April 1990, shareholders approved the 1990 Omnibus Stock Incentive Plan (the Plan) which authorizes the issuance of up to 1,089,451 shares of the Company's common stock. The Plan extends to January 11, 2000. The Plan allows for the granting of nonqualified stock options, incentive stock options and stock appreciation rights, restricted stock and incentive compensation units (ICUs), and performance shares and performance units. Although awards starting with the January 1990 grants are governed under the terms of the Plan, pre-1990 grants made under predecessor plans will be governed under the provisions of those plans. At December 31, 1990, there were 942,785 shares available, subject to adjustment for forfeitures, for grant under the plan.

Options are granted to purchase shares at not less than fair market value of shares on date of grant. Options generally expire after five years but may expire up to ten years from date of grant.

	1990	1989	1988
Outstanding—beginning	151,282	158,501	116,792
Granted	108,999	53,210	57,913
Exercised	(4,619)	(49,251)	(11,725)
Forfeited	(8,485)	(11,178)	(4,479)
Outstanding—end	247,177	151,282	158,501
Exercisable—end of year	84,897	58,204	69,209
Option prices per share when granted:	$25.00-$28.75	$26.75-$32.00	$18.86-$32.00

Restrictions on the restricted shares and ICUs generally expire in the third, fourth and fifth years after issuance. The value of each ICU is based on the increase in book value of common stock during the restriction period and is payable when the restrictions lift.

Compensation expense consists of (a) market value of the stock on the date of award which is being amortized over the period in which the restrictions lapse, and (b) the annual increase in ICU value. Compensation expense was $1.8 million in 1990, $1.7 million in 1989 and $1.8 million in 1988. The Company records incremental tax benefits resulting from the program as additional paid-in capital.

Savings/Investment Plans

BADGER METER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Employee Benefit Plans

C. Badger Meter Savings Plan (The Savings Plan)

The company provides The Savings Plan under Section 401 (k) of the Internal Revenue Code. The Savings Plan allows all domestic employees to defer up to 15% of their income on a pretax basis through contributions to The Savings Plan. For every dollar an employee contributes (up to 4% of one's income on a pretax basis), the company will contribute a minimum of 25 cents (25 cents in 1990 and 29 cents in 1989 and 1988) worth of the company's Common stock. In 1990, 1989 and 1988, the charge to operations for matching contributions was $150,000, $159,000 and $153,000, respectively. In 1990, 1989 and 1988, respectively, 4,500, 6,000 and 5,900 shares of Common stock were purchased by The Savings Plan from stock held in Treasury.

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 $7,979 in 1990 ($8,475 in 1991). 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 $8.3 million, $5.3 million and $4.2 million in 1990, 1989 and 1988, respectively.

DANA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Purchase Plan

All full-time domestic and certain non-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 contributions will accumulated 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 toward 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 $1,469,000 in 1990, $3,341,000 in 1989 and $9,573,000 in 1988.

TANDY CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13: Stock Purchase and Savings Plans

Stock purchase and savings plans are offered by Tandy Corporation to its employees. These plans are designed to provide the employees a consistent investment program to provide for their retirement and an opportunity to participate in the Company's growth.

The Company has a stock purchase program available to most employees. Each participant may contribute 1% to 10% of annual compensation, except that the Board of Directors may limit the maximum deduction for employees of certain operations to a percentage less than 10%. The Company matches 40%, 60% or 80% of the employee's contribution depending on the length of the employee's participation in the program. The Company periodically purchases treasury stock on the open market and then sells the number of shares required by the program each month at a price equal to the average of the daily closing prices for that month. The stock purchased by each participant is distributed annually after the close of the program's year, December 31. In the event of a tender offer or a change of control, all stock credited to participants' accounts will be distributed to the participants. In the event treasury shares are not available, authorized but unissued shares may be used. The Company has always funded the program with open market purchases, and it is the present intention of management to continue this procedure. Tandy's contributions to the stock purchase program were $20,272,000, $20,498,000 and $19,347,000 in 1990, 1989 and 1988, respectively.

The Tandy Employees Deferred Salary and Investment Plan became effective on July 1, 1982. An employee electing to participate in this plan may defer 5% of annual compensation, subject to certain limitations established by the Tax Reform Act of 1986. The Company pays this amount into the plan as a deferred salary contribution for the account of the employee. Currently, the Company matches 80% of the employee's deferred salary contribution. The employee's 5% contribution is also considered deferred compensation and is not taxed to the employee as long as it remains in the plan. This matching contribution will cease on September 30, 1990. In the second quarter of fiscal 1991, the Company will begin making contributions to the newly formed employee stock ownership plan described in Note 14 in lieu of the matching contributions to the investment plan. To participate in this new plan, employees must continue to make contributions to the Tandy Employees Deferred Salary and Investment Plan. The employee investment plan is available to most employees who have been employed one year. The Company's contributions are fully vested upon payment to the trustee. Administrative committees appointed by the Board of Directors invest the plan's assets. A substantial majority of the plan's assets are invested in Tandy Corporation securities. The Company's contributions to the investment plan were $9,212,000 in fiscal 1990, $7,505,000 in 1989 and $6,576,000 in 1988.

Employee Stock Ownership Plans

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7: Employee Stock Ownership Plan

In 1989, the company established an Employee Stock Ownership Plan (ESOP) feature for its existing Deferred Income Stock Purchase and Savings Plans. Approximately 60% of all salaried and hourly employees are eligible for participation in the ESOP. Under the ESOP feature, the plans borrowed $500 million for a term of 15 years at an interest rate of 8.3% and used the proceeds to buy approximately 11.3 million shares of common stock from the company. The ESOP debt is guaranteed by the company and the related shares are being allocated to participants over 15 years as contributions are made to the plan.

The company recognizes ESOP expense each year based on cash contributions committed to be made to the plans, which is substantially equivalent to the Shares Outstanding Method. Company cash contributions are determined based upon the ESOP's total debt service less certain employee contributions and dividends on ESOP shares not yet allocated to participants. In 1990 and 1989 the company recognized $41.9 million and $16.1 million, respectively, in ESOP-related expense which was allocated to interest expense ($27.0 million and $11.1 million, respectively) and compensation expense ($14.9 million and $5.0 million, respectively) based upon the ratio of interest and principal payments on the ESOP debt. Company cash contributions to the ESOP were $30.7 million and $8.7 million in 1990 and 1989, respectively. Dividends on ESOP shares to be used for debt service approximated $9.8 million in 1990 and $4.9 million in 1989.

BETZ LABORATORIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Employee Stock Ownership (ESOP) and 401(k) Plan

In 1989 the Company established an ESOP and a related trust as a long-term benefit for substantially all of its domestic employees. This plan supplements the Company's employee retirement plan. Under this plan the Company sold 500,000 shares of a new Series A ESOP Convertible Preferred Stock to the trust for $100,000,000. Effective January 1, 1990, the Company's 401 (k) program was integrated into the Employee Stock Ownership Plan. The Company's matching contributions, which are now included in ESOP expense, are made in the form of the ESOP Convertible Preferred Stock. Such matching contributions amounted to $949,000 in 1990.

After satisfying the 401(k) matching contributions, the remaining shares of ESOP stock are allocated to each participant based on the ratio of the participant's compensation to total compensation of all participants. During 1990, 254 shares of the Preferred Stock were redeemed by plan participants and permanently retired. The Company arranged for and guaranteed a loan of $100,000,000 to the trust for the purchase of the preferred stock, which is presently convertible into 2,768,592 shares of common stock reserved and kept available for this purpose. The loan and guarantee are recorded in the Company's consolidated balance sheets as long-term debt and a reduction in shareholders' equity.

The Company is required to make quarterly contributions to the Plan which enable the trust to service its indebtedness. Net ESOP cost for the Company is comprised of the following elements (in thousands):

	1990	1989
ESOP expense	$10,923	$5,644
Preferred dividends (charged to retained earnings)	(7,998)	(4,000)
ESOP expense charged to earnings	$ 2,925	$1,644
ESOP debt interest expense at 9.48%	$ 9,455	$5,056
ESOP cotributions	$ 9,956	$4,740

The ESOP expense is calculated using the 80 percent of shares allocated method. To the extent that this expense exceeds the ESOP's annual debt service requirements, an adjustment is made to the shareholders' equity reduction to reflect the cumulative effect of the excess charges ($2,056,000 and $588,000 in 1990 and 1989, respectively).

The ESOP debt matures on June 19, 2009, and requires principal payments as follows: in each of the years

1991–1994—$500,000; 1995—$1,000,000. The Company is obligated to maintain, among other things, certain levels of tangible net worth, interest coverage and not to exceed a maximum funded debt level.

Amounts paid by the Company to the ESOP which are characterized as interest expense in the accompanying financial statements and interest on other indebtedness amounted to $2,857,000, $2,224,000 and $1,155,000 for the years 1990, 1989 and 1988, respectively. Capitalized interest amounted to $1,275,000, $992,000 and $1,065,000 in 1990, 1989 and 1988, respectively.

COLGATE-PALMOLIVE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions Except Per Share Data)

5: Employee Stock Ownership Plan

During 1989, the Company expanded its employee stock ownership plan (ESOP) through the introduction of a leveraged ESOP covering salaried, nonunion employees who have met certain eligibility requirements. In June 1989, the ESOP issued $410.0 of long-term notes due through 2009 bearing an average interest rate of 8.7%. The ESOP used the proceeds of the notes to purchase 6.3 million shares of Series B Convertible Preference Stock from the Company. The Stock has a minimum redemption price of $65 per share and pays semi-annual dividends equal to the higher of $2.44, or the current dividend paid on common shares for the comparable six-month period. Each share may be converted by the Trustee into one share of common stock.

Dividends on these preferred shares are paid to the ESOP trust and, together with Company contributions, are used by the ESOP to repay principal and interest on the outstanding notes. Shares are released for allocation to participants based upon the ratio of the current year's debt service to the sum of total principal and interest payments over the life of the loan.

The long-term notes, which are guaranteed by the Company, are recorded on the accompanying Consolidated Balance Sheet. Interest incurred on the ESOP's notes amounted to $35.5 in 1990 and $18.9 in 1989. Unearned compensation, equal in amount to these ESOP notes, is shown as a reduction of shareholders' equity. Both the notes and unearned compensation were reduced by principal payments of $2.0 and $.5 in 1990 and 1989, respectively.

The Company paid dividends on the Series B Convertible Preference Stock held by the ESOP of $30.8 in 1990 and $16.2 in 1989. Compensation expense related to the leveraged ESOP totaled $6.7 in 1990 and $3.2 in 1989. Company contributions to the ESOP were $7.0 in 1990 and $1.0 in 1989.

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Ownership Plan

In January 1990, the Company established an employee stock ownership plan, or ESOP, to assist employees who retire after January 1, 1992, to finance their retiree medical costs. Employees hired before July 1, 1990, will be required to pay some portion of the cost of such retiree medical coverage if they elect it. Employees hired after July 1, 1990, will be required to pay 100% of such cost if they elect it.

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 stock pays an annual dividend of 8% and will be allocated to eligible employees over a 10-year period which began in September 1990. In general, the Series C shares 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 is entitled to vote as if it were converted to common stock and 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 ESOP loan principal and interest will be repaid on a semi-annual basis over a 10-year period by Company contributions to the ESOP and by the dividends paid on the Series C shares. In 1990, Company cash contributions and dividend payments to the ESOP were $10.9 million. The ESOP made principal and interest payments of $3.2 million and $7.7 million, respectively.

The Company has guaranteed the ESOP's borrowings and reported the unpaid balance of this loan as a liability of the Company. An unearned ESOP compensation amount is reported as an offset to the Series C share amount in the equity section.

Compensation expense related to the plan is based upon the preferred shares allocated to participants and amounted to $7.6 million in 1990.

THE TORO COMPANY (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Employee Benefit Programs

The company has an Employee Stock Ownership Plan (ESOP) which covers substantially all employees except Lawn-Boy employees. The ESOP currently owns 1,895,000 common shares which represents 16.0% of

Toro's outstanding common stock. The Plan is a leveraged ESOP which means funds were borrowed to purchase the shares. Company contributions to the Plan, net of dividends, were $3,388,000 in fiscal 1990, $3,510,000 in 1989, and $3,720,000 in 1988. Principal payments on ESOP debt were $2,611,000 in fiscal 1990, 1989 and 1988, respectively. Interest incurred on ESOP debt and interest received by the company were $1,302,000 in fiscal 1990, $1,559,000 in 1989, and $1,754,000 in 1988. Dividends on the ESOP shares used for debt service by the ESOP were $525,000 in fiscal 1990, $660,000 in 1989, and $645,000 in 1988. The expenses recognized related to the ESOP were $2,086,000 in fiscal 1990, $1,951,000 in 1989, and $1,966,000 in 1988. At July 31, 1990, the ESOP indebtedness to the company, which bears an interest rate of 10% and is due in 1995, was $10,445,000 and has been shown as a reduction of common stockholders' equity in the consolidated balance sheet.

Incentive Compensation Plans

AMP INCORPORATED AND PAMCOR, INC. (DEC)

NOTES TO COMBINED FINANCIAL STATEMENTS

11: Bonus Plans

The Company has two incentive bonus plans: Stock Plus Cash Plan and Cash (or Stock) Plan. Participants are designated by the Board of Directors. Compensation under the Stock Plus Cash Plan is related to increases in the market value of the Company's stock, or alternatively, to the Company's earnings performance. Compensation under the Cash (or Stock) Plan is related primarily to the achievement of certain growth objectives. Awards under either Plan are payable in a combination of stock and cash, except that stock payments are elective under the Cash (or Stock) Plan.

Charges to income before income taxes for current and future distributions under the Plans totaled $3,826,000 in 1990, $4,519,000 in 1989 and $8,649,000 in 1988.

Approximately 71,000 shares would be distributed in the years 1991 through 1996 for Stock Plus Cash Plan awards granted before and outstanding at December 31, 1990, based on the market price at that date. All the treasury shares are available for payment of the stock portion of the bonuses. Differences between the market value and cost of treasury shares distributed are charged or credited to Other Capital.

AULT INCORPORATED (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingencies

Incentive Compensation Plan: During fiscal 1988 the Company adopted an incentive compensation plan for key employees. Participants in the Plan receive payments contingent upon the Company exceeding certain pretax earnings levels which are determined by the Board of Directors. The Company provided for approximately $136,000 during the year ended May 28, 1989, for such payments. No provision was required for the years ended May 27, 1990, and May 29, 1988.

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, 1990, 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 1988, 1989 and 1990 were $31 million, $22 million and $32 million, respectively, reflecting grants substantially less than the maximum permitted.

MOTOROLA INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Employee Benefit and Incentive Plans

Management Incentive: The Company may provide up to 7% of its annual consolidated pretax earnings, as defined in the Motorola Executive Incentive Plan, for the payment of cash incentive awards to key employees. During 1990, $23 million was provided for incentive awards, as compared to $24 million and $25 million in 1989 and 1988, respectively.

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Incentive Compensation Plan

The plan provides additional compensation to officers and key employees of the Company and its subsidiaries based upon the achievement of specified management goals. The Compensation Committee of the Board of Directors establishes the goals on which the Company's officers are compensated, and management establishes the goals for other covered employees. With respect to the officers covered by the employment contracts referred to in the Contingencies and Commitments footnote below, any incentive compensation payable to an officer under the incentive compensation arrangement described in this paragraph is reduced by the incentive compensation payable under the formula contained in his employment contract. The aggregate amounts charged to expense in connection with the plan were $4,063,000, $3,653,000 and $3,223,000 in fiscal years 1990, 1989 and 1988, respectively.

TOSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Employee Benefit and Incentive Compensation Plans

Management Incentive Plans

In 1987, a Cash Incentive Plan (CIP) was established for members of middle and senior management. The CIP sets forth suggested awards which are computed as a percentage of a participant's base salary, which percentage is dependent upon Tosco's pre-tax income. Effective January 1, 1990, Tosco also adopted a bonus plan for senior executives who are not participants in the CIP based on per share pre-tax operating earnings. No awards under the incentive plans are payable unless the interest on First Mortgage Bonds is paid when due.

Results of operations for 1990 include a provision for incentive compensation of $7,970,000, of which $6,900,000 was included in selling, general and administrative expense. In addition, a special one-time bonus of 2% of annual base salary (totaling $648,000), made at the discretion of Tosco's Board of Directors, was awarded to all employees not covered by management incentive plans in light of the strong operational and financial performance of Tosco in 1990. No awards were made pursuant to the CIP for 1989 because Tosco did not achieve the required level of pre-tax income. However, bonuses for 1989 of $420,000 were awarded at the discretion of the Board of Directors. Incentive compensation under the CIP for 1988 was $3,695,000.

POLAROID CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Incentive Stock and Compensation Plans

The Company maintains annual cash incentive plans covering substantially all domestic employees (Employee Incentive Compensation Plan), employees of manufacturing subsidiaries in the United Kingdom and the Netherlands (International Manufacturing Plans) and substantially all executives (Executive Incentive Compensation Plan).

Additionally, the Company has various long-term incentive compensation plans. Under these plans, executives and other key employees of the Company may be awarded cash or shares of common stock, if approved by the Board of Directors and all applicable laws are satisfied. Under the 1986 Long-Term Incentive Stock Unit Program, 59,353 incentive stock units were outstanding at December 31, 1988, and a corresponding final cash distribution was made on March 31, 1989.

In 1988 a successor plan titled the Target Award Program was adopted by the Board of Directors. This plan provides for two awards covering the two year and three year periods commencing January 1, 1988.

The 1989 Incentive Award Program was adopted by the Board of Directors to be effective January 1, 1989. An award period of three years commencing January 1, 1989, with a distribution in 1992, has been approved.

Amounts charged to operations for each of these plans are as follows:

(In millions)	1990	1989	1988
Employee Incentive Compensation Plan	$16.3	$18.4	$1.1
International Manufacturing Plans	2.7	2.5	.1
Executive Incentive Compensation Plan	—	5.0	—
1986 Long-Term Incentive Stock Unit Program	—	.4	1.8
1988 Target Award Program	2.7	3.0	—
1989 Incentive Award Program	—	2.0	—

Profit Sharing Plans

GENERAL MOTORS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Profit Sharing Plans

The profit sharing formula provides a range of percentage payouts when the Corporation's U.S. income before income taxes plus equity in U.S. earnings of finance subsidiaries exceeds various minimum annual returns on U.S. sales and revenues. Both the percentage payout and the minimum returns are as agreed to by the Corporation and eligible U.S. employees. GM's loss in 1990 precludes a payment under the profit sharing formula. The accrual

for profit sharing was $22.1 million in 1989 and $114.1 million in 1988.

THE MAY DEPARTMENT STORES COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension and Profit Sharing (In Part)

Effective January 1, 1989, the company combined and amended all qualified profit sharing plans into one plan to cover substantially all associates who work 1,000 hours or more per year and have attained the age of 21. The plan is a contributory defined contribution plan which provides for discretionary matching allocations at a variable matching rate generally based upon changes in the company's earnings per share, as defined in the plan.

In March 1989, the company further amended its Profit Sharing Plan to include an ESOP. Subsequent to the amendment, the Profit Sharing Plan borrowed $400 million, guaranteed by the company, at an average rate of 8.5% with an average maturity of 12 years. The proceeds were used to purchase $400 million of a new class of convertible preference stock of the company (ESOP Preference Shares). The company issued 788,955 shares of ESOP Preference Shares. The shares initially were each convertible into 10 shares of common stock and had a stated value of $50.70 per common share equivalent. Upon the distribution of Venture shares to the company's common shareowners as of November 3, 1990, the conversion rate was adjusted to 10.2452 shares of common stock for each of the ESOP Preference Shares and the stated value was adjusted to $49.49 per common share equivalent. The annual dividend rate on the ESOP Preference Shares is 7.5%, and the shares are redeemable by the holder or the company in certain situations.

The guaranteed ESOP debt of $400 million is reflected in the consolidated balance sheet in long-term debt as the company ultimately will fund the required debt service. An equal amount was initially reflected as unearned compensation. The company's contributions to the ESOP, along with the dividends on theESOP Preference Shares, will be used to repay the loan principal and interest. Interest expense associated with the ESOP debt was $34 million in 1990 and $26 million in 1989. ESOP Preference Shares dividends applicable to 1990 and 1989 were $30 million and $23 million, respectively. There were no ESOP debt principal repayments in 1990 or 1989. ESOP Preference Shares are allocated annually to participating associates based upon debt service payments and the annual matching allocations. Unearned compensation is amortized as principal is repaid, and is adjusted for the difference between the expense related to the ESOP and cash payments to the ESOP.

The company's expense related to the Profit Sharing Plan was $7 million in 1990, $15 million in 1989 and $20 million in 1988. The decrease in profit sharing expense in 1990 from 1989 is a result of the full-year impact of the ESOP, along with a lower matching allocation. The decrease in profit sharing expense in 1989 from 1988 is a result of the implementation of the ESOP in 1989.

McCORMICK & COMPANY, INCORPORATED (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands except per share data)

4 (In Part): Employee Benefit Plan:

Profit Sharing Plan

The Company makes contributions to the McCormick Profit Sharing Plan in accordance with the plan's provisions. Contributions were $4,300 in 1990; $3,200 in 1989, and $2,700 in 1988. At November 30, 1990, Company employees numbering approximately 4,500 were eligible to participate, and were participants, in the plan.

MELVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

401(k) Profit Sharing Plan

Effective January 1, 1989, the Company adopted a 401(k) Profit Sharing Plan (with the 401(k) component effective January 1, 1990). With the institution of this plan, the assets of existing defined contribution plans were frozen and/or merged on September 30, 1989 into the 401(k) Profit Sharing Plan. Participants who were active employees retained their respective service periods earned through the date of the plan merger.

The plan covers substantially all full-time employees who meet the plan's eligibility requirements and provides for a tax deferred profit sharing contribution by the Company and an employee elective contribution, effective January 1, 1990, with a Company matching provision. With respect to the employee contribution or 401(k) component effective January 1, 1990, the Company has agreed to contribute an amount equal to 25% of 401(k) current year contributions for each participant who has less than three years of vesting service and 50% for each participant who has three or more years of vesting service, to the extent such participant's 401(k) contribution does not exceed 4% of their compensation for the year. A participant's contribution may not exceed 10% of annual compensation, or the maximum amount allowed as determined by the Internal Revenue Code, if less than 10% of compensation. During 1990, the Company incurred approximately $6,600,000 of expense related to the 401(k) component of this plan.

With respect to the profit sharing component, each eligible participant is entitled to receive a profit sharing contribution based upon specific performance criteria which may range from 0.5% to 3% of eligible compensation. The Company incurred approximately $6,053,000 and $5,354,000 of expense related to the profit sharing component of this plan during 1990 and 1989, respectively.

NIKE, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Profit Sharing Plan

The Company has a profit sharing plan available to substantially all employees. The terms of the plan call for annual contributions by the Company as determined by the Board of Directors. Contributions of $6,700,000, $4,700,000 and $3,000,000 to the plan are included in other expense in the consolidated financial statements for the years ended May 31, 1990, 1989, and 1988.

Deferred Compensation Plans

BELDING HEMINWAY COMPANY, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note F (In Part):

The Company also provides a deferred compensation plan for substantially all employees. Under the provisions of the plan, the Company is not required to make contributions but may at the discretion of the Board of Directors. Contributions made were $200,000 (1990), $292,000 (1989) and $355,000 (1988).

HARMON INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Employee Benefits

The Company has a nonqualified, unfunded deferred compensation plan and trust for certain key executives providing for payments upon retirement, death or disability. Under the plan, certain employees receive retirement payments equal to a portion of the three highest continuous years' average compensation. These payments are to be made for the remainder of the employees' life with a minimum payment of ten years' benefits to either the employee or his beneficiary. The plan also provides for reduced benefits upon early retirement, disability, or termination of employment. The deferred compensation expense was $472,000, $451,000, and $375,000 for the years ended December 1990, 1989 and 1988, respectively.

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Employee Benefit Plans

The Company has a Deferred Compensation Plan which permits eligible officers and directors to defer a portion of their compensation. The deferred compensation, which together with Company matching amounts and accumulated interest is accrued but unfunded, is distributable in cash after retirement or termination, and at December 31, 1990 and 1989, amounted to approximately $1,257,000 and $1,156,000, respectively. The Company has insured the lives of certain officers, who participate in the deferred compensation program, to assist in the funding of the deferred compensation liability. The Company is the owner and beneficiary of the insurance policies. At December 31, 1990, the cash surrender value of these policies was $1,900,000, which is net of $776,000 of policy loans.

MOSINEE PAPER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Retirement Plans

The company has deferred compensation or supplemental retirement agreements with certain present and past key officers, directors and employees. The principal cost of such plans is being or has been accrued over the period of active employment from the contract or agreement date. Certain payments, insignificant in amount, are charged to expense when paid. Costs charged to operations under such agreements approximated $179,000, $110,000 and $151,000 for 1990, 1989 and 1988, respectively.

DEPRECIATION EXPENSE

Paragraph 5 of *APB Opinion No. 12* 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.

TABLE 3-12: DEPRECIATION METHODS

	Number of Companies			
	1990	1989	1988	1987
Straight-line	560	562	563	559
Declining-balance	38	40	44	44
Sum-of-the-years-digits	11	16	11	12
Accelerated method—not specified	69	69	70	76
Unit-of-production	50	50	53	51
Other	8	8	9	12

Straight-Line Method

AULT INCORPORATED (MAY)

Consolidated Statements of Cash Flows

	1990	1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$(167,645)	$594,079	$(214,589)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	429,179	498,481	545,376
Amortization	9,274	127,892	127,626
Provision for doubtful accounts	5,000	20,000	17,000
Provision for excess quantities of inventory	—	—	100,000
Loss (gain) on disposal of equipment	3,906	(27,215)	(2,000)
Deferred rent expense	117,187	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation: It is the Company's policy to include depreciation expense on assets acquired under capital leases with depreciation expense on owned assets. Depreciation is based on the estimated useful life of the individual assets. The methods and estimated useful lives are as follows:

	Methods	Years
Machinery and equipment	Straight-line	3-10
Office furniture and equipment	Straight-line	3-10
EDP equipment	Double declining balance	5
Leasehold improvements	Straight-line	4-10

CONCORD FABRICS INC. (AUG)

Consolidated Statement of Cash Flows

	1990	1989	1988
Cash flows from operating activities:			
Net earnings (loss)	$4,302,375	$3,602,490	$(3,556,121)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,891,152	1,770,334	1,558,072
Deferred income taxes	(287,000)	117,000	(335,000)
Loss on sale of property, plant and equipment		5,513	44,782
Provision for doubtful accounts	1,000,000	26,000	1,302,000

NOTES TO FINANCIAL STATEMENTS

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

(3) Property and Depreciation — Property, plant and equipment is recorded at cost. Profits and losses on dispositions are reflected in current operations. Fully depreciated assets are written off against accumulated depreciation.

Depreciation for financial accounting purposes is computed substantially by the straight-line method to amortize the cost of various classes of assets over their estimated useful lives. Leasehold improvements are amortized over the shorter of the life of the related asset or the life of the lease.

For income tax purposes, accelerated methods of depreciation are generally used; deferred income taxes are provided for the difference between depreciation expense for financial accounting purposes and for income tax purposes.

JOHNSON & JOHNSON (DEC)

Consolidated Statement of Cash Flows

	1990	1989	1988
	(Dollars in Millions)		
Cash flows from operating activities			
Net earnings	$1,143	1,082	974
Adjustments to reconcile net earnings to cash flows from operating activities:			
Depreciation and amortization of property and intangibles	474	414	391
Tax deferrals	(46)	(8)	(6)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Depreciation of Property

In 1989, the Company adopted the straight-line method of depreciation for financial statement purposes for all additions to property, plant and equipment placed in service after January 1, 1989. Depreciation of property, plant and equipment for assets placed in service prior to January 1, 1989 is generally determined using an accelerated method.

Units-Of-Production Method

BOISE CASCADE CORPORATION (DEC)

	1990	1989	1988
	(expressed in thousands)		
Costs and expenses			
Materials, labor, and other operating expenses	$3,318,350	$3,218,120	$2,974,370
Depreciation and cost of company timber harvested	212,890	202,060	187,600
Selling and administrative expenses	419,430	406,400	362,480
	3,950,670	3,826,580	3,524,450

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property. Property and equipment are recorded at cost. Cost includes expenditures for major improvements and replacements and the net amount of interest cost associated with significant capital additions. Primarily due to expansion and modernization projects at pulp and paper mills in International Falls, Minnesota, and Rumford, Maine, capitalized interest for 1990 increased to $35,533,000. Capitalized interest was $15,981,000 in 1989 and $3,238,000 in 1988. Substantially all of the Company's paper and wood products manufacturing facilities determine depreciation by the units-of-production method, and other operations use the straight-line method. Operations which use composite depreciation methods include gains and losses from partial sales and retirements in accumulated depreciation. Gains and losses at other operations are included in income as they occur. Estimated service lives of principal items of property and equipment range from 3 to 40 years.

Cost of company timber harvested and amortization of logging roads are determined on the basis of the annual amount of timber cut in relation to the total amount of recoverable timber. Timber and timberlands are stated at cost, less the accumulated total of timber previously harvested.

A portion of the Company's wood requirements are acquired from public and private sources. Except for deposits required pursuant to wood supply contracts, no amounts are recorded until such time as the Company becomes liable for the timber. At December 31, 1990, based on average prices at the time, the unrecorded amount of those contracts was estimated to be approximately $160,000,000.

MURPHY OIL CORPORATION (DEC)

	1990	1989	1988
	(Thousands of dollars)		
Costs and Expenses			
Crude oil, products, and related operating expenses	$1,370,131	$1,028,457	$ 886,965
Drilling and other operating expenses	138,856	144,685	155,273
Exploration expenses, including undeveloped lease amortization	63,421	48,594	59,805
Selling and general expenses	90,557	85,203	78,825
Depreciation, depletion, amortization, and abandonments	213,540	210,110	212,764
Interest expense	36,553	45,368	36,856
Interest capitalized	(3,743)	(3,828)	(2,157)
Total costs and expenses	1,909,315	1,558,589	1,428,331

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Depreciation and Depletion—Depreciation and depletion of producing oil and gas properties are provided under the unit-of-production method on a property-by-property basis. Developed reserves are used to compute unit rates for unamortized tangible and intangible development costs, and proved reserves are used for unamortized leasehold costs. Estimated costs (net of salvage value) of dismantling oil and gas production facilities are computed

and included in depreciation and depletion using the unit-of-production method. Depreciation of refining and marketing facilities is calculated using the composite straight-line method. Depletion of timber is based on board feet cut. Depreciation of each drilling barge and related equipment is determined by dividing the cost less accumulated depreciation and salvage value by the estimated remaining useful life of the barge. Diving equipment, office buildings, pipelines, and other properties are depreciated by individual unit based on the straight-line method.

TECUMSEH PRODUCTS COMPANY (DEC)

Statements of Consolidated Cash Flows

	1990	1989	1988
	(Dollars in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 14.2	$ 82.6	$ 70.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	49.6	43.9	30.5
Accounts receivable	39.8	(77.9)	(62.9)
Inventories	44.3	(29.6)	(20.6)
Payables and accrued expenses	(27.7)	72.7	39.8
Other	2.5	6.7	6.2
Cash Provided By Operations	122.7	98.4	63.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

PROPERTY, PLANT AND EQUIPMENT—Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to expense as incurred. For financial statement purposes, depreciation is determined using the straight-line basis except for certain highly automated and specialized machinery which is depreciated using the units of production method.

Declining-Balance Method

DOW JONES & COMPANY, INC. (DEC)

	1990	1989	1988
	(in thousands)		
EXPENSES:			
News, production and delivery	$ 548,706	$ 482,397	$445,510
Selling, administrative and general	533,184	486,504	437,087
Newsprint	125,114	134,587	139,432
Second class postage and alternate delivery	91,973	90,574	89,095
Depreciation and amortization (Note 1)	191,882	158,276	140,209
Operating expenses	1,490,859	1,352,338	1,251,333

NOTES TO FINANCIAL STATEMENTS

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

DEPRECIATION is computed principally on the declining-balance method over the estimated useful lives of the respective assets or terms of the related leases.

GRUMMAN CORPORATION (DEC)

Consolidated Statement of Cash Flows

	1990	1989	1988
	($ in thousands)		
Cash flows from operating activities			
Net income	$ 85,572	$ 67,264	$ 86,465
Items affecting cash from operations:			
Depreciation and amortization	105,281	117,455	119,111

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation and amortization

The company uses a declining-balance method of depreciation for substantially all of its plant and equipment. Leasehold improvements are amortized over the terms of the leases or their estimated useful lives, whichever is shorter.

Upon sale or retirement of plant and equipment, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is reflected currently. Maintenance and repair costs are expensed as incurred.

Production-Variable Method

INLAND STEEL INDUSTRIES, INC. (DEC)

	1990	1989	1988
	(Dollars in Millions)		
Operating costs and expenses:			
Cost of goods sold (excluding depreciation)	$3,466.7	$3,517.5	$3,280.8
Selling, general and administrative expenses	211.1	205.3	176.3
Depreciation	118.8	130.5	134.3
State, local and miscellaneous taxes	54.7	52.4	49.1
Total	3,851.3	3,905.7	3,640.5

SUMMARY OF ACCOUNTING AND FINANCIAL POLICIES

Property, Plant and Equipment

Property, plant and equipment is depreciated for financial reporting purposes over the estimated useful lives of the assets. Steelmaking machinery and equipment, a significant class of assets, is depreciated on a production-variable method, which adjusts straight-line depreciation to reflect production levels at the steel plant. The adjustment is limited to not more than a 25 percent increase or decrease from straight-line depreciation. Blast furnace relining expenditures are capitalized and amortized on a unit-of-production method over the life of the lining. All other assets are depreciated on a straight-line method.

Expenditures for normal repairs and maintenance are charged to income as incurred.

Gains or losses from significant abnormal disposals or retirements of properties are credited or charged to income. The cost of other retired assets less any sales proceeds is charged to accumulated depreciation.

Composite Rates

GEORGIA-PACIFIC CORPORATION (DEC)

	1990	1989	1988
	(Millions)		
Costs and expenses			
Cost of sales	$ 9,738	$7,621	$7,452
Selling, general and administrative	951	689	632
Depreciation and depletion	699	514	450
Interest	606	260	197
Other income	(48)	—	—
Total costs and expenses	11,946	9,084	8,731

NOTES TO FINANCIAL STATEMENTS

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

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Lease obligations for which the Corporation assumes substantially all the property rights and risks of ownership are capitalized. Replacements of major units of property are capitalized and the replaced properties are retired. Replacements of minor units of property and repairs and maintenance costs are charged to expense as incurred.

The majority of property, plant and equipment is depreciated using composite rates based upon estimated service lives. The ranges of composite rates for the principal classes are: land improvements—5% to 7%; buildings— 3% to 5%; and machinery and equipment—5% to 20%. The remainder of property, plant and equipment is depreciated over the estimated useful life of the related asset using the straight-line method.

Under the composite method of depreciation, no gain or loss is recognized on normal property dispositions because the property cost is credited to the property accounts and charged to the accumulated depreciation accounts and any proceeds are credited to the accumulated depreciation accounts. However, when there are abnormal dispositions of property, the cost and related depreciation amounts are removed from the accounts and any gain or loss is reflected in income.

The Corportion capitalizes interest on projects when construction takes considerable time and entails major expenditures. Such interest is charged to the property, plant and equipment accounts and amortized over the approximate life of the related assets in order to properly match expenses with revenues resulting from the facilities. Interest capitalized, expensed and paid was as follows:

	Year ended December 31		
(Millions)	1990	1989	1988
Total interest costs	$645	$272	$222
Interest capitalized	(39)	(12)	(25)
Interest expense	$606	$260	$197
Interest paid	$528	$259	$164

Depletion

ASHLAND OIL, INC. (SEP)

	1990	1989	1988
		(In thousands)	
Costs and expenses			
Cost of sales and operating expenses	$6,922,395	$6,590,040	$6,346,872
Excise taxes on products and merchandise	496,455	474,371	442,470
Selling, general and administrative expenses	949,073	875,519	806,331
Depreciation, depletion and amortization (including capitalized leases)—Notes A and B	256,393	267,299	259,613
General corporate expenses	92,757	148,148	124,419
	8,717,073	8,355,377	7,979,705

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Property, plant and equipment

Oil and gas exploration and development costs are accounted for using the successful efforts method. Capitalized exploration and development costs are depleted by the units-of-production method over the estimated recoverable reserves.

The cost of plant and equipment (other than assets under capital leases and capitalized exploration and development costs) is depreciated principally by the straight-line method over the estimated useful lives of the assets. Assets under capital leases are depreciated by the straight-line method over the shorter of the lease terms or the useful lives of the assets. Costs in excess of net assets of companies acquired are amortized by the straight-line method over periods generally ranging from ten to forty years (with an average remaining life of 16 years).

Estimated costs of major refinery turnarounds are accrued through charges to expense. All other maintenance and repair costs are expensed as incurred. Maintenance and repairs expense charged to income amounted to $252,438,000 in 1990, $262,460,000 in 1989 and $226,983,000 in 1988.

W.R. GRACE & CO. (DEC)

	1990	1989	1988
		($ millions)	
Cost of goods sold and operating expenses	$4,534.0	$4,176.0	$3,956.3
Selling, general and administrative expenses	1,249.5	1,122.9	1,039.1
Depreciation, depletion and amortization	349.4	318.2	281.2
Interest expense	223.8	213.3	167.9
Research and development expenses	147.5	124.8	119.0
	6,504.2	5,955.2	5,563.5

NOTES TO FINANCIAL STATEMENTS

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

Properties and Equipment and Related Depreciation. Properties and equipment are stated at the lower of cost or net realizable value. Depreciation of properties and equipment is generally computed using the straight-line method over the estimated useful lives of the assets. The successful efforts method of accounting is used for oil and gas operations. Depletion of natural resource reserves is determined by the unit-of-production method. Interest is capitalized in connection with major project expenditures and amortized, generally on a straight-line basis, over the estimated useful lives of the assets.

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

	1990	1989	1988
		(In Thousands)	
COSTS AND EXPENSES			
Cost of sales	$ 44,593	$ 40,489	$43,888
Real estate property costs	4,891	194	—
Depreciation, depletion and amortization	9,081	4,313	4,171
Selling, general and administrative	13,922	10,967	7,674
Environmental provision	—	29,514	—
Write-down of certain assets	—	16,486	—
Interset and debt expense	22,075	10,767	11,337
Loss on sales of investments, net	3,209	—	—
Unrealized losses, net	—	9,095	—
Other	3,823	4,555	3,101
	101,594	126,380	70,171

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Depreciation, Depletion and Amortization
Depreciation of plants, facilities and equipment is provided principally on the straight-line method at annual rates ranging from 2% to 33½%. Depreciation of real estate buildings is provided principally on the straight-line method at an annual rate of 2½%, and improvements are depreciated on a straight-line basis over the term of leases which average approximately 10 years. Depletion of the mineral properties is provided on a unit-of-extraction basis as the related coal reserves are mined.

Goodwill arising from the acquisition of City Realties Limited ("CRL") in March, 1990 is being amortized over 40 years. The goodwill balance of $2.1 million at December 31, 1990 is included in other assets.

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, 1992, *Statement of Financial Accounting Standards No. 96* 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 seventy-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.

TABLE 3-13: FEDERAL INCOME TAX EXPENSE

	1990	1989	1988	1987
Descriptive Terms				
Income taxes	538	536	535	522
Federal income taxes	43	45	42	56
United States (U.S.) income taxes	4	11	13	14
	585	**592**	**590**	**592**
Other or no current year amount	15	8	10	8
Total Companies	**600**	**600**	**600**	**600**

Expense Provision

AMERICAN HOME PRODUCTS CORPORATION (DEC)

	1990	1989	1988
		(In thousands)	
Income before federal and foreign taxes on income	$1,828,278	$1,414,322	$1,438,544
Provision for taxes on income:			
Federal	369,552	117,601	247,329
Foreign	228,129	194,563	195,754
	597,681	312,164	443,083
Net Income	$1,230,597	$1,102,158	$ 995,461

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

The provision for income taxes consisted of:

(In thousands)	1990	1989	1988
Current:			
Domestic	$ 317,715	$ 308,832	$262,939
Foreign	227,696	189,719	200,622
	545,411	498,551	463,561
Deferred:			
Domestic	153,051	(34,186)	(15,610)
Foreign	433	4,844	(4,868)
	153,484	(29,342)	(20,478)
Effect of Robins' net operating loss	(101,214)	(157,045)	—
	$ 597,681	$ 312,164	$443,083

Due to the merger with Robins, the Company had net operating losses for tax purposes of $1,460,962,000 at December 31, 1990 available to be carried forward to future periods expiring in 2003. The benefit in 1989 included $94,000,000 related principally to prior year taxes paid by Robins.

In 1989, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 96—"Accounting for Income Taxes."

Deferred tax assets (liabilities) were reflected in the consolidated balance sheets at December 31, as follows:

(In thousands)	1990	1989
Net current assets	$ 109,298	$ 76,385
Net noncurrent liabilities	(202,583)	(17,450)
	$ (93,285)	58,935

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Deferred tax benefits result principally from the recording of certain reserves which currently are not deductible for tax purposes. Deferred tax credits result principally from temporary differences in the recognition of gains and losses from certain investments and from the use, for tax purposes, of accelerated depreciation.

TABLE 3-14: TIMING DIFFERENCES—REASONS

	Number of Companies			
	1990	**1989**	**1988**	**1987**
Depreciation	444	454	462	465
Pensions	109	111	119	118
Other employee benefits	161	134	146	131
Inventory valuation	162	164	146	131
Discontinued operations	83	81	92	92
Long-term contracts	56	61	63	65
Unremitted earnings	48	47	63	59
Installment sales	36	68	72	70
Leases	35	43	39	38
Interest and taxes during construction	30	33	33	33
Intangible drilling costs	25	24	30	27
Warranties	22	17	22	14

A reconciliation between the Company's effective tax rate and the U.S. statutory rate is as follows:

Tax Rate	1990	1989	1988
U.S. statutory rates	34.0%	34.0%	34.0%
Effect of Puerto Rico manufacturing operations	(4.6)	(5.7)	(5.4)
Effect of Robins' net operating loss	(5.5)	(11.1)	—
Expenses for which no tax benefits were recorded	8.5	4.6	2.4
Other	0.3	0.3	(0.2)
Effective tax rates	32.7%	22.1%	30.8%

No tax benefits were recorded for the non-deductible write-offs of goodwill and for certain other expenses in accordance with SFAS No. 96.

Total income tax payments for the years ended December 31, 1990, 1989 and 1988 amounted to $461,430,000, $417,161,000 and $456,130,000, respectively.

CHEVRON CORPORATION (DEC)

	1990	**1989**	**1988**
	(Millions of dollars)		
Income Before Income Tax Expense	$4,213	$1,306	$2,899
Income Tax Expense	2,056	1,055	1,131
Net Income	$2,157	$ 251	$1,768

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Millions of dollars)

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

Taxes. The company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." Income taxes are accrued for retained earnings of international subsidiaries and corporate joint ventures intended to be remitted. Income taxes are not accrued for unremitted earnings that have been, or are intended to be, reinvested indefinitely.

Note 14. Taxes

	Year Ended December 31		
	1990	1989	1988
Taxes Other Than on Income			
United States			
Taxes on production of oil and gas	$ 152	$ 131	$ 121
Import duties	30	34	33
Excise taxes on products and merchandise	1,717	1,605	1,679
Property and other miscellaneous taxes (excluding payroll taxes)	364	406	279
Taxes other than on income and payroll	2,263	2,176	2,112
Payroll taxes	137	131	118
Total United States	2,400	2,307	2,230
International			
Taxes on production of oil and gas	11	6	5
Import duties	6	19	8
Excise taxes on products and merchandise	1,216	868	847
Property and other miscellaneous taxes (excluding payroll taxes)	142	149	148
Taxes other than on income and payroll	1,375	1,042	1,008
Payroll taxes	14	12	17
Total international	1,389	1,054	1,025
Total taxes other than on income	$3,789	$3,361	$3,255

	Year Ended December 31		
	1990	1989	1988
Taxes on Income			
U.S. Federal			
Current	$ 607	$ 248	$ 375
Deferred	(173)	(341)	119
State and Local	136	80	62
Total United States	570	(13)	556
International			
Current	1,519	1,152	713
Deferred	10	(84)	(90)
Deferred—Adjustment for enacted changes in tax laws/rates	(43)	—	(48)
Total international	1,486	1,068	575
Total taxes on income	$2,056	$1,055	$1,131

U.S. Federal income tax expense in 1990, 1989 and 1988 was reduced by $8, $5 and $4, respectively, for low-income housing, investment and other business tax credits.

In 1990, income before taxes on income for U.S. operations was $1,416, compared with a loss of $555 in 1989 and income of $1,426 in 1988. The before-tax loss in 1989 was due primarily to the write-down of certain U.S. assets and provisions for future environmental cleanup costs, regula-

tory and other issues related to U.S. operations. Income before income tax expense from international operations was $2,797, $1,861 and $1,473 in 1990, 1989 and 1988, respectively. The increase in 1990 reflected greater earnings in the international exploration and production segment due to higher average crude oil prices.

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the company's assets and liabilities. Property, plant and equipment; inventory; and certain accrued liabilities are the primary sources of these temporary differences.

Provisions for deferred income taxes included benefits of $130, $383 and $165 related to properties, plant and equipment in 1990, 1989 and 1988, respectively. The international deferred income tax provision for 1990 included a $43 benefit from the enactment of favorable tax legislation in the United Kingdom, while 1988 contained a $48 benefit from the enactment of lower income tax rates in Canada and Australia.

The company's effective income tax rate varied from the statutory U.S. Federal income tax rate because of the following:

	Year Ended December 31		
	1990	1989	1988
Statutory U.S. Federal income tax rate	34.0%	34.0%	34.0%
Effects of income taxes on international operations in excess of taxes at the U.S. Federal statutory rate	18.8	46.1	15.7
State and local taxes on income, net of U.S. Federal income tax benefit	1.9	3.7	1.8
Effects of major asset sales	—	—	(4.8)
Prior period tax adjustments	(1.1)	7.0	(1.2)
Effects of enacted changes in tax laws/rates on deferred tax liabilities	(1.0)	—	(1.6)
All others	(1.4)	(1.8)	(1.0)
Consolidated companies	51.2	89.0	42.9
Effect of recording equity in income of certain affiliated companies on an after-tax basis	(2.4)	(8.2)	(3.9)
Effective tax rate	48.8%	80.8%	39.0%

The decrease in the effective income tax rate in 1990 was due primarily to proportionally greater earnings in the United States reflecting the absence of large write-downs and provisions for future costs, which resulted in a U.S. loss in 1989. Also contributing to the lower effective income tax rate in 1990 were net benefits associated with adjustments to prior years' income taxes, favorable deferred tax adjustments due to enacted tax legislation in the United Kingdom and favorable tax effects from certain asset sales.

The high effective income tax rate for 1989 was due to the U.S. loss that resulted in proportionally greater earnings in areas attracting high taxes, particularly Angola and Nigeria. Also contributing to the 1989 high effective tax rate were net charges associated with prior years' income taxes.

The enactment of lower income tax rates in Canada and Australia, coupled with favorable tax effects from the sales of the company's interest in AMAX and 20 percent of the company's interest in the Angola exploration and production operations, lowered the effective tax in 1988. Also contributing to the low effective tax rate for 1988 was a net tax benefit related to a favorable adjustment of prior years' international taxes, largely offset by a provision for prior years' U.S. taxes.

It is the company's policy for subsidiaries included in the U.S. consolidated tax return to record income tax expense as though they filed separately, with the parent recording the adjustment to income tax expense for the effects of consolidation.

Undistributed earning of consolidated subsidiaries and affiliates for which no deferred income tax provision has been made for possible future remittances aggregated approximately $2.6 billion at December 31, 1990. Substantially all of this amount represents earnings reinvested as part of the company's ongoing business. It is not practical to estimate the amount of taxes that might be payable on the eventual remittance of such earnings. On remittance, certain international countries impose withholding taxes that, subject to certain limitations, are then available for use as tax credits against a U.S. tax liability, if any. The company estimates withholding taxes of about $213 would be payable upon remittance of these earnings.

DATA GENERAL CORPORATION (SEP)

	1990	1989	1988
	(in thousands)		
Loss before income taxes	$(136,545)	$(113,930)	$ (6,737)
Income tax provision	3,230	5,800	8,800
Net loss	$(139,775)	$(119,730)	$(15,537)

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. Income Taxes

Domestic and foreign income (loss) before taxes, and

details of the income tax provision (benefit) are as follows:

in thousands	Year Ended Sept. 29, 1990	Sept. 30, 1989	Sept. 24, 1988
Income (loss) before taxes:			
Domestic	$ (75,523)	$ (92,093)	$ 9,310
Foreign	(61,022)	(21,837)	(16,047)
	$(136,545)	$ (113,930)	$ (6,737)
Income tax provision (benefit):			
Current:			
Federal	$ (1,917)	$ (2,660)	$ 6,357
Foreign	(621)	3,683	5,283
State	1,200	950	1,616
Total current	(1,338)	1,973	13,256
Deferred:			
Federal	1,718	1,451	(4,002)
Foreign	2,850	2,376	(402)
State	—	—	(52)
Total deferred	4,568	3,827	(4,456)
	$ 3,230	$ 5,800	$ 8,800

Deferred income taxes reflect the tax impact of temporary differences between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. Principal items making up the deferred income tax provision (benefit) are as follows:

in thousands	Year Ended Sept. 29, 1990	Sept. 30, 1989	Sept. 24, 1988
Intercompany profit in inventory and fixed assets	$ 6,262	$ (5,172)	$ (908)
Installment sales	—	(2,304)	(7,648)
Deferred service revenues and other income	(1,750)	(1,409)	(2,213)
Depreciation	(1,926)	(11,563)	2,477
Operating expenses	5,846	(15,109)	2,511
Inventory	(4,962)	(1,577)	619
Foreign exchange	(1,832)	(758)	2,978
Stock option plans	(2,319)	(6,083)	(2,627)
Alternative minimum tax	1,718	1,451	(4,002)
Net temporary differences without tax benefit	3,389	47,859	3,954
Other	142	(1,508)	403
	$ 4,568	$ 3,827	$ (4,456)

Reconciliation of the United States (U.S.) Federal statutory rate to the company's effective tax rate is as follows:

	Year Ended Sept. 29, 1990	Sept. 30, 1989	Sept. 24, 1988
U.S. Federal statutory rate	(34.0)%	(34.0)%	(34.0)%
State income taxes, net of U.S. Federal income tax effect	.9	.8	15.9
Net domestic and foreign losses without tax benefits	38.4	39.3	171.8
Foreign sales corporation	—	—	(50.3)
Foreign income taxed at different rates	(3.1)	(.5)	10.6
Foreign exchange	.3	.4	7.3
Alternative minimum tax	(.1)	(1.1)	8.2
Other	—	.2	1.1
Effective tax rate	2.4%	5.1%	130.6%

For financial reporting purposes, at September 29, 1990 the company has available for carryforward to offset future taxable income, U.S. Federal and foreign operating losses of $520.0 million and tax credits of $30.5 million. The operating loss carryforwards include $280.0 million of pre-tax future deductible temporary differences not yet recognized for financial reporting purposes. No financial reporting recognition is allowed for future deductible temporary differences in excess of the amount that could be recovered as income tax refunds through existing loss carryback and carryforward provisions. For tax return purposes, the company has U.S. Federal and foreign operating loss carryforwards of $240.0 million and tax credit carryforwards of $30.5 million. The operating loss carryforwards expire in the years 1991 through 2005 for both financial reporting and tax return purposes. The tax credit carryforwards expire in the years 1999 through 2005.

Provision has not been made for U.S. or additional foreign taxes on $109.6 million of undistributed earnings of foreign subsidiaries, including $9.5 million 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 foreign 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 $8.2 million.

DIGITAL EQUIPMENT CORPORATION (JUN)

	1990	1989	1988
	(in thousands)		
Income before income taxes	$123,989	$1,420,675	$1,740,845
Provision for income taxes (Notes A and E)	49,596	348,065	435,212
Net Income	$ 74,393	$1,072,610	$1,305,633

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Taxes. In general, the Company's practice is to reinvest the earnings of its foreign subsidiaries in those operations and repatriation of retained earnings is done only when it is advantageous to do so. Applicable taxes are provided only on amounts planned to be remitted.

Note E—Income Taxes

Income before income taxes for domestic and foreign operations was as follows:

	Year Ended		
(In thousands)	June 30, 1990	July 1, 1989	July 2, 1988
Domestic	(378,476)	$ 530,298	$ 773,679
Foreign	502,465	890,377	967,166
Total	$123,989	$1,420,675	$1,740,845

The total provisions for income taxes were at rates different than the U.S. Federal statutory tax rate for the following reasons:

	1990	1989	1988
U.S. Federal statutory tax rate	34.0%	34.0%	34.0%
Tax benefit of manufacturing operations in: (a)			
Puerto Rico	(49.0)	(3.9)	(2.6)
Ireland	(56.5)	(3.3)	(2.4)
Singapore	(6.7)	(0.4)	(0.7)
Taiwan	(4.7)	(0.4)	(0.4)
Research and engineering credit	(6.0)	(1.5)	(1.6)
State income taxes	0.0	0.8	1.9
Foreign tax rates, net of foreign tax credits	90.9	1.6	1.1
Other	38.0	(2.4)	(4.3)
Effective tax rate	40.0%	24.5%	25.0%

The Company has underutilized U.S. tax credits equal to $94,000,000, of which $16,000,000 will expire in 1994 and $78,000,000 will expire in 1995.

(a) The Company's manufacturing subsidiary operating in Puerto Rico is subject to tax at a rate of approximately 8% on its manufacturing earnings through fiscal year 2003. The income from products manufactured for export by the Company's Irish manufacturing subsidiary was exempt from Irish taxes through April 1990. After that time, the Irish manufacturing operations are subject to a 10% tax rate through December 1999. The income from certain products manufactured by the Company's Singaporean manufacturing subsidiary is wholly exempt from Singaporean taxes through December 1990 and partially exempt through December 1993. The income from certain products manufactured by the Company's subisidiary operating in Taiwan is subject to a reduced tax rate of 20% through May 1991, while the income from certain other products continues to be taxed at 20% through January 1994.

The components of the provisions for U.S. Federal and foreign income taxes were as follows:

	Year Ended		
in thousands	June 30, 1990	July 1, 1989	July 2, 1988
U.S. Federal:			
Current	$ 33,940	$136,331	$175,079
Deferred	(113,048)	(6,755)	(80,118)
Total	$ (79,108)	$129,556	$ 94,961
Foreign:			
Current	$ 187,516	$211,652	$259,246
Deferred	(58,781)	(10,861)	31,483
Total	$128,735	$200,791	$290,729
State income taxes	$ (31)	$ 17,718	$ 49,522
Total income taxes	$ 49,596	$348,065	$435,212

Deferred tax expense results from timing differences in the recognition of revenues and expenses for tax and financial reporting purposes. The sources of these timing differences in the years ended June 30, 1990, July 1, 1989, and July 2, 1988, and the tax effect of each were as follows:

	Year Ended		
(In thousands)	June 30, 1990	July 1, 1989	July 2, 1988
Inventory related transactions	$ 6,068	$(26,909)	$ 13,533
Deferred warranty revenue	64,621	14,687	(99,510)
Depreciation	(35,813)	(6,089)	7,706
Pension	(50,135)	(21,656)	20,289
Restructuring	(119,917)	—	—
Other	(36,653)	22,331	9,347
Total	$(171,829)	$(17,636)	$(48,635)

In connection with its normal examinations of the Company's 1984, 1985 and 1986 tax returns, the Internal Revenue Service has proposed adjustments. The Company believes its judgments in these matters have been appropriate and intends to contest certain of the adjustments proposed by the IRS. In addition, the Company believes any adjustments which might result would not have a material effect on the financial statements.

During December 1987, the Financial Accounting Standards Board issued a new accounting standard for income taxes, SFAS No. 96, which will require the Company to adjust its deferred tax assets and liabilities. The

Statement has been amended by SFAS No. 103 which defers the effective date of adoption.

The Company must adopt SFAS No. 96 no later than fiscal year 1993. Management does not anticipate that the adoption of SFAS No. 96 will have a material impact on the Company's consolidated financial position and results of operations. There will be no cash flow impact from these adjustments.

See Note A of Notes to Consolidated Financial Statements for further explanation of the Company's income tax accounting policies.

EAGLE-PICHER INDUSTRIES, INC. (NOV)

	1990	1989	1988
	(In thousands of dollars)		
Income (Loss) Before Taxes	$44,060	$56,314	$(497,862)
Income Taxes (Benefit)	4,700	2,500	(32,100)
Net Income (Loss)	$39,360	$53,814	$(465,762)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B (In Part): Significant Accounting Policies

Income Taxes

Effective December 1, 1988, the Company implemented the provisions of Statement of Financial Accounting Standards No. 96 (SFAS No. 96), "Accounting for Income Taxes," which changed the criteria for measuring the provisions for income taxes and recognizing deferred tax assets and liabilities on the balance sheet. The Company elected not to restate prior years. Prior to the implementation of SFAS No. 96, the Company accounted for income taxes using Accounting Principles Board Opinion No. 11.

H. Income Taxes

The following is a summary of the components of income taxes (benefit):

	(In thousands of dollars)		
	1990	1989	1988
Federal—current	$(12,500)	$ 13,700	$(55,600)
—deferred	13,300	(12,900)	20,000
Foreign	3,500	1,200	2,500
State and local	400	500	1,000
	$ 4,700	$ 2,500	$(32,100)

In 1990, the change in the deferred tax asset represents the realization of a tax refund associated with the Company's 1990 net operating tax loss. In 1989, the change in the deferred tax asset primarily represents the effect of recognizing a deferred tax benefit for a portion of the Company's tax loss carryforward, which was not recoverable in prior years. The types of temporary differences that give rise to significant portions of the deferred tax asset at November 30, 1990 and 1989 and the tax effect of changes in those temporary differences during 1990 and 1989 are presented below. For 1988, 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 are also presented below:

	(In thousands of dollars)		
	1990	1989	1988
Asbestos litigation	$ 29,900	$ 5,500	$ 15,200
Utilization of accounting loss carryforward	(12,800)	(16,400)	—
Prepaid pension cost	(200)	(200)	1,700
Excess tax gain on assets disposed	(1,700)	(3,700)	—
Other	(1,900)	1,900	3,100
Deferred Tax Expense (Benefit)	$ 13,300	$(12,900)	$ 20,000

The differences between the total income tax expense (benefit) and the income tax expense (benefit) computed using the Federal income tax rate were as follows:

	(In thousands of dollars)		
	1990	1989	1988
Computed "expected" tax expense (benefit)	$ 15,000	$19,100	$(169,300)
Utilization of accounting loss carryforward	(12,800)	(16,400)	—
Accounting losses for which deferred Federal income tax cannot be recognized	—	—	146,900
Tax rate differential	1,300	(800)	(10,200)
Other	1,200	600	500
Total income tax expense (benefit)	$ 4,700	$ 2,500	$ (32,100)

In 1988, the Company reported a pre-tax loss for financial statement purposes of $497,900,000, principally resulting from a $559,500,000 provision for the uninsured portion of the Company's estimated total liability for asbestos litigation cost. At November 30, 1988, the Company had an unrecognized benefit of $146,900,000. In 1990 and 1989, the Company recognized $12,800,000 and $16,400,000, respectively of this amount to offset the expected tax expense. Additionally, the unrecognized benefit was reduced in 1989 by $4,200,000 as a result of adopting SFAS No. 96, whereby all temporary differences were restated to the tax rate expected to be in effect when the taxes will actually be paid or refunds received. At November 30, 1990, the Company had an unrecognized benefit of $113,500,000.

The Company received tax refunds of $2,800,000 and $57,300,000 in 1990 and 1989, respectively. The Company paid income taxes of $4,300,000, $15,800,000 and $700,000 in 1990, 1989 and 1988, respectively.

LABARGE, INC. (JUN)

	1990	1989	1988
Earnings from continuing operations before income taxes and extraordinary item	$1,642,611	$2,329,299	$ 690,689
Provision for income taxes	603,500	853,800	275,400
Earnings from continuing operations before extraordinary item	1,039,111	1,475,499	415,289
Discontinued operations:			
Gain on disposal of assets from discontinued operations, net of provision for income taxes of $147,200 in 1989 and $330,580 in 1988	—	285,649	641,713
Earnings before extraordinary item	1,039,111	1,761,148	1,057,002

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Income Taxes

The Company provides for deferred income taxes resulting from timing differences in reporting income and expenses for financial statement and income tax purposes, Investment tax credits are accounted for as a reduction of income taxes under the "flow-through" method, under which the benefit is recognized when realized.

13. Income Taxes

Earnings before income taxes and the related income tax expense (benefit of net operating loss-carryforwards), including the imposition of the alternative minimum tax, are as follows:

	Year Ended		
	July 1, 1990	July 2, 1989	July 3, 1988
Earnings before income taxes:			
Continuing operations	$1,642,611	$2,329,299	$ 690,689
Discontinued operations	—	432,849	972,293
	$1,642,611	$2,762,148	$1,662,982
Income tax expense (benefit):			
Continuing operations	$ 603,500	$ 853,800	$ 275,400
Discontinued operations	—	147,200	330,580
Extraordinary item—tax effect of net operating loss carryforwards	(570,500)	(946,000)	(578,980)
	$ 33,000	$ 55,000	$ 27,000
Income tax expense consists of the following:			
Current	$ 33,000	$ 48,200	$ —
Deferred	—	6,800	27,000
	$ 33,000	$ 55,000	$ 27,000

A reconciliation between the actual income tax expense and income taxes computed by applying the statutory Federal income tax rate to earnings before income taxes is as follows:

	Year Ended		
	July 1, 1990	July 2, 1989	July 3, 1988
Computed income taxes, at 34% for 1990, 1989 and 1988	$ 558,500	$ 939,200	$ 565,000
Utilization of net operating loss carryforwards	(570,500)	(946,000)	(578,980)
Alternative minimum tax	33,000	55,000	27,000
Other, net	12,000	6,800	13,980
	$ 33,000	$ 55,000	$ 27,000

As a result of losses incurred in 1986, 1985 and 1984, the Company has net operating loss carryforwards for financial reporting purposes of approximately $26,103,000. Such carryforwards for income tax purposes are approximately $30,628,000 and expire $7,231,000 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. 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 miminum 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 carryforwards for alternative minimum tax purposes are approximately $26,724,000 and $27,716,000 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 $33,000 in 1990, $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 1993.

Credit Provision

LONE STAR INDUSTRIES, INC. (DEC)

	1990	1989	1988
	(In thousands)		
Income (loss) before income taxes and extraordinary loss	$(88,495)	$(342,899)	$ 59,870
Credits (provision) for income taxes	21,700	72,200	(21,643)
Income (loss) before extraordinary loss	(66,795)	(270,699)	38,227

NOTES TO FINANCIAL STATEMENTS

2 (In Part): Summary of Significant Accounting Policies

Income Taxes—Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the company's assets and liabilities. Provision is made for appropriate taxes on the unremitted earnings of joint ventures and foreign subsidiaries which are not considered to be permanently reinvested or restricted. The company's equity income in corporate joint ventures is presented on a pre-tax basis. Joint venture taxes are combined with the company's tax provision.

31. Income Taxes

Effective January 1, 1987, the company and its consolidated domestic subsidiaries and domestic joint ventures adopted the liablity method of accounting for income taxes pursuant to Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" ("SFAS No. 96"). The company's 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, if adopted at December 31, 1990 and will result in an increase in deferred tax liabilities of the operations involved. This amount is subject to future variations caused by changes in foreign tax rates, foreign exchange rates, local indexation 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.

Credit (provision) for income taxes consists of the following (in thousands):

	1990	1989	1988
Federal:			
Current	$ (1,500)	$ (450)	$ (236)
Deferred:			
Sale of tax benefits, net	1,700	1,700	1,700
Difference between tax and book depreciation	510	1,445	(5,097)
Investment and energy tax credits	(5,022)	10,000	—
Net operating loss carryforward	(20,741)	12,165	14,449
Restructuring	56,332	71,052	—
Asset disposition	—	813	(19,483)
Other, net	(1,681)	(386)	(839)
Total federal	29,598	96,339	(9,506)
Foreign:			
Current	(1,893)	(9,423)	(1,079)
Deferred tax on unremitted foreign earnings	—	(5,795)	(1,186)
Total foreign	(1,893)	(15,218)	(2,265)
State and local:			
Current	(400)	(579)	(869)
Deferred	4,419	702	740
Total state and local	4,019	123	(129)
Joint venture taxes	(10,024)	(9,044)	(9,743)
	$21,700	$72,200	$ (21,643)

The company has investment tax credit carryforwards for federal income tax purposes of $16,896,000 which expire at various dates through 2001. The company also has net operating loss carryforwards of $69,185,000 which expire in 2004 and an alternative minimum tax credit carryforward of $4,392,000. The Internal Revenue Code of 1986, as amended (the "Code"), imposes substantial limitations under certain circumstances on the use of carryforwards upon the occurrence of an "ownership change" (as defined in Section 382 of the Code). An "ownership change" can result from issuances of equity securities by the company, purchases of the company's securities in the secondary market or a combination of the foregoing. The company's ability to issue new equity securities as part of any plan of reorganization could be limited by a decision to prevent such an "ownership change" from occurring which would jeopardize the use of continued availability of the company's carryforwards. Alternatively, a reorganization plan may be developed and implemented which results in income from discharge of indebtedness and could diminish the amount of the carryforwards which could be utilized in the future.

Under SFAS No. 96, a portion of these carryforwards has been recognized for financial statement purposes by the reversal of previously provided deferred income taxes.

The following is a schedule of consolidated pre-tax income (loss) and a rconciliation of income taxes computed at the U.S. statutory rate to the credit (provision) for income taxes (in thousands):

	1990	1989	1988
Income (loss) before taxes and extraordinary loss	$(88,495)	$(342,899)	$ 59,870
Taxes computed at statutory rates	$ 30,088	$ 116,586	$(20,356)
(Increases) resulting from:			
(Reversal) recognition of tax credits	(5,022)	10,000	—
Percentage depletion	2,380	2,040	3,720
Foreign subsidiaries, net	(853)	(558)	(1,506)
Tax rate differences on asset disposition	—	—	(2,500)
Corporate joint ventures	(7,865)	(8,843)	(2,467)
Repatriation of foreign earnings and capital	—	(52,000)	—
State tax, net	3,290	1,392	(85)
Dividend received deduction	—	3,894	1,409
Other, net	(318)	(311)	142
	$ 21,700	$ 72,200	$(21,643)

Income taxes paid during 1990, 1989 and 1988 were $5,334,000, $7,116,000 and $4,563,000, respectively.

REPUBLIC GYPSUM COMPANY (JUN)

	1990	1989	1988
		($000)	
Income (loss) before income taxes	$(115)	$2,922	$3,030
Provision (benefit) for income taxes	(519)	519	1,035
Net income	$ 404	$2,403	$1,995

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Income Taxes—The provision (benefit)) for income taxes includes federal and state taxes currently payable (receivable) and deferred taxes arising from timing differences in determining income for financial statement and tax purposes. The Company files a consolidated federal return which includes the results for all of its subsidiaries.

6. Income Taxes

The components of the provision (benefit) for income taxes are:

	1990	1989	1988
Current:			
Federal	$ —	$ 208,000	$ 363,000
State	(395,000)	(431,000)	326,000
	(395,000)	(223,000)	689,000
Deferred—federal	(124,000)	742,000	346,000
	$(519,000)	$ 519,000	$1,035,000

Deferred tax provision (benefit) results from differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

	1990	1989	1988
Excess of tax over book depreciation	$ 251,000	$ 897,000	$ 577,000
Bad debt allowance	27,000	(4,000)	(99,000)
Accruals related to discontinued operations	23,000	(12,000)	(34,000)
Alternative minimum tax	—	(163,000)	—
State tax refunds	(291,000)	154,000	—
Other	(134,000)	(130,000)	(98,000)
	$(124,000)	$ 742,000	$ 346,000

The differences between income taxes computed using the statutory federal income tax rate and that shown in the Consolidated Statements of Income are summarized as follows:

	1990	1989	1988
Computed tax at statutory rate	$ (39,000)	$ 993,000	$1,030,000
Statutory depletion in excess of cost depletion	(66,000)	(74,000)	(73,000)
Tax credits utilized	(12,000)	(3,000)	—
State taxes, net of federal tax benefit	—	6,000	215,000
State tax refunds, net of federal tax	(403,000)	(286,000)	—
Tax exempt income	(3,000)	(44,000)	(70,000)
Other	4,000	(73,000)	(67,000)
	$(519,000)	$ 519,000	$1,035,000

Income taxes paid, net of refunds, were $0, $66,000 and $859,000 in 1990, 1989 and 1988, respectively.

Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS 96) was issued by the Financial Accounting Standards Board in December, 1987. Implementation of the new accounting rules promulgated by SFAS 96 has been deferred until fiscal year end June 30, 1993. The effect of complying with SFAS 96 has not been determined.

No Provision

ADVANCED MICRO DEVICES, INC. (DEC)

	1990	1989	1988
		(Thousands)	
Income (loss) before taxes on income	$(53,552)	$49,855	$19,316
Provision for taxes on income	—	3,803	—
Net income (loss)	(53,552)	46,052	19,316

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Income taxes. In 1988, the company elected early adoption of the method of accounting for income taxes pursuant to the Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes" (SFAS 96).

8. Taxes on Income

Provision for taxes on income consists of:

	1990	1989	1988
		(Thousands)	
Current:			
U.S. Federal	$ —	$ 775	$ —
U.S. State and Local	—	1,474	600
Foreign National and Local	—	1,554	(600)
Provision for taxes on income	$ —	$3,803	$ —

Pretax income (loss) from foreign operations was $28,622,000 in 1990, $29,932,000 in 1989 and $(4,136,000) in 1988. The following is a reconciliation between statutory federal income taxes and the total provision for taxes on income.

	1990		1989		1988	
(Thousands except percent)	Tax	Rate	Tax	Rate	Tax	Rate
Statutory federal income tax provision	$(18,208)	(34.0%)	$16,951	34.0%	$ 6,567	34.0%
Operating losses not utilized (utilized)	28,365	53.0	(8,821)	(17.7)	(4,370)	(22.6)
State taxes net of federal benefit	—	—	1,474	2.9	600	3.1
Tax exempt Foreign Sales Corporation income	(3,322)	(6.2)	—	—	—	—
Foreign income at other than U.S. rates	(6,835)	(12.8)	(5,801)	(11.6)	(2,797)	(14.5)
	$ —	—%	$ 3,803	7.6%	$ —	—%

No provision has been made for income taxes on approximately $131,000,000 of cumulative undistributed earnings of certain foreign subsidiaries because it is the company's intention to permanently invest such earnings. Distribution of such earnings would have minimal tax cost because of the carryforwards described below.

For federal income tax purposes, the company has $145,000,000 of net operating loss (NOL) carryforwards which will expire from 2001 to 2005, and investment tax credit and research and development tax credit carryforwards of $48,000,000 which will expire from 1995 to 2003. For financial reporting purposes, NOL and tax credit carryforwards are $212,000,000 and $11,000,000, respectively. These carryforward amounts differ principally because the tax benefits resulting from $104,000,000 of deductions related to the exercise of employee stock options have not yet been realized. Such benefits when realized will be reflected as an addition to capital in excess of par value. Carryforward differences also result from $67,000,000 of temporary differences between income and deductions reported for tax purposes and financial reporting purposes. The principal types of these temporary differences include depreciation and amortization, financial statement valuation accounts not currently tax-deductible and revenue recognition on shipments to distributors.

UNIVERSAL VOLTRONICS CORP. (JUN)

	1990	1989	1988
	(In thousands)		
Loss Before Provision for Income Taxes and Cumulative Effect of a Change in Accounting Principle	$ (1,092)	$ (546)	$ (1,065)
Provision for Income Taxes (Note 8)	—	—	—
Loss Before Cumulative Effect of a Change in Accounting Principle	(1,092)	(546)	(1,065)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Income Taxes

Income taxes are provided, when applicable, in accordance with the comprehensive income tax allocation method.

This method recognizes the tax effect of income and expense transactions included in each year's statement of operations, regardless of the year the transactions are reported for tax purposes.

8. Income Taxes

As of June 30, 1990, the Company had a net operating tax loss carryforward of approximately $4,200,000, subject to the limitations described below. This net operating tax loss carryforward will begin to expire in 1998. In addition, the Company has investment tax credit carryforwards of approximately $53,000 and research activity credit carryforwards of approximately $79,000 which will reduce the Company's tax provision at the time they are utilized. These tax credit carryforwards will begin to expire in 1996. Sections 382 and 383 of the Internal Revenue Code provide for limitations on utilization of these carryforwards due to a change in control of the Company. The carryforwards when, and to the extent, utilized will result in extraordinary credits.

Due to a net loss, the Company did not record a provision for federal income taxes in 1990, 1989, or 1988.

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, 1992, 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.

ARMCO INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

3 (In Part): Income Taxes

Effective January 1, 1988, Armco adopted Statement of Financial Accounting Standards No. 96, *Accounting for Income Taxes* (SFAS 96). SFAS 96 requires a change from the deferred to the liability method of computing deferred income taxes. The cumulative effect of this accounting change resulted in a charge against 1988 net income of $5.4 or $.06 per share.

Armco's 1988 provision for income taxes included a charge of $7.0 related to a tax settlement representing an additional tax provision of $3.1 and a reversal of a tax credit of $3.9 (Note 14).

At December 31, 1990, Armco had net operating loss carryforwards of $287.8 for U.S. regular tax purposes and $261.7 for U.S. alternative minimum tax purposes. Such loss carryforwards, if unused as offsets to future taxable income, will expire beginning in 1998 and continuing through 2005. Armco also has $9.2 of investment tax credit carryforwards available for U.S. income tax purposes. Additionally, an alternative minimum tax credit of $7.5 is available to offset Armco's regular tax liability in future years. Armco also has tax loss carryforwards available at certain foreign subsidiaries of $46.5, most of which, if unused to offset future taxable income, will expire in future years beginning in 1991.

At December 31, 1990, Armco had net operating loss carryforwards for financial reporting purposes of $717.2 for U.S. regular tax and $744.8 for U.S. alternative minimum tax. Pursuant to Armco's adoption of SFAS 96, Armco's net operating losses available for financial reporting purposes reflect the amount of losses available for federal income tax purposes increased by the amount of temporary differences that will result in net deductible amounts in the carryforward period for which a tax benefit has not been recognized in the financial statements. Such temporary differences primarily represent special charges recorded in prior years related to the rationalization of facilities for which a tax deduction has not yet been realized, partially offset by the reversal of tax depreciation in excess of book depreciation on fixed assets, and the realization of assets carried on the books at net realizable value in excess of tax basis.

United States income tax returns of Armco for the year 1982 and prior years have been examined by the Internal Revenue Service (IRS) and are closed to assessments. During 1990, Armco recorded a charge of $15.0, included in Sundry other-net, related primarily to the interest incurred in the final settlement of 1978–1982 federal income tax audit issues. Armco has been in a cumulative net operating loss carryforward position since 1983 and believes that it has sufficient loss carryforwards in excess of any potential audit adjustments that might be made by the IRS for any open years.

MUNSINGWEAR, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

K (In Part): Income Taxes

As of January 5, 1991, the Company had a net operating loss carryforward for domestic federal income tax and financial statement purposes of approximately $54,000,000 and $64,000,000, respectively, which is available for carryforward to the year 2005. If the restructuring proposal, described in Note C, is adopted the Company will undergo an ownership change under Internal Revenue Service regulations which will severely limit the Company's ability to carryforward any operating loss. For financial statement purposes, net deferred tax charges, which represent the effects of differences in recognizing certain income and expense items for financial reporting and tax purposes, have not been recorded since realization of such amounts is not assured. When the existing net operating loss carryforward for financial statement purposes has been fully utilized in subsequent years, the amounts eliminated from the deferred tax accounts will be reinstated, to the extent they have not been reversed.

The Company has tax basis investment and targeted jobs credit carryforwards of approximately $448,000 which are available to reduce future federal income taxes.

THE PITTSTON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Income Taxes

For financial reporting purposes the Company has unrecognized tax benefits due to book loss carryforwards of approximately $11,800,000. For U.S. Federal income tax purposes the Company has incurred net operating losses which along with investment tax credits are available as carryforwards to offset future taxes payable. At December 31, 1990, such losses and investment tax credits aggregated approximately $143,200,000 and $20,000,000, respectively, and expire as follows:

Year	Net Operating Loss	Investment Tax Credits
	(In thousands)	
1995	$ —	4,000
1996	—	3,300
1997	—	3,900
1998	2,700	3,000
1999	50,600	3,600
2000	41,300	2,200
2001	17,400	—
2002	21,000	—
2004	10,200	—
	$143,200	20,000

NAVISTAR INTERNATIONAL CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

4 (In Part): Income Taxes

The relationship of tax expense to income (loss) before income taxes in 1990, 1989 and 1988 differs from the U.S. statutory rate primarily because of net operating loss (NOL) carryforwards in the U.S. and foreign countries. Consequently, an analysis of deferred taxes and variance from the statutory rate is not provided.

Undistributed earnings of foreign subsidiaries were $55 million at October 31, 1990. Taxes have not been provided on $38 million of these undistributed earnings considered to be permanently reinvested. Substantially all U.S. tax expense associated with the receipt of such undistributed earnings would be offset by the utilization of NOL carryforwards.

At October 31, 1990, the Company had $1,450 million of domestic and $10 million of foreign NOL carryforwards available to reduce future taxable income. For financial reporting purposes, the Company had a total NOL carryforward of $1,661 million available to reduce financial income at October 31, 1990. The $201 million difference arises primarily as a result of the timing of recognition of expense items for financial and tax purposes. This amount will reduce taxable income when the expenses are actually paid. In accordance with SFAS 96, the Company has not anticipated new differences between book and tax recognition in future years and has estimated that substantially all of the $201 million will expire by the year 2006. The Company has domestic investment tax credit (ITC) carryforwards of approximately $41 million at October 31, 1990, which are available to reduce future U.S. Federal income tax liabilities. The tax carryforwards will expire as follows:

Year of Expiration (Millions of dollars)	Domestic and Foreign NOL	ITC
1992-1996	$ 3	$31
1997-1998	693	8
1999-2000	330	2
2001-2002	190	—
2004-2005	242	—
Indefinite	2	—
Total	$1,460	$41

RAWSON-KOENIG, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

6. Income Taxes:

Effective October 1, 1987, the Company adopted the liability method of accounting for income taxes pursuant to Financial Accounting Standards Board Statement of Financial Accounting Standards No. 96 (SFAS NO. 96), *Accounting for Income Taxes.* The Company previously used the deferred method. The effect of the change was to increase net income by $143,123 in 1988.

No provisions for income taxes for the fiscal year ended December 31, 1990, the three month period ended December 31, 1989 and the fiscal years ended September 30, 1989 and 1988 have been reflected in the statement of income due to the utilization of net operating loss carryforwards.

At December 31, 1990, the Company had financial and tax net operating loss carryforwards and investment tax credit carryforwards available to offset future taxable income approximately as follows:

	Net Operating Loss Carryforwards			
Expiration Year Ending	Financial Reporting Purposes	Tax Reporting Purposes	Alternative Minimum Tax Reporting Purposes	Investment Tax Credit Carryforwards
1998				
1999	$ 472,000	$ 702,000	$ 702,000	$ 6,000
2000	773,000	919,000	919,000	9,000
2001	1,201,000	336,000	366,000	
2002		503,000	129,000	
	$2,446,000	$ 2,460,000	$2,116,000	$15,000

Special limitations exist under the tax law which may restrict the utilization of the regular tax and alternative minimum tax net operating loss carryforward expiring in 1999 and 2000.

Pursuant to the Tax Reform Act of 1986, unexpired investment tax credit carryforwards have been reduced by 35%.

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 less than 50% 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.

TABLE 3-15: TAXES ON UNDISTRIBUTED EARNINGS

	1990	1989	1988	1987
Taxes accrued on all undistributed earnings	27	28	31	35
Taxes accrued on a portion of undistributed earnings	97	90	100	103
Taxes not accrued on undistributed earnings	187	201	195	203
No mention of undistributed earnings	289	281	274	259
Total Companies	**600**	**600**	**600**	**600**

Taxes Accrued On All Undistributed Earnings

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 4 (In Part): Provision for Income Taxes

Income before income taxes is as follows:

(In thousands)	1990	1989	1988
U.S.	$13,264	$33,954	$13,948
Foreign	1,429	2,220	3,848
	$14,693	$36,174	$17,796
The provision for income taxes is as follows:			
Current taxes on income:			
U.S.	$ 2,502	$12,065	$ 5,755
Foreign	278	799	1,795
	2,780	12,864	7,550
Deferred income taxes:			
Difference between book and tax depreciation	(67)	(76)	(335)
Inventory adjustments	(725)	4	(453)
Accrued employee benefit expenses	(58)	(39)	(454)
Repatriation of foreign earnings net of foreign tax credit	10	(113)	(807)
Accrued restructuring costs	906	281	(364)
Other items, net	(331)	102	240
	(265)	159	(2,173)
	$ 2,515	$13,023	$ 5,377

COOPER INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes

Income tax expense includes United States and foreign income taxes, including United States Federal taxes on undistributed earnings of foreign subsidiaries. To the extent that income for financial and tax purposes is not the same due to differences in the timing of certain reported items, including depreciation and the advance funding of certain employee benefit programs, deferred taxes are provided in the consolidated financial statements.

Note 14: Income Taxes

	Year Ended December 31,		
(millions except percentages)	1990	1989	1988
Income before income taxes:			
United States operations	$444.8	$369.2	$300.2
Foreign operations	183.8	105.5	85.3
Income before income taxes	$628.6	$474.7	$385.5
Income taxes:			
Currently payable:			
U.S. Federal	$202.3	$106.7	$152.8
U.S. state and local	30.5	25.1	14.9
Foreign	78.8	46.1	39.5
	311.6	177.9	207.2
Deferred:			
U.S. Federal	(50.2)	26.1	(44.7)
Foreign	5.8	2.9	(1.4)
	(44.4)	29.0	(46.1)
Income taxes	$267.2	$206.9	$161.1
Items giving rise to deferred income taxes:			
Employee medical program funding	$ (22.7)	$ 21.6	$ (20.5)
Employee savings and stock ownership plans	(15.8)	15.8	—
Excess of tax over book depreciation	26.8	6.2	15.1
Deferred taxable income on installment sales	—	.2	(16.0)
All other	(32.7)	(14.8)	(24.7)
Deferred income taxes	$ (44.4)	$ 29.0	$ (46.1)
Effective tax rate reconciliation*:			
U.S. Federal statutory rate	34.0%	34.0%	34.0%
State and local income taxes	3.0	3.3	2.8
Nondeductible goodwill	4.1	3.6	2.7
Foreign statutory rate differential	2.0	1.9	2.1
All other (individual items less than 5% of the exected tax provision)	(.6)	.8	.2
Indicated effective tax rate	42.5%	43.6%	41.8%
Total income taxes paid*	$145.3	$187.5	$122.0

*Certain prior-year amounts have been restated for consistent presentation.

The Company's income tax provision includes the elements shown above. The U.S. Federal portion of the provision includes U.S. tax expected to be payable on the foreign portion of the Company's income before income taxes when such earnings are remitted. Through December 31, 1990, the Company has provided such tax on essentially all unremitted earnings of its consolidated foreign subsidiaries.

The Company has elected not to adopt for 1990 SFAS No. 96—Accounting for Income Taxes, which is not required to be applied until 1992. Because of the magnitude of acquistions made by the Company in prior years and the various alternatives available in adopting the new standard, the year or years affected and the amount of the cumulative effect have not been determined. Once adopted, the new standard is not currently expected to have a significant effect on the Company's yearly income tax expense, except when there are significant changes in tax rates.

Income taxes currently payable and goodwill were reduced by $20.4 million in 1989 as a result of the utilization of pre-acquisition McGraw-Edison capital loss carryforwards.

Taxes Accrued On Portion Of Undistributed Earnings

UNIVERSAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All dollar amounts are in thousands, except as otherwise noted)

Note 1 (In Part): Accounting Policies

Income Taxes

The company provides deferred income taxes primarily on temporary differences arising from depreciation, reserves for policy and contract claims, deferred compensation, unrealized investment gains and losses and undistributed earnings of consolidated subsidiaries and unconsolidated affiliates not permanently reinvested. At June 30, 1990 the cumulative amount of undistributed earnings of consolidated subsidiaries on which no provision for U.S. income taxes had been made was $12.2 million. It is not practical to determine the amount of deferred income tax liability that would result had such earnings been actually repatriated. The amount of withholding tax payable on remittance of the entire amount of undistributed earnings would approximate $2 million.

Note 7—Income Taxes

	1990	1989	1988
Sources of 'Income Before Income Taxes and Other Items'			
Domestic	$17,627	$30,580	$46,118
Foreign	28,587	45,113	28,818
	46,214	75,693	74,936
Provision for 'Income Taxes'			
Current:			
Federal	4,722	7,656	9,116
Foreign	5,126	7,036	4,142
State	2,756	2,967	3,114
	12,604	17,659	16,372
Deferred:			
Federal	(392)	4,333	1,366
Foreign	1,518	2,042	83
State	(140)	391	(162)
	986	6,766	1,287
Total	13,590	24,425	17,659
Sources of deferred income tax expense:			
Policy and contract claims reserves	(1,544)	63	(2,297)
Nonrepatriated earnings	1,821	3,707	3,584
Other—net	709	2,996	
	$ 986	$ 6,766	$ 1,287

	1990 Amount	%	1989 Amount	%	1988 Amount	%
Tax at statutory rate	$15,713	34.0	$25,736	34.0	$25,478	34.0
State taxes—net	1,992	4.3	2,216	2.9	2,151	2.9
Rate change on deferred tax asset	1,720	3.7				
Claims reduction			(428)	(.6)	(2,659)	(3.5)
Tax exempt interest and dividend exclusion	(2,757)	(6.0)	(2,681)	(3.5)	(3,128)	(4.2)
Permanently reinvested earnings	(1,200)	(2.6)	128	.2	(1,646)	(2.2)
Capital gains including effect of net-of-tax fair value adjustments					(666)	(0.9)
Other—net	(1,878)	(4.0)	(546)	(.7)	(1,871)	(2.5)
	$13,590	29.4	$24,425	32.3	$17,659	23.6

Special rules of the Tax Reform Act of 1986 (Tax Act) applicable to title insurance companies effectively forgave the payment of a portion of deferred income taxes related to claims deducted for tax reporting purposes. For financial reporting purposes, these income taxes were included in claims liabilities as a result of the company's acquisition of Lawyers Title in 1984. Because of the special rules of the Tax Act, the company has increased net income by approximately $.9, $1.3 and $3.5 million, respectively, for the years ended June 30, 1990, 1989 and 1988.

Effective July 1, 1989, the company adopted SFAS 96 "Accounting for Income Taxes." The cumulative effect of the change in accounting principle (for years prior to fiscal 1990 which were not restated) increased net income by $8 million. However, adoption of SFAS 96 also had an adverse effect on earnings for the twelve-month period ended June 30, 1990 by increasing tax expense by approximately $1.7 million.

Included in the company's June 30, 1990 balance sheet are current deferred income tax assets primarily related to policy and contract claim reserves, and long-term deferred income tax liabilities primarily related to nonrepatriated foreign earnings and depreciation.

HEWLETT-PACKARD COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Taxes on Earnings (In Part)

Deferred taxes result from differences in the timing of revenue and expense recognition for tax and financial reporting purposes. U.S. federal timing differences in 1990 primarily related to the undistributed earnings of non-U.S. subsidiaries which resulted in deferred taxes of $40 million and advance funding of certain retiree benefits which resulted in deferred taxes of $44 million. In 1988, U.S. federal timing differences include the effects of deferred payment contracts which resulted in decreased deferred taxes of $217 million. Non-U.S. deferred tax benefits amounted to $34 million in 1990 and consist primarily of timing differences associated with the company's elimination of intercompany profit. There are no other individually significant timing differences.

After allocating eliminations and corporate items, earnings before taxes of U.S. and non-U.S. operations are as follows:

In millions	1990	1989	1988
U.S. operations, including Puerto Rico	$ 504	$ 432	$ 593
Non-U.S. operations	552	719	549
	$1,056	$1,151	$1,142

The company has not provided for U.S. federal income and foreign withholding taxes on $948 million of non-U.S. subsidiaries' undistributed earnings as of October 31, 1990 because such earnings are intended to be reinvested indefinitely. If these earnings were distributed, foreign tax credits should become available under current law to reduce or eliminate the resulting U.S. income tax liability. Where excess cash has accumulated in the company's non-U.S. subsidiaries and it is advantageous for tax or foreign exchange reasons, subsidiary earnings are remitted.

As a result of certain employment and capital investment actions undertaken by the company, income from manufacturing activities in certain countries is subject to reduced tax rates, and in some cases is wholly exempt from taxes, for years through 2002. The income tax benefits attributable to the tax status of these subsidiaries are estimated to be $116 million, $88 million and $57 million for 1990, 1989 and 1988, respectively.

ASARCO INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Taxes on Income: In 1988, the Company adopted the liability method of accounting for income taxes under SFAS 96. Deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end. No deferred income taxes have been provided for the income tax liability which would be incurred on repatriation of the undistributed earnings of the Company's foreign subsidiaries because the Company intends indefinitely to reinvest these earnings outside the United States. General business credits are accounted for by the flow-through method.

4 (In Part): Taxes on Income

Deferred income taxes are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The types of temporary differences that give rise to significant portions of the deferred tax liability and the effect on deferred tax expense of changes in those temporary differences are presented below:

	1990	1989	1988
Depreciable assets	$16.0	$ 3.3	$ 2.4
Depletable mineral land	(9.3)	(4.9)	(0.3)
Undistributed earnings in equity companies	16.4	20.1	0.4
Accrual for closed plant and environmental matters	(22.2)	(2.4)	5.0
Financing transactions	(3.7)	—	—
Alternative Minimum Tax credit	(13.4)	—	—
Other	3.3	(2.3)	1.4
Total	($12.9)	$13.8	$ 8.9

U.S. deferred income taxes have not been recognized on approximately $209.7 in 1990 ($208.6 in 1989) of undistributed earnings of foreign subsidiaries and non-consolidated associated companies more than 50% owned, because assets representing those earnings are permanently invested. It is not practicable to determine the amount of income taxes that would be payable upon the remittance of assets that represent those earnings. The amount of foreign withholding taxes that would be payable upon the remittance of assets that represent those earnings would be approximately $4.3 in 1990 ($4.0 in 1989).

No Accrual For Taxes

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Income Taxes

At December 31, 1990, the balance of undistributed earnings of foreign subsidiaries was $1,622,825. It is presumed that ultimately these earnings will be distributed to the Corporation. The tax effect of this presumption was determined by assuming that these earnings were remitted to the Corporation in the current period and that the Corporation received the benefit of all available tax planning alternatives and available tax credits and deductions. Under these two assumptions, no Federal income tax provision was required.

HARRIS CORPORATION (JUN)

NOTES TO FINANCIAL STATEMENTS

Income Taxes (In Part)

United States income taxes have not been provided on $248,800,000 of undistributed earnings of international subsidiaries because of the Corporation's intention to reinvest these earnings. The determination of unrecognized deferred U.S. tax liability for the undistributed earnings of international subsidiaries is not practicable. However, it is estimated that foreign withholding taxes of $12,700,000 may be payable if such earnings were distributed.

MCDONALD'S CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

U.S. income and foreign withholding taxes have not been provided on $551.0 million of undistributed earnings of certain subsidiaries and affiliates outside of the U.S. at December 31, 1990. These earnings are considered to be permanently invested in the businesses and, under the tax laws, are not subject to such taxes until distributed as dividends. If the earnings were not considered permanently invested, approximately $52.0 million of deferred income taxes, consisting of foreign withholding taxes, would have been provided. Such taxes, if ultimately paid, may be recoverable as foreign tax credits in the U.S.

MOBIL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

10 (In Part): Taxes

Mobil does not provide deferred taxes for taxes that could result from the remittance of undistributed earnings since it is generally Mobil's intention to continue reinvesting these earnings indefinitely.

Mobil's share of the undistributed earnings of consolidated subsidiaries and companies accounted for on the equity method, which could be subject to additional income taxes if remitted, was approximately $3 billion at December 31, 1990. It is not practicable to determine the unrecognized deferred tax liability applicable to the undistributed earnings, which, if remitted, would be subject to approximately $283 million of withholding taxes. If such amounts were remitted, foreign tax credits available under present law would reduce the amount of U.S. taxes payable.

TEXACO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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, exploratory and 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 affiliated corporate joint-venture companies when such earnings are permanently reinvested.

Note 11 (In Part): Taxes

The undistributed earnings of subsidiary companies and of affiliated corporate joint-venture companies accounted for on the equity method, for which deferred U.S. income taxes have not been provided at December 31, 1990, because of the permanent reinvestment of earnings by the companies involved, amounted to $816 million and $1,407 million, respectively. The corresponding amounts at December 31, 1989 were $700 million and $1,330 million, respectively. The determination of the hypothetical amount of unrecognized deferred U.S. taxes on these undistributed earnings is not practicable. However, the company has estimated that the foreign withholding taxes payable at applicable rates on the assumed distribution of such earnings would be $147 million and $133 million at December 13, 1990 and 1989, respectively.

LONG-TERM CONTRACTS

Accounting and disclosure requirements for long-term contracts are discusssed 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.

TABLE 3-16: METHOD OF ACCOUNTING FOR LONG-TERM CONTRACTS

	Number of Companies			
	1990	1989	1988	1987
Precentage-of-completion	91	92	86	89
Units-of-delivery	34	33	37	35
Completed contract	9	6	8	6
Not determinable	4	2	3	2

ALLIANT TECHSYSTEMS INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

2 (In Part): Basis of Presentation and Significant Accounting Policies

Long-term Contracts—Sales and cost of sales related to long-term contracts are accounted for under the percentage of completion method.

Sales under fixed-price-type contracts are generally recognized upon passage of title to the customer, which usually coincides with physical delivery or customer acceptance as specified in contractual terms. Such sales are recorded at the cost of items delivered or accepted plus a proportion of profit expected to be realized on a contract based on the ratio of such costs to total estimated costs at completion.

Sales, including estimated earned fees, under cost reimbursement-type contracts are recognized as costs are incurred.

General and administrative costs are expensed in the year incurred.

Profits expected to be realized on contracts are based on the Company's estimates of total contract sales value and costs at completion. These estimates are reviewed

and revised periodically throught-out the lives of the contracts with adjustments to profits resulting from such revisions being recorded on a cumulative basis in the period in which the revisions are made. When management believes the cost of completing a contract (excluding general and administrative expenses) will exceed contract-related revenues, the full amount of the anticipated contract loss is recognized.

BLOUNT, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Construction contracts:
Revenue and profits on long-term construction contracts are recognized by the percentage of completion method generally based on costs incurred as a percentage of estimated total costs of individual contracts. Estimated total costs include provisions for those expenditures which may arise from claims by owners and subcontractors. Anticipated losses are recognized when they become known. Revisions in estimated profits are made in the month in which the circumstances requiring the revision become known. Estimated profits include income on all contractually agreed-upon work, even though the value of the work may be subject to negotiation. Precontract costs are deferred on major projects where it is probable the contracts will be obtained and the estimated profits will be sufficient to permit their recovery. Construction contract costs paid directly by the owner, which costs may be significant and vary substantially among contracts, are excluded from revenue and costs.

In the year ended February 28, 1989, the Company adopted the policy of recognizing contract revenue from claims against owners and others on construction projects only when the amounts are awarded or resolved. Previously, such revenue was recognized when realization was probable, the amount could be reliably estimated and the claim had reasonable legal basis. The cumulative effect of $10.8 million (after reduction for income taxes of $6.1 million) to retroactively apply the new method was included as a reduction of income in 1989. Exclusive of the cumulative effect, the impact of the change was to increase net income from continuing operations and net income for 1989 by $499 thousand ($.04 per share). If the change had been applied to 1988, net income from continuing operations and net income would have increased by $1.3 million ($.11 per share) and $3.2 million ($.27 per share).

CBI INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition. Revenues from Contracting Services are recognized on the percentage of completion method. Earned revenue is based on the percentage that incurred costs to date bear to total estimated costs after giving effect to the most recent estimates of total cost. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the year in which these changes become known. Earned revenue reflects the original contract price adjusted for agreed upon claim and change order revenue, if any. Losses expected to be incurred on jobs in process, after consideration of estimated minimum recoveries from claims and change orders, are charged to income as soon as such losses are known. Progress billings in accounts receivable are currently due and exclude retentions until such amounts are due in accordance with contract terms.

Revenues and related costs are recognized by Industrial Gases and Investments subsidiaries when products are shipped or services are rendered to the customer.

CROSS & TRECKER CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue recognition
Revenue is reported on both the completed contract and percentage-of-completion (POC) methods of accounting. The company uses the POC method of accounting for all contracts which exceed $1 million in net operating revenues and recognizes such revenue upon incurring costs equal to the lesser of 25 percent of the contract costs or $.5 million. In prior years, for large contracts, the threshold at which the company recognized revenue was 15 percent of contract costs. This change, which resulted from the increased number and size of larger contracts entered into by the company, reduced the operating loss in fiscal 1990 by $.8 million, or $.06 per share. Progress on POC contracts is measured generally by costs incurred to date compared with an estimate of total costs at the project's completion. Provision is made for anticipated losses, if any, on uncompleted contracts. Such provision is equal to an estimate of the project's total costs at completion, less expected net revenues on the contract.

FLUOR CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Major Accounting Policies (In Part)

Engineering and Construction Contracts
The company recognizes engineering and construction contract revenues using the percentage-of-completion method, primarily based on contract costs incurred to date compared with total estimated contract costs. Cus-

tomer furnished items including materials, labor and equipment and in certain cases subcontractor materials, labor and equipment are included in revenue and cost of revenue when management believes that the company is responsible for acceptability of the project. Contracts are segmented between engineering and construction efforts and, accordingly, gross margin related to each activity is recognized as those separate services are rendered. Changes to total estimated contract costs or losses, if any, are recognized in the period they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. It is anticipated that the incurred costs associated with contract work in progress at October 31, 1990, will be billed and collected in 1991. Amounts received from clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts.

HARSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Long-term Defense Contracts

Defense contracts are accounted for under the percentage of completion (unit-of-delivery) method, whereby sales and estimated average cost of the units to be produced under a contract are recognized as deliveries are made or accepted. Changes in estimates for sales, costs, and profits are recognized in the period in which they are determinable using the cumulative catch-up method of accounting. Claims are considered in the estimated contract performance at such time as realization is probable. Any anticipated losses on contracts are charged to operations as soon as they are determinable. Inventory costs include factory overhead, general and administrative expenses, initial tooling and other related costs. Company-sponsored research and development costs are charged to expense or allocated to production contracts, as applicable, when incurred. Under certain arrangements in which a customer shares in product development costs, the Company's portion of such costs is expensed as incurred.

GENERAL DYNAMICS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Sales and Earnings Under Long-Term Contracts and Programs

Major defense programs are accounted for using the percentage-of-completion method of accounting. The combination of estimated profit rates on similar, economically interdependent contracts is used to develop program earnings rates. These rates are applied to costs as incurred for the determination of sales and operating earnings on all major defense programs. Rates are adjusted prospectively as a result of revisions in projected program revenue and estimated cost at completion.

Sales of fuselages to McDonnell Douglas Corporation (McDonnell Douglas) for their MD-11 aircraft are recognized upon delivery at the contract price. Cost of sales is based upon the estimated profit margin at program completion.

Sales for the Atlas Expendable Launch Vehicle (Atlas) program are recognized upon a successful launch at the contract price. Cost of sales is based upon the estimated unit cost on an individual contract basis.

Any anticipated losses on contracts or programs are charged to earnings when identified. Such losses encompass all costs, including general and administrative expenses, allocable to the contracts. Revenue arising from the claims process is not recognized either as income or as an offset against a potential loss until it can be reliably estimated and its realization is probable.

MCDONNELL DOUGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Revenue Recognition. Revenues and earnings on cost-reimbursement and fixed price government contracts are generally recognized on the percentage-of-completion method of accounting as costs are incurred (cost-to-cost basis). Revenues include costs incurred plus a portion of estimated fees or profits based on the relationship of costs incurred to total estimated costs. Some contracts contain incentive provisions which provide increased or decreased earnings based upon performance in relation to established targets. Incentives based upon cost performance are generally recorded currently and other incentives are recorded when such amounts can reasonably be determined. Revenues relating to contracts or contract changes that have not been completely priced, negotiated, documented, or funded are not recognized unless realization is considered probable.

Major contracts for complex military systems are performed over extended periods of time and are subject to changes in scope of work and delivery schedules. Pricing negotiations on changes and settlement of claims often extend over prolonged periods of time. Any anticipated losses on contracts (estimated final contract costs, excluding period costs, in excess of estimated final contract revenues) are charged to current operations as soon as they are determinable. Estimates of final contract revenues on certain fixed price development contracts include future revenue from expected recovery on claims. Such revenues are included when it is probable that the claim will result in additional contract revenue and when the amount can be reliably estimated.

Revenues are recognized on commercial aircraft programs, including military versions of commercial aircraft, based on sales prices as aircraft are delivered. Cost of sales of the MD-80 aircraft program is determined on a specific-unit cost method. Cost of sales of the MD-11 aircraft program is determined on a program-average cost

method and is computed as a percentage of the sales price of the aircraft. The percentage is computed as the total of estimated tooling and production costs for the entire program divided by the estimated sales prices of all aircraft in the program. The accounting for the MD-11 program is consistent with that previously used for the DC-10 program.

Revenues, costs and earnings on government contracts and commercial aircraft programs are determined, in part, based on estimates. Adjustment of such estimates are made on a cumulative basis whereby the effect of such changes is recognized currently. Losses anticipated on government contracts or commercial programs are charged to operations in full when determined.

Revenues and costs from the manufacturing aspects of sales-type leases are generally recognized at the inception of such leases. Revenues from the financing aspects of sales-type and direct financing leases are recognized as the excess of aggregate rentals over the cost of leased equipment (reduced by estimated residual values) using the interest method. The interest method results in a constant rate of return on the unrecovered investment.

DISCONTINUED OPERATIONS

Paragraph 8 of *APB Opinion No. 30* 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 discontined 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 1990, 64 survey companies discontinued or plan to discontinue the operations of a business segment. Examples of discontinued operations accounted for as a disposal of a business segment follow.

Disposal Of Segments

AMERICAN CYANAMID COMPANY (DEC)

	1990	1989	1988
	(Millions of dollars)		
Earnings from continuing operations	$107.8	$277.4	$254.2
Discontinued operations (Note 2):			
(Loss) earnings (after taxes of $3.7, $14.5 and $22.1)	(3.0)	14.6	41.4
Gain on sale (after taxes of $257.0)	248.0	—	—
Net earnings	$352.8	$292.0	$295.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Millions of dollars except per share amounts)

2. Discontinued Operations

During the third quarter of 1990, the businesses of the Shulton Group were sold to various parties for approximately $850.0. The 1990 consolidated statement of earnings excludes sales and expenses of discontinued operations from captions applicable to continuing operations. Prior year results have been restated to conform with this presentation. Net sales of the Shulton Group were $251.3, $608.7 and $594.1 for the period prior to the measurement date in 1990 and the years ended December 31, 1989 and 1988, respectively. The discontinued operations gain on sale of $248.0 is net of taxes of $257.0. The tax recorded on the gain differs from that computed by utilizing the U.S. federal tax rate due to accruals for which no tax benefit is available, state taxes and excess tax over book gain attributable to differences between the U.S. tax basis of foreign operations and their consolidated book basis. The discontinued Shulton Group assets, liabilities and cash flows are not material to the company's financial statements and, accordingly, the consolidated balance sheet and statements of cash flows have not been restated.

SQUARE D COMPANY (DEC)

	1990	1989	1988
	(Amounts in thousands)		
Earnings from Continuing Operations	$116,646	$101,106	$111,082
Discontinued Operations:			
(Loss) earnings from operations, net of income tax (benefit) expense—1990—$(1,188); 1989—$(1,086); 1988—$3,831	(312)	798	7,852
Gain on disposal, net of other provisions; net of income taxes of $1,865	4,391	—	—
Earnings from Discontinued Operations	4,079	798	7,852
Net Earnings	120,725	101,904	118,934

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands, except per share)

B. Discontinued Operations

As of June 30, 1990, the company reported its General Semiconductor Industries (GSI) business as a discontinued operation, and as of September 30, 1989, the company reported its Yates industries (Yates) copper foil business as a discontinued operation. Accordingly, the consolidated financial statements of the company have been reclassified to report separately the net assets and operating results of these discontinued operations. Financial results for periods prior to the dates of discontinuance have been restated to reflect continuing operations.

In January 1990, the company concluded the sale of its Yates operations in Europe and its 50 percent joint venture interest in Japan. In April 1990, the company completed the sale of its Yates operation in Bordentown, N.J. Total gross proceeds from the sale of all Yates operations were $175,476. The proceeds from the sale of Yates operations and the associated costs approximated management's original estimates. Management is actively pursuing the sale of the GSI business.

A gain from the sale of Yates, offset by provisions for a loss on the prospective sale of GSI and costs associated with other previously discontinued businesses, resulted in a gain of $4,391, net of income taxes, in the second quarter of 1990 from discontinued operations. The gain on the sale of Yates is net of $14,000 provision for long-term environmental costs. The gain from the sale of Yates' foreign locations included a gain of $6,895 from the recognition of cumulative translation adjustments.

Net assets of discontinued operations were $36,681 and $170,065 at December 31, 1990 and 1989, respectively. These amounts consist of current assets; property, plant and equipment; other noncurrent assets; and current and noncurrent liabilities.

Sales applicable to the discontinued operations prior to the dates of discontinuance were $16,158, $124,121 and $159,000 in 1990, 1989 and 1988, respectively. Interest expense of $249, $2,730 and $2,246, net of income taxes, was allocated to the discontinued operations prior to dates of discontinuance based on net assets for 1990, 1989 and 1988, respectively. The operating results of GSI from the date of discontinuance to December 31, 1990 were immaterial.

PITNEY BOWES INC. (DEC)

	1990	1989	1988
	(Dollars in thousands)		
Income from continuing operations	$206,649	$180,110	$230,398
Discontinued operations	6,646	6,609	12,960
Income before cumulative effect of a change in accounting for income taxes	213,295	186,719	243,358

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in thousands)

10 (In Part): Acquisitions and discontinued operations

In the fourth quarter of 1989, the company announced its intent to seek a buyer for its Wheeler Group Inc. ("Wheeler") subsidiary. The sale of Wheeler is expected to result in a gain at closing. Wheeler has been classified in the Consolidated Statement of Income as a discontinued operation; revenue and income have been excluded from continuing operations.

Summary results of Wheeler operations prior to its sale, which have been classified separately, were as follows:

Years ended December 31	1990	1989	1988
Revenue	$71,434	$74,018	$74,231
Income before income taxes	$11,008	$10,915	$11,244
Provision for income taxes	4,362	4,306	4,599
Net income	$ 6,646	$ 6,609	$ 6,645

During the first quarter of 1988, the company sold all of the capital stock of its Data Documents, Inc. subsidiary for approximately $93 million in cash. The sale resulted in a gain of $6.2 million (net of $6.3 million of income taxes). First quarter 1988 operations, prior to its sale, include revenue of $15.3 million and net income of $.1 million.

TRANSTECHNOLOGY CORPORATION (MAR)

	1990	1989	1988
		($000)	
Income (Loss) from Continuing Operations	$(3,301)	$12,286	$13,875
Businesses Held for Sale (Note 3):			
Loss from operations (less applicable tax benefits of $3,523, $1,807, and $1,820 for 1990, 1989, and 1988, respectively)	(4,140)	(3,435)	(2,887)
Gain (loss) from disposal including provision for operating loss during the phase-out period of $127 and $300 for 1990 and 1989, respectively (includes applicable income tax benefit of $853 and $693)	(1,001)	393	—
Income (Loss) Before Cumulative Effect of a Change in Accounting Principle	(8,442)	9,244	10,988

NOTES TO FINANCIAL STATEMENTS

3. Businesses Held for Sale

In March 1989 the Company adopted a plan to sell its subsidiary, Sidereal Corporation ("Sidereal"). In connection with such plan, the Company recorded a gain on the disposal of $393,000 (net of applicable income tax benefit of $693,000) in 1989. In February 1990 certain inventories and substantially all of the property, plant and equipment of Sidereal were sold. A loss on the disposal of $756,000 (net of applicable tax benefit of $644,000) was recorded during 1990 as actual disposal costs were higher than the amounts originally estimated.

Assets remaining for the sale at March 31, 1990, consist of certain inventories in the amounts of $239,000.

Operating results of Sidereal were as follows:

	1989	1988
Total revenues	$5,103,000	$7,937,000
Loss before income taxes	$2,479,000	$1,590,000
Income tax benefit	843,000	637,000
Loss from operations	$1,636,000	$ 953,000

In March 1990 the Company entered into an agreement to sell substantially all of the inventories and plant and equipment of its division, Space Ordnance Systems ("SOS"), to become effective May 31, 1990. The sale will result in a loss from the disposal of the business of $245,000, net of tax benefits of $209,000.

A summary of the net assets of SOS held for sale at March 31, 1990, is as follows:

Inventories	$1,255,000
Net plant and equipment	1,619,000
Net assets of business held for sale	$2,874,000

Operating results of SOS were as follows:

	1990	1989	1988
Total revenues	$8,573,000	$16,167,000	$9,376,000
Loss before income taxes	$7,663,000	$ 2,763,000	$3,117,000
Income tax benefit	3,523,000	964,000	1,183,000
Loss from operations	$4,140,000	$ 1,799,000	$1,934,000

The consolidated statements of income for each of the two years in the period ended March 31, 1989, have been restated to separately reflect the operations of the businesses held for sale.

WHITTAKER CORPORATION (OCT)

	1990	1989	1988
		(Dollars in thousands)	
Income from continuing operations	$ 5,632	$ 2,454	$ 2,801
Discontinued operations (Note 4)			
Income (loss) from discontinued operations	(4,176)	9,428	17,985
Gain on disposal of discontinued operations	85,248	20,207	2,279
Net income	$86,704	$32,089	$23,065

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Discontinued Operations

On February 27, 1989 in connection with the plan of recapitalization approved by the Company's stockholders on June 28, 1989 (see Note 3), the Board of Directors approved a divestiture and restructuring program (the "Divestiture Program") pursuant to which a substantial part of the Company's chemical operations and certain of its technology operations were discontinued. During the first quarter of fiscal 1990, the Company discontinued its specialty chemicals segment. Accordingly, the Company's continuing operations are now comprised of two operating business segments: aerospace and biotechnology. During the second quarter of fiscal 1990, the Company reinstated as continuing operations, within the aerospace segment, two businesses previously included within the discontinued technology segment. Previously reported financial statements have been restated to reflect the reinstatement to continuing operations of these two businesses and the discontinuance of the specialty chemicals segment.

The financial statements reflect the operating results and balance sheet items of the discontinued operations separately from continuing operations. In segregating the income statement components, interest expense of $14.5 million, $14.8 million and $4.7 million for 1990, 1989 and 1988, respectively, has been allocated to discontinued operations based upon the ratio of net assets of discontinued operations to the sum of total consolidated net assets plus consolidated debt.

Operating results of the discontinued operations were as follows:

	Years ended October 31,		
	1990	1989	1988
	(in thousands)		
Sales	$133,380	$346,735	$321,656
Costs and expenses	139,739	330,713	291,540
Income (loss) before taxes	(6,359)	16,022	30,116
Tax provision (benefit)	(2,183)	6,594	12,131
Income (loss) from discontinued operations	$ (4,176)	$ 9,428	$ 17,985

Net assets of the discontinued businesses at October 31, 1990 and 1989 were as follows:

	October 31,	
	1990	1989
	(In thousands)	
Current assets	$12,855	$ 96,735
Current liabilities	6,262	37,482
Net current assets	6,593	59,253
Property, plant and equipment	10,749	49,048
Other noncurrent assets	31,563	77,218
Net noncurrent assets	42,312	126,266
Net assets	$48,905	$185,519

The 1990 Gain on disposal of discontinued operations of $85.2 million was net of taxes of $56.0 million. The 1989 Gain on disposal of discontinued operations of $20.2 million (net of taxes of $3.9 million) includes a $5.1 million tax benefit resulting from the resolution of certain tax issues relating to previously discontinued operations on a more favorable basis than previously anticipated. Proceeds realized in fiscal 1990 and 1989 from the disposition of discontinued businesses amounted to $270.8 million and $42.5 million, respectively.

The Company's Board of Directors also approved a plan, effective July 31, 1986 (the "1986 Plan"), to discontinue the Company's life sciences, metals, marine and hydraulic material handling equipment businesses. The Company's disposition program pursuant to the 1986 Plan has been completed.

In connection with the discontinuance of the businesses under the 1986 Plan and the Divestiture Program, the Company remains liable for certain retained obligations and for certain future claims, principally product liability. The noncurrent portion of such items is included in "Other Noncurrent Liabilities" in the balance sheet. Additionally, in connection with the Divestiture Program, during 1990 the Company sold the business and assets of a unit which, at the time of sale, had various Government contracts. While the Company remains contingently liable for performance under the contracts, its expects that the buyer of the business will satisfactorily complete the required performance.

Disposal Of Assets In Year Subsequent To Year Of Measurement Date

BURLINGTON RESOURCES INC. (DEC)

	1990	1989	1988
	(In thousands)		
Income from Continuing Operations	$207,611	$148,941	$ 7,411
Discontinued Operations:			
Income from Discontinued Operations—Net of Income Taxes	—	43,588	64,668
Gain on Sales of Discontinued Operations—Net of Income Taxes	21,294	265,611	—
Net Income	228,905	458,140	72,079

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Discontinued Operations

In June 1989, Plum Creek Timber Company, L.P. ("Plum Creek, L.P."), a master limited partnership, completed an initial public offering of limited partnership units. Gross proceeds from the offering along with privately placed debt were approximately $615 million. The net proceeds were used by Plum Creek, L.P. to purchase substantially all of the forest products businesses and assets from the Company. The Company realized a $266 million after-tax gain, net of $156 million of income taxes, on the sale of those forest products operations. The Company retains an 11 percent interest in Plum Creek, L.P., including a 2 percent interest as general partner.

In October 1989, the Company announced plans to sell the real estate assets held by its subsidiary Glacier Park Company ("Glacier Park"). Accordingly, the operations of Glacier Park have been classified as discontinued.

Proceeds from sales of discontinued operations for the year ended December 31, 1990 totaled $202 million, including approximately $45 million of proceeds from the sale of the Company's remaining forest products assets. The Company realized $21 million of after-tax gains, net of $26 million of income taxes, on sales of discontinued operations during 1990.

Summarized 1989 and 1988 financial information of the Company's Income from Discontinued Operations is included in the following table.

	Year Ended December 31,	
	1989	1988
	(In Thousands)	
Revenues	$206,844	$370,393
Operating Income	$ 71,073	$101,315
Income Before Income Taxes	$ 69,188	$ 99,257
Provision for Income Taxes	25,600	34,589
Net Income	$ 43,588	$ 64,668

The effective tax rates for Discontinued Operations dif-

fer from federal statutory rates due primarily to the effect of state income taxes. In addition, the 1990 rate includes the effect of adjustments related to prior year estimates.

Net Assets of Discontinued Operations at December 31, 1990 consisted primarily of real estate assets and the net assets of the Company's hazardous waste management business.

Adjustment Of Loss Reported In Prior Period

NATIONAL SEMICONDUCTOR CORPORATION (MAY)

	1990	1989	1988
	(In millions)		
Earnings (loss) from continuing operations	$(29.3)	$(205.5)	$30.1
Discontinued operations:			
Earnings (loss) from operations (net of income tax expense of $6.5 and $10.5)	—	(37.7)	32.6
Gain on sale (net of income tax expense of $40.5 in 1989)	4.3	220.0	—
Net earnings (loss)	$(25.0)	$ (23.2)	$62.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Discontinued Operations

During the third and fourth quarters of fiscal 1989, National sold substantially all of its former Information Systems Group ("ISG") for $475.6 million in cash and guaranteed minimum royalties of $36.0 million receivable through 1991. 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. The sale of ISG was recorded as the disposal of a segment of National's business and, accordingly, the operating results of ISG have been classified as discontinued operations. In fiscal 1990, discontinued operations reflect the reversal of certain accrued expenses determined to be in excess of anticipated requirements. These expenses were originally included in the recorded gain on sale of ISG. Net sales of discontinued operations were $740.6 million and $1,037.6 million in fiscal 1989 and 1988, respectively.

SPS TECHNOLOGIES, INC. (DEC)

	1990	1989	1988
	(Thousands of dollars)		
Earnings (loss) from continuing operations	$(9,961)	$14,209	$12,214
Discontinued operations—			
Loss from operations			(2,449)
Estimated loss on disposal	(1,500)		(5,940)
Earnings (loss) before extraordinary item	(11,461)	14,209	12,825

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Discontinued Operations

The Company sold all of the assets, net of certain liabilities, associated with its Hallowell product line during 1987. Prior to the sale, the Hallowell product line was included in the materials handling segment. The Company adopted a formal plan to discontinue the remaining operations of the materials handling segment in the third quarter of 1988, and sold assets of the Hartman Systems Division, primarily inventory and machinery and equipment, in 1989 at their net book value.

The operating results of the materials handling segment are shown separately in the accompanying financial statements. The estimated loss on disposal of the segment recorded in 1988 was $5,940,000 (net of income tax benefit of $3,640,000), consisting of a loss on the disposal of assets of $3,145,000 and a provision of $2,795,000 for the expected operating losses during the phase-out period. In 1990, the Company revised its estimated loss on disposal of the segment by $1,500,000 for the estimated loss on a note received in connection with the sale of the Hallowell product line. A tax benefit was not recorded on this loss due to limitations on current tax recognition. The loss from operations of the segment was $2,449,000 (net of income tax benefit of $1,500,000) through September 30, 1988, and net sales of the segment for 1988 were $6,774,000.

ZENITH ELECTRONICS CORPORATION (DEC)

	1990	1989	1988
	(In millions)		
Income (loss) from continuing operations	$(52.3)	$(17.0)	$(11.0)
Discontinued operations, net of income taxes: (Note 2)			
Income (loss)	—	(20.1)	22.7
Loss on disposal	(11.0)	(31.3)	—
Income (loss) from discontinued operations	(11.0)	(51.4)	22.7
Net income (loss)	$(63.3)	$(68.4)	$ 11.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Discontinued operations

On December 28, 1989, the company sold its computer products business to a subsidiary of Compagnie des Machine Bull and received a closing-date payment of $496.4 million in cash. In April 1990, the company received a $15.0 million payment (along with interest from the closing date) which was based upon the final determination of the net assets sold. Because the final payment was less than the net receivable that the company had recorded on its books as of December 31, 1989, the 1990 results reflect an $11.0 million adjustment reducing the previously recorded gain on the sale.

The company remains liable for certain retained obligations of the discontinued business, principally liability for income or other taxes prior to closing.

Operating results of discontinued operations for 1989 and 1988 include allocations of overhead and interest expense. Overhead expense of $23.7 million and $22.0 million, respectively, was allocated based upon determination of those costs which were not expected to be incurred by continuing operations after closing. Interest expense of $49.7 million and $44.7 million, respectively, was allocated based on debt incurred to finance the discontinued operations since acquisition.

Income taxes reflect the net benefit or tax expense generated by the discontinued operations, limited by the income tax or refund realized by the company in its consolidated income tax returns.

Summarized results of the discontinued operations were as follows (in millions):

	Year Ended December 31		
	1990	1989	1988
Results of operations prior to phaseout period:*			
Net sales	$ —	$1,061.0	$1,391.2
Operating income	$ —	$ 14.4	$ 65.2
Non-operating expenses, net	—	(36.4)	(39.9)
Income (loss) before income taxes	—	(22.0)	25.3
Income taxes (credit)	—	(1.9)	2.6
Income (loss)	$ —	$ (20.1)	$ 22.7
Income (loss) during phaseout period,* net of income tax credit of $1.3	$ —	$ (50.3)	
Gain on sale (income taxes not applicable)	(11.0)	19.0	
Loss on disposal	$(11.0)	$ (31.3)	

*The "phaseout period" was October 2, 1989 (date of sale agreement) to December 28, 1989 (closing date).

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.

ATLANTIC RICHFIELD COMPANY (DEC)

	1990	1989	1988
	Millions of dollars		
Income before income taxes, minority interest and cumulative effect of change in accounting principle	$2,820	$3,161	$2,820
Provision for taxes on income	1,076	1,142	1,144
Minority interest in earnings of subsidiary	56	66	93
Income before cumulative effect of change in accounting principle	1,688	1,953	1,583

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policy

Minority Interest

Minority interest represents the minority stockholders' proportionate share of the equity and the income or loss of certain consolidated subsidiaries, primarily ARCO Chemical Company (ACC). At December 31, 1990, ARCO owned approximately 83.4 percent of the outstanding shares of ACC.

TABLE 3-17: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	Number of Companies			
	1990	1989	1988	1987
Minority interest	55	58	54	46
Equity in earnings or losses of investees	40	36	42	48
Cumulative effect of accounting change	15	22	68	36
Other	7	3	5	3

PENNZOIL COMPANY (DEC)

	1990	1989	1988
	(Expressed in thousands)		
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX AND EQUITY IN PROVEN PROPERTIES INC.	$102,580	$362,210	$(302,070)
Income tax (benefit)	7,923	114,322	(126,254)
Equity (loss) in net income of Proven Properties Inc.	(889)	(12,391)	(13,299)
INCOME (LOSS) FROM CONTINUING OPERATIONS	93,768	235,497	(189,115)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation—

The accompanying consolidated financial statements include all majority-owned subsidiaries of Pennzoil Company ("Pennzoil"). All significant intercompany accounts and transactions have been eliminated. Certain prior period items have been reclassified in the Consolidated Financial Statements in order to conform with the current year presentation.

The results of operations of Proven Properties Inc. ("PPI"), a wholly owned subsidiary of Pennzoil, have been consolidated with Pennzoil's results subsequent to Pennzoil's acquisition from the outside investors of the 51.3% equity interest in PPI not already owned by Pennzoil in February 1990 (see Note 13). In addition, the results of operations of Jiffy Lube International Inc. ("Jiffy Lube") have been included in Pennzoil's consolidated statement of income subsequent to Pennzoil's acquisition of 80% (on a fully diluted basis) of the common stock of Jiffy Lube in January 1990 (see Note 13).

STANDEX INTERNATIONAL CORPORATION (JUN)

	1990	1989	1988
Income Before Income Taxes and Cumulative Effect of the Change in Accounting for Income Taxes	$34,766,094	$35,550,531	$22,421,580
Provision for Income Taxes	13,043,000	13,267,000	9,334,000
Income Before Cumulative Effect of the Change in Accounting for Income Taxes	21,723,094	22,283,531	13,087,580
Cumulative Effect of the Change in Accounting for Income Taxes	1,000,000	—	—
Net Income	$22,723,094	$22,283,531	$13,087,580

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Accounting Changes—Effective July 1, 1989, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes." Prior years' financial statements have not been restated. The cumulative effect of the change increased 1990 net income by $1,000,000 or $.10 per share. The adoption of SFAS No. 96 did not have a material impact on the provision for income taxes in 1990.

In the fourth quarter of 1990, the Company adopted SF^S No. 87, "Employers' Accounting for Pensions" for its principal non-U.S. defined benefit pension plans. This change did not have a material impact on net income.

SUN COMPANY, INC. (DEC)

	1990	1989	1988
	(Millions of Dollars)		
Income (loss) before provision (credit) for income taxes and cumulative effect of change in accounting principle	$390	$211	$ (43)
Provision (credit) for income taxes	191	113	(50)
Income before cumulative effect of change in accounting principle	199	98	7
Cumulative effect of change in accounting principle (Note 6)	30	—	—
Net Income	$229	$ 98	$ 7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Change in Accounting Principle

Effective January 1, 1990, Sun changed its method of accounting for the cost of maintenance and repairs incurred in connection with major maintenance shutdowns at its refineries (turnaround costs). Turnaround costs are comprised principally of amounts paid to third parties for materials, contract services and other related items. Under the new method, turnaround costs on projects exceeding $500 thousand are capitalized when incurred and then charged against income over the period benefitted by the major maintenance shutdown (usually 3 to 4 years). Prior to this change in accounting, turnaround costs were charged against income as incurred. Sun believes that the new method of accounting is preferable in that it provides for a better matching of turnaround costs with future refined product revenues. Decisions regarding major maintenance shutdowns are generally based on engineering studies and economic analyses (such as discounted cash flow techniques) performed in connection with the capital budgeting process. As a result, management of Sun believes that the investment in turnaround costs enhances the reliability and performance of the refinery unit and therefore economically benefits future periods.

The cumulative effect of this accounting change for years prior to 1990, which is shown separately in the

consolidated statement of income for 1990, resulted in a benefit of $30 million (after related income taxes of $15 million), or $.28 per share of common stock. Excluding the cumulative effect, this change increased net income for 1990 by $16 million or $.15 per share of common stock. The pro forma amounts shown on the consolidated statements of income reflect net income and net income per share of common stock as if the accounting change had been retroactively applied.

UNITED TECHNOLOGIES CORPORATION (DEC)

	1990	1989	1988
	(In Millions of Dollars)		
Income before income taxes and minority interests	$1,291.2	$1,260.4	$1,164.9
Income taxes	479.1	497.8	460.1
Income before minority interests	$ 812.1	$ 762.6	$ 704.8
Less—Minority interests in subsidiaries' earnings	61.5	60.5	45.7
Net Income	$ 750.6	$ 702.1	$ 659.1

EXTRAORDINARY ITEMS

APB Opinion No. 30 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 the *AICPA 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. 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

	1990	1989	1988	1987
Nature				
Debt extinguishments	36	16	26	53
Operating loss carryforwards	24	26	35	80
Litigation settlements	2	3	6	2
Other	5	9	6	9
Total Extraordinary Items	**67**	**54**	**73**	**144**
Number of Companies				
Presenting extraordinary items	63	49	67	127
Not presenting extraordinary items	537	551	533	473
Total Companies	**600**	**600**	**600**	**600**

Debt Extinguishments

CHOCK FULL O'NUTS CORPORATION (JUL)

	1990	1989	1988
Income/(loss) before extraordinary credits	$3,396,455	$2,790,104	$(1,543,513)
Extraordinary credits:			
Gain on redemption of convertible subordinated debentures, net of income taxes of $675,000—Note 3	1,010,792		
Utilization of capital loss carryforward		671,000	
Net income/(loss)	$4,407,247	$3,461,104	$(1,543,513)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Long-Term Debt

Long-term debt consists of the following:

7% Convertible senior subordinated debentures due 2012	$ 52,865,000	$ 58,875,000
8% Convertible subordinated debentures due 2006	44,142,000	45,233,000
8% Notes due 1997	3,900,000	6,900,000
Revolving credit and term loan	8,288,626	11,663,756
Other	2,598,351	1,012,003
	111,793,977	123,683,759
Less current portion	5,697,424	5,126,016
	$106,096,553	$118,557,743

The 7% debentures have mandatory sinking fund requirements commencing April 1, 1998 and are convertible at the option of the debenture holders into shares of the Company's common stock at a price of $9.54 per share (subject to adjustment).

The 8% debentures have mandatory sinking fund requirements commencing September 15, 1996, and are convertible at the option of the debenture holders into shares of the Company's common stock at a price of $9.05 per share (subject to adjustment).

In March 1990, the Company purchased $4,647,000 principal amount of its 7% debentures and $200,000 principal amount of its 8% debentures for approximately $3,000,000 in cash resulting in an extraordinary gain, net of income taxes, of approximately $1,011,000.

CUMMINS ENGINE COMPANY, INC. (DEC)

	1990	1989	1988
	$ Millions		
Earnings (loss) before extraordinary credit	$(165.1)	$ (6.1)	$ (63.4)
Extraordinary credit—gain on purchase of zero coupon notes	27.4	—	—
Net earnings (loss)	(137.7)	(6.1)	(63.4)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Long-term Debt:

In 1990, the company purchased $461.4 million principal amount of its zero coupon notes, due 2005, which had an accredited value of $155.8 million. The aggregate purchase price of the notes was $124.4 million, resulting in an extraordinary credit of $27.4 million, net of tender offer costs and unamortized original issuance costs of the notes. The notes were issued initially in 1988 in the principal amount at maturity of $575 million and require no interest payments prior to maturity. Each of the notes, which were issued in the face amount of $1,000, is convertible into the company's common stock at the rate of 4.581 shares per note, subject to adjustment in certain events.

IPCO CORPORATION (JUN)

	1990	1989	1988
	(In Thousands of Dollars)		
Income (loss) from continuing operations	$ (13,057)	$ (1,159)	$ 762
Discontinued operations:			
Loss from operations (net of applicable income tax benefit of $617, $1,515 and $595 in 1990, 1989 and 1988, respectively)	(1,568)	(3,726)	(1,239)
Gain (loss) on disposal (net of applicable income tax provision of $4,277 in 1990 and income tax benefit of $3,465 in 1989)	3,948	(13,293)	—
Loss before extraordinary item	(10,677)	(18,178)	(477)
Extraordinary item—gain on early extinguishment of debt (net of applicable income tax provision of $1,487)	2,231	—	—
Net loss	$ (8,446)	$ (18,178)	$ (477)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6—Extraordinary Item

In 1990, the Company recorded a $3,718,000 gain, net of unamortized discount ($307,284) and deferred costs ($442,022), resulting from the open market repurchase of $14,725,000 face value of its 11¼% subordinated debentures. This transaction is reflected in the Company's consolidated financial statements as an extraordinary item. The outstanding balance of these debentures was $13,320,000 and $27,685,000 (see Note 2) as of June 30, 1990 and 1989, respectively. Interest expense attributable to these debentures was $3,231,000 and $3,238,000 during 1990 and 1989, respectively. By utilizing a portion of its loan proceeds from short-term borrowings and proceeds from the sale of its Whaledent International division, the Company repurchased the outstanding debt at a discount.

BOWATER INCORPORATED (DEC)

	1990	1989	1988
	(in thousands)		
Income before extraordinary charge	$87,400	$144,569	$164,317
Extraordinary charge from early retirement of debt, net of income taxes of $5,400	(9,046)	—	—
Net income	$78,354	$144,569	$164,317

NOTES TO FINANCIAL STATEMENTS

Long-term Debt, Net of Current Installments (In Part)

In April 1990, the company retired all of the $125 million 12⅜% Sinking Fund Debentures Due 2015 through a tender offer at a price of $1097.50 per $1000 principal amount of debenture. The premium paid by the company plus related expenses totaled $9.0 million after tax.

IBP, INC. (DEC)

	1990	1989	1988
	(In thousands)		
Earnings before extraordinary item	$48,327	$35,325	$62,328
Extraordinary loss on early extinguishment of debt, less applicable income taxes (Note F)	5,980	—	—
NET EARNINGS	$42,347	$35,325	$62,328

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F (In Part): Long-Term Obligations

During September 1990, the Company completed a private placement of $275 million of 9.82% Senior Notes due September 15, 2000 and $75 million of 10.39% Senior Subordinated Debentures due September 15, 2002. Proceeds were used to retire the $235 million 9.80% Registered Notes due October 21, 1993 and to reduce short-term variable rate debt. Repayment terms require five

equal annual principal installments commencing in 1996 for the 9.82% Senior Notes and in 1998 for the 10.39% Senior Subordinated Debentures.

The prepayment penalty paid for early extinguishment of the 9.80% Notes and the accelerated amortization of unamortized deferred financing costs totaled $9,328,000, before applicable income tax benefit of $3,348,000, which has been accounted for as a net extraordinary loss of $5,980,000.

WAXMAN INDUSTRIES, INC. (JUN)

	1990	1989	1988
Income before extraordinary charge	$6,788,000	$7,321,000	$6,609,000
Extraordinary charge, early repayment of debt	320,000	—	666,000
Net income	$6,468,000	$7,321,000	$5,943,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Convertible Subordinated Debentures:

In March 1987, the Company issued $25 million principal amount of 6.25% Convertible Subordinated Debentures (the Debentures) due March 15, 2007. The Debentures, which are unsecured, may be converted at any time prior to maturity, unless previously redeemed, into shares of the Company's common stock at a conversion price of $9.58. The indenture agreement contains various covenants, including dividend restrictions and minimum net work requirements.

During fiscal 1990, the Company called $12.5 million principal amount of the Debentures for redemption and subsequently $6.5 million principal amount was converted into 683,000 shares of common stock at the conversion price of $9.58 per share. The related unamortized discount and issuance costs of $263,000 were transferred to paid in capital. The remaining $6.0 million principal amount was redeemed at the call price of 105% of the principal amount resulting in an extraordinary charge of $320,000 (net of applicable income tax benefit of $217,000).

During fiscal 1990, the Company also purchased $9.7 million principal amount of the Debentures in open market purchases. The purchase price, net of the accelerated amortization of unamortized discount and issuance costs, approximated the par value of the Debentures.

Litigation Settlement

DSC COMMUNICATIONS CORPORATION (DEC)

	1990	1989	1988
	(In thousands)		
Income from continuing operations before extraordinary items	$20,331	$34,164	$20,015
Discontinued operations, net of income taxes:			
Loss from operations	—	—	(1,003)
Estimated loss on disposal	—	(840)	(7,300)
Loss from discontinued operations	—	(840)	(8,303)
Extraordinary items, net	(209)	—	856
Net income	$20,122	$33,324	$12,568

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Extraordinary Items, Net

The net extraordinary items for 1990 and 1988 were comprised of the following (in thousands):

	1990	1988
Gains from purchases of subordinated convertible debentures, net of income tax of $1,537 in 1990, and $90 in 1988	$ 7,506	$856
Cost of settlement of shareholder litigation, net of income tax benefit of $1,540	(7,715)	—
Extraordinary items, net	$ (209)	$856

The extraordinary gains resulted from purchases of the Company's subordinated convertible debentures at market prices lower than face value (see "Long-Term Debt").

During 1990, the Company settled a shareholder suit originally filed in 1985, which arose out of the Company's voluntary restatement of its financial statements for certain periods in 1984 and 1985. The total settlement was for approximately $30,000,000 with approximately $21,000,000 being contributed by the Company's insurance carrier and other defendants.

Insurance Settlement For Earthquake Damage

AMERICAN BUILDING MAINTENANCE INDUSTRIES, INC. (OCT)

	1990	1989	1988
	(in thousands)		
Income before extraordinary gain	$ 9,846	$ 8,728	$ 7,100
Extraordinary gain (net of income taxes of $1,047)	1,387	—	—
Net Income	$11,233	$ 8,728	$ 7,100

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Property, Plant and Equipment

Property, plant and equipment at October 31, consisted of the following:

(in thousands of dollars)	1990	1989
Land	$ 1,519	$ 1,250
Buildings	3,205	3,496
Transportation equipment	9,502	10,708
Machinery and other equipment	26,089	22,795
Leasehold Improvements	7,445	7,011
	$47,760	$45,260

The Company's former headquarters building in San Francisco was severely damaged by the earthquake of October 17, 1989. After the settlement with the insurer in November 1989, the Company retired the building and recognized an extraordinary gain of $1,387,000, net of income taxes of $1,047,000, during the year.

FTC Ordered Divestiture

FLOWERS INDUSTRIES, INC. (JUN)

	1990	1989	1988
	(Amounts in Thousands)		
Income before extraordinary item and cumulative effect of a change in accounting principles	$34,253	$29,552	$41,476
Extraordinary loss on FTC ordered divestiture, net of tax benefit of $4,045 (Note 3)	(4,955)		
Cumulative effect on prior years of a change in accounting for income taxes			1,757
Net income	$29,298	$29,552	$43,233

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Extraordinary Item—Divestiture of Operating Facilities

Pursuant to an order issued by the Federal Trade Commission ("FTC") as discussed in Note 12, the Company sold its production facilities and transferred or licensed its trademarks in Gadsden, Alabama and High Point, North Carolina on October 17, 1989. An extraordinary loss on this FTC ordered divestiture of $4,955,000, net of applicable income tax benefit of $4,045,000, is reflected in the accompanying Consolidated Statement of Income.

EARNINGS PER SHARE

Paragraph 12 of *APB Opinion No. 15* 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.

BETHLEHEM STEEL CORPORATION (DEC)

	1990	1989	1988
	(dollars in millions, except per share data)		
Net Income (Loss) Applicable to Common Stock	$ (487.7)	$ 219.7	$ 377.4
Income (Loss) per Common Share (Note A)			
Primary:			
Average shares outstanding (in thousands)	75,666	74,991	70,963
Income (loss) before extraordinary gains	$ (6.45)	$ 2.93	$ 5.16
Extraordinary gains	—	—	.16
Net income (loss) per Common share	$ (6.45)	$ 2.93	$5.32
Fully diluted:			
Average shares outstanding (in thousands)	75,670	82,342	82,053
Income (loss) before extraordinary gains	$ (6.45)	$ 2.86	$ 4.77
Extraordinary gains	—	—	.14
Net income (loss) per Common share	$ (6.45)	$ 2.86	$ 4.91

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Income (Loss) per Common Share—Primary income (loss) per Common share is calculated by dividing net income (loss) applicable to Common Stock (net income (loss) less dividend requirements for Convertible Preferred and Preference Stock) by the average shares of Common Stock and Common Stock equivalents outstanding. Common Stock equivalents represent the dilutive effect of the assumed exercise of certain outstanding stock options. The calculation of fully diluted income (loss) per Common share assumes the dilutive issues of Convertible Preferred and Preference Stock were converted into

Common Stock at the beginning of the year. If the result of these assumed conversions is dilutive, the dividend requirements for Convertible Preferred and Preference Stock are reduced while the average shares of Common Stock equivalents outstanding are increased.

BOISE CASCADE CORPORATION (DEC)

	1990	1989	1988
	(expressed in thousands)		
Net income	$ 75,270	$267,580	$289,120
Net income per common share (Note 1)			
Primary	$ 1.62	$ 6.19	$ 6.34
Fully diluted	$ 1.62	$ 5.70	$ 6.15

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Net Income Per Common Share. Net income per common share was determined by dividing net income, as adjusted below, by applicable shares outstanding.

	Year Ended December 31		
	1990	1989	1988
	(expressed in thousands)		
Net income as reported	$ 75,270	$267,580	$289,120
Preferred dividends	(13,791)	(6,943)	(2,333)
Primary income	61,479	260,637	286,787
Assumed conversions:			
Preferred dividends eliminated	13,791	6,943	2,333
Interest on 7% debentures eliminated	4,443	4,467	2,992
Supplemental ESOP contribution	(5,566)	(4,571)	—
Fully diluted income	$ 74,147	$267,476	$292,112
Average number of common shares			
Primary	38,014	42,100	45,232
Fully diluted	45,673	46,943	47,481

The computation of fully diluted income per share for the year ended December 31, 1990, was antidilutive; therefore, the amounts reported for primary and fully diluted earnings are the same.

Primary income excludes preferred dividends, net of a tax benefit on the Company's Series D ESOP (employee stock ownership plan) preferred stock, which was issued in July 1989. To determine fully diluted income, dividends and interest, net of any applicable taxes, have been added back to primary income to reflect assumed conversions. Fully diluted income was reduced by the amount of additional after-tax contributions that the Company would be required to make to its ESOP if the Series D ESOP preferred shares were converted to common stock. Primary average shares include common shares outstanding and common stock equivalents attributable to outstanding stock options. In addition to common and common equivalent shares, fully diluted average shares include common shares that would be issuable upon conversion of the Company's convertible securities (see Notes 3 and 6).

TABLE 3-19: EARNINGS PER SHARE—1990

	Additional shares issuable for			
	Debt	Preferred Stock	Options	Warrants
Included in primary per share calculation....	16	19	236	28
Included in fully diluted per share calculation.........	42	50	23	1
No dilution	30	42	140	12
Not disclosed	28	14	158	10
No additional shares issuable...........	484	475	43	549
Total Companies ...	**600**	**600**	**600**	**600**

ORION PICTURES CORPORATION (FEB)

	1990	1989	1988
	(in thousands, except per-share amounts)		
Net income	$15,056	$13,892	$12,159
Net income per common share:			
Primary	$ .67	$ .79	$ .68
Fully diluted	$ .66	$ .77	$ .66

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Description of the Business and Summary of Significant Accounting Policies

Net Income per Common Share

Primary per-share amounts are computed by dividing net income reduced by preferred and preference dividends and, when applicable, increased by pro-forma reductions in interest expense (net of tax) resulting from the assumed exercise of stock options and warrants and the resulting assumed reduction of outstanding indebtedness, by the weighted average number of common and dilutive common equivalent shares outstanding during the period. Reported primary per-share amounts are based on 22,430,000, 18,652,000 and 20,126,000 common and common equivalent shares in fiscal 1990, 1989 and 1988, respectively.

Fully diluted per-share amounts are similarly computed, but include the effect, when dilutive, of the Company's other potentially dilutive securities. The Company's outstanding options and warrants are excluded from the fiscal 1989 computation due to their antidilutive effect during that period. The Company's Class C Convertible Preference Stock and Series A and B Preferred Stock are

excluded from the fiscal 1989 and 1988 fully diluted computations due to their antidilutive effect during those periods. Reported fully diluted per-share amounts are based on 22,531,000, 17,390,000 and 22,501,000 common and common equivalent shares in fiscal 1990, 1989 and 1988, respectively.

On February 1, 1989, warrants to purchase 2,100,000 shares of the Company's Common Stock at $20.50 per share (the "$20.50 warrants") expired. Prior to such expiration, the $20.50 warrants were included in the computation of net income per common share when required, which increased net income per common share during those periods over the per-share amount that would have been reported without the inclusion of the $20.50 warrants. If the $20.50 warrants had expired on March 1, 1987, primary net income per share in fiscal 1989 and 1988 would have been $.63 and $.59 per share, respectively, based upon 21,355,000 and 20,288,000 common and common equivalent shares. Fully diluted net income per share during this two-year period would have been $.63 and $.54 per share, respectively, based upon 21,258,000 and 21,721,000 common and common equivalent shares.

J.C. PENNEY COMPANY, INC (JAN)

	1991	1990	1989
	(In millions except per share data)		
Net Income	$ 577	$ 802	$ 807
Earnings per common share			
Primary	$ 4.59	$ 6.31	$ 6.02
Fully diluted	$ 4.33	$ 5.86	$ 5.92

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Earnings per common share

(In millions except per share data)	1990	1989	1988
Primary			
Net income	$ 577	$ 802	$ 807
Dividend on preferred stock (after-tax)	34	35	17
Adjusted net income	$ 543	$ 767	$ 790
Weighted average number of shares	118	122	131
Net income per share	$ 4.59	$ 6.31	$ 6.02
Fully diluted			
Net income	$ 577	$ 802	$ 807
Assumed additional contribution to LESOP (after-tax) if preferred stock is fully converted	15	18	—
Adjusted net income	$ 562	$ 784	$ 807
Number of shares			
Weighted average number of shares (primary)	118	122	131
Convertible preferred stock and other	12	12	5
Weighted average number of shares	130	134	136
Net income per share	$ 4.33	$ 5.86	$ 5.92

PENTAIR, INC. (DEC)

	1990	1989	1988
Earnings applicable to common stock	$27,098,000	$32,173,000	$36,842,000
Earnings per common and common equivalent share			
Primary	$ 2.53	$ 2.98	$ 3.70
Diluted	$ 2.43	$ 2.85	$ 3.35
Common and common equivalent shares (weighted average)			
Primary	10,713,000	10,808,000	9,969,000
Diluted	13,818,000	12,780,000	12,192,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Earnings per common share

Earnings per common share are based on the weighted average number of common shares and common equivalent shares outstanding during each period. The tax benefits ($1,944,000 in 1990) resulting from deductible preferred dividends paid to Employee Stock Ownership Plans (ESOPs) are credited directly to retained earnings. For primary per share calculations, they are considered earnings applicable to common stock. All share and per share amounts have been adjusted for the 10% stock dividend in June 1988.

Fully diluted computations assume full conversion of the subordinated debentures into common shares and the elimination of the related interest requirements—net of income taxes; and, full conversion of each series of preferred dividend requirements, and the recognition of the tax benefit on deductible ESOP dividends payable based on the converted common dividend rate. Conversion was assumed during the portion of each period that the securities were outstanding.

POTLATCH CORPORATION (DEC)

	1990	1989	1988
	(Dollars in thousands— except per-share amounts)		
Net earnings available for common stockholders	$98,612	$136,709	$108,614
Net earnings per common share			
Without dilution	$ 3.41	$ 4.79	$ 4.04
Fully diluted	—	4.56	3.78

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Earnings per Common Share

Earnings per common share are computed on the weighted average number of common shares outstanding each year. Outstanding stock options are common stock

equivalents but are excluded from earnings per common share computations due to immateriality. The weighted average number of common shares used in earnings per common share computations for 1990, 1989 and 1988 were 28,935,393, 28,513,198 and 26,884,030, respectively.

The redemption of the 5.75 percent convertible subordinated debentures on June 26, 1990 (see Note 6) eliminated the potential for any material dilution and, therefore, no fully diluted earnings per common share are reported for 1990.

The computation of fully diluted earnings per common share for 1989 and 1988 assumes conversion of both the 5.75 percent convertible subordinated debentures and the Series B convertible exchangeable preferred stock (see Note 8) for the periods they were outstanding, and assumes exercise of stock options using the treasury stock method. Also, net earnings available for common stockholders are increased by preferred dividends and after-tax interest and related expenses on the debentures. The weighted average number of shares used in the computation of fully diluted earnings per common share for 1989 and 1988 were 30,546,652 and 30,474,462, respectively.

SNAP-ON TOOLS CORPORATION (DEC)

	1990	1989	1988
	(Amounts in thousands except share data)		
Net earnings	$100,760	$104,710	$113,322
Earnings per common share (Note 1c)	$ 2.45	$ 2.55	$ 2.72

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

C. Earnings per share

Earnings per common share are based on the weighted average number of shares outstanding of 41,207,563, 41,038,978 and 41,603,128 for 1990, 1989 and 1988, respectively.

TOSCO CORPORATION (DEC)

	1990	1989	1988
	(Thousands of Dollars Except Per Share Data)		
Income attributable to common shareholders	$115,843	$22,747	$68,896
Earnings per common and common equivalent share:			
Primary:			
Income before extraordinary items	$ 5.37	$ 1.71	$ 3.24
Extraordinary items			3.38
Net income	$ 5.37	$ 1.71	$ 6.62
Fully diluted:			
Income before extraordinary items	$ 3.94	$ 1.24	$ 1.66
Extraordinary items			1.08
Net income	$ 3.94	$ 1.24	$ 2.74

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Earnings Per Share

Primary earnings per share are computed by dividing income attributable to common shareholders (net income less preferred stock dividend requirements) by the weighted average number of common and common equivalent shares outstanding during the year, including common stock of Tosco (Common Stock) presently intended to be issued in payment of 4% Convertible Senior Subordinated Common Stock Notes due 1991 (4% Notes). Fully diluted earnings per share computations assume the conversion of $2.375 Series E Convertible Preferred Stock (Series E Stock) during the period that the Series E Stock was outstanding, and that no preferred dividends on the Series E Stock were paid (Note 6).

The weighted average number of shares used in computing earnings per share are as follows:

	Year Ended December 31,		
	1990	1989	1988
	In Thousands		
Primary	21,561	13,329	10,412
Fully Diluted	31,033	31,530	32,456

SOCIAL AWARENESS EXPENDITURES

Certain survey companies disclosed contributions to charitable organizations, grants to community related activities, expenditues 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.

CPC INTERNATIONAL INC. (DEC)

CORPORATE RESPONSIBILITY

Contributions

CPC contributes primarily to educational institutions; health, welfare, and community service organizations; and other cultural and charitable organizations. In 1990 the company made contributions valued at $12.7 million in cash and food products.

CPC places high priority on the improvement of education in the communities and industries in which it operates. In the U.S., over 40% of the company's charitable contributions are made to institutions of higher learning. In addition, CPC supplements the education and training of its employees through a wide range of internal and external programs. Today, the company is also finding it increasingly important to become involved in the educational systems in the communities where it has facilities. For example, last year CPC inaugurated an intensive three-week summer academy in Englewood, New Jersey, designed to improve the management skills of educators and to increase their knowledge of the needs of the workplace.

Human Resources

CPC International employs 35,000 people worldwide. Our objective is to utilize the human resources within each of the 47 countries where CPC operates by hiring, training, and developing local personnel throughout all levels of each organization and promoting from within.

To equip CPC managers to compete more effectively in an increasingly global marketplace, the company is building bridges among managers of different nationalities through its Senior Management Development Program. CPC also has individually-tailored programs that foster the development of executives who take posts in CPC subsidiaries outside their home countries.

CPC is committed to the principles of equal employment opportunity and fair employment practices. Of CPC's 7,800 U.S. employees, 32% are minorities and 31% are women.

Worker Health and Safety

To ensure that its employees are able to perform their job responsibilities in a safe and healthful manner, CPC conducts periodic safety and health training and education programs at all its manufacturing locations. These programs are implemented with the assistance of staff specialists and joint company and employee committees. In addition, the company routinely monitors workplace conditions to ensure that its high safety and health standards are being maintained.

Environmental Protection

It is CPC's policy to protect the environment by adhering to the laws and regulations of each country in which it has operations, and to those higher standards frequently adopted by the company.

In its concern for the effects of product packaging on the environment, CPC has made substantial progress in reducing the amount of packaging materials used, consistent with the need to provide adequate product protection. Recycled materials are used whenever possible, and recycling programs have been instituted at the company's manufacturing, research, and headquarters facilities. CPC provides financial support for research on recycling, and its U.S. operations have adopted the use of a standardized container coding system on all rigid plastic containers to help facilitate recycling.

Concern for the Consumer

CPC International has established an excellent reputation for providing the consumer with products of high quality and value.

A Food and Nutrition Advisory Council, including prominent U.S. scientists in nutrition and related fields, provides continuing guidance and research information to CPC's North American consumer foods business, Best Foods. The company regulary disseminates considerable information to consumers, stressing the importance of the total dietary approach to good health and physical fitness.

DAYTON HUDSON CORPORATION (JAN)

PARTNERING WITH OUR COMMUNITIES

Our Giving Policy

Since 1946, we have invested considerable financial support and volunteer effort in improving the communities we serve. In 1990, grants totaled more than $30 million. Our contributions sustain groups working for the long-term health of local communities. The communities, in turn, nurture our stores. We believe this partnership is in the long-term interest of our business, even though everyone will not always agree with what we are supporting.

The Corporation manages a unified, corporate-wide giving program which concentrates on achieving results in two areas: social action and the arts. Forty percent of our community giving funds supports programs and projects that result in the economic and social progress of individuals and/or the development of local strategies that respond effectively to critical social and economic concerns.

Another forty percent of community giving funds supports programs and projects that result in artistic excellence and stronger artistic leadership in communities, and/or increased access to, and use of, the arts as a means of community expression.

Grants are made through the Corporation, the Dayton Hudson Foundation and our three operating divisions. Each division has its own priorities within the two focus areas.

1990 Accomplishments

Our giving program achieved several important objectives in 1990. We strengthened our commitment to children and families. Target joined Mervyn's in supporting the innovative Family-to-Family initiative. Family-to-Family is designed to improve the quality of family-based child care. Our total commitment to this program is $10 million over seven years.

In 1990, innovative programs such as Expressions '90 were funded for the first time. Expressions '90, supported by Mervyn's, helps 15 arts organizations in the development of multi-cultural arts programming for families.

We also welcomed Marshall Field's into our philanthropic family. By year's end, $1.6 million was contributed to social action and arts programs in Field's communities.

In 1991, the Foundation and our operating divisions will continue to focus on programs that benefit community social and cultural needs. We remain strongly committed to the long-term improvement of communities with which we have partnered through our business, contributions and employee volunteerism.

HERSHEY FOODS CORPORATION (DEC)

SOCIAL RESPONSIBILITY

Milton S. Hershey, the founder of Hershey Foods, was committed to the highest standards of quality, honesty, fairness, integrity and respect. He practiced these principles during his lifetime and set the example by which the Corporation is guided. While the Corporation has changed tremendously over the years, Mr. Hershey's beliefs have not been compromised. They have been reinforced.

Today, Hershey Foods remains committed to making significant contributions to the communities in which it operates and to society in general. In 1990, the Corporation contributed more than $6 million worth of cash, products and services to a variety of national organizations of particular interest to the Corporation, as well as to local charitable organizations in areas where the Corporation's employees live and work.

Hershey believes that it has an inherent responsibility to be a good neighbor and responsible corporate citizen. It is corporate policy to make voluntary contributions in support of worthy educational, health, human service, civic, and arts and cultural organizations. Employees also are encouraged to take an active part in improving the quality of community life.

The contributions that Hershey Foods makes to recognized health and human service agencies include the United Way, hospitals, and organizations serving youth, minority and disadvantaged groups in areas where the Corporation has significant operations.

This commitment to youth springs from Mr. Hershey's concern for the education and well-being of young people and his founding of Milton Hershey School, in Hershey, Pa., a residential school for socially disadvantaged children. A major example of Hershey Foods' commitment to youth is its sole sponsorship of *Hershey's* National Track & Field Youth Program. Through this program more than 350,000 children in more than 2,900 U.S. communities were introduced to, or made more conscious of, physical fitness in 1990. Concern for young people also is expressed in Hershey Foods' corporate sponsorship of the Children's Miracle Network, a national program benefiting children's hospitals across the U.S.

The Corporation remains committed to its founder's belief that success is measured not only in terms of dollars but in terms of the benefit provided to others. Hershey Foods continues Mr. Hershey's legacy of service to society.

HEWLETT-PACKARD COMPANY (OCT)

CORPORATE CITIZENSHIP

Our customers, neighbors and employees expect us to be an asset to every community in which we operate. The ways we meet their rising expectations include philanthropy, developing a diverse work force, and protecting the environment.

This year, we donated $67 million in cash and equipment at list price, mostly to university programs in technical fields. We doubled our grants to environmental groups and gave $6 million to health and human-service agencies, including our contribution to United Way that matches employees' donations 100 percent.

We continue to recruit and develop the best people from varied backgrounds. This year, we increased our programs to enhance the effectiveness of HP women and minority professionals. Our reasons for pursuing affirmative action extend beyond legal compliance. We have a business need to prepare for the diverse work force of the future.

HP understands the science of environmental protection because our analytical equipment is used widely to detect hazardous substances. Our expertise benefits community projects—for example, the Rhine Basin Program—and our business practices.

This year, we established a formal policy that builds on our long standing commitment to worker health and safety and environmental protection. Included are HP's intentions to continue to reduce hazardous waste and minimize consumption of energy and materials. We also set an aggressive goal to eliminate all chlorofluorocarbons (CFCs) emissions from manufacturing by 1994.

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 1990 fiscal year transactions are presented throughout this section.

TABLE 4-1: PRESENTATION OF CHANGES IN RETAINED EARNINGS

	1990	1989	1988	1987
Statement of Stockholders' Equity	461	456	444	429
Separate statement of retained earnings	56	60	71	78
Combined statement of income and retained earnings	30	35	38	47
Changes shown in notes	53	49	47	46
Total Companies	**600**	**600**	**600**	**600**

DIVIDENDS

Chapter 7B of *ARB No 43* discusses the accounting for stock dividends. *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 4-2 shows the nature of distributions made by the survey companies to their shareholders. Approximately 62% 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 36% 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

TABLE 4-2: DIVIDENDS

	Number of Companies			
	1990	1989	1988	1987
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statements	288	301	310	324
Per share amount not disclosed in retained earnings statements	175	174	165	150
Total	**463**	**475**	**475**	**474**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statements	53	63	60	79
Per share amount not disclosed in retained earnings statements	93	87	80	81
Total	**146**	**150**	**140**	**160**
Dividends Paid By Pooled Companies	**1**	**—**	**3**	**3**
Stock Dividends	**10**	**10**	**12**	**8**
Dividends in Kind	**5**	**7**	**11**	**10**
Stock Purchase Rights	**25**	**54**	**78**	**44**

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.

Cash Dividends

DOVER CORPORATION

Consolidated Statements of Retained Earnings

Years ended December 31,	1990	1989	1988
		($000)	
Balance at beginning of year	$783,495	$683,664	$754,514
Net earnings	155,679	143,980	145,771
	939,174	827,644	900,285
Deductions:			
Stock split			20,429
Treasury stock retired	—	—	155,447
Common stock cash dividends of $.76 per share ($.70 in 1989; $.62 in 1988)	46,386	44,149	40,745
Balance at end of year	$892,788	$783,495	$683,664

FEDDERS CORPORATION

Consolidated Statements of Operations and Retained Earnings

(Amounts in thousands, except per share data)

Years Ended December 31,	1990	1989	1988
Net income (loss)	$ (15,566)	$ 23,654	$ 21,926
Retained earnings at beginning of year	33,576	17,581	2,542
Dividends declared:			
Preferred Stock ($0.438 and $1.75 per share in 1989 and 1988, respectively) *(note 9)*	—	(741)	(3,008)
Common Stock ($0.48, $0.40 and $0.30 per share in 1990, 1989 and 1988, respectively)	(7,704)	(6,001)	(3,157)
Class B Stock ($0.432, $0.36 and $0.27 per share in 1990, 1989 and 1988, respectively)	(989)	(917)	(722)
Retained earnings at end of year	$ 9,317	$ 33,576	$ 17,581

IMCERA GROUP INC.

Consolidated Statement Of Changes In Shareholders' Equity

(In millions except per share amounts	Preferred Stock	Common Stock	Capital in Excess of Par Value	Reinvested Earnings	Other	Treasury Stock
Balance, June 30, 1987	$14.6	$139.8	$244.6	$686.3	$ 7.3	$ (23.6)
Net earnings				11.3		
Dividends						
4 Percent preferred stock ($4.00 a share)				(.4)		
Series A preferred stock ($3.75 a share)				(10.5)		
Series B preferred stock ($3.25 a share)				(5.3)		
Common stock ($1.00 a share)				(26.4)		
Purchase of shares						(121.5)
Translation adjustment					(2.8)	
Other		1.6	10.5			
Balance, June 30, 1988	14.6	141.4	255.1	757.2	4.5	(145.1)
Net earnings				117.0		
Dividends						
4 Percent preferred stock ($4.00 a share)				(.4)		
Series A preferred stock ($3.75 a share)				(9.4)		
Series B preferred stock ($3.25 a share)				(4.6)		
Common stock ($1.00 a share)				(22.5)		
Purchase of shares						(219.4)
Marketable securities valuation adjustment					(1.1)	
Translation adjustment					(4.3)	
Other		.6	4.2			.4
Balance, June 30, 1989	14.6	142.0	259.3	837.3	(.9)	(364.1)
Net earnings				56.5		
Dividends						
4 Percent preferred stock ($4.00 a share)				(.4)		
Series A preferred stock ($.3125 a share)				(.4)		
Series B preferred stock ($2.4375 a share)				(3.4)		
Common stock ($1.00 a share)				(21.6)		
Redemption, conversion, and retirement of Series A and B preferred stock	(4.6)		(218.8)	(16.6)		175.0
Purchase of shares						(56.0)
Marketable securities valuation adjustment					(2.9)	
Translation adjustment					22.0	
Other		2.0	15.5			(9.7)
Balance, June 30, 1990	$10.0	$144.0	$ 56.0	$851.4	$18.2	$(254.8)

JOHNSON CONTROLS, INC.

Consolidated Statement of Shareholders' Equity

Year Ended September 30,	Total	Preferred Stock	Unearned Compensation —ESOP	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock at Cost	Cumulative Translation Adjustments
(in millions)								
AT SEPTEMBER 30, 1987	$ 800.3	$ —	$ —	$6.4	$403.8	$430.5	$(40.5)	$ .1
Net income	103.5	—	—	—	—	103.5	—	—
Repurchase of common stock for treasury............	(18.4)	—	—	—	—	—	(18.4)	—
Cash dividends								
Common ($1.10 per share)	(40.0)	—	—	—	—	(40.0)	—	—
Translation adjustments.........	5.1	—	—	—	—	—	—	5.1
Other, including options exercised	2.0	—	—	—	2.0	—	—	—
AT SEPTEMBER 30, 1988	852.5	—	—	6.4	405.8	494.0	(58.9)	5.2
Net income	97.5	—	—	—	—	97.5	—	—
Issuance of Series D preferred stock	—	175.0	(175.0)	—	—	—	—	—
Reduction of guaranteed ESOP debt	4.6	—	4.6	—	—	—	—	—
Conversion of debt into common stock	70.4	—	—	.5	69.9	—	—	—
Cash dividends								
Series D preferred ($1.39 per one ten-thousandth of a share) net of $1.9 million tax benefit.	(2.9)	—	—	—		(2.9)	—	—
Common ($1.16 per share)	(43.3)	—	—	—	—	(43.3)	—	—
Translation adjustments.........	(2.2)	—	—	—	—	—	—	(2.2)
Other, including options exercised.	1.3	—	—	—	1.9	—	(.6)	—
AT SEPTEMBER 30, 1989	977.9	175.0	(170.4)	6.9	477.6	545.3	(59.5)	3.0
Net income	92.4	—	—	—	—	92.4	—	—
Reduction of guaranteed ESOP debt	1.5	—	1.5	—	—	—	—	—
Cash dividends								
Series D preferred ($13.97 per one ten-thousandth of a share) net of $5.3 million tax benefit....	(8.2)	—	—	—	—	(8.2)	—	—
Common ($1.20 per share)	(47.4)	—	—	—	—	(47.4)	—	—
Translation adjustments	19.0	—	—	—	—	—	—	19.0
Other, including options exercised.	.3	(.6)	—	—	.9	—	—	—
AT SEPTEMBER 30, 1990.......	$1,035.5	$174.4	$(168.9)	$6.9	$478.5	$582.1	$(59.5)	$22.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Shareholders' Equity

In May 1989 the company issued 341.7969 shares of 7.75% Series D Convertible Preferred Stock to its newly established ESOP for $175 million. The Preferred Stock was issued in fractional amounts representing one-ten thousandth of a share each or 3.4 million Preferred Stock units in total. Each Preferred Stock unit has a liquidation value of $51.20.

The ESOP financed its purchase of the Preferred Stock units by issuing debt in the amount of $175 million. The ESOP debt is guaranteed by the company and is therefore recorded as long-term debt of the company. An amount representing unearned employee compensation, equivalent in value to the unpaid balance of the ESOP debt, is recorded as a deduction from shareholders' equity. The net increase in shareholders' equity at September 30, 1990 and 1989 resulting from the above transactions was $6 million and $5 million, respectively.

Preferred Stock units are allocated to participating employees based on the annual ESOP debt service payments and are held in trust for the employees until their retirement, death or vested termination. Each allocated unit may be converted into one share of common stock or redeemed for $51.20 in cash, at the election of the employee or beneficiary, upon retirement, death or vested termination. The company, at its option, may issue shares of its common stock or distribute cash to the ESOP to redeem the Preferred Stock units. As of September 30, 1990, 3.4 million shares of common stock were reserved

for the conversion of the Preferred Stock units. Employees may vote allocated units, and the plan trustee is to vote unallocated units in the same proportion as the allocated units are voted.

Dividends on the Preferred Stock are deductible for income tax purposes and enter into the determination of earnings available for common shareholders net of their tax benefit.

NACCO INDUSTRIES, INC.

Consolidated Statements Of Stockholders' Equity

	Year Ended December 31		
	1990	1989	1988
	(In thousands)		
Class A Common Stock			
Beginning balance	$ 6,887	$ 6,828	$ 6,649
Conversion of Class B shares to Class A shares	76	54	152
Sale of treasury shares under stock option plans	1	6	30
Purchase of treasury shares		(1)	(3)
	6,964	6,887	6,828
Class B Common Stock			
Beginning balance	1,989	2,042	2,179
Conversion of Class B shares to Class A shares	(76)	(54)	(152)
Sale of shares under stock option plans	1	1	15
	1,914	1,989	2,042
Capital In Excess of Par Value			
Begining balance	720	656	
Sale of shares under stock option plans	17	85	691
Purchase of treasury shares		(21)	(35)
	737	720	656
Retained Income			
Beginning balance	275,899	227,062	186,997
Net income	30,947	53,940	44,952
Purchase of treasury shares			(38)
Cash dividends on Class A and Class B common stock:			
1990 $.595 per share	(5,283)		
1989 $.575 per share		(5,103)	
1988 $.550 per share			(4,849)
	301,563	275,899	227,062
Foreign Currency Translation Adjustment			
Beginning balance	15,331	9,408	9,642
Foreign currency translation adjustment	26,382	5,903	(287)
Unearned compensation adjustment		20	53
	41,713	15,331	9,408
Total Stockholders' Equity	$352,891	$300,826	$245,996

Stock Dividends

QUANTUM CHEMICAL CORPORATION

Consolidated Statement Of Common Shareholders' Deficit
(dollar amounts in millions, except for per share data)

	1990		1989		1988	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Stock						
Authorized—100,000,000 shares						
—Par value $2.50 per share						
Outstanding at beginning of year	25,028,513	$245.6	22,806,562	$ 57.0	29,846,623	$103.8
Issue of new shares:						
To saving plans of Quantum and affiliate	2,099,601	31.7	70,024	2.2		
To ESOPs of Quantum and affiliate	652,125	13.9	1,656,833	172.0	174,364	11.8
On conversion of debentures	18,828	.2	29,389	.5	20,357	.5
For stock dividend	519,760	11.4	247,261	8.4		
Sold under employees' stock option plan (net of shares acquired and reissued under plan—28,111 in 1989 and 129,549 in 1988)	252		218,444	5.5	217,745	10.4
Reacquired by purchase					(6,090,118)	(554,5)
Reacquired through exchange of debentures					(1,362,409)	(101.8)
Adjustment to state common stock at par value $2.50 per share						586.8
Outstanding at end of year	28,319,079	302.8	25,028,513	245.6	22,806,562	57.0
Accumulated Earnings (Deficit)						
Balance at beginning of year		(331.2)		(464.0)		943.6
Net income for the year		21.2		247.4		382.7
Dividends paid						
*Common—$2.18 per share in 1989 and $2.33 per share in 1988				(55.4)		(62.7)
*Special dividend of $48.50 per common share				(82.8)		(1,141.0)
Income tax benefit on dividends paid on common stock owned by Quantum's ESOPs				33.3		.2
Stock dividend		(11.4)		(8.4)		
Redemption of common stock rights				(1.3)		
Adjustment to state common stock at par value—$2.50 per share						(586.8)
Balance at end of year		(321.4)		(331.2)		(464.0)
Loans to Quantum's ESOPs		(82.4)		(86.7)		
Unrealized Foreign Currency Adjustments						
Balance at beginning of year						(2.0)
Unrealized gain during the year						1.0
Reclassified to net assets held for sale						1.0
Balance at end of year						
Common Shareholders' Deficit		$ (101.0)		$ (172.3)		$(407.0)

* Dividends paid per common share have been adjusted to reflect the recognition of (i) the 2% stock dividend declared on April 26, 1990, and issued to shareholders of record on May 10, 1990 and (ii) the 1% stock dividend declared on October 26, 1989, and issued to shareholders of record on November 10, 1989. Historical dividends paid per common share were $2.25 in 1989 and $2.40 in 1988. The historical special dividend paid per common share was $50.00.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Common Stock

On June 1, 1990, the Company paid a 2% stock dividend to shareholders of record on May 10, 1990. Based on the number of common shares outstanding on the record date, the Company issued 519,760 new shares. (See Note 10 for information relevant to dividend restrictions.)

REPUBLIC GYPSUM COMPANY

Consolidated Statements of Stockholders' Equity

Years Ended June 30, 1990, 1989 and 1988

$000	Common stock, $1 par value	Additional paid-in capital	Retained earnings	Unearned compensation	Common shares in treasury	Total
Balance at June 30, 1987	$ 10,275	$ 12,521	$ 14,538	$ (2,622)	$ (1,590)	$ 33,122
Net income	—	—	1,995	—	—	1,995
Cash dividends on common stock, $0.34 per share	—	—	(3,633)	—	—	(3,633)
Retirement of debt	—	—	—	563	—	563
Purchases of 38,000 treasury shares	—	—	—	—	(210)	(210)
Exercise of stock options	9	17	—	—	—	26
Balance at June 30, 1988	10,284	12,538	12,900	(2,059)	(1,800)	31,863
Net income	—	—	2,403	—	—	2,403
Cash dividends on common stock, $0.23 per share	—	—	(2,421)	—	—	(2,421)
Retirement of debt	—	—	—	374	—	374
Exercise of stock options	5	10	—	—	—	15
Balance at June 30, 1989	10,289	12,548	12,882	(1,685)	(1,800)	32,234
Net income	—	—	404	—	—	404
Cash dividends on common stock, $0.14 per share	—	—	(1,516)	—	—	(1,516)
Effect of 5% stock dividend on common stock	514	1,415	(1,929)	—	—	—
Retirement of debt	—	—	—	374	—	374
Contribution of Treasury to ESOP	—	(8)	—	—	150	142
Balance at June 30, 1990	$ 10,803	$ 13,955	$ 9,841	$ (1,311)	$ (1,650)	$ 31,638

Dividends-In-Kind

EMERSON ELECTRIC CO.

Consolidated Statements of Stockholders' Equity

	Years ended September 30		
	1990	1989	1988
	(Dollars in millions)		
Common Stock			
Beginning balance	$ 238.2	238.2	238.2
Issued under stock plans	.1	—	—
Ending balance	238.3	238.2	238.2
Additional paid-in capital			
Beginning balance	—	23	18.4
Treasury stock issued	—	—	(.3)
Stock plans	—	(2.3)	(15.8)
Ending balance	—	—	2.3
Retained earnings			
Begining balance	3,302.1	2,966.2	2,666.6
Net earnings	613.2	588.0	528.8
Cash dividends (per share: 1990, $1.26; 1989, $1.12; 1988, $1.00)	(281.2)	(250.6)	(229.2)
Distribution of ESCO Electronics Corporation	(523.0)	—	—
Other	(2.1)	(1.5)	—
Ending balance	3,109.0	3,302.1	2,966.2
Cumulative translation adjustments			
Beginning balance	6.4	8.8	.8
Translation adjustments	95.5	(2.4)	8.0
Ending balance	101.9	6.4	8.8
Treasury stock			
Beginning balance	(473.3)	(395.4)	(221.5)
Acquired	—	(92.2)	(210.3)
Issued	.1	.4	.4
Issued under stock plans	13.9	13.9	36.0
Ending balance	(459.3)	(473.3)	(395.4)
Total stockholders' equity	$2,989.9	3,073.4	2,820.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Distribution Of ESCO Electronics Corporation

In anticipation of a planned distribution to the Company's stockholders, a substantial portion of the Company's government and defense business (including Electronics and Space Corp., Hazeltine Corporation and several smaller businesses) was contributed to a newly formed subsidiary, ESCO Electronics Corporation. On September 24, 1990, the Company's Board of Directors declared the distribution of common stock trust receipts, representing 100 percent of the common stock interest in ESCO, to its stockholders in a nonmonetary transaction which resulted in no gain or loss. On October 19, 1990, one common stock trust receipt in ESCO was distributed for every 20 shares of the Company's common stock to stockholders of record on October 5, 1990. In connection with the distribution, ESCO paid the Company a dividend of $20 million which was financed with an unaffiliated lender. In addition, all intercompany long-term debt accounts between the business distributed and the Company were canceled. Stockholders' equity was charged $523 million for the net book value of these businesses. Net sales of these businesses totaled $538 million in 1990.

In the normal course of business prior to the distribution, the Company had guaranteed certain of ESCO's contracts with agencies of the U.S. Government or as a subcontractor. ESCO will pay the Company an annual fee of $7.4 million for five years in connection with the guaranteed contracts. The remaining backlog of work to be performed under contracts guaranteed by the Company totaled approximately $500 million at September 30, 1990. In certain circumstances, if ESCO fails to secure its obligation to indemnify the Company with respect to one or more of the guaranteed contracts, the Company will have the right to direct the removal and election of ESCO's Board of Directors until such time as conditions giving rise to this right are rectified. Management believes it is highly unlikely that the Company will incur a loss as a result of the guaranteed contracts, or that circumstances will arise under which the Company would exercise this right.

The Company has agreed to share with ESCO the cost, up to $19 million, of settling a certain contract dispute in return for sharing in any cash recovery resulting from a favorable settlement. ESCO will lease certain premises from the Company for five years for $4.7 million per year plus executory costs.

POLAROID CORPORATION

Consolidated Statement of Changes in Common Stockholders' Equity

Years ended December 31, 1990, 1989 and 1988

(In millions)	1990	1989	1988
Common stock			
Balance at January 1 (75,427,550 shares in 1990 and 1989, and 65,710,950 in 1988)	$ 75.4	$ 75.4	$ 65.7
Issue of 9,716,600 shares to ESOP	—	—	9.7
Balance at December 31 (75,427,550 shares)	75.4	75.4	75.4
Additional paid-in capital			
Balance at January 1	379.5	379.5	89.2
Issue of 9,716,600 shares of ESOP	—	—	290.3
Balance at December 31	379.5	379.5	379.5
Retained earnings			
Balance at January 1	955.8	877.5	940.2
Net earnings/(loss)	151.0	145.0	(22.6)
Dividends declared—common stock	(30.8)	(34.7)	(40.1)
Dividends declared—preferred Series B	(11.0)	(10.1)	—
Pay-in-kind dividends—preferred Series C	(26.7)	(21.9)	—
Balance at December 31	1,038.3	955.8	877.5
Less:			
Treasury stock			
Balance at January 1 (23,317,989 shares in 1990 and 3,792,600 in 1989 and 1988)	997.5	46.9	46.9
Repurchase of 16,000,000 shares from self-tender offer	—	801.7	—
Repurchase of 100,589 shares from the ESOP Trust	—	3.7	—
Repurchase of shares on the open market (2,039,700 shares in 1990 and 3,424,800 shares in 1989)	55.6	145.2	—
Balance at December 31 (25,357,689 in 1990, 23,317,989 shares in 1989, and 3,792,600 shares in 1988)	1,053.1	997.5	46.9
Deferred compensation			
Balance at January 1	264.4	274.0	—
Loan to ESOP Trust	—	—	285.0
Loan repayments from ESOP Trust	(32.0)	(9.6)	(11.0)
Balance at December 31	232.4	264.4	274.0
Total common stockholders' equity	$ 207.7	$ 148.8	$1,011.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Redeemable Preferred Stock Equity

On January 30, 1989, the Company sold $300 million of redeemable, cumulative, convertible preferred stock to a private investor group. This preferred stock consisted of $100 million (1,000 shares) of Series B Stock and $200 million (2,000 shares) of Series C Stock. Each holder of a share of Series B Stock is entitled to receive cumulative cash dividends at the annual rate of 11%, and each holder of a share of Series C Stock is entitled to receive cumulative dividends in kind at the annual rate of 11½%, in each case payable quarterly and compounded if in arrears. Each Series is convertible into common stock at a conversion price of $50 per common share and will have voting rights on an as-converted basis. In the event that there is any distribution to the holders of the Company's common stock of any consideration recovered from the pending patent litigation against Eastman Kodak Company, the holder of each share of Series B and C will receive an equal distribution on an as-converted basis. In addition, the Company issued to the preferred stock investor group warrants for 635,000 shares of common stock exercisable at any time through January 30, 1996 at $50 per share.

On January 30, 1999, the Company is obligated to redeem any shares of the Series B and C stock then outstanding by paying $100,000 per share in cash or, at the option of the Company, shares of the Company's common stock valued at 90% of the then current market price of the common stock. During the period from January 30, 1992, through January 29, 1999, the Series B and C shares are redeemable, subject to certain restrictions and at various prices at the option of the Company.

Upon any change in control of the Company, the holders of any shares of preferred stock may require the Company to redeem such shares at various prices depending upon the nature of the action bringing about the change in control.

The numbers of Series B and C shares authorized are 1,000 and 6,300, respectively. In 1990, 267 Series C shares ($26.7 million) were issued as pay-in-kind dividends. In 1989, 219 Series C shares ($21.9 million) were issued as pay-in-kind dividends.

Stock Purchase Rights

ANACOMP, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part):

Shareholder Rights Plan

The Company has a Shareholder Rights Plan which was adopted by the Board of Directors on February 4, 1990. The Rights Agreement provides that each share of the Company's common stock has associated with it a Common Stock Purchase Right. Each right entitles the registered holder to purchase from the Company one-tenth of a share of Anacomp common stock, par value $.01 per share, at a cash exercise price of $3.20 subject to adjustment.

The rights will be exercisable only if a person or group acquires beneficial ownership of 15% or more of the outstanding shares of common stock of Anacomp, or announces a tender or exchange offer upon consummation of which, such person or group would benefically own 30% or more of the Company's common stock. If any person acquires 15% of Anacomp's common stock, the rights would entitle stockholders (other than the 15% acquiror) to purchase at $32 (as such price may be adjusted) a number of Anacomp's common stock which would have a market value of $64 (as such amount may be adjusted). In the event that Anacomp is acquired in a merger or other business combination, the rights would entitle the stockholders (other than the acquiror) to purchase securities of the surviving company at a similar discount.

Anacomp can redeem the right at $.001 per right at any time until the tenth day following the announcement that a 15% ownership position has been acquired. Under certain circumstances set forth in the Rights Agreement, the decision to redeem shall require the concurrence of a majority of the Continuing Directors (as such term is defined in the Rights Agreement). The rights expire February 26, 2000.

DIGITAL EQUIPMENT CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N—Stockholder Rights Plan

The Company's Board of Directors adopted a Stockholder Rights Plan on December 11, 1989. Under the Plan, the Company distributed to stockholders a dividend of one Common Stock Purchase Right for each outstanding share of Common Stock. Each Right initially will entitle holders of Common Stock to buy one share of Common Stock of the Company at an exercise price of $400, subject to adjustment. The Rights will become exercisable only if a person acquires 20% or more of the Common Stock, or announces a tender or exchange offer which would result in its ownership of 30% or more of the Common Stock, or a person owning 10% or more of the Common Stock is determined by the Board of Directors to be an Adverse Person, as defined in the Plan. Until they become exercisable, the Rights will be evidenced by the Common Stock certificates and will be transferred only with such certificates.

If any person becomes the beneficial owner of 25% or more of the Common Stock except pursuant to a tender offer for all shares which the directors determine to be at a fair price and in the best interests of the Company; a 20% or more stockholder engages in a merger with the Company in which the Company survives and its Common Stock remains outstanding and unchanged; certain other events involving the Company and a 20% or more stockholder occur; or, under certain circumstances, the Board of Directors determines a 10% or more stockholder to be an Adverse Person, each Right not then held by such person will entitle its holder to purchase, at the Right's then current exercise price, Common Stock of the Company (or, in certain circumstances as determined by the Board of Directors, a combination of cash, property, Common Stock or other securities) having a value of twice the Right's exercise price. In addition, at any time after a stockholder acquires a 20% or more equity interest in the Company, if the Company is involved in a merger or other business combination transaction with another person in which its Common Stock is changed or converted, or sells or transfers more than 50% of its assets or earning power to another person, each Right that has not previously been exercised or voided will entitle its holder to purchase, at the Right's then current exercise price, shares of Common Stock of such other person having a value of twice the Right's exercise price. The Company will generally be entitled to redeem the Rights at $.01 per Right at any time until the Board determines a 10% or more stockholder to be an Adverse Person or the tenth day following public announcement that a 20% equity interest in the Company has been acquired. The Plan will expire on December 21, 1999, unless the Rights are earlier redeemed by the Company.

MONSANTO COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Capital Stock

At December 31, 1990, there were 12,500,168 common shares reserved for employee stock options.

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 then existing Common Stock Purchase Rights at their redemption price of 5 cents per right.

WILLIAMETTE INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Stockholders' Equity

In February, 1990, the Company adopted a new rights plan whereby a preferred stock purchase right was issued with respect to each share of common stock. Common stock purchase rights issued under a shareholder rights plan adopted in 1986 were redeemed at a price of $.10 per right.

The rights are non-voting, are not exercisable until distributed, will expire in 2000, and may be redeemed at $.01 per right any time prior to the tenth day after an acquiring person becomes the owner of 20% or more of the common stock.

The rights will be distributed ten days after a person or group of affiliated persons (an "acquiring person") (a) becomes the owner of 20% or more of the Company's common stock or (b) makes a tender offer or exchange offer which would result in the ownership of 30% or more of the Company's common stock.

Once the rights are distributed, each right becomes exercisable to purchase, for $175, 1/100th of a share of a new series of Company preferred stock, which 1/100th share is intended to equal one common share in market value. Ten days after an acquiring person becomes the owner of 20% or more of the Company's common stock, each right becomes exercisable to purchase for $175, common shares with a market value of $350. The rights of such an acquiring person become void. Under the plan, the board of directors can order the exchange of the rights, other than those of such an acquiring person which become void, for common stock on the basis of one right per share.

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,* 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			
	1990	1989	1988	1987
Income taxes	3	4	12	10
Poolings of interests	1	2	8	11
LIFO discontinued	2	—	5	2
Other—Described	1	—	9	6

LEE ENTERPRISES, INCORPORATED

Consolidated Statements of Stockholders' Equity

Years Ended September 30	*(In Thousands Except Per Share Data)* 1990	1989	1988
Common Stock			
Balance, beginning	$ 39,040	$ 37,553	$ 35,357
Add conversion of Class B common stock into Common Stock	906	1,487	2,196
Balance, ending	$39,946	$ 39,040	$ 37,553
Class B Common Stock			
Balance, beginning	$ 21,408	$ 22,895	$ 25,091
Deduct conversion of Class B common stock into Common Stock	906	1,487	2,196
Balance, ending	$ 20,502	$ 21,408	$ 22,895
Retained Earnings			
Balance, beginning, as previously reported	$ —	$ —	$154,529
Restatement for the cumulative effect of the change in accounting for income taxes	—	—	3,064
Balance, beginning, as restated	$196,647	$171,604	$151,465
Add net income	43,494	43,047	40,921
	$240,141	$214,651	$192,386
Deduct:			
Cash dividends 1990 $.72 per share; 1989 $.68 per share; 1988 $.64 per share	17,046	16,679	15,786
Excess of cost over proceeds of treasury shares issued	496	1,325	4,996
Balance, ending	$222,599	$196,647	$171,604
Treasury Stock			
Balance, beginning	$ 83,777	$ 67,920	$ 62,968
Add shares reacquired 1990 1,051,000 shares; 1989 679,000 shares; 1988 734,000 shares	28,398	19,954	18,719
	$112,175	$ 87,874	$ 81,687
Deduct shares issued 1990 100,000 shares; 1989 160,000 shares; 1988 605,000 shares	2,471	4,097	13,767
Balance, ending 1990 6,977,000 shares; 1989 6,026,000 shares; 1988 5,507,000 shares	$109,704	$ 83,777	$ 67,920
Stockholders' Equity	$173,343	$173,318	$164,132

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Change in Accounting Principles and Income Tax Matters

During the year ended September 30, 1990, the Company adopted FASB Statement No. 96, Accounting for Income Taxes. Statement 96 requires a liability approach for measuring deferred tax assets and liabilities based on temporary differences existing at each balance sheet date using enacted tax rates in effect when those differences are expected to reverse. As permitted by Statement 96, the Company has elected to retroactively apply the provisions of the Statement by restating the financial statements for the year ended September 30, 1989 and 1988. The amount applicable to years prior to October 1, 1987 has been presented as a restatement of the retained earnings as of that date. The change did not have a material effect for any of the years ended September 30, 1990, 1989 and 1988.

Components of income tax expense consist of the following:

	Year Ended September 30, 1990	1989	1988
	(In Thousands)		
Paid or payable on currently taxable income:			
Federal	$13,936	$14,921	$15,750
State	3,344	4,130	2,984
Net increase (decrease) due to deferred income taxes	(75)	915	2,196
Net (decrease) in deferred investment tax credit	(68)	(180)	(315)
	$17,137	$19,786	$20,615

SEAGULL ENERGY CORPORATION

Consolidated Statements of Shareholders' Equity

(Dollars in Thousands)	Convertible Exchangeable Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Note Receivable From ESOP	Treasury Stock	Net Unrealized Loss on Noncurrent Marketable Securities	Total
January 1, 1988, as previously reported	$25,000	$ 746	$ 30,250	$ 52,642	$ —	—	$(502)	$108,136
Adjustments for the cumulative effect on prior years of change in accounting (Note 1)	—	—	—	522	—	—	—	522
January 1, 1988, as restated	25,000	746	30,250	53,164	—	—	(502)	108,658
Net earnings, as restated	—	—	—	3,635	—	—	—	3,635
Dividends on preferred stock	—	—	—	(2,250)	—	—	—	(2,250)
Purchase of treasury stock, 55,376 shares	—	—	—	—	—	(815)	—	(815)
December 31, 1988, as restated	25,000	746	30,250	54,549	—	(815)	(502)	109,228
Net earnings, as restated	—	—	—	9,939	—	—	—	9,939
Dividends on preferred stock	—	—	—	(2,248)	—	—	—	(2,248)
Purchase of treasury stock, 917,667 shares	—	—	—	—	—	(16,643)	—	(16,643)
Reduction of net unrealized loss on noncurrent marketable securities	—	—	—	—	—	—	502	502
Exercise of employee stock options, 28,808 shares	—	3	414	—	—	—	—	417
Conversion of 2,150 shares of preferred stock to 3,359 shares of common stock	(54)	1	53	—	—	—	—	—
Sale of 474,075 shares of treasury stock to Seagull ESOP	—	—	(409)	—	(7,700)	8,409	—	300
Redemption of redeemable preferred stock of subsidiary	—	—	—	(1,084)	—	—	—	(1,084)
Other	—	—	614	—	—	—	—	614
December 31, 1989, as restated	24,946	750	30,922	61,156	(7,700)	(9,049)	—	101,025
Net earnings	—	—	—	20,569	—	—	—	20,569
Dividends on preferred stock	—	—	—	(5)	—	—	—	(5)
Purchase of treasury stock, 255,000 shares	—	—	—	—	—	(4,845)	—	(4,845)
Exercise of employee stock options, 64,039 shares	—	6	897	—	—	—	—	903
Conversion of 986,765 shares of preferred stock to 1,541,763 shares of common stock	(24,669)	154	24,515	—	—	—	—	—
Redemption of 11,085 shares of preferred stock	(277)	—	(69)	—	—	—	—	(346)
Issuance of common stock, 2,865,000 shares (including 600,000 shares from treasury)	—	277	63,025	—	—	10,969	—	74,221
Repayment of note receivable by ESOP	—	—	—	—	360	—	—	360
Other	—	—	634	—	—	—	—	634
December 31, 1990	$ —	$1,137	$119,924	$ 81,720	$ (7,340)	$ (2,925)	$ —	$192,516

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Gas and Oil Properties. In 1990, Seagull changed its method of accounting for gas and oil operations from the full cost method to the successful efforts method. Accordingly, the consolidated financial statements of prior periods have been restated to reflect the retroactive application of the new method.

Management believes the conversion to the successful efforts method is appropriate because it will better reflect the economics of the Company's exploration and development activities after the acquisition of a significant portfolio of natural gas and oil producing properties, reserves and undeveloped acreage (the "Assets") from Mesa Limited Partnership ("Mesa") in March 1991 (see Note 15).

Under the successful efforts method, costs of productive wells, development dry holes and productive leases are capitalized and amortized on a unit-of-production basis over the life of remaining related reserves. Cost centers for amortization purposes are determined on a field-by-field basis. The estimated future costs of dismantlement, restoration and abandonment are amortized as part of depreciation, depletion and amortization expense.

Oil and gas leasehold costs are capitalized when incurred. Unproved properties are assessed periodically and any impairments in value are charged to expense.

Exploratory expenses, including geological and geophysical expenses and annual delay rentals for gas and oil leases, are charged to expense as incurred. Exploratory drilling costs, including stratigraphic test wells, are initially capitalized, but charged to expense if and when the well is determined to be unsuccessful.

The change in method had the effect of decreasing earnings applicable to common stock for 1990 and 1989 by approximately $6.6 million and $1.7 million, respectively, and increasing earnings applicable to common stock for the year 1988 by $297,000. Primary earnings per share were decreased by $0.70 and $0.26 for 1990 and 1989, respectively, and increased by $0.04 in 1988. As of January 1, 1990, the change in method reduced net property, plant and equipment by $493,000, reduced retained earning by $916,000 and increased deferred income taxes by $423,000.

SPS TECHNOLOGIES, INC.

Statements of Consolidated Shareholders' Equity

(Thousands of dollars) *Years ended December 31*	1990	1989	1988
Common Stock			
Beginning and end of year	$ 6,362	$ 6,362	$ 6,362
Additional paid-in capital			
Beginning of year	57,588	56,601	$ 55,704
Exercise of stock options	30	987	897
Stock contribution to pension plan	828		
End of year	$ 58,446	$ 57,588	$ 56,601
Retained earnings			
Beginning of year	$141,151	$133,054	$114,468
Effect of change in accounting principle			9,579
Net earnings (loss)	(11,461)	14,209	14,209
Cash dividends, ($1.28 a share in 1990, $1.22 a share in 1989 and $1.05 a share in 1988)	(6,440)	(6,112)	(5,202)
End of year	$123,250	$141,151	$133,054
Minimum pension liability			
Beginning of year			
Changes during the year	$ (841)		
End of year	$ (841)		
Common stock in treasury			
Beginning of year	$ (10,872)	$ (11,172)	$ (11,503)
Exercise of stock options	10	300	331
Stock contribution to pension plan	242		
End of year	$ (10,620)	$ (10,872)	$ (11,172)
Cumulative translation adjustments			
Beginning of year	$ (10,183)	$ (4,028)	$ (1,622)
Changes during the year:			
Working capital	6,621	(3,549)	(1,900)
Property, plant and equipment, net	3,934	(1,137)	(816)
Other, net	2,854	(1,469)	310
End of year	$ 3,226	$ (10,183)	$ (4,028)
Total shareholders' equity	$179,823	$184,046	$180,817

Prior years have been restated (see Note 2).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Change in Accounting Principle

During the first quarter of 1990, the Company changed its basis of valuing inventories in the United States from the last-in, first-out (LIFO) method to the average cost method. In 1989 and prior years, the cost of substantially all inventories in the United States, except tools, was determined using the LIFO method. The change to the

average cost method will conform all inventories of the Company to the same method of valuation. The Company believes that the average cost method of inventory valuation provides a more meaningful presentation of the financial position of the Company since it reflects more recent costs in the balance sheet. Under the current economic environment of low inflation and an expected reduction in inventories and lower production costs, the Company believes that the average cost method also results in a better matching of current costs with current revenues.

The effect of the change in accounting principle was to reduce the net loss reported for 1990 by $318,000, or $.06 per share. The change has been applied to prior years by retroactively restating the financial statements as required by generally accepted accounting principles. The effect of this restatement was to increase retained earnings as of January 1, 1988 by $9,579,000. The restatement decreased 1989 net earnings by $1,871,000 or $.37 per share, and increased 1988 net earnings by $2,234,000, or $.45 per share.

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			
	1990	1989	1988	1987
Charges				
Purchase or retirement of capital stock	81	87	62	73
Treasury stock issued for less than cost	37	36	30	32
Pension liability adjustment	12	6	—	—
Preferred stock accretion	9	9	11	15
Redemption of stock purchase rights	6	7	8	2
Translation adjustments	6	12	8	4
Other—Described	17	19	19	18
Credits				
Translation adjustments	13	14	11	18
Poolings of interests	2	4	3	2
Other—Described	27	31	20	30

Treasury Stock Transactions

LIZ CLAIBORNE, INC.

Consolidated Statements of Stockholders' Equity

For the Three Fiscal Years Ended December 29, 1990

(All amounts in thousands)	Common Stock Number of Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Common Stock in Treasury
Balance, December 26, 1987	87,136	$87,136	$29,889	$239,931	$ —
Net income	—	—	—	110,341	—
Exercise of stock options and related tax benefits	632	632	5,210	—	—
Cash dividends paid	—	—	—	(15,313)	—
Balance, December 31, 1988	87,768	87,768	35,099	334,959	—
Net income	—	—	—	164,591	—
Exercise of stock options and related tax benefits	434	434	6,254	—	—
Cash dividends paid	—	—	—	(17,054)	—
Purchase of 17,500 shares of common stock	—	—	—	—	(389)
Balance, December 30, 1989	88,202	88,202	41,353	482,496	(389)
Net income	—	—	—	205,800	—
Exercise of stock options and related tax benefits	17	17	2,560	(3,490)	10,772
Cash dividends paid	—	—	—	(20,595)	—
Purchase of 3,734,100 shares of common stock	—	—	—	—	(93,577)
Balance, December 29, 1990	88,219	$88,219	$43,913	$664,211	$(83,194)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Nonqualified stock option plans

Since January 1990, the Company has delivered treasury shares upon the exercise of stock options. The difference between the cost of the treasury shares, on a first-in, first-out basis, and the exercise price of the options is reflected in retained earnings.

KNAPE & VOGT MANUFACTURING COMPANY

Consolidated Statements of Stockholders' Equity

	Common Stock	Additional paid-in capital	Retained earnings	Foreign currency translation adjustment	Treasury stock
Balance, June 30, 1987	$8,013,000	$1,744,304	$33,880,362	$ (298,741)	$ —
Net income for 1988	—	—	5,300,659	—	—
Cash dividends	—	—	(2,519,122)	—	—
Issuance of stock related to acquisitions	270,000	770,850	—	—	—
Foreign currency translation adjustment	—	—	—	819,238	—
Balance, June 30, 1988	8,283,000	2,515,154	36,661,899	520,497	—
Net income for 1989	—	—	5,324,159	—	—
Cash dividends	—	—	(2,526,719)	—	—
Stock issued under stock option plan	800	5,000	—	—	—
Purchase of 223,939 shares of stock	—	—	—	—	(3,529,552)
Foreign currency translation adjustment	—	—	—	113,596	—
Balance, June 30, 1989	8,283,800	2,520,154	39,459,339	634,093	(3,529,522)
Net Income for 1990	—	—	9,749,107	—	—
Cash dividends	—	—	(2,448,013)	—	—
Stock issued under stock option plan	1,000	6,250	—	—	—
Reclassification pursuant to Michigan Law (Note 11)	(447,878)	—	(3,081,674)	—	3,529,522
Foreign currency translation adjustment	—	—	—	228,471	—
Balance, June 30, 1990	$7,836,922	$2,526,404	$43,678,759	$ 862,564	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Stockholders' Equity

Pursuant to a change in Michigan Law, shares of common stock reacquired by a corporation constitute unissued shares. Accordingly, treasury shares were reclassified as reductions to issued common stock and retained earnings in 1990.

SPARTON CORPORATION

Consolidated Statements of Shareowners' Equity

Years ended June 30, 1990, 1989 and 1988

	Common stock, $1.25 par value		Capital in excess of par value	Retained earnings
	Shares	Amount		
Balance June 30, 1987	7,914,272	$9,892,840	$ 377,225	$53,644,050
Net income				11,196,498
Dividends ($.52 per share)				(4,115,421)
Balance June 30, 1988	7,914,272	9,892,840	377,225	60,725,127
Net loss				(6,337,749)
Dividends ($.52 per share)				(4,115,421)
Balance June 30, 1989	7,914,272	9,892,840	377,225	50,271,957
Net loss				(9,314,160)
Purchase of common shares	(122,600)	(153,250)	(5,848)	(851,733)
Dividends ($.26 per share)				(2,038,835)
Balance June 30, 1990	7,791,672	$9,739,590	$ 371,377	$38,067,229

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Treasury stock—The Company records treasury stock purchases at cost. The excess of cost over par value is allocated to capital in excess of par value based on the per share amount of capital in excess of par value for all shares, with the difference charged to retained earnings.

Redemption Of Stock Purchase Rights

DRESSER INDUSTRIES, INC.

Consolidated Statements of Stockholders' Investment

In Millions— Years Ended October 31,	1990	1989	1988
Common Shares, Par Value			
Beginning of year	$ 20.8	$ 20.7	$ 20.7
Par value of shares issued upon stock split	20.8	—	—
Shares issued under employee benefit and dividend reinvestment plans	—	.1	—
End of year	$ 41.6	$ 20.8	$ 20.7
Capital in Excess of Par Value			
Beginning of year	$ 442.8	$438.3	$ 436.2
Shares issued under employee benefit and dividend reinvestment plans	1.3	4.5	2.1
Par value of shares issued upon stock split	(20.8)	—	—
End of year	$ 423.3	$ 442.8	$ 438.3
Retained Earnings—Note J			
Beginning of year	$1,584.6	$1,475.4	$1,356.7
Net earnings	184.4	170.0	156.8
Redemption of preferred stock rights	(3.4)	—	—
Dividends on common shares at $.525 a share in 1990, $.45 a share in 1989 and $.275 a share in 1988	(71.3)	(60.8)	(38.1)
End of year	$1,694.3	$1,584.6	$1,475.4
Cumulative Translation Adjustments			
Beginning of year	$ (39.3)	$ (24.4)	$ (4.3)
Adjustments due to translation rate changes	60.9	(7.3)	(20.1)
Amount credited to earnings due to disposition of investment	(10.2)	(7.6)	—
End of year	$ 11.4	$ (39.3)	$ (24.4)
Pension Liability Adjustment	$ (1.7)	$ —	$ —
Treasury Shares, at Cost			
Beginning of year	$ (400.7)	$ (405.3)	$ (259.3)
Shares acquired	(10.2)	—	(153.3)
Shares issued under employee and director benefit plans and dividend reinvestment plan	5.7	4.6	7.3
End of year	$ (405.2)	$ (400.7)	$ (405.3)
Total Shareholders' Investment, End of Year	$1,763.7	$1,608.2	$1,504.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Capital Shares

Preferred Stock Purchase Rights

Also on August 16, 1990, the Board of Directors declared a dividend distribution of one new Preferred Stock Purchase Right (New Right) for each outstanding share of the Company's Common Stock to stockholders of record on October 3, 1990. At the same time the Board of Directors authorized the redemption of the old Preferred Stock Purchase Rights which were issued to stockholders on April 28, 1986 (Old Right). The redemption price of $.025 per Old Right (which reflects an adjustment for the 2-for-1 stock split described above) was paid on October 22, 1990 to stockholders of record on October 3, 1990. The New Right will expire ten years after issuance unless they are redeemed earlier.

The New Rights will generally not be exercisable until after 10 days (or such later time as the Board of Directors may determine) from the earlier of a public announcement that a person or group has, without Board approval, acquired beneficial ownership of 15% or more of the Company's Common Stock or the commencement of, or public announcement of an intent to commence, a tender or exchange offer which, if successful, would result in the offeror acquiring 30% or more of the Company's Common Stock. Once exercisable, each New Right would entitle its holder to purchase 1/100 of a share of the Company's Series A Junior Preferred Stock at an exercise price of $90, subject to adjustment in certain circumstances.

If the Company is acquired in a merger or other business combination not previously approved by the Company's Continuing Directors, each New Right then exercisable would entitle its holder to purchase at the exercise price that number of shares of the surviving company's common stock which has a market value equal to twice the New Right's exercise price. In addition, if any person or group (with certain exceptions) were to acquire beneficial ownership of 15% or more of the Company's Common Stock (unless pursuant to a transaction approved by the Company's Continuing Directors), each New Right would entitle all rightholders, other than the 15% stockholder or group, to purchase that number of Series A Junior Preferred Stock having a market value equal to twice the New Right's exercise price.

The New Rights may be redeemed by the Company for $.01 per new Right until the tenth day after a person or group has obtained beneficial ownership of 15% or more of the Company's Common Stock (or such later date as the Continuing Directors may determine).

The New Rights are not considered to be common stock equivalents because there is no indication that any event will occur which would cause them to become exercisable. Their issuance therefore has no effect on earnings per share.

Preferred Stock Accretion

ATHLONE INDUSTRIES, INC.

Statements of Changes in Common Stockholders' Equity

(In thousands, except share amounts)			
Years ended December 31	**1990**	**1989**	**1988**
Shares of Common Stock			
Beginning of year	5,522,602	5,280,602	5,196,630
Exercise of stock options	283,150	—	—
Issuance of common stock	199,400	242,000	106,000
Purchase and retirement of treasury shares	—	—	(22,028)
End of year	6,005,152	5,522,602	5,280,602
Common Stock, Par Value— End of Year	$ 600	$ 552	$ 528
Additional Paid-In Capital			
Beginning of year	$10,463	$ 6,014	$ 4,907
Exercise of stock options	2,750	—	—
Issuance of common stock	2,173	4,449	1,233
Purchase and retirement of treasury shares	—	—	(126)
End of year	$15,386	$10,463	$ 6,014
Valuation Allowance for Investments			
Beginning of year	$ (675)	$ (1,773)	$ (2,999)
Valuation allowance	(186)	1,098	1,226
End of year	$ (861)	$ (675)	$ (1,773)
Retained Earnings			
Beginning of year	$25,286	$17,110	$3,531
Net earnings	4,479	13,862	18,297
Dividends declared on common stock	(5,572)	(5,122)	(4,161)
Dividends declared on preferred stock	(516)	(516)	(516)
Accretion of Series A first preferred stock	(55)	(48)	(41)
End of year	$23,622	$25,286	$17,110

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Redeemable Preferred Stocks:

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, 1990. 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 $3.15 in 1991 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.

Recapitalization

GEORGIA GULF CORPORATION

Consolidated Statements of Changes in Stockholders' Equity

(In thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance, December 31, 1987	26,421,792	$ 673	$ 23,454	$ 125,034	$ (6,615)	$ 142,546
Net income	—	—	—	193,604	—	193,604
Cash dividends declared on common stock	—	—	—	(16,624)	—	(16,624)
Compensation related to stock options plans	—	—	1,436	—	—	1,436
Tax benefit realized from stock purchase plans	—	—	2,038	—	—	2,038
Common stock issued under stock purchase plans	16,060	1	278	—	—	279
Two-for-one stock split	—	674	(674)	—	—	—
Purchase of common stock	(1,915,306)	—	—	—	(67,196)	(67,196)
Balance, December 31, 1988	24,522,546	1,348	26,532	302,014	(73,811)	256,083
Net income	—	—	—	191,990	—	191,990
Cash dividends declared on common stock	—	—	—	(23,994)	—	(23,994)
Purchase of warrants	—	—	(219)	(42,906)	—	(43,125)
Compensation related to stock option plans	—	—	1,635	—	—	1,635
Tax benefit realized from stock purchase plans	—	—	4,004	—	—	4,004
Common stock issued upon exercise of warrants	1,150,000	57	107	—	—	164
Common stock issued under stock purchase plans	265,032	13	4,584	—	—	4,597
Purchase of common stock	(1,551,696)	—	—	—	(62,004)	(62,004)
Treasury stock reissued upon exercise of stock options	50,908	—	(657)	—	1,648	991
Balance, December 31, 1989	24,436,790	1,418	35,986	427,104	(134,167)	330,341
Net income	—	—	—	95,344	—	95,344
Purchase of common stock	(1,008)	—	—	—	(1)	(1)
Treasury stock reissued upon exercise of stock options	11,212	—	(155)	—	384	229
Net effect of Recapitalization	(24,446,994)	(1,418)	(34,735)	(949,618)	133,784	(851,987)
Common stock issued upon Recapitalization	33,605,654	336	—	—	—	336
Compensation related to stock option plans	—	—	1,256	—	—	1,256
Common stock issued upon exercise of stock options	1,980	—	6	—	—	6
Balance, December 31, 1990	33,607,634	$ 336	$ 2,358	$ (427,170)	$ —	$ (424,476)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Recapitalization

In April 1990, the Company's stockholders approved a Plan of Recapitalization (the "Recapitalization"). The Recapitalization became effective April 27, 1990.

On the effective date, each outstanding share of the Company's common stock, par value $.05 per share ("Old Share"), became the right to receive a new share of the Company's common stock, par value $.01 per share ("New Share"), $8.50 principal amount of the Company's Senior Subordinated Notes ("Note") and $30.00 cash. The one New Share, Note and cash is referred to as the Recapitalization Consideration ("Recapitalization Consideration"). In lieu of the Recapitalization Consideration, each stockholder could elect, subject to certain terms and limitations, to convert up to 30 percent of his or her Old Shares into New Shares on a 5.5 New Shares to 1 Old Share ratio ("Stock Election").

In accordance with the Recapitalization, vesting of all stock options and restricted common stock outstanding was accelerated. Holders of options to purchase Old Shares could elect to receive the Recapitalization Con-

sideration or convert each option into options for 5.5 New Shares. The exercise prices of the options not receiving the Recapitalization Consideration were adjusted to reflect the 5.5 to 1 conversion. Holders of previously restricted common stock could receive the Recapitalization Consideration or, for 30 percent of such shares, make the Stock Election as discussed above. As a result of accelerating the vesting of the restricted common stock, the Company realized a tax benefit of $13,077,000, which was recorded as an increase to additional paid-in capital (see Note 5).

The holders of a total of 2,022,840 Old Shares made the Stock Election and 55,880 options were exchanged for the Recapitalization Consideration, which resulted in an increase of 9,158,660 in the number of outstanding common shares. The number of common shares issued and outstanding was 33,605,654 after the Recapitalization.

In addition, all rights to purchase shares of the Company's Junior Participating Preferred Stock, $.01 par value, issued pursuant to the Rights Agreement dated as of November 20, 1986, as amended, were redeemed for $.01 per right. A new preferred share purchase rights plan was adopted by the Company subsequent to the Recapitalization, as discussed in Note 4.

Payment of the Recapitalization Consideration resulted in a net cash distribution to stockholders of $673,652,000 and a distribution of Notes with an aggregate face value of $191,081,000 (see Note 3). The cash portion of the Recapitalization Consideration was financed with a new senior debt facility permitting borrowings up to $667,000,000, syndicated through five major lending institutions (see Note 3). Borrowings of approximately $555,000,000, along with cash on hand and the proceeds from the sale of Freeman, were used to fund the Recapitalization.

Also, the Company capitalized $22,772,000 of financing costs in connection with the Recapitalization, as discussed in Note 1, and expensed $17,869,000 of other Recapitalization costs.

ADDITIONAL PAID-IN CAPITAL

PRESENTATION OF CHANGES IN ADDITIONAL PAID-IN CAPITAL

APB Opinion No. 12 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 eanings) 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.

TABLE 4-5: PRESENTATION OF CHANGES IN ADDITIONAL PAID-IN CAPITAL

	1990	1989	1988	1987
Statement of stockholders' equity	394	390	373	382
Statement of additional paid-in capital	7	11	16	14
Schedule in notes	81	81	95	101
No statement or schedule but changes disclosed	12	11	10	17
Balance unchanged during year	38	40	38	24
Subtotal	**532**	**533**	**532**	**538**
Additional paid-in capital account not presented	68	67	68	62
Total Companies	**600**	**600**	**600**	**600**

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.

TABLE 4-6: STOCK SPLITS

	1990	1989	1988	1987
Ratio				
Less than three-for-two	4	8	4	5
Three-for-two (50%) to two-for-one	8	15	13	23
Two-for-one (100%)	31	20	23	69
Greater than two-for-one	7	5	6	8
Total Companies	**50**	**48**	**46**	**105**
Account charged				
Additional paid-in capital	19	17	19	42
Retained earnings	14	16	14	30
No charge	17	15	13	33
Total Companies	**50**	**48**	**46**	**105**

CONAGRA, INC.

Consolidated Statements Of Stockholders' Equity (1988 and 1989 Transactions Omitted)

Columnar dollars in thousands

	Common Stock	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Treasury Stock	Unearned Restricted Stock	Total
Balance at May 28, 1989	$404,846	$ —	$560,681	$ 589	$ (16,576)	$ —	$ 949,540
641,706 shares issued in connection with employee stock option plans	—	—	(8,697)	—	15,290	—	6,593
697,869 shares issued in connection with incentive plans	—	1,726	—	—	14,363	(7,999)	8,090
1,160,983 shares issued in connection with acquisitions (Note 16)	4,745	(1,822)	895	—	17	—	3,835
Conversion of 259,408 shares of preferred stock into 1,198,740 shares of common stock	1,197	99	(19,061)	—	24,249	—	6,484
Purchase of 1,578,946 shares for treasury	—	—	—	—	(39,750)	—	(39,750)
Three-for-two stock split	203,474	—	(203,506)	—	—	—	(32)
Foreign currency translation adjustment	—	—	—	758	—	—	758
Cash dividends declared							
Preferred stock	—	—	(1,310)	—	—	—	(1,310)
Common stock, $.58 per share	—	—	(70,133)	—	—	—	(70,133)
Net income	—	—	231,710	—	—	—	231,710
Balance at May 27, 1990	$614,262	$ 3	$490,579	$1,347	$ (2,407)	$(7,999)	$1,095,785

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Capital Stock

On September 28, 1989, the Company's stockholders approved an amendment to the Certificate of Incorporation increasing the authorized common stock from 600,000,000 shares, $5 par value.

Effective December 1, 1989, the Company issued 40,694,791 shares of common stock, including 123,914 shares added to treasury stock, in connection with a three-for-two stock split. All references in the financial statements with regard to number of shares of common stock and related dividends and per share amounts have been restated to reflect the stock split.

MARK IV INDUSTRIES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Stockholders' Equity

On October 23, 1989, the Company's Board of Directors declared a three-for-two stock distribution payable on November 17, 1989, to stockholders of record on November 3, 1989. The distribution increased the Company's issued stock by approximately 5,500,000 shares. This distribution has been accounted for as if it had occurred on March 1, 1987 (the beginning of fiscal 1988), and the weighted average number of shares outstanding has been determined as if the shares issued pursuant to such distribution had been issued at that date. Also, common stock has been increased by $55,000 with an offsetting reduction to additional paid-in capital, to reflect the $.01 par value per share for each additional share issued. Net income per share for the fiscal years ended 1989 and 1988 has been restated to reflect this stock distribution. As a result of the stock distribution, the conversion price of the Company's 7% Convertible Subordinated Debentures due June 15, 2011, is $14.07 per share, and 4,088,000 shares have been reserved for such conversion.

GERBER PRODUCTS COMPANY

Consolidated Statements of Shareholders' Equity

	Common Stock	Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustments	Unearned Restricted Stock Compensation	Receivable From ESOP Trust	Cost of Common Stock in Treasury
				(Thousands of Dollars)			
Balances at April 1, 1987	$ 52,067	$3,155	$324,444	$(1,726)			$ (49,152)
Net earnings for the year			21,181				
Cash dividends, $.66 per share			(26,041)				
Issuance of 180,304 shares of treasury stock upon exercise of stock options		(2,282)					4,523
Foreign currency translation adjustments for the year				(270)			
Balances At March 31, 1988	52,067	873	319,584	(1,996)			(44,629)
Net earnings for the year			81,374				
Cash dividends, $.735 per share			(28,929)				
Repurchase of 1,621,626 shares for treasury							(50,209)
Issuance of 146,298 shares of treasury stock options		(873)	(570)				3,686
Foreign currency translation adjustments for the year				(8)			
Balances At March 31, 1989	52,067	0	371,459	(2,004)			(91,152)
Net earnings for the year			94,075				
Cash dividends, $.92 per share			(34,830)				
Issuance of shares in connection with 2 for 1 stock split—Note K	52,067		(52,067)				
Repurchase of 1,015,142 shares for treasury							(41,674)
Issuance of 460,273 shares of treasury stock to ESOP		6,750				$ (21,000)	14,250
ESOP loan repayment						700	
Issuance of 168,441 shares of treasury stock upon exercise of stock options		(466)	(869)				4,597
Issuance of 9,210 shares of treasury stock under restricted stock plan		106			$ (357)		251
Compensation under restricted stock plan					88		
Foreign currency translation adjustments for the year				(186)			
Balances At March 31, 1990	$104,134	$6,390	$377,768	$(2,190)	$ (269)	$ (20,300)	$ (113,728)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K (In Part): Shareholders' Equity

On July 26, 1989, the Company's Board of Directors declared a two for one stock split payable in the form of a 100 percent stock dividend which was distributed on September 11, 1989 to holders of record on August 14, 1989. The par value of the additional 20,826,861 shares of common stock issued in connection with the stock split was credited to common stock and a like amount charged to retained earnings. All share and per share data have been restated for all periods presented to reflect the stock split.

HARLEY-DAVIDSON, INC.

Consolidated Statements of Shareholders' Equity

(In thousands, except share amounts)

Years ended December 31, 1990, 1989 and 1988

	Common Stock		Additional paid-in capital	Retained earnings	Cumulative foreign currency translation adjustment	Treasury stock	Unearned compensation
	Issued shares	Balance					
Balance, January 1, 1988	7,430,000	$ 74	$ 41,741	$ 20,498	$ 730	$(130)	$ —
Net income	—	—	—	23,912	—	—	—
Net proceeds from common stock offering	1,725,000	18	35,161	—	—	—	—
Cumulative foreign currency translation adjustment	—	—	—	—	(356)	—	—
Balance, December 31, 1988	9,155,000	92	76,902	44,410	374	(130)	—
Net income	—	—	—	32,942	—	—	—
Restricted stock issuance	—	—	2,779	—	—	18	(1,274)
Cumulative foreign currency translation adjustment	—	—	—	—	134	—	—
Balance, December 31, 1989	9,155,000	92	79,681	77,352	508	(112)	(1,274)
Two-for-one common stock split	9,155,000	91	(91)	—	—	—	—
Net income	—	—	—	37,830	—	—	—
Redemption of preferred stock purchase rights	—	—	—	(89)	—	—	—
Restricted stock issuance and amortization of unearned compensation (net of cancellations)	—	—	7,453	—	—	(660)	(2,566)
Exercise of stock options	—	—	72	—	—	1	—
Cumulative foreign currency translation adjustment	—	—	—	—	487	—	—
Balance, December 31, 1990	18,310,000	$183	$ 87,115	$115,093	$ 995	$(771)	$(3,840)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Capital Stock

The Company has 25,000,000 authorized shares of $0.01 par value common stock.

On May 16, 1990 the Company's Board of Directors declared a two-for-one stock split effected in the form of a dividend to shareholders of record on June 1, 1990, payable on June 15, 1990. Stock options, and all other agreements payable in the Company's common stock, have been amended to reflect the split. An amount equal to the par value of the shares issued has been transferred from additional paid-in capital to the common stock account. All references to number of shares, except shares authorized, in the notes to the consolidated financial statements have been adjusted to reflect the stock split on a retroactive basis.

C. H. HEIST CORP.

Consolidated Statements of Stockholders' Equity

Years ended June 24, 1990, June 25, 1989 and June 26, 1988

	Common Stock	Additional paid-in capital	Retained earnings	Equity adjustment from foreign currency translation	Treasury stock		Total stockholders' Equity
					Shares	Amount	
Balance at June 28, 1987	$ 76,678	2,899,057	12,801,406	(375,101)	105,872	$ (784,493)	14,617,547
Net earnings	—	—	1,147,093	—	—	—	1,147,093
Foreign currency translation adjustment	—	—	—	460,477	—	—	460,477
Purchase of treasury shares	—	—	—	—	11,162	(92,701)	(92,701)
Balance at June 26, 1988	76,678	2,899,057	13,948,499	85,376	117,034	(877,194)	16,132,416
Net earnings	—	—	1,719,031	—	—	—	1,719,031
Foreign currency translation adjustment	—	—	—	95,926	—	—	95,926
10% stock dividend 153,307 shares	7,665	1,410,424	(1,418,533)	—	11,803	—	(444)
Purchase of treasury shares	—	—	—	—	8,210	(69,757)	(69,757)
Balance at June 25, 1989	84,343	4,309,481	14,248,997	181,302	137,047	(946,941)	17,877,172
Net earnings	—	—	2,639,351	—	—	—	2,639,351
Foreign currency translation adjustment	—	—	—	118,865	—	—	118,865
Purchase of treasury shares	—	—	—	—	244	(3,077)	(3,077)
Five-for-four stock split 421,715 shares	21,086	(21,086)	—	—	34,322	—	—
Balance at June 24, 1990	$105,429	4,288,395	16,888,348	300,167	171,613	$ (950,028)	20,632,311

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Stock Split and Stock Dividend

On August 27, 1990, the Board of Directors authorized a five-for-four stock split in the form of a 25 percent stock dividend. The stock dividend will be distributed on October 12, 1990 to holders of record on September 13, 1990. The restatement for this split at June 24, 1990 resulted in an additional 421,715 shares, 34,322 of which are treasury shares, being added to the shares issued. Fractional shares will be paid in cash based on the closing price on the record date adjusted for the stock split. All average number of shares outstanding and earnings per share amounts have been restated to give effect to the stock split.

On October 14, 1988, the Company distributed a 10% stock dividend which has been recorded on the basis of $9.25 per share, the fair market value at the declaration date. Per share data shown in the accompanying financial statements have been computed giving retroactive effect to the stock dividend. As a result of the stock dividend common stock in treasury was increased by 11,803 shares during fiscal 1989.

HON INDUSTRIES INC.

Consolidated Statements of Shareholders' Equity

For the Years	1990	1989	1988
		($000)	
Common Stock			
Balance, beginning of year	$ 17,049	$ 18,662	$ 18,988
Stock split effected in the form of a 100% stock dividend	16,503		
Purchase of shares	(1,251)	(1,875)	(361)
Shares issued under members' stock purchase plan and restricted stock award	84	33	35
Shares issued in business combination	—	229	—
Balance, end of year	$ 32,385	$ 17,049	$ 18,662
Paid-In Capital			
Balance, beginning of year	$ 212	$ 501	$ —
Purchase of common shares	(2,061)	(4,283)	(34)
Shares issued under members' stock purchase plan and restricted stock award	2,086	744	535
Shares issued in business combination	—	3,250	—
Balance, end of year	$ 237	$ 212	$ 501
Retained Earnings			
Balance, beginning of year	$110,942	$128,386	$107,400
Stock split effected in the form of a 100% stock dividend	(16,503)	—	—
Net income	43,178	27,463	35,295
Purchase of common shares	(28,696)	(36,609)	(6,353)
Cash dividends declared, common	(9,931)	(8,298)	(7,487)
Redemption of share purchase rights	—	—	(469)
Balance, end of year	$ 98,990	$110,942	$128,386
Shareholders' Equity			
Balance, end of year	$131,612	$128,203	$147,549

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholders' Equity and Earnings Per Share (In Part)

On July 2, 1990, the Company effected a split of its common stock in the form of a 100% stock dividend. All share and per share amounts have been adjusted to give retroactive effect to the increased number of common shares outstanding due to the stock split.

HONEYWELL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in Millions)

Note 17 (In Part): Capital Stock

	Common Stock	Additional Paid-In Capital	Treasury Stock
Balance January 1, 1988	$71.0	$648.8	$(358.4)
Purchase of treasury stock—448,758 shares			(31.5)
Issued for employee stock plans—1,052,470 treasury shares		(13.9)	75.3
3,882 shares cancelled			
Balance December 31, 1988	71.0	634.9	(314.6)
Purchase of treasury stock—4,378,500 shares			(360.7)
Issued for employee stock plans—1,265,274 treasury shares		(20.5)	100.3
15,144 shares cancelled			
Balance December 31, 1989	71.0	614.4	(575.0)
Purchase of treasury stock—5,621,500 shares			(506.8)
Issued for employee stock plans—1,179,018 treasury shares		(21.1)	89.6
65,902 shares cancelled	(0.1)		
Adjustment for two-for-one stock split—47,292,840 shares	70.9	(70.9)	
Balance December 31, 1990	$141.8	$522.4	$(992.2)

On November 13, 1990 the board of directors authorized a two-for-one stock split in the form of a stock dividend payable to stockholders of record November 30, 1990. All references in the financial statements to average numbers of shares outstanding and related prices, per share amounts and stock plan data have been restated to reflect the split.

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.

TABLE 4-7: CHANGES IN ADDITIONAL PAID-IN CAPITAL

	Number of Companies			
	1990	1989	1988	1987
Credits				
Common stock issued for:				
Employee benefits	366	382	376	366
Debt conversions/ extinguishments	32	38	40	60
Preferred stock conversions	20	28	30	34
Business combinations	28	28	28	33
Public offerings	19	21	22	63
Purchase or retirement of capital stock	8	7	11	8
Stock option tax benefits	51	51	43	45
Warrants issued or exercised	10	14	11	17
Other—Described	54	33	30	51
Charges				
Purchase or retirement of capital stock	113	108	104	92
Treasury stock issued for less than cost	73	63	64	61
Conversion of preferred stock	10	12	14	19
Other—Described	46	47	54	45

Common Stock Issued In Connection With Employee Benefit Plans

AMERADA HESS CORPORATION

Statement of Consolidated Changes in Common Stock and Capital in Excess of Par Value

	Common stock		Capital in
(thousands of dollars)	Number of shares	Amount	excess of par value
Balance at January 1, 1988	82,089,464	$ 82,089	$215,837
Employee stock options exercised	29,288	30	604
Distribution to trustee under executive incentive compensation and stock ownership plan (net)	120,000	120	3,221
Common stock acquired and retired	(260,200)	(260)	(686)
Balance at December 31, 1988	81,978,552	81,979	218,976
Employee stock options exercised	38,266	38	791
Distribution to trustee under executive incentive compensation and stock ownership plan (net)	13,000	13	422
Common stock acquired and retired	(1,225,358)	(1,226)	(3,280)
Balance at December 31, 1989	80,804,460	80,804	216,909
Employee stock options exercised	63,691	64	1,402
Distribution to trustee under executive incentive compensation and stock ownership plan (net)	283,500	283	13,548
Common stock acquired and retired	(132,600)	(132)	(360)
Balance at December 31, 1990	81,019,051	$ 81,019	$231,499

THE COCA-COLA COMPANY

Consolidated Statements of Shareholders' Equity
(Dollars in thousands except per share data)

Three Years Ended December 31, 1990	Preferred Stock	Common Stock	Paid-In Capital	Reinvested Earning	Unearned Restricted Stock	Foreign Currency Translation	Treasury Stock
Balance December 31, 1987		$415,977	$338,594	$3,783,625	$(37,414)	$ (4,247)	$(1,309,361)
Sales to employees exercising stock options		906	18,880	—	—	—	(1,459)
Tax benefit from employees' stock option and restricted stock plans		—	5,491	—	—	—	—
Translation adjustments (net of income taxes of $19)		—	—	—	—	(12,763)	—
Stock issued under restricted stock plan, less amortization of $7,884		512	21,424	—	(14,053)	—	—
Purchases of common stock for treasury		—	—	—	—	—	(758,202)
Preferred stock issued	$300,000	—	(4,125)	—	—	—	—
Net income	—	—	—	1,044,703	—	—	—
Dividends							
Preferred	—	—	—	(6,426)	—	—	—
Common (per share—$.60)	—	—	—	(436,760)	—	—	—
Balance December 31, 1988	300,000	417,395	380,264	4,385,142	(51,467)	(17,010)	(2,069,022)
Sales to employees exercising stock options	—	1,481	39,914	—	—	—	(3,804)
Tax benefit from employees' stock option and restricted stock plans	—	—	14,811	—	—	—	—
Translation adjustments (net of income taxes of $900)		—	—	—	—	9,804	—
Stock issued under restricted stock plan, less amortization of $7,944	—	34	2,335	—	5,575	—	—
Purchases of common stock for treasury	—	—	—	—	—	—	(1,163,137)
Net income	—	—	—	1,723,825	—	—	—
Dividends							
Preferred	—	—	—	(21,392)	—	—	—
Common (per share—$.68)	—	—	—	(469,263)	—	—	—
Balance December 31, 1989	300,000	418,910	437,324	5,618,312	(45,892)	(7,206)	(3,235,963)
Sales to employees exercising stock options	—	905	28,999	—	—	—	(2,762)
Tax benefit from employees' stock option and restricted stock plans	—	—	13,286	—	—	—	—
Translation adjustments (net of income taxes of $573)	—	—	—	—	—	11,237	—
Stock issued under restricted stock plans, less amortization of $11,655	—	429	33,094	—	(21,868)	—	—
Purchase of common stock for treasury		—	—	—	—	—	(303,905)
Redemption of preferred stock	(225,000)	—	—	—	—	—	—
Net income	—	—	—	1,381,904	—	—	—
Dividends							
Preferred	—	—	—	(18,158)	—	—	—
Common (per share—$.80)	—	—	—	(534,482)	—	—	—
Balance December 31, 1990	$ 75,000	$420,244	$512,703	$6,447,576	$(67,760)	$ 4,031	$(3,542,630)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Common Stock

On April 18, 1990, the Company's shareholders approved an increase in the authorized common stock of the Company from 700 million shares to 1.4 billion shares, a two-for-one stock split and a change in the par value of common stock from $1.00 per share to $.50 per share. Accordingly, all share data has been restated for periods prior to the stock split. Common shares outstanding and related changes for the three years ended December 31, 1990, are as follows (in thousands):

	1990	1989	1988
Stock outstanding at January 1,	674,030	709,578	744,713
Stock issued to employees exercising stock options	1,810	2,962	1,811
Stock issued under restricted stock plans	858	68	1,023
Purchases of common stock for treasury	(8,459)	(38,578)	(37,969)
Stock outstanding at December 31,	668,239	674,030	709,578

11 (In Part): Restricted Stock, Stock Options and Other Stock Plans

The Company sponsors restricted stock award plans, stock option plans, Incentive Unit Agreements and Performance Unit Agreements.

Under the amended 1989 Restricted Stock Award Plan and the amended 1983 Restricted Stock Award Plan (the Plans), 10,000,000 and 6,000,000 shares of restricted common stock, respectively, may be granted to certain officers and key employees of the Company. 858,000 shares, 68,000 shares and 1,023,000 shares were granted in 1990, 1989 and 1988, respectively. At December 31, 1990, 9,944,000 shares were available for grant under the Plans. Shares issued under the Plans are subject to transfer restrictions and may be forfeited if the participant leaves the Company for reasons other than retirement (as defined by the Plans), disability or death or if a change in control of the Company occurs. The participant is entitled to vote and receive dividends on the shares, and, under the 1983 Restricted Stock Award Plan, the participant is reimbursed by the Company for the personal income tax liability resulting from the stock award.

FOSTER WHEELER CORPORATION

Consolidated Statement of Changes in Shareholders' Equity

(In Thousands of Dollars, Except per Share Amounts)

	1990	1989	1988
COMMON STOCK			
Balance at beginning of year	$ 35,392	$ 35,302	$ 35,117
Sold under stock options (shares: 1990—103,735; 1989—89,858; 1988—184,416)	103	90	185
Balance at end of year	35,495	35,392	35,302
PAID-IN CAPITAL			
Balance at beginning of year	30,504	29,258	27,565
Excess of market value over value of stock issued under stock option plans	1,284	1,108	1,586
Excess of market value over cost of treasury stock issued under incentive plans	23	10	26
Tax benefits related to incentive plans and stock options	117	128	81
Balance at end of year	31,928	30,504	29,258
RETAINED EARNINGS			
Balance at beginning of year	405,416	387,314	374,267
Net earnings for the year	38,277	33,637	28,535
Cash dividends paid:			
Common (per share outstanding: 1990—$.485; 1989 and 1988—$.44)	(17,169)	(15,535)	(15,488)
Balance at end of year	426,524	405,416	387,314
ACCUMULATED TRANSLATION ADJUSTMENT			
Balance at beginning of year	(3,619)	(546)	12,112
Change in cumulative translation adjustments during the year	24,390	(3,073)	(11,126)
Amount transferred to income upon sale of subsidiary	—	—	(1,532)
Balance at end of year	20,771	(3,619)	(546)
TREASURY STOCK			
Balance at beginning of year	575	222	101
Common stock acquired for treasury: (shares: 1990—17,496; 1989—23,458; 1988—58,049)	425	422	742
Issued under incentive plans: (shares: 1990—2,992; 1989—4,816; 1988—46,294)	(48)	(69)	(621)
Balance at end of year	952	575	222
TOTAL STOCKHOLDERS' EQUITY	$513,766	$467,118	$451,106

MARTIN MARIETTA CORPORATION

Statement of Shareowners' Equity
for years ended December 31

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Total Shareholders' Equity (add 000)
Balance at January 1, 1988	$109,404	$ 697,009	$1,357,806	$ (1,256,487)	$ 907,732
Net earnings for 1988	—	—	358,875	—	358,875
Cash dividends declared on common stock ($1.10 a share)	—	—	(58,498)	—	(58,498)
Stock options exercised, net of stock tendered in payment (353,647 shares, of which 317,884 were from treasury)	—	4,741	—	5,237	9,978
Common stock purchased (439,400 shares, of which 3,300 were for treasury)	—	—	—	(17,475)	(17,475)
Reclassification pursuant to Maryland law	(56,584)	(357,893)	(854,248)	1,268,725	—
Balance at December 31, 1988	52,820	343,857	803,935	—	1,200,612
Net earnings for 1989	—	—	306,943	—	306,943
Cash dividends declared on common stock ($1.225 a share)	—	—	(64,630)	—	(64,630)
Stock awards and options exercised, net of stock tendered in payment (373,339 shares)	373	14,085	—	—	14,458
Common stock purchased (2,379,028 shares)	(2,379)	(100,044)	—	—	(102,423)
Balance at December 31, 1989	50,814	257,898	1,046,248	—	1,354,960
Net earnings for 1990	—	—	327,591	—	327,591
Cash dividends declared on common stock ($1.3875 a share)	—	—	(69,686)	—	(69,686)
Stock options exercised, net of stock tendered in payment (60,915 shares)	61	1,894	—	—	1,955
Other common stock issued (381,853 shares)	382	15,322	—	—	15,704
Common stock purchased (2,390,421 shares)	(2,391)	(87,170)	—	—	(89,561)
Balance at December 31, 1990	$ 48,866	$ 187,944	$1,304,153	$ —	$1,540,963

NOTES TO FINANCIAL STATEMENTS

Note G (In Part): Shareowners' Equity

The authorized capital structure of Martin Marietta Corporation includes 20,000,000 shares of Series Preferred Stock with par value of $1 a share, none of which is currently issued.

There is a remaining balance of 2,883,544 common shares as of December 31, 1990, under authorizations from the Board of Directors for repurchase of the Corporation's stock for employee stock option and award plans and for general corporate purposes.

Also, the Board of Directors has authorized the repurchase from time to time of 8,500, 000 shares for the Martin Marietta Performance Sharing Plan for Salaried Employees. As of December 31, 1990, a total of 910,443 shares had been purchased in the open market pursuant to these authorizations.

In 1990, the Corporation issued 381,853 shares of its common stock to the Martin Marietta Performance Sharing Plan for Salaried Employees. These shares constituted the Corporation's 1990 contribution in accordance with provisions set forth in the plan.

Common Stock Issued in Debt Conversion/Extinguishments

POTLACH CORPORATION

Statements of Stockholders' Equity

For the years ended December 31

(Dollars in thousands—except per-share amounts)	1990	1989	1988
PREFERRED STOCK			
Balance at beginning of year	$ —	$ 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
COMMON STOCK			
Balance at beginning of year	$ 32,686	$ 30,812	$ 30,812
Conversion of debentures into common stock	36	—	—
Conversion of preferred stock into common stock	—	1,874	—
Balance at end of year	$ 32,722	$ 32,686	$ 30,812
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	$121,503	$ 73,623	$ 73,847
Exercise of stock options	365	99	(224)
Conversion of debentures into common stock	1,591	—	—
Conversion of preferred stock into common stock	—	47,781	—
Balance at end of year	$123,459	$121,503	$ 73,623
RETAINED EARNINGS			
Balance at beginning of year	$757,022	$650,974	$567,900
Net earnings	98,612	136,715	112,364
Dividends:			
Common, $1.23 per share ($1.08 per share in 1989 and $.95 per share in 1988)	(35,581)	(30,643)	(25,540)
Preferred, Series B, $3.75 per share	—	(6)	(3,750)
Premium on redemption of preferred stock	—	(18)	—
Balance at end of year	$820,053	$757,022	$650,974
COMMON SHARES IN TREASURY			
Balance at beginning of year 3,827,269 shares (3,904,399 in 1989 and 3,958,769 in 1988)	$ 81,751	$ 83,368	$ 84,525
Exercise of stock options 76,745 shares (77,130 in 1989 and 54,370 in 1988)	(1,639)	(1,617)	(1,157)
Balance at end of year 3,750,524 shares (3,827,269 in 1989 and 3,904,399 in 1988)	$ 80,112	$ 81,751	$ 83,368

NOTES TO FINANCIAL STATEMENTS

6 (In Part): Debt

(Dollars in thousands)	1990	1989
Notes payable to insurance companies (11.125% in 1989)	$ —	$ 25,000
Revenue bonds fixed rate 5.8% to 9% due 1994 through 2013	144,123	144,115
Revenue bonds variable rate due 2007 through 2014	29,779	17,774
Credit sensitive debentures 9.125% due 2009	100,000	100,000
Sinking fund debentures 9.625% due 2016	100,000	100,000
Convertible debentures (5.75% in 1989)	—	75,000
Other notes	21,854	25,067
	395,756	486,956
Less current installments on long-term debt	3,864	28,445
Long-term debt	$391,892	$458,511

On May 25, 1990, the company called for redemption on June 26, 1990 of all of its outstanding $75.0 million principal amount of 5.75 percent convertible subordinated debentures for cash. As a result of the call, $73.4 million of debentures were redeemed at 104.025 percent of their principal amount plus accrued interest to June 26, 1990. Those debentures not redeemed were converted to 35,896 shares of common stock at $45.3125 per share.

CBI INDUSTRIES, INC.

Consolidated Statements of Common Shareholders' Investment

Thousands of dollars, years ended December 31,	1990	1989	1988
COMMON STOCK			
Balance at beginning of year	$ 54,813	$ 54,813	$ 54,752
Conversion of debentures for common shares	5,745	—	—
Conversion of Series B preferred shares for common shares	—	—	61
Balance at end of year	60,558	54,813	54,813
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	78,267	78,267	80,204
Conversion of debentures for common shares	73,526	—	—
Exchange of Series B preferred shares for debentures	—	—	(2,697)
Conversion of Series B preferred shares for common shares	—	—	760
Balance at end of year	151,793	78,267	78,267
RETAINED EARNINGS			
Balance at beginning of year	351,613	335,143	330,451
Net income to common shareholders	47,604	26,883	17,470
Dividends on common shares	(12,149)	(11,446)	(11,926)
Shares sold	—	—	(17)
Shares sold under stock plans	366	(162)	(606)
Restricted stock awards granted	433	—	(357)
Exchange of Series C preferred shares for common shares	129	(2)	—
Excess of market value over cost of allocated ESOP shares	2,206	1,217	128
Balance at end of year	390,202	351,613	335,143
UNAMORTIZED RESTRICTED STOCK AWARDS			
Balance at beginning of year	(5,918)	(8,571)	(6,436)
Restricted stock awards granted, net of forfeitures	(2,707)	457	(4,302)
Restricted stock awards amortization	2,217	2,196	2,167
Balance at end of year	(6,408)	(5,918)	(8,571)
UNALLOCATED ESOP SHARES			
Balance at beginning of year	(4,655)	(5,586)	(6,512)
Allocation of ESOP shares	931	931	926
Balance at end of year	(3,724)	(4,655)	(5,586)
UNAMORTIZED ESOP DEBT			
Balance at beginning of year	(22,236)	(22,762)	—
ESOP debt	—	—	(22,762)
Amortization of ESOP debt	686	526	—
Balance at end of year	(21,550)	(22,236)	(22,762)
COST OF REACQUIRED COMMON STOCK			
Balance at beginning of year	(74,322)	(74,872)	(2,968)
Conversion of debentures for common shares	2	52	—
Reacquired shares	(340)	(896)	(78,934)
Shares sold	—	—	194
Shares sold under stock plans	1,964	1,786	2,177
Exchange of Series C preferred shares for common shares	620	65	—
Restricted stock awards granted, net of forfeitures	2,274	(457)	4,659
Balance at end of year	(69,802)	(74,322)	(74,872)
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of year	(3,014)	786	(3,887)
Translation adjustment	(319)	(3,800)	4,673
Balance at end of year	(3,333)	(3,014)	786
COMMON SHAREHOLDERS' INVESTMENT	$497,736	$374,548	$357,218

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Thousands of dollars

Note 5 (In Part):

The components of long-term debt are:

	1990	1989	1988
Commercial paper and other similar borrowings with weighted average year-end interest rates of 8.8% in 1990, 9.0% in 1989 and 9.4% in 1988	$102,992	$141,865	$136,599
8.43% senior ESOP notes, maturing in 1991 through 2002	122,500	125,000	125,000
7% convertible subordinated debentures redeemed in 1990	—	85,368	85,430

....

The 7% convertible subordinated debentures were issued in the fourth quarter of 1988 in exchange for the 1,708,599 shares of previously outstanding $3.50 Convertible Exchangeable Preferred Stock, Series B, at a ratio of $50.00 of debentures for each share of Series B preferred stock. During the third quarter of 1990 the debentures were called for redemption; $7,229 were redeemed for cash and the remaining $78,139 of the debentures were converted, at the rate of 1.471 shares for each $50.00 of principal amount, into 2,298,063 shares of previously unissued common stock and 72 shares of treasury common stock.

Common Stock Issued in Preferred Stock Conversions

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, 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	—	3	—
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
Net income	—	—	—	15,056
Benefit of federal net operating loss carryforward	—	—	678	—
Cash dividends on preferred and preference stock	—	—	—	(233)
Issuances of Common Stock:				
Conversion of 3,032 shares of Series A Preferred Stock	16,857	4	41	—
Conversion of 2,313 shares of Series B Preferred Stock	10,292	2	21	—
Conversion of 782,291 shares of Class C Preference Stock	492,843	124	6,743	—
Exercise of stock options	84,784	21	734	—
Balances, February 28, 1990	18,056,630	$4,514	$160,411	$ 21,039

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Shareholders' Equity

On August 23, 1989, the Company called for redemption on September 22, 1989 all of its outstanding Class C Stock at a redemption price of $11 per share plus accrued dividends. The Company also called for redemption, on the same date, all of its privately held Class A Stock at a redemption price of $100 per share plus accrued dividends. Each share of Class C Stock was convertible prior to redemption into 0.63 shares of Common Stock, and each share of Class A Stock was convertible during this period into 5.56 shares of Common Stock.

All shares of the Company's Class A Stock and in excess of 98% of the Company's Class C Stock were converted into Common Stock prior to the redemption date. If such conversions had occurred on March 1, 1989, net income per share on both a primary and fully diluted basis for the year ended February 28, 1990 would not have been materially affected.

WITCO CORPORATION

Consolidated Statements of Shareholders' Equity

(thousands of dollars)

	Convertible Preferred Stock	Common Stock	Capital in Excess of Par Value	Equity Adjustments		Retained Earnings	Treasury Stock at Cost	Total
				Foreign Currency Translation	Pensions			
Balance at December 31, 1987	$14	$111,728	$ 741	$ 3,525		$397,607		$513,615
Net Income						91,910		91,910
Cash Dividends Declared:								
Preferred stock						(35)		(35)
Common stock						(32,336)		(32,336)
Conversion	(2)	146	107			(67)		184
Common Stock Issued:								
Employee plans		66	96					162
Prior year acquisition		90	125					215
Equity Adjustments				618				618
Sale of Foreign Affiliates				4,008				4,008
Balance at December 31, 1988	12	112,030	1,069	8,151	$ —	457,079		578,341
Net Income						35,009		35,009
Cash Dividends Declared:								
Preferred stock						(31)		(31)
Common stock						(37,432)		(37,432)
Conversions		79	89			(25)		143
Common Stock Issued:								
Employee plans		222	401					623
Prior year acquisition		306	423					729
Equity Adjustments				(1,851)	(3,949)			(5,800)
Balance at December 31, 1989	12	112,637	1,982	6,300	(3,949)	454,600	$ —	571,582
Net Income						67,954		67,954
Cash Dividends Declared:								
Preferred stock						(28)		(28)
Common stock						(37,914)		(37,914)
Conversions	(2)	33	4			(200)	202	37
Equity Adjustments				14,123	(1,621)			12,502
Purchases of Treasury Stock							(26,661)	(26,661)
Balance at December 31, 1990	$10	$112,670	$1,986	$20,423	$(5,570)	$484,412	$(26,459)	$587,472

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Shareholders' Equity

Common and preferred stock transactions were as follows:

(thousands of shares)	1990	1989	1988
Convertible Preferred Stock			
Outstanding at beginning of year	12	12	14
Conversions	(2)	—	(2)
Outstanding at End of Year	10	12	12
Common Stock			
Issued at beginning of year	22,527	22,406	22,346
Conversions	7	16	29
Issued under employee plans	—	44	13
Issued in connection with a prior year acquisition	—	61	18
Issued at End of Year	22,534	22,527	22,406
Treasury Stock			
Purchased by the Company	888	—	—
Conversions	(6)	—	—
In Treasury at End of Year	882	—	—

In February 1990, the Board of Directors authorized the purchase of up to $100 million of its common stock and/or 5½% convertible debentures. This repurchase program was suspended in the fourth quarter.

Public Offering Of Stock

CHIQUITA BRANDS INTERNATIONAL, INC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Shareholders' Equity

At December 31, 1990, there were 100,000,000 authorized shares of capital stock. Of the shares authorized but unissued at December 31, 1990, approximately 8,000,000 shares were reserved for the exercise of stock options, warrants and shares issuable under certain of the Company's employee benefit plans.

At December 31, 1990, the authorized number of shares of $3.00 Cumulative Preferred Stock, $1.20 Series A Cumulative Preference Stock and $3.20 Series B Cumulative Preference Stock was 46,028, 2,568,096 and 75,813, respectively. The Board of Directors also had the authority to fix the terms of 1,356,091 additional shares of authorized but unissued series Cumulative Preference Stock and 10,000,000 shares of Non-Voting Cumulative Preferred Stock.

Changes in capital stock and paid-in capital were as follows:

	Capital Stock		Paid-In Capital
(Dollars in thousands)	Shares	Par Value	
Balance at December 31, 1987	43,200,027	$14,400	$214,021
Exchange of subordinated debt for capital stock	(5,250,000)	(1,750)	(77,254)
Stock option transactions	347,400	117	2,844
Warrants issued	—	—	2,050
Shares sold to a Company pension plan	300,000	100	3,800
Other shares issued	14,885	5	246
Balance at December 31, 1988	38,612,312	12,872	145,707
Stock option transactions	189,207	64	1,932
Other shares issued	53,255	18	872
Balance at December 31, 1989	38,854,774	12,954	148,511
Conversion of subordinated debt for capital stock	1,743,894	581	26,798
Repurchases of capital stock	(2,202,959)	(735)	(8,881)
Stock option transactions	667,488	222	9,238
Shares sold to public, net of offering costs	5,260,800	1,753	130,868
Other shares issued	895,315	298	17,106
Balance at December 31, 1990	45,219,312	$15,073	$323,640

In April 1990, the Company repurchased 2,000,000 shares of its capital stock from an AFC affiliate for $38.2 million in cash ($19.075 per share). The price paid was equal to the net amount per share received by the affiliate from the sale of the remaining 5,183,468 shares it owned. These remaining shares, along with 1,925,000 shares issued by the Company, were sold to the public in May 1990. In December 1990, an additional 3,335,800 shares were sold in a public offering at $30.63 per share.

In June 1990, the Company issued 1,743,894 shares of its capital stock in connection with the conversion of the Company's 5½% convertible subordinated debentures (see Note 8). Also in 1990, in connection with an acquisition, the Company issued 807,692 shares of its capital stock at $19.50 per share.

In March 1988, the Company purchased 5,250,000 shares of its outstanding capital stock from an AFC affiliate in exchange for subordinated debentures with a fair value of $77.5 million plus accrued interest (see Note 8).

In connection with a 1988 acquisition, the Company issued warrants to purchase 675,000 shares of its capital stock at $17.33 per share, exercisable through 1995.

Certain of the Company's debt instruments contain restrictions on the payment of cash dividends. At December 31, 1990, approximately $280 million was available for dividend payments.

CINCINNATI MILACRON INC.

Consolidated Statement of Changes in Shareholders' Equity

Fiscal year ends on Saturday closest to December 31

(in thousands, except share amounts)	4% Cumulative Preferred Shares	Common Shares $1 Par Value	Capital in Excess of Par Value	Reinvested Earnings	Cumulative Foreign Currency Translation Adjustments	Total Shareholders' Equity
Balance at year-end 1987	$6,000	$24,116	$ 87,865	$ 92,932	$ 3,982	$214,895
Stock options exercised and restricted stock awarded for 87,793 common shares		88	1,147			1,235
Purchase of 1,645 common shares		(2)	(44)			(46)
Net earnings for the year				37,089		37,089
Cash dividends						
Preferred shares ($4.00 per share)				(240)		(240)
Common shares ($.72 per share)				(17,405)		(17,405)
Foreign currency translation adjustments					(8,237)	(8,237)
Balance at year-end 1988	6,000	24,202	88,968	112,376	(4,255)	227,291
Stock options exercised and restricted stock awarded for 124,991 common shares		125	1,392			1,517
Net earnings for the year				17,368		17,368
Cash dividends						
Preferred shares ($4.00 per share)				(240)		(240)
Common shares ($.72 per share)				(17,512)		(17,512)
Foreign currency translation adjustments					(1,845)	(1,845)
Balance at year-end 1989	6,000	24,327	90,360	111,992	(6,100)	226,579
Issuance of 3,000,000 common shares in public offering		3,000	48,248			51,248
Stock options exercised and restricted stock awarded for 29,305 common shares		29	1,237			1,266
Purchase of 53,430 common shares		(53)	(415)			(468)
Net loss for the year				(24,288)		(24,288)
Cash dividends						
Preferred shares ($4.00 per share)				(240)		(240)
Common shares ($.72 per share)				(18,622)		(18,622)
Foreign currency translation adjustments					12,195	12,195
Balance at year-end 1990	$6,000	$27,303	$139,430	$ 68,842	$ 6,095	$247,670

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholders' Equity (In Part):

The company has authorized ten million serial preference shares with $1 par value. None of these shares has been issued.

Holders of company common stock have one vote per share until they have held their shares for at least 36 consecutive months, after which they are entitled to ten votes per share.

In June, 1990, the company issued an additional three million common shares through a public offering, resulting in net proceeds of approximately $51.2 million.

Income Tax Benefit From Issuance Of Stock To Employees

MARSHALL INDUSTRIES

Statements Of Shareholders' Investment

For the Years Ended May 31, 1988, 1989 and 1990

	Common Stock		Additonal Paid-in Capital	Retained Earnings
	Shares	Amount		
Balance, May 31, 1987	7,285,282	$7,469,000	$29,164,000	$24,292,000
Public stock offering	1,725,000	1,725,000	30,866,000	—
Compensation expense related to nonqualified stock options (Note 5)	—	—	421,000	—
Exercise of stock options	97,400	97,000	168,000	—
Tax benefit from stock options exercised	—	—	128,000	—
Net income	—	—	—	17,649,000
Balance, May 31, 1988	9,107,682	9,291,000	60,747,000	41,941,000
Compensation expense related to nonqualified stock options (Note 5)	—	—	283,000	—
Exercise of stock options	117,950	118,000	429,000	—
Tax benefit from stock options exercised	—	—	396,000	—
Net income	—	—	—	21,403,000
Balance, May 31, 1989	9,225,632	9,409,000	61,855,000	63,344,000
Compensation expense related to nonqualified stock options (Note 5)	—	—	220,000	—
Exercise of stock options	60,300	60,000	367,000	—
Tax benefit from stock options exercised	—	—	180,000	—
Stock repurchases	(845,000)	(845,000)	(5,675,000)	(8,466,000)
Net income	—	—	—	20,092,000
Balance, May 31, 1990	8,440,932	$8,624,000	$56,947,000	$74,970,000

NOTES TO FINANCIAL STATEMENTS

5. Stock Options

The Company has four stock option plans which provide for the granting of incentive and nonqualified stock options covering 1,000,000 shares of common stock. Nonqualified stock options may have an exercise price which is less than market value at the date of grant; incentive stock options must have an exercise price equal to market value at the date of grant. There were 79,000 options granted in both fiscal 1989 and 1990, at exercise prices ranging from $13.00 to $16.20 per share. No options were granted in fiscal 1988. At May 31, 1989 and 1990, 156,450 and 83,700 shares, respectively, were available for additional grants.

The following is a summary of changes in outstanding options for the Company's Stock Option Plans for the year ended May 31, 1990:

	Under Option	Option Price
Options outstanding at May 31, 1989	176,050	$ .50–$14.30
Options granted	79,000	15.20– 16.20
Options exercised	(60,300)	.50– 14.30
Options expired or cancelled	(9,750)	7.00– 14.30
Options outstanding at May 31, 1990	185,000	$ .50–$16.20
Options exercisable	44,750	$ .50–$14.30

The difference between the quoted market value of the shares at date of grant and the option price for grants made under the non-qualified plans is charged to income as compensation expense over the vesting periods of the related options. Most options granted are exercisable over a period of five to six years. During 1988, 1989 and 1990, $421,000, $283,000 and $220,000, respectively, were charged to income and credited to additional paid-in capital under these plans. The income tax effect of any difference between the market price at the grant date and the market price at the exercise date is credited to additional paid-in capital as the options are exercised.

TOYS "R" US, INC.

Consolidated Statements Of Stockholders' Equity
(Common stock columns omitted)

(In thousands)	Additional paid-in capital	Retained earning	Foreign currency translation adjustments	Receivable from exercise of stock options	Total
Balance, January 31, 1988	$252,493	$ 854,421	$23,586	$(2,303)	$1,135,321
Net earning for the year	—	268,024	—	—	268,024
Share repurchase program	—	—	—	—	(36,550)
Exercise of stock options	15,593	—	—	—	14,776
Tax benefit from exercise of stock options	37,653	—	—	—	37,653
Foreign currency translation adjustments	—	—	4,463	.—	4,463
Balance, January 29, 1989	305,739	1,122,445	28,049	(2,303)	1,423,687
Net earnings for the year	—	321,080	—	—	321,080
Three-for-two stock split effected in the form of a 50% stock dividend paid May 26, 1989	—	(6,670)	—	—	(75)
Share repurchase program	—	—	—	—	(54,168)
Exercise of stock options	12,155	—	—	—	12,795
Tax benefit from exercise of stock options	6,722	—	—	—	6,722
Repayment of stock option loans	—	—	—	344	344
Foreign currency translation adjustments	—	—	(5,039)	—	(5,039)
Balance, January 28, 1990	324,616	1,436,855	23,010	(1,959)	1,705,346
Net earnings for the year	—	325,988	—	—	325,988
Three-for-two stock split effected in the form of a 50% stock dividend paid June 29, 1990	—	(10,043)	—	—	(111)
Share repurchase program	—	—	—	—	(32,692)
Exercise of stock options	17,597	—	—	—	17,987
Tax benefit from exercise of stock options	11,711	—	—	—	11,711
Repayment of stock option loans	—	—	—	646	646
Foreign currency translation adjustments	—	—	17,418	—	17,418
Balance, February 2, 1991	$353,924	$1,752,800	$40,428	$(1,313)	$2,046,293

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Options (In Part):

The exercise of non-qualified stock options results in state and federal income tax benefits to the Company equal to the difference between the market price at the date of exercise and the option price. During 1990, 1989 and 1988, $11,711,000, $6,722,000, and $37,653,000, respectively, was credited to additional paid-in capital.

Purchase Method Acquisitions

GTI CORPORATION

Consolidated Statements Of Stockholders' Investment

For the years ended December 31, 1990, 1989, 1988:	First Series Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Cumulative Translation Adjustments
			(thousands of dollars)			
Balance, December 31, 1987	$ —	$226	$17,045	$(1,329)	$ —	$1,002
Net income	—	—	—	1,864	—	—
Issuance of 8,110 shares of preferred stock, first series, in exchange for remaining 80% of common stock in affiliate and reaquisition of 650,000 shares of stock held by affiliate	8,110	—	—	—	(2,703)	—
Issuance of 10,000 shares of common stock under stock option plan	—	—	20	—	—	—
Preferred stock dividend	—	—	—	(166)	—	—
Translation adjustment	—	—	—	—	—	(279)
Balance, December 31, 1988	8,110	226	17,065	369	(2,703)	723
Net income	—	—	—	1,969	—	—
Issuance of 9,000 shares of common stock under stock option plan	—	—	22	—	—	—
Preferred stock dividend	—	—	—	(283)	—	—
Translation adjustment	—	—	—	—	—	85
Balance, December 31, 1989	8,110	226	17,087	2,055	(2,703)	808
Net income	—	—	—	2,332	—	—
Sale of 2,500,000 shares of common stock in connection with the acquisition of 90.8% of common stock of Valor Electronics, Inc. (Note 2)	—	100	7,400	—	—	—
Preferred stock dividend	—	—	—	(284)	—	—
Translation adjustment	—	—	—	—	—	326
Balance, December 31, 1990	$ 8,110	$326	$24,487	$ 4,103	$(2,703)	$1,134

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions:

On June 29, 1990, the Company entered into a stock purchase agreement to acquire approximately 90.8% of the outstanding capital stock of Valor for $18,457,272, consisting of $16,625,272 in cash and a promissory note for $1,832,000. Additionally, the Company incurred approximately $612,000 of other direct acquisition costs. The $16,625,272 was financed by using on-hand cash of $4,625,272, obtaining a seven year term loan of $4,500,000 and selling 2,500,000 shares of Common Stock to the Company's majority stockholder for $7,500,000.

In connection with this transaction the Company and the minority shareholders of Valor entered into an agreement which provides for the contingent purchase of the remaining 9.2% of the outstanding capital stock of Valor. The price at which the minority shares could be purchased will be based upon a predetermined formula, as defined in the agreement. In management's opinion, it is not presently possible to assess the probability of whether the minority shares will be purchased, nor is it possible to estimate the price at which such shares might be purchased.

Unaudited pro-forma data giving effect to the purchase as if Valor had been acquired at the beginning of 1989 are shown below (in thousands, except per share amounts).

	1990	1989
Net revenues	$ 65,563	$ 57,097
Net income	2,618	1,994
Net income per share	.28	.21

SEAGATE TECHNOLOGY

Consolidated Statements Of Shareholders' Equity

For the years ended June 30, 1990, 1989, and 1988, in thousands except share data	Common Stock		Additional Paid-In Capital	Notes Receivable and Deferred Compensation	Currency Translation	Retained Earnings	Total
	Shares	Amount					
Balance at July 1, 1987	48,102,969	$481	$ 117,766	$ (7)		$235,724	$353,964
Sale of stock	988,397	10	4,700				4,710
Acquisition of stock under repurchase agreements	(813)		(2)				(2)
Payments on notes receivable				7			7
Income tax benefit from stock options exercised			359				359
Net income						77,317	77,317
Balance at June 30, 1988	49,090,553	491	122,823	—		313,041	436,355
Sale of stock	919,926	9	6,279				6,288
Income tax benefit from stock options exercised			188				188
Foreign currency translation adjustment					$ (703)		(703)
Net income						349	349
Balance at June 30, 1989	50,010,479	500	129,290	—	(703)	313,390	442,477
Sale of stock	1,271,732	13	9,323				9,336
Deferred compensation, net of amortization	1,500,000	15	18,345	(18,360)			—
Income tax benefit from stock options exercised			2,909				2,909
Foreign currency translation adjustments					1,016		1,016
Acquisition of Imprimis	10,700,000	107	102,212				102,319
Net income						117,241	117,241
Balance at June 30, 1990	63,482,211	$635	$ 262,079	$(18,360)	$ 313	$430,631	$675,298

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisition

On October 2, 1989 the Company completed the acquistions of Imprimis Technology Incorporated, a manufacturer of rigid disc drives for computers, from Control Data Corporation. The Company acquired substantially all of the business, assets and liabilities of Imprimis for consideration consisting of $250,000,000 in cash, a $50,000,000 promissory note of the Company and 10,700,000 unregistered shares of the Company's common stock. The cash and the promissory note are both subject to subsequent adjustment. The shares were valued at approximately $102,000,000 which represents a discount from fair market value to reflect certain restrictions on the common stock. The acquisition has been accounted for as a purchase and, accordingly the results of operations of Imprimis have been included in the consolidated financial statements from the date of acquisition.

The following pro forma financial information assumes the acquisition occurred at the beginning of each of the years presented:

In thousands except per share data	1990	1989
	(Unaudited)	
Net Sales	$2,679,000	$2,462,000
Net Income	108,000	3,000
Net Income Per Share	1.69	0.06

Warrants Exercised

INTEL CORPORATION

Consolidated Statements Of Stockholders' Equity

Three Years Ended December 29, 1990	Common Stock		Capital in excess		
	Number of shares	Amount	of par value	Retained Earnings	Total
(In thousands)					
Balance at December 26, 1987	168,332	$169	$ 736,772	$ 539,484	$1,276,425
Proceeds from sales of shares through employee stock plans, tax benefit of $37,512 and other	3,254	3	82,091	—	82,094
Proceeds from exercise of warrants, net	8,954	9	268,604	—	268,613
Net Income	—	—	—	452,922	452,922
Balance at December 31, 1988	180,540	181	1,087,467	992,406	2,080,054
Proceeds from sales of shares through employee stock plans, tax benefit of $14,928 and other	3,976	4	77,724	—	77,728
Net income	—	—	—	391,021	391,021
Balance at December 30, 1989	184,516	185	1,165,191	1,383,467	2,548,803
Proceeds from sales of shares through employee stock plans, tax benefit of $21,724 and other	4,243	4	101,388	—	101,392
Proceeds from exercise of warrants, net	14,103	14	393,412	—	393,426
Repurchase and retirement of common stock	(3,211)	(3)	(87,436)	(14,937)	(102,376)
Net income	—	—	—	650,261	650,261
Balance at December 29, 1990	199,651	$200	$1,572,555	$2,018,751	$3,591,506

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock (In Part):

Warrants

On May 20, 1985, the Company issued $236.5 million aggregate principal amount of zero-coupon notes (see Borrowings) with detachable warrants. The warrants entitled the holders to purchase 8.9 million shares of Common Stock at a price of $26.67 per share through May 15, 1995. In March 1990, the Company announced the acceleration of the expiration date to April 24, 1990, as permitted under the terms of the Warrant Agreement. Subsequently, in April 1990, 8.9 million shares of Common Stock were issued for net proceeds of $236.0 million.

On April 1, 1987, the Company issued warrants that entitled the holders to purchase 5.25 million shares of Common Stock at a price of $30 per share through March 15, 1992. In June 1990, the Company announced the acceleration of the expiration date to July 25, 1990, as permitted under the terms of the Warrant Agreement. Accordingly, net proceeds of $157.4 million were received and 5.2 million shares of Common Stock were issued in July 1990.

Treasury Stock Transactions

CHAMPION ENTERPRISES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9—Shareholders' Equity

Changes in common stock and capital in excess of par value during fiscal 1990, 1989 and 1988 follow:

	Common Stock		Capital in Excess of Par Value
	Shares	Amount	
Balance February 27, 1987	36,178,871	$ 36,178,871	$ 2,289,582
Contribution to profit sharing and savings plan	135,850	135,850	88,590
Stock incentive plan	10,000	10,000	5,000
Corporate reorganization	(29,116,472)	(28,116,472)	28,336,365
Activity subsequent to reorganization:			
Contribution to profit sharing and savings plan	23,883	23,883	99,045
Acquisition	13,222	13,222	86,769
Balance February 26, 1988	7,245,354	30,905,351	
Corporate reorganization	74	74	20570
Stock incentive plan	2,000	2,000	5,500
Contribution to profit sharing and savings plan	35,873	35,873	104,683
Balance March 3, 1989	7,283,301	7,283,301	31,036,104
Cancellation of treasury stock	(117,800)	(117,800)	(296,760)
Corporate reorganization	33	33	214
Stock incentive plan	2,000	2,000	5,750
Purchase of common stock	(599,000)	(599,000)	(1,208,820)
Contribution to profit sharing and savings plan	18,385	18,385	46,504
Balance March 2, 1990	6,586,919	$ 6,586,919	$29,587,992

On June 27, 1987, Champion Home Builders Co. (Builders) and its subsidiaries were reorganized into a holding company structure as subsidiaries of a new holding company, Champion Enterprises, Inc. (Enterprises). Enterprises and its subsidiaries now conduct all of the operations formerly conducted by Builders and its subsidiaries. The shares of Builders common stock outstanding on such date were generally converted into shares of Enterprises common stock on a one-for-five basis.

During fiscal 1990, the State of Michigan amended the Business Corporation Act which provides that stock that is reacquired automatically reverts to the status of authorized, but unissued shares. Accordingly, the cost of treasury stock has been reported as a reduction of common stock and capital in excess of par value.

During fiscal 1988, the Company began a share repurchase program. On December 14, 1989, the Company purchased 592,000 shares of its common stock in a privately-negotiated transaction. As of March 2, 1990, the Company had repurchased 716,800 shares at a cost of $2,217,380.

As of March 2, 1990, there were 300,000 shares of unissued common stock reserved for issuance under the Stock Option Plan, 107,708 shares reserved for issuance in connection with the Profit Sharing and Savings Plan and 24,000 shares reserved for issuance under the Stock Incentive Plan. (See Notes 7 and 8.) Warrants to purchase 50,000 shares of common stock at $9.05 per share were issued in connection with an acquisition in 1987 and are exercisable on or before December 23, 1990.

Additionally, there are 5,000,000 shares of preferred stock without par value authorized, which are subject to approval of issuance by the Board of Directors. The Board of Directors also has authority to fix the number, rights, preferences and the limitations of the shares of each series, subject to applicable laws and the provisions of the Articles of Incorporation. As of March 2, 1990, no preferred stock had been issued.

Redemption of Exchangeable Preferred Stock

BAKER HUGHES INCORPORATED

Consolidated Statements of Stockholders' Equity

For the three years ended September 30, 1990 *(In thousands of dollars)*	$3.50 Convertible Exchangeable Preferred Stock ($1 Par Value)	Common Stock ($1 Par Value)	Capital in Excess of Par Value	Related Earnings (Deficit)	Cumulative Foreign Currency Translation Adjustment	Total
Balance, September 30, 1987	$2,000	$117,490	$ 883,941	$ (13,226)	$(74,685)	$ 915,520
Net income				103,247		103,247
Cash and accrued dividends on $3.50 convertible exchangeable preferred stock ($3.50 per share)				(7,000)		(7,000)
Cash dividends on common stock ($.46 per share)				(54,260)		(54,260)
Foreign currency translation adjustment					(8,765)	(8,765)
Stock issued pursuant to employee stock plans		777	8,569			9,346
Other		152	3,248			3,400
Balance, September 30, 1988	2,000	118,419	895,758	26,761	(83,450)	961,488
Net income				85,023		85,023
Cash and accrued dividends on $3.50 convertible exchangeable preferred stock ($3.50 per share)				(7,000)		(7,000)
Cash dividends on common stock ($.46 per share)				(54,784)		(54,784)
Foreign currency translation adjustment					(5,648)	(5,648)
Stock issued pursuant to employee stock plans		1,857	20,544			22,401
Other	(1)	159	1,742			1,900
Balance, September 30, 1989	1,999	120,435	918,044	52,000	(89,098)	1,003,380
Net income				142,177		142,177
Cash and accrued dividends on $3.50 convertible exchangeable preferred stock ($3.12 per share)				(6,245)		(6,245)
Cash dividends on common stock ($.46 per share)				(58,375)		(58,375)
Foreign currency translation adjustment					5,712	5,712
Stock issued pursuant to employee stock plans		2,486	30,385			32,871
Redemption of $3.50 convertible exchangeable preferred stock	(1,999)	3,920	(1,921)			
Issuance of common stock warrants			36,800			36,800
Issuance of common stock		10,350	254,036			264,386
Other		266	3,313			3,579
Balance, September 30, 1990	$	$137,457	$1,240,657	$ 129,557	$(83,386)	$1,424,285

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. $3.50 Convertible Exchangeable Preferred Stock:

In June 1987, the Company issued 2,000,000 shares of $3.50 convertible exchangeable preferred stock ($1 par value per

share and $50 liquidation preference per share). The preferred stock was convertible at the option of the holder at any time into the Company's common stock at a conversion price of $25.50 per share (equivalent to a conversion rate of 1.96 shares of common stock for each share of preferred stock), subject to adjustment in certain events. On August 31, 1990, the Company exercised its option and redeemed all of the convertible exchangeable preferred stock in exchange for 3,920,000 shares of the Company's common stock.

Change In Ownership Interest

FMC CORPORATION

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock, $0.10 par value	Capital in excess of par	Retained earnings (deficit)	Foreign currency translation	Investment valuation allowance	Treasury stock
Balance December 31, 1987	$3,391	$ 6,324	$(338,196)	$(14,562)	—	$ (157)
Net income			129,233			
Deferred performance awards	14	7,092				
Stock options exercised	22	2,912				(225)
Allowance for excess of investment cost over market value					$(13,838)	
Translation adjustment				(5,657)		
Balance December 31, 1988	3,427	16,328	(208,963)	(20,219)	(13,838)	(382)
Net income			136,393			
Stock options exercised	24	3,655				(110)
Reversal of allowance for excess of investment cost over market value					13,838	
Translation adjustment				(786)		
Balance December 31, 1989	3,451	19,983	(72,570)	(21,005)	—	(492)
Net income			155,288			
Incentive awards and stock options exercised	51	9,450				
Change in investment in FMC Gold Company due to issue of FMC Gold Company stock (Note 2)		17,170				
Purchase of treasury shares						(6,742)
Translation adjustment				44,988		
Balance December 31, 1990	$3,502	$46,603	$ 82,718	$ 23,983	—	$(7,234)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions and divestitures

In May 1990, FMC Gold Company, a subsidiary of the company, acquired all of the stock of Meridian Gold Company from a subsidiary of Burlington Resources, Inc., for 8 million shares of authorized but previously unissued FMC Gold Company common stock. The acquisition was accounted for under the purchase method of accounting, and the acquired net assets have been recorded at $56.7 million based on the estimated market value of the shares issued. As a result of the stock issuance, the company's ownership interest in FMC Gold Company was reduced to 79 percent from 89 percent. The principal assets of Meridian Gold Company include the Beartrack development property in Idaho, the Royal Mountain King surface mine and mill in California and various exploration properties in the western United States. The results of operations of the acquired properties are included in the consolidated financial statements of FMC Corporation effective after the acquisition date of May 15, 1990. The acquisition will not significantly affect the consolidated results of operations of the company. On February 1, 1991, FMC Gold Company entered into a tentative agreement to sell the Royal Mountain King operating mine to American Gold Resources contingent upon certain operating and financial conditions. The sale price would be equal to the book basis in this property. The sale is scheduled to be finalized on March 15, 1991.

Revaluation Of Warrants

INSILCO CORPORATION

Consolidated Statements of Shareholders' Equity (Deficit)

Years Ended December 31, 1990 and 1989
(In thousands)

	Capital Stock	Additional Paid-in Capital	Accumulated Deficit	Notes Receivable
Balance at December 31, 1988	$ 6	114,994	(29,187)	—
Net loss	—	—	(43,373)	—
Issuance of capital stock	—	4,044	—	(1,997)
Balance at December 31, 1989	6	119,038	(72,560)	(1,997)
Net loss	—	—	(493,964)	—
Shares returned and cancelled	—	(2,061)	—	1,877
Revaluation of warrants	—	33,600	—	—
Balance at December 31, 1990	$ 6	150,577	(566,524)	(120)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Warrants

1,750,000 Warrants were sold for $20.00 each in January 1989 resulting in net proceeds, after underwriter fees, of $33,600,000. Each Warrant became fully exercisable following the Petition Date and entitles the holder thereof to receive one tenth of a share of Class B common stock of the Company for no additional consideration. All outstanding unexercised Warrants will expire on July 15, 1996.

The Company is contractually obligated to offer to repurchase the Warrants for cash, based upon a value determined by an independent financial expert, as defined, within ninety days after January 15, 1994, if certain events do not occur, provided that such repurchase offer need not be made if not permitted by applicable law or any of the Company's loan agreements, indentures or other contracts. At December 31, 1990 the Company determined that the value used to determine the Company's potential obligation to repurchase the Warrants would be negligible. Accordingly, the carrying value totaling $33,600,000 was credited to additional paid-in capital.

Resolution Of Bankruptcy

SMITHFIELD FOODS, INC.

Consolidated Statements of Stockholders' Equity

(Dollars in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance, May 3, 1987, as previously reported	$3,804	$15,925	$25,790	$(11,222)
Retroactive change in accounting principle	—	—	2,758	—
Balance, May 3, 1987, as restated	3,804	15,925	28,548	(11,222)
Net income	—	—	15,152	—
Exercise of stock options	18	133	—	—
Purchase of treasury stock	—	—	—	(11,887)
Balance, May 1, 1988	3,822	16,058	43,700	(23,109)
Net income	—	—	9,814	—
Exercise of stock options	22	744	—	—
Purchase of treasury stock	—	—	—	(7,222)
Balance, April 30, 1989	3,844	16,802	53,514	(30,331)
Net income	—	—	7,060	—
Resolution of bankruptcy	—	1,387	—	—
Exercise of stock options	4	151	—	—
Purchase of treasury stock	—	—	—	(7,072)
Balance, April 29, 1990	$3,848	$18,340	$60,574	$(37,403)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3—Investment in Patrick Cudahy

In December 1987, Patrick Cudahy filed a petition for relief under Chapter 11 of the United States Bankruptcy Code. In June 1989, Patrick Cudahy's Plan of Reorganization was confirmed by the Bankruptcy Court. With the exception of $1,610,000 of deferred health care costs, all of the liabilities deferred pursuant to Chapter 11 reflected on the accompanying consolidated balance sheet for fiscal 1989 were extinguished. As a result, additional paid-in capital was increased by $1,387,000 to reflect the ultimate settlement of the liabilities.

Change From Stated To Par Value

WAXMAN INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity

	Common Stock	Class B Common Stock	Paid-In Capital	Retained Earnings
Balance, June 30, 1987	$222,000	$ 94,000	$5,434,000	$11,296,000
Net income	—	—	—	5,943,000
Cash dividends:				
$.07 per common share	—	—	—	(496,000)
$.05 per Class B share	—	—	—	(118,000)
Conversion of Class B stock	13,000	(13,000)	—	—
Stock options exercised	2,000	—	60,000	—
Common stock repurchase	(11,000)	—	(1,787,000)	—
Three-for-two stock split	113,000	41,000	(154,000)	—
Currency translation adjustments	—	—	—	282,000
Balance, June, 30, 1988	$339,000	$122,000	$3,553,000	$16,907,000
Net income	—	—	—	7,321,000
Cash dividends:				
$.10 per common share	—	—	—	(685,000)
$.08 per Class B share	—	—	—	(188,000)
Conversion of Class B stock	6,000	(6,000)	—	—
Stock options exercised	1,000	—	68,000	—
Common stock repurchase	(5,000)	—	(803,000)	—
Currency translation adjustments	—	—	—	304,000
Balance, June 30, 1989	$341,000	$116,000	$2,818,000	$23,659,000
Net income	—	—	—	6,468,000
Cash dividends:				
$.12 per common sthare	—	—	—	(888,000)
$.11 per Class B share	—	—	—	(254,000)
Conversion of Class B stock	1,000	(1,000)	—	—
Conversion of 6¼% Debentures	35,000	—	6,259,000	—
Stock options exercised	3,000	—	117,000	—
Reduction of par (stated) value	(304,000)	(92,000)	396,000	—
Currency translation adjustments	—	—	—	568,000
Balance, June 30, 1990	$ 76,000	$ 23,000	$9,590,000	$29,553,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Stockholders' Equity:

On November 29, 1989, the Company was reincorporated in Delaware through a merger with a newly formed Delaware subsidiary. As a result, each of the Company's classes of stock was changed from a stated value of $.05 per share to a par value of $.01 per share resulting in a reduction of par (stated) value and an increase in paid in capital of $396,000.

At the same time, the authorized number of shares of common stock was increased from 15 million to 22 million and the authorized number of shares of Class B common stock was decreased from 8 million to 6 million.

FOREIGN CURRENCY TRANSLATION

Statement of Financial Accounting Standards No. 52 is the authoritative pronouncement on foreign currency translation. *SFAS No. 52* distinguishes between translation adjustments, which are usually reported as a separate component of stockholders' equity, and foreign currency transactions, which are included in determining net income. Translation adjustments relating to highly inflationary economics are included in determining net income. Examples of foreign currency translation disclosures follow.

AMERON, INC

Consolidated Statements of Stockholders' Equity

	Common Stock				Cumulative Foreign Currency Translation Adjustments
	Shares Outstanding	Amount	Additional Paid in Capital	Retained Earnings	
Balance, November 30, 1987	4,869,514	$12,174,000	$ 8,201,000	$135,841,000	$ 686,000
Net income—1988				12,065,000	
Exercise of stock options and other	32,721	82,000	389,000		
Dividends on common stock				(4,361,000)	
Foreign currency translation adjustments (net of deferred income taxes of $206,000)					(328,0 00)
Purchase of treasury stock	(911,400)				
Balance, November 30, 1988	3,990,835	12,256,000	8,590,000	143,545,000	358,000
Net income—1989				14,101,000	
Exercise of stock options and other	19,939	49,000	457,000		
Dividends on common stock				(4,961,000)	
Foreign currency translation adjustments (net of deferred income taxes of $84,000)					(134,0 00)
Purchase of treasury stock	(261,500)				
Balance, November 30, 1989	3,749,274	12,305,000	9,047,000	152,685,000	224,000
Net income—1990				11,427,000	
Exercise of stock options and other	29,300	74,000	1,005,000		
Dividends on common stock				(4,823,000)	
Foreign currency translation adjustments (net of deferred income taxes of $1,151,000)					1,847,000
Balance, November 30, 1990	3,778,574	$12,379,000	$10,052,000	$159,289,000	$2,071,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign Currency Translation. The functional currency for the majority of the Company's foreign operations is the applicable local currency. The translation of the applicable foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. The gains or losses, net of applicable deferred income taxes, resulting from such translation are included in stockholders' equity.

Gains or losses resulting from foreign currency translations are included in "Miscellaneous, net" in the income statement and amounted to a loss of $355,000 for the year ended November 30, 1990, a gain of $16,000 for the year ended November 30, 1989, and a gain of $724,000 for the year ended November 30, 1988.

DEERE & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cumulative Translation Adjustment

An analysis of the company's cumulative translation adjustment is as follows in millions of dollars:

	1990	1989	1988
Balance, beginning of the year	$ 48	$ 51	$ 55
Translation adjustments for the year	(40)	(4)	4
Income taxes applicable to translation adjustments	4	1	(8)
Balance, end of the year	$ 12	$ 48	$ 51

The company has entered into foreign exchange contracts and options in order to hedge the currency exposure of certain foreign investments, inventory, short-term borrowings and expected inventory purchases. The foreign exchange contract gains or losses are accrued as foreign exchange rates change and the contract premiums are amortized over the terms of the foreign exchange contracts. Foreign exchange contract premiums along with any gains or losses are recorded in the cumulative translation adjustment for the hedged foreign investment, cost of goods sold for the hedged inventory, and foreign exchange gains or losses and interest expense for the hedged short-term borrowings. The option premiums and any gains are deferred and recorded as part of the cost of future inventory purchases. At October 31, 1990, the company had foreign exchange contracts maturing in up to four months to exchange $126 million for 198 million deutsche marks to hedge foreign investments, 333 million Canadian dollars for $285 million to hedge foreign inventory and 144 million deutsche marks for $91 million to hedge short-term borrowings. The company had options at October 31, 1990 maturing in up to 36 months to exchange $150 million for 21,057 million yen to hedge expected inventory purchases. The company is exposed to credit loss for any accrued foreign exchange contract or option receivable in the event of nonperformance by the other parties to the contracts or options. However, the company does not anticipate nonperformance by the counterparties. Since the company intends to hold these foreign exchange contracts or options as hedges for the terms of the contracts or options, the market risk associated with changes in exchange rates should not be significant.

JAMES RIVER CORPORATION OF VIRGINIA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign Currency Translation

The accounts of most foreign subsidiaries and affiliates are measured using local currency as the functional currency. For those operations, assets and liabilities are translated into U.S. dollars at period-end exchange rates, and income and expense accounts are translated at average monthly exchange rates. Net exchange gains or losses resulting from such translation are excluded from net earnings and accumulated in a separate component of retained earnings. Gains and losses from foreign currency transactions are included in other income. The U.S. dollar is the functional currency for affiliates operating in highly inflationary economies, for which both translation adjustments and gains and losses on foreign currency transactions are included in other income.

Gains and losses on forward exchange contracts which are hedges of net foreign investments or firm foreign commitments are deferred as part of the cumulative translation adjustment included in retained earnings.

Note 5 (In Part): Other Income

The components of other income were as follows:

(In thousands)	December 1990	April 1990	April 1989
Equity in net income of unconsolidated affiliates	$19,868	$21,252	$21,158
Interest income	6,190	9,159	8,702
Minority interests in income of subsidiaries	(128)	(4,386)	(3,905)
Foreign currency exchange gains (losses)	(1,330)	4,638	(2,081)
Gain on sale of operations		51,629	
Other, net	3,535	7,871	10,264
Total other income	$28,135	$90,163	$34,138

Note 8. Foreign Currency Translation

The increase (decrease) in retained earnings resulting from the translation of assets and liabilities of foreign subsidiaries and affiliates, except those in highly inflationary economies, was as follows:

(in thousands)	December 1990	April 1990
Balance, beginning of period	$ 7,186	$(18,639)
Translation adjustments, net of the effect of hedging	57,492	36,720
Related income tax effect	(359)	(10,895)
Balance, end of period	$64,319	$ 7,186

HERCULES INCORPORATED

Consolidated Statement of Stockholders' Equity

(Dollars in thousands)	Three Years Ended December 31, 1990 Common Stock	Paid-In Capital	Translation Adjustment	Retained Earnings	Reacquired Stock
Balances at January 1, 1988	$29,252	$289,482	$46,867	$2,192,736	$368,470
(Common shares: Issued, 56,163,690; reacquired, 7,366,265)					
Net income	—	—	—	120,435	—
Cash dividends, $2.00 per common share	—	—	—	(92,911)	—
Foreign currency translation adjustment	—	—	(17,348)	—	—
Purchase of common stock, 3,789,702 shares	—	—	—	—	185,772
Issuance of common stock:					
Restricted stock, 68,745 shares	36	3,168	—	—	—
Savings Plan purchases, 315,975 shares	164	14,656	—	—	—
Conversion of notes and debentures, 464,763 shares	242	11,986	—	—	—
Pooled company stock options, 939 shares	1	9	—	—	—
Balances at December 31, 1988	29,695	319,301	29,519	2,220,260	554,242
(Common shares: Issued, 57,014,112; reacquired, 11,155,967)					
Net loss	—	—	—	(81,320)	—
Cash dividends, $2.24 per common share	—	—	—	(103,561)	—
Foreign currency translation adjustment	—	—	(13,214)	—	—
Issuance of common stock:					
Restricted stock, 11,485 shares	6	899	—	—	—
Savings Plan purchases 116,050 shares	60	5,259	—	—	—
Conversion of notes and debentures, 531,098 shares	277	17,217	—	—	—
Pooled company stock options, 863 shares	1	8	—	—	—
Purchased acquisitions, 21,239 shares	10	603	—	—	—
Balances at December 31, 1989	30,049	343,287	42,733	2,035,379	554,242
(Common shares: Issued, 57,694,847; reacquired, 11,155,967)					
Net income	—	—	—	95,993	—
Cash dividends, $2.24 per common share	—	—	—	(105,030)	—
Foreign currency translation adjustment	—	—	(44,763)	—	—
Issuance of common stock:					
Restricted stock, 23,925 shares	13	574	—	—	—
Savings Plan purchases, 393,831 shares	205	13,562	—	—	—
Conversion of debentures, 3,995 shares	2	138	—	—	—
Pooled company stock options, 933 shares	1	10	—	—	—
Balances at December 31, 1990	$30,270	$357,571	$87,496	$2,026,342	$554,242
(Common shares: Issued, 58,117,531; reacquired, 11,155,967)					

NOTES TO FINANCIAL STATEMENTS

1. Foreign Currency Translation

With the exception of operations in countries with highly inflationary economies, the local currencies of Hercules' foreign entities have been designated as the functional currency. Accordingly, financial statements are translated at current rates of exchange, with gains or losses resulting from translation included in a separate component of stockholders' equity.

Gains or losses on foreign currency transactions (denominated in currencies other than local currency) and translation of balance sheets of operations in highly inflationary economies (whose functional currency is the U.S. dollar) are reflected in net income. The translation loss of the inflationary component of interest income related to holding marketable securities in interest income. The components of foreign currency loss, net of taxes, included in income are as follows:

(Dollars in thousands)	1990	1989	1988
Transaction gain (loss)	$ (2,273)	$ (1,545)	$ 832
Translation (loss)	(8,739)	(3,730)	(6,726)
	$ (11,012)	$ (5,275)	$ (5,894)

These results for consolidated companies are included in other income (net) and for affiliated companies, in equity in net income of affiliated companies.

The allocation for income taxes included in the translation adjustment to stockholders' equity was not significant.

The company enters into foreign currency forward contracts to hedge specific foreign currency commitments. Gains and losses on these contracts are deferred and recognized as part of the specific transaction hedged. The cash flow from such contracts is classified in the same category as the transaction hedged in the Consolidated Statement of Cash Flow. The company's exposure under these contracts is immaterial.

MOBIL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Foreign Currency Translation

Mobil follows the provisions of FAS 52, Foreign Currency Translation. For most foreign operations, the local currency of the country of operation is used as the functional currency for purposes of translating the local currency asset and liability accounts at current exchange rates. The resulting translation adjustments are accumulated as a separate component of Shareholders' Equity. For other foreign operations, principally exploration and producing operations in Indonesia and Nigeria, and for operations in highly inflationary economies, the U.S. dollar is the functional currency. Gains and losses resulting from translating asset and liability accounts that are denominated in currencies other than the functional currency are included in income.

16. Foreign Currency Translation

Foreign exchange transaction gains of $43 million in 1988, $57 million in 1989 and $27 million in 1990 were credited to income. These include amounts applicable to companies accounted for on the equity method.

At December 31, 1990, forward exchange contracts, currency swaps and foreign currency options written having notional principal amounts of $1,612 million, $383 million and $95 million, respectively, were outstanding. These instruments are primarily for hedging purposes and changes in the value of these instruments due to currency movements offset the foreign exchange gains and losses of the transactions they are hedging.

Cumulative foreign exchange translation adjustments

At December 31 (In millions)	1988	1989[1]	1990
Properties, plants and equipment, net	$ (97)	$ (138)	$ 542
Deferred income taxes	(108)	(228)	(495)
Working capital, debt and other items, net	(261)	(109)	(2)
Total	$ (466)	$ (475)	$ 45

[1] As a result of the sale of business operations in Southern Africa, $281 million was charged to income.

HALLIBURTON COMPANY

Consolidated Statements of Income

Years ended December 31	1990	1989	1988
	(In millions except per share data)		
Revenues			
Service	$6,015.9	$4,914.9	$4,149.5
Sales	889.3	744.6	676.2
Equity in income of related companies	20.3	1.7	13.0
Total revenues	6,925.5	5,661.2	4,838.7
Operating Costs and Expenses			
Services	5,606.7	4,577.8	3,883.0
Sales	699.7	602.8	568.2
General and administrative	283.3	241.4	234.7
Total operating costs and expenses	6,589.7	5,422.0	4,685.9
Operating income	335.8	239.2	152.8
Interest expense	(33.7)	(36.9)	(59.4)
Interest income	30.8	47.3	51.0
Foreign currency gains (losses)	(11.2)	(6.8)	4.6
Gain on sale of marine assets	33.0	—	—
Other nonoperating income (losses), net	(1.2)	3.2	2.5
Income Before Income Taxes, Minority Interest and Changes in Accounting Methods	353.5	246.0	151.5

Consolidated Statements of Shareholders' Equity

	Common Stock		Paid-in Capital in Excess of Par Value	Cumulative Translation Adjustment	Net Unrealized Gains (Losses)	Retained Earnings	Treasury Stock	
	Shares	Amount					Shares	Amount
				(Dollars in millions)				
Balance, December 31, 1987	119,189,598	$ 298.0	$134.5	$ —	$(1.0)	$2,064.3	(13,888,904)	$(415.3)
Shares issued under restricted stock plan, net	164,975	.4	3.0	—	—	—	144,060	4.8
Shares issued to acquire Gearhart Industries	—	—	(7.6)	—	—	—	1,139,917	37.3
Purchase of common stock	—	—	—	—	—	—	(348,615)	(11.5)
Cumulative translation adjustment (net of tax of $.7 million)	—	—	—	11.5	—	—	—	—
Net unrealized gains on insurance subsidiaries' investments in equity securities	—	—	—	—	.8	—	—	—
Net income	—	—	—	—	—	93.6	—	—
Cash dividends paid ($1.00 a share)	—	—	—	—	—	(105.6)	—	—
Balance, December 31, 1988	119,354,573	298.4	129.9	11.5	(.2)	2,052.3	(12.953,542)	(384.7)
Shares issued (forfeited) under restricted stock plan, net	(41,971)	(.1)	.6	—	—	—	241,664	7.6
Purchase of common stock	—	—	—	—	—	—	(127,508)	(5.1)
Net unrealized gains on insurance subsidiaries' investments in equity securities	—	—	—	—	.6	—	—	—
Cumulative translation adjustment (net of tax of $2.4 million)	—	—	—	(20.2)	—	—	—	—
Net income	—	—	—	—	—	135.0	—	—
Cash dividends paid ($1.00 a share)	—	—	—	—	—	(106.5)	—	—
Balance, December 31, 1989	119,312,602	$ 298.3	$130.5	$ (8.7)	$ .4	$2,080.8	(12,839,386)	$(382.2)
Shares issued (forfeited) under restricted stock plan, net	(15,370)	—	.1	—	—	—	321,750	10.0
Purchase of common stock	—	—	—	—	—	—	(10,198)	(.5)
Net unrealized gains (losses) on insurance subsidiaries' investments in equity securities	—	—	—	—	(.2)	—	—	—
Cumulative translation adjustment (net of tax of $3.8 million)	—	—	—	27.7	—	—	—	—
Net income	—	—	—	—	—	197.4	—	—
Cash dividends paid ($1.00 a share)	—	—	—	—	—	(106.7)	—	—
Balance, December 31, 1990	119,297,232	$ 298.3	$130.6	$19.0	$ .2	$2,171.5	(12,527,834)	$(372.7)

SUMMARY OF ACCOUNTING POLICIES

Foreign Currency Translation. The Company's primary functional currency is the U.S. dollar. Accordingly, most foreign entities translate monetary assets and liabilities at year-end exchange rates while nonmonetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the year, except for depreciation and cost of sales which are translated at historical rates. Therefore, translation adjustments and transaction gains or losses are recognized in consolidated income in the year of occurrence. The remaining entities use the local currency as the functional currency and translate net assets at year-end rates while income and expense accounts are translated at average exchange rates. Adjustments resulting from these translations are reflected in the Shareholders' Equity section titled "Cumulative Translation Adjustment".

Section 5: Statement of Cash Flows

Effective for fiscal years ending after July 15, 1988, *Statement of Financial Accounting Standards No. 95* 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.

SFAS No. 95 "encourages" enterprises to use the direct method of reporting cash flows from operating activities. Fifteen 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 where in relation to other financial statements a Statement of Cash Flows or a Statement of Changes in Financial Position was presented in an annual report. As shown in Table 5–1, a Statement of Cash Flows or a Statement of Changes in Financial Position is usually presented as the last financial statement or after the income statement and balance sheet but before the statement of changes in stockholders' equity.

TABLE 5-1: PRESENTATION IN ANNUAL REPORT

	1990	1989	1988	1987
Final statement	328	338	352	356
Follows income statement and balance sheet	232	218	201	198
Between income statement and balance sheet	40	43	45	44
First statement	—	1	2	2
Total Companies	**600**	**600**	**600**	**600**

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.*

TABLE 5-2: TITLE

	1990	1989	1988	1987
Cash Flows	589	590	528	103
Cash Flow	11	10	12	7
Funds Flow	—	—	—	7
Changes in Financial Position	—	—	58	477
Other	—	—	2	6
Total Companies	**600**	**600**	**600**	**600**

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. 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 reconciliation 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 reconciliation within the Statement of Cash Flows.

Table 5–4 shows where in the financial statments 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

	1990	1989	1988
Indirect method	585	583	526
Direct method	15	17	16
Total Companies Presenting Statement of Cash Flows	**600**	**600**	**542**

TABLE 5-4: INTEREST AND INCOME TAX PAYMENTS

	1990	1989	1988
Interest Payments			
Notes to financial statements	343	350	300
Bottom of Statement of Cash Flows	217	211	161
Within Statement of Cash Flows	17	19	24
Amount not disclosed	23	20	57
Total Companies	**600**	**600**	**542**
Income Tax Payments			
Notes to financial statements	350	351	315
Bottom of Statement of Cash Flows	217	212	164
Within Statement of Cash Flows	21	21	24
Amount not disclosed	12	16	39
Total Companies	**600**	**600**	**542**

Direct Method

MOSINEE PAPER CORPORATION (DEC)

Consolidated Statements of Cash Flows

($ thousands)	1990	1989	1988
Increase (Decrease) in Cash and Cash Equivalents:			
Cash flows from operating activities:			
Cash received from customers	$210,665	$230,977	$235,261
Cash paid to suppliers and employees	(187,748)	(200,891)	(209,431)
Interest received	126	176	140
Interest paid (net of amount capitalized)	—	(255)	(519)
Income taxes paid	(7,638)	(8,835)	(6,338)
Net cash provided by operating activities	15,405	21,172	19,113
Cash flows from investing activities:			
Capital expenditures	(25,114)	(11,984)	(7,182)
Proceeds from property, plant and equipment disposals	860	1,620	152
Proceeds from sale of assets of division	—	—	750
Net cash used in investing activities	(24,254)	(10,364)	(6,280)
Cash flows from financing activities:			
Borrowings under credit agreements	14,043	—	—
Net decrease in short-term debt	—	—	(5,100)
Repayment of long-term debt	(1,290)	(820)	(824)
Proceeds from issuance of company stock	—	148	—
Dividends paid	(2,176)	(1,981)	(2,040)
Purchase of company stock	(328)	(8,223)	(3,109)
Proceeds from notes receivable—stock	150	—	—
Net cash provided by (used in) financing activities	10,399	(10,876)	(11,073)
Net increase (decrease) in cash and cash equivalents	1,550	(68)	1,760
Cash and cash equivalents at beginning of year	2,603	2,671	911
Cash and cash equivalents at end of year	$ 4,153	$ 2,603	$ 2,671
Reconciliation of Net Income to Net Cash Provided by Operating Activities:			
Net income	$ 11,970	$ 6,651	$ 9,477
Provision for depreciation, amortization and depletion	8,661	9,738	8,991
Writedown of equipment from restructuring	—	6,580	—
Provision for losses on accounts receivable	873	112	231
Gain on property, plant and equipment disposals	(45)	(34)	(388)
Deferred incoome taxes	816	(10,176)	(993)
Changes in operating assets and liabilities:			
Accounts receivable	169	(2,137)	3,314
Inventories	(4,300)	(1,814)	(369)
Other assets	(639)	(609)	(680)
Accounts payable and other liabilities	(1,300)	13,993	(1,795)
Accrued income taxes	(800)	(1,132)	1,325
Net cash provided by operating activities	$ 15,405	$ 21,172	$ 19,113

Noncash investing and financing activities: Capital lease obligations of $540,000 were incurred in 1990 when the company entered into leases for new equipment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies
Cash Equivalents—The company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

HUGHES SUPPLY, INC. (JAN)

Consolidated Statements of Cash Flows

	1991	1990	1989
		(in thousands)	
Increase (Decrease) in Cash and Cash Equivalents:			
Cash flows from operating activities:			
Cash received from customers	$555,280	$526,972	$499,514
Cash paid to suppliers and employees	(533,800)	(502,258)	(477,749)
Interest and other investment income received	1,554	1,409	1,297
Interest paid	(8,186)	(7,350)	(6,131)
Income taxes paid	(3,259)	(6,544)	(7,410)
Net cash provided by (used in) operating activities	11,589	12,229	9,521
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	783	669	2,146
Capital expenditures	(7,172)	(10,664)	(9,811)
Payments for business acquisitions, net of cash acquired	—	(6,948)	(4,583)
Investment in affiliates	(250)	—	(68)
Proceeds from sale of manufacturing operations, net of cash	5,217	—	—
Net cash provided by (used in) investing activities	(1,422)	(16,943)	(12,316)
Cash flows from financing activities:			
Net borrowings (payments) under short-term debt arrangements	2,847	12,441	(973)
Principal payments on:			
Long-term notes	(2,598)	(2,187)	(2,188)
Capital lease obligations	(715)	(411)	(344)
Proceeds from issuance of long-term notes and debentures	—	—	10,196
Proceeds from issuance of common shares under stock option plan	36	770	1,000
Purchase of common shares	(7,054)	(5,180)	(1,662)
Dividends paid	(1,600)	(1,618)	(1,464)
Net cash provided by (used in) financing activities	(9,084)	3,815	4,565
Net Increase (Decrease) in Cash and Cash Equivalents	1,083	(899)	1,770
Cash and Cash Equivalents, beginning of year	2,098	2,997	1,227
Cash and Cash Equivalents, end of year	$ 3,181	$ 2,098	$ 2,997

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (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.

Note 10–Supplemental Cash Flows Information::
The following is a reconciliation of net income to net cash provided by (used in) operating activities (in thousands):

	Fiscal Years Ended		
	Jan. 25, 1991	Jan. 26, 1990	Jan. 27, 1989
Net income	$ 2,141	$ 6,394	$9,718
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	7,541	7,490	7,158
Amortization	1,646	1,610	1,579
Provision for doubtful accounts	2,591	2,601	1,464
Gain on sale of property, plant and equipment	(382)	(376)	(1,047)
Undistributed (earnings) losses of affiliate	11	(34)	(33)
Gain on sale of manufacturing operations	(937)	—	—
Treasury shares contributed to employee benefit plans	296	—	—
Changes in assets and liabilities net of effects of business acquisitions and divestiture:			
(Increase) decrease in:			
Accounts receivable	5,681	(3,816)	(3,417)
Inventories	1,929	2,223	1,114
Refundable income taxes	(381)	(1,516)	(147)
Other current assets	920	(745)	(1,146)
Other assets	(254)	141	(2,214)
Increase (decrease) in:			
Accounts payable and accrued expenses	(7,740)	(840)	(2,773)
Accrued interest and income taxes	(223)	(50)	(228)
Other noncurrent liabilities	145	(2)	(1)
Decrease (increase) in deferred income taxes	(1,395)	(851)	(506)
Net Cash Provided By (Used In) Operating Activities	$11,589	$12,229	$9,521

Noncash investing and financing activities are described in Notes 2 and 7, respectively.

NORTHROP CORPORATION (DEC)

Consolidated Statements of Cash Flows

	1990	1989	1988
		$ in millions	
Operating Activities			
Sources of Cash:			
Cash received from customers			
Progress payments	$2,618.1	$2,324.0	$2,099.2
Other collections	2,976.8	2,829.7	3,459.6
Interest received	2.4	2.8	2.4
Income tax refunds received	1.1	.2	2.2
Other cash receipts	17.1	19.3	2.3
Cash provided by operating activities	5,615.5	5,176.0	5,565.7
Uses of Cash:			
Cash paid to suppliers and employees	5,220.6	4,967.0	5,302.7
Interest paid	97.1	122.1	150.2
Litigation settlement fine paid	17.0		
Settlement of accrued product support			
Income taxes paid	13.6	8.0	13.1
Other cash payments	1.1	.3	2.7
Cash used in operating activities	5.349.4	5,097.4	5,468.7
Net cash provided by (used in) operating activities	266.1	78.6	97.0
Investing Activities			
Additions to property, plant and equipment	(121.2)	(186.8)	(254.2)
Proceeds from sale of property, plant and equipment	252.1	14.3	12.0
Proceeds from sale of subsidiaries and affiliates		1.1	67.3
Proceeds from sale of direct financing leases		21.9	
Dividends from affiliate, net of investments	.1		20.7
Other investing activities	(2.3)	4.8	6.2
Net cash provided by (used in) investing activities	128.7	(144.7)	(148.0)
Financing Activities			
Borrowings under lines of credit	750.0	783.0	971.0
Repayment of borrowings under lines of credit	(920.0)	(659.0)	(1,413.6)
Proceeds from issuance of long-term debt			550.0
Principal payments of long-term debt/capital leases	(.3)	(.4)	(1.4)
Proceeds from issuance (repurchase) of stock			
Dividends paid	(56.3)	(56.4)	(56.4)
Net cash provided by (used in) financing activities	(226.6)	67.2	49.6
Increase (decrease) in cash and cash equivalents	168.2	1.1	(1.4)
Cash and cash equivalents balance at beginning of year	4.7	3.6	5.0
Cash and cash equivalents balance at end of year	$ 172.9	$ 4.7	$ 3.6

	1990	1989	1988
		$ in millions	
Reconciliation of Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Net income (loss)	$ 210.4	$ (80.5)	104.2
Adjustments to reconcile net income (loss) to net cash provided (used):			
Depreciation and amortization	186.6	220.6	240.8
Common stock issued to employees	3.7	5.1	4.8
Amortization of restricted award shares	1.3	4.9	3.4
Loss (gain) on disposals of property, plant and equipment	(103.0)	8.6	(.6)
Non-cash pension cost (income)	(53.3)	7.3	2.7
Amortization of deferred gain on sale/leaseback	(2.3)		
Loss (gain) on sale of subsidiaries and affiliates		6.8	(12.7)
Gain on sale of direct financing leases		(12.9)	
Undistributed income of affiliates			(4.3)
Decrease (increase) in			
Accounts receivable	(1,085.4)	(1,209.0)	(1,034.4)
Inventoried costs	49.7	(85.9)	(5.1)
Prepaid expenses	.4	(4.3)	5.0
Refundable income taxes	8.1	1.2	(9.3)
Increase (decrease) in			
Progress payments	1,204.2	1,137.5	790.4
Accounts payable and accruals	(211.2)	54.2	64.0
Provisions for contract losses	(41.0)	59.9	145.6
Deferred income taxes	93.3	(34.0)	(176.8)
Income taxes payable	6.2	.8	(20.5)
Other non-cash transactions	(1.6)	(1.7)	(.2)
Net cash provided by (used in) operating activities	$ 266.1	$ 78.6	$ 97.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash and Cash Equivalents

Included are interest-earning highly liquid debt instruments that mature in three months or less from the date purchased.

Reconcilation Of Net Income To Net Cash Flow From Operating Activities

ANALOGIC CORPORATION (JUL)

Consolidated Statements of Cash Flows

(000 omitted)	1990	1989	1988
Cash flows from operating activities:			
Net income	$12,431	$14,518	$1,165
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	(1,215)	(3,290)	2,386
Depreciation and amortization	7,694	7,006	7,309
Amortization of capitalized software	575	413	382
Amortization of excess of acquired net assets over cost	(1,156)	(1,153)	(193)
Amortization of other assets (deferred charges)	161	221	55
Minority interest in net income (loss) of consolidated subsidiary	904		(412)
Provision for losses on accounts receivable	22	(471)	583
Gain (loss) on sale of equipment	20	44	(97)
Gain on sale of patient monitoring technology		(7,513)	(10,233)
Amortization of excess of cost over net acquired assets	138		
Equity in losses (income) of unconsolidated affiliates		(14)	1,476
Compensation from stock grants	245	411	380
Increase in excess of acquired net assets over cost		1,924	
Changes in operating assets and liabilities			
Decrease (increase) in assets:			
Accounts and notes receivable	(434)	(1,959)	1,692
Inventories	4,199	216	2,722
Prepaid expenses and other current assets	539	111	1,283
Other assets	361	10	
Increase (decrease) in liabilities:			
Accounts payable, trade	489	(1,567)	639
Accrued expenses and other current liabilities	732	847	51
Accrued income taxes	(578)	1,253	(1,433)
Total adjustments	12,696	(3,511)	6,590
Net cash provided by operating activities	25,127	11,007	7,755
Cash flows from investing activities:			
Investments in and advances to affiliated companies, net of cash acquired	758	(2,559)	(1,133)
Additions to property, plant and equipment	(5,721)	(4,426)	(7,908)
Capitalized software	(510)	(485)	(275)
Proceeds from sale of property, plant and equipment	43	21	227
Investments in other assets			(401)
Proceeds from sale of patient monitoring technology		16,290	3,000
Cash disposed upon divestiture of joint venture			(3,846)
Proceeds on maturities (purchases) of marketable securities	(12,621)	(18,998)	8,881
Net cash used by investing activities	(18,051)	(10,157)	(1,455)
Cash flows from financing activities:			
Increase in debt			1,246
Payments on debt and capital lease obligations	(2,349)	(507)	(1,085)
Purchase of common stock for treasury	(5,901)	(7,012)	(12,235)
Issuance of common stock pursuant to stock options and employee stock purchase plan	201	84	89
Net cash used by financing activities	(8,049)	(7,435)	(11,985)
Net decrease in cash and cash equivalents	(973)	(6,585)	(5,685)
Cash and cash equivalents, beginning of year	10,977	17,562	23,247
Cash and cash equivalents, end of year	$10,004	$10,977	$17,562

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of business operations and significant accounting policies:

(i) Statements of cash flows:

The Company considers all short-term deposits with a maturity of three months or less to be cash equivalents.

15. Supplemental disclosure of cash flow information:
During fiscal years 1990, 1989 and 1988, interest paid, net of amounts capitalized, amounted to $948,000, $997,000 and $1,240,000, respectively.
Income taxes paid during fiscal years 1990, 1989 and 1988 amounted to $5,689,000, $7,186,000 and $410,000, respectively.

BASSETT FURNITURE INDUSTRIES, INCORPORATED (NOV)

Consolidated Statement of Cash Flows

($000)	1990	1989	1988
OPERATING ACTIVITIES			
Net income	$ 5,145	$18,959	$18,254
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,870	8,319	8,537
Equity in unremitted income of investee companies	(2,799)	(1,961)	(1,445)
Contributions of treasury stock to Employee Savings/Retirement Plan	833	761	1,431
Provision for losses on trade accounts receivable	1,776	619	926
(Gain)—loss from disposal of investments	965	(396)	1,174
Unrealized loss on marketable securities	5,750	-0-	-0-
(Gain)—loss from disposal of property, plant and equipment	(1,253)	(336)	156
Deferred income taxes	(4,500)	-0-	-0-
Changes in deferred items	1,123	1,608	1,680
Provision for restructuring charges	14,300	-0-	-0-
Changes in operating assets and liabilities:			
Trade accounts receivable	10,413	601	1,373
Other receivables	726	63	(214)
Inventories and prepaid expenses	(1,302)	5,768	(80)
Accounts payable and accrued compensation	(8,810)	(1,453)	1,126
Income taxes payable	(2,404)	387	2,770
NET CASH PROVIDED BY OPERATING ACTIVITIES	27,834	32,940	35,692
INVESTING ACTIVITIES			
Changes (net) in marketable securities	(1,943)	22,628	(11,474)
Purchases of property, plant and equipment	(9,094)	(8,239)	(8,900)
Proceeds from sale of property, plant and equipment	2,131	698	760
Investment (net) in non-current securities	-0-	(825)	(463)
Other	(534)	(723)	(614)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(9,440)	13,538	(20,692)
FINANCING ACTIVITIES			
Exercise of stock options		16	-0-
Purchases of treasury stock	(14,494)	(8,428)	(179)
Cash dividends	(17,959)	(8,248)	(10,787)
NET CASH USED IN FINANCING ACTIVITIES	(32,453)	(16,660)	(10,967)
CHANGE IN CASH AND CASH EQUIVALENTS	(14,059)	29,817	4,031
CASH AND CASH EQUIVALENTS—beginning of year	45,248	15,431	11,399
CASH AND CASH EQUIVALENTS—end of year	$31,189	$45,248	$15,431
Income tax payments	$ 8,626	$ 8,347	$ 6,824

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies
Cash Equivalents
The Company considers all temporary, highly liquid investments with a maturity of three months or less to be cash equivalents.

BOWNE & CO., INC. (OCT)

Consolidated Statements of Stockholders' Equity

($000)	1990	1989	1988
Cash flows from operating activities:			
Net income	$ 8,416	$ 8,162	$ 12,811
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,764	11,018	8,949
Provision for doubtful accounts	3,034	2,249	1,997
Loss (gain) on sale of securities and other investments	169	(1,012)	45
Minority interest		(159)	(8)
Provision for deferred employee compensation	690	1,590	1,971
Deferred income taxes	(1,203)	(961)	359
Increase (decrease) from changes in:			
Accounts receivable	(5,767)	(7,787)	(373)
Inventories	532	(1,628)	2,312
Prepaid expenses and sundry receivables	1,122	(705)	1,575
Trade payables	(895)	993	1,369
Employees' compensation	1,987	(3,868)	(1,675)
Accrued expenses and taxes	(1,842)	2,535	(370)
Other	(538)	1,506	(1,006)
Net cash provided by operating activities	17,469	11,933	27,956
Cash flows from investing activities:			
Purchase of marketable securities and other investments	(4,693)	(5,327)	(6,531)
Proceeds from sale of marketable securities and other investments	5,581	7,206	2,607
Purchase of real estate, equipment and leasehold improvements	(9,353)	(11,498)	(15,373)
Business acquisitions and purchase of minority interest	(8,697)		(18,973)
Net cash used in investing activities	(17,162)	(9,619)	(38,270)
Cash flows from financing activities:			
Proceeds from borrowings			2,248
Payment of debt	(1,285)	(1,915)	(364)
Proceeds from stock options exercised	630	525	287
Payment of dividends	(4,304)	(4,438)	(4,557)
Purchase of treasury stock	(3,563)	(11,684)	(788)
Net cash used in financing activities	(8,522)	(17,512)	(3,174)
Effect of exchange rate changes on cash	17	23	444
Net decrease in cash and cash equivalents	(8,198)	(15,175)	(13,044)
Cash and cash equivalents—beginning of year	34,380	49,555	62,599
CASH AND CASH EQUIVALENTS—END OF YEAR	$ 26,182	$ 34,380	$ 49,555
Supplemental cash flow disclosure:			
Income taxes paid	$ 8,506	$ 6,172	$ 8,687
Interest paid	$ 3,587	$ 3,462	$ 3,492

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3—Cash and Cash Equivalents

The Company's policy is to invest cash in excess of operating requirements in income producing investments. Cash equivalents of $18,480,000 (1990) and $27,934,000 (1989) include certificates of deposit, commercial paper and money market accounts, substantially all of which have maturities of three months or less.

Interest And Income Tax Payments

ABBOTT LABORATORIES (DEC)

Consolidated Statements of Cash Flows

(dollars in thousands)	1990	1989	1988
Cash Flow From (Used in) Operating Activities:			
Net earnings	$ 965,774	$ 859,832	$ 752,027
Adjustments to reconcile net earnings to net cash from operating activities—			
Depreciation and amortization	355,886	307,331	270,903
Exchange (gains) losses, net	(32,097)	(7,350)	19,299
Investing and financing (gains) losses, net	22,543	12,407	14,145
Trade receivables	(147,120)	(168,156)	(87,920)
Inventories	(54,658)	(96,839)	(2,805)
Prepaid expenses and other assets	(124,244)	(161,037)	(107,584)
Trade accounts payable and other liabilities	214,800	213,668	107,296
Net Cash From Operating Activities	1,200,884	959,856	965,361
Cash Flow From (Used in) Investing Activities:			
Acquisitions of property, equipment and businesses	(641,391)	(573,138)	(521,196)
Purchases of investment securities	(309,658)	(448,792)	(693,063)
Proceeds from sales of investment securities	310,933	591,048	778,699
Other	21,849	38,726	4,347
Net Cash Used in Investing Activities	(618,267)	(392,156)	(431,213)
Cash Flow From (Used in) Financing Activities:			
Proceeds from borrowings with original maturities of more than 3 months	102,992	70,054	615,591
Repayments of borrowings with original maturities of more than 3 months	(273,608)	(271,656)	(398,146)
Proceeds from (repayments of) other borrowings	517,903	(169,561)	(234,334)
Purchases of common shares	(605,556)	(289,468)	(141,440)
Proceeds from stock options exercised	51,272	26,592	25,839
Dividends paid	(351,208)	(301,882)	(260,082)
Net Cash Used in Financing Activities	(558,205)	(935,921)	(392,572)
Effect of exchange rate changes on cash and cash equivalents	(3,986)	(9,063)	(591)
Net Increase (Decrease) in Cash and Cash Equivalents	20,426	(377,284)	140,985
Cash and Cash Equivalents, Beginning of Year	13,608	390,892	249,907
Cash and Cash Equivalents, End of Year	$ 34,034	$ 13,608	$ 390,892
Supplemental Cash Flow Information:			
Interest paid	$ 94,204	$ 74,400	$ 85,787
Income taxes paid	353,623	358,526	363,378

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Equivalents—Cash equivalents consist of time and certificates of deposit with original maturities of three months or less.

SUNDSTRAND CORPORATION (DEC)

Consolidated Statement of Cash Flows

(Amounts in millions)	1990	1989	1988
Cash flow from operating activities			
Net earnings (loss)	$114.3	$120.8	$(76.6)
Adjustments to reconcile net earnings (loss) to net cash provided			
Depreciation	65.3	84.5	83.5
Amortization	10.0	9.2	11.1
Deferred income taxes	(.8)	29.4	(46.7)
Cumulative effect of accounting change	—	—	26.5
Provision for (settlements of) losses on long-term contracts	(22.4)	(11.9)	64.5
Provision for (settlements of) government contracts disputes	—	(57.8)	31.6
Change in operating assets and liabilities excluding the effects of acquisitions and divestitures			
Increase in accounts receivable	(3.4)	(41.9)	(33.6)
(Increase) decrease in inventory	18.3	(52.6)	5.8
Increase in other assets	(14.5)	(2.0)	(9.4)
Increase (decrease) in accounts payable	3.1	(1.0)	22.3
Increase (decrease) in accrued expenses	3.0	23.0	(22.6)
Gain on sale of Trans Com	—	(16.6)	—
Gain on sale of Heat Transfer	(2.2)	—	—
Other	8.2	(6.7)	1.2
Total adjustments	64.6	(44.4)	134.2
NET CASH PROVIDED BY OPERATING ACTIVITIES	178.9	76.4	57.6
Cash flow from investing activities			
Cash paid for property, plant and equipment	(93.1)	(77.7)	(80.4)
Proceeds from sale of property, plant and equipment	4.3	27.9	21.1
Proceeds from sale of joint venture	—	45.3	—
Proceeds from sale of Trans Com	—	60.0	—
Proceeds from sale of Heat Transfer, net of cash sold	39.3	—	—
Cash paid for Maco-Meudon, net of cash acquired	(24.3)	—	—
Cash paid for Milton Roy investment	(15.7)	—	—
Other	(1.0)	—	—
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(90.5)	55.5	(59.3)
Cash flow from financing activities			
Net borrowings (payments) under lines of credit	3.9	35.9	(4.2)
Principal payments of long-term debt	(26.0)	(49.0)	(32.0)
Issuance (retirement) of preferred stock	—	(100.0)	100.0
Purchase of treasury stock	(27.3)	—	—
Dividends paid	(40.4)	(39.9)	(33.3)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(89.8)	(153.0)	30.5
Effect of exchange rate changes on cash	(10.4)	2.5	(1.3)
Increase (decrease) in cash and cash equivalents	(11.8)	(18.6)	27.5
Cash and cash equivalents at January 1	17.7	36.3	8.8
CASH AND CASH EQUIVALENTS AT DECEMBER 31	$ 5.9	$ 17.7	$ 36.3
Supplemental cash flow information			
Interest paid	$109.0	$112.7	$ 86.4
Income taxes paid	$107.7	$ 56.9	$ 12.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash Equivalents are considered by the Company to be all highly liquid debt instruments purchased with a maturity of three months or less.

TRW INC. (DEC)

Statements of Cash Flows

In millions	1990	1989	1988
Operating activities			
Net earnings	$208	$263	$261
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	452	400	349
Restructuring	(18)	(59)	(106)
Foreign currency exchange losses	21	29	54
Equity in losses (earnings) of affiliated companies	(12)	3	(3)
Dividends received from affiliated companies	10	—	31
Deferred income taxes	(32)	15	(180)
Other—net	7	3	18
Changes in assets and liabilities, net of effects of businesses acquired or sold:			
Accounts receivable	165	(96)	(132)
Inventories and prepaid expenses	(18)	(47)	(42)
Accounts payable and other accruals	14	(4)	74
Other—net	(22)	(14)	19
Net cash provided by operating activities	775	493	343
Investing activities			
Capital expenditures	(587)	(452)	(417)
Proceeds from expenditures	21	28	453
Acquisitions, net of cash acquired	(57)	(448)	(10)
Investments in other assets	(86)	(67)	(47)
Proceeds from sales of property, plant and equipment	26	14	10
Other—net	(27)	(14)	(41)
Net cash used in investing activities	(710)	(939)	(52)
Financing activities			
Increase (decrease) in short-term debt	(104)	450	(179)
Proceeds from debt in excess of 90 days	665	259	82
Principal payments on debt in excess of 90 days	(539)	(156)	(82)
Dividends paid	(107)	(105)	(99)
Other—net	8	7	15
Net cash provided by (used in) financing activities	(77)	455	(263)
Effect of exchange rate changes on cash	(30)	(22)	(46)
Decrease in cash and cash equivalents	(42)	(13)	(18)
Cash and cash equivalents at beginning of year	114	127	145
Cash and cash equivalents at end of year	$ 72	$114	$127

NOTES TO FINANCIAL STATEMENTS

Supplemental cash flow information

In millions	1990	1989	1988
Interest paid (net of amount capitalized)	$195	$131	$163
Income taxes paid	$125	$ 66	$267

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 $8 million in 1990, $4 million in 1989 and $6 million in 1988.

Discontinued Operations

AMERICAN CYANAMID COMPANY (DEC)

Consolidated Statements of Cash Flows

(Millions of dollars)	1990	1989	1988
Cash flows provided by (used for) operating activities			
Net earnings	$ 352.8	$ 292.0	$ 295.6
Adjustments to reconcile net earnings to net cash provided by operating activities: Depreciation, depletion and amortization	265.6	233.3	223.1
Equity in undistributed net earnings of associated companies	.4	(21.5)	(19.4)
Gain from discontinued operations	(248.0)	—	—
Other, net	32.8	19.9	14.5
Changes in assets and liabilities, net of effects from acquisitions/dispositions of businesses:			
Accounts receivable	(110.4)	(220.7)	(103.2)
Inventories	(68.9)	(125.4)	(50.8)
Accounts payable and accrued expenses	323.5	(23.9)	73.0
Income taxes payable	(286.0)	7.5	12.9
Other assets and liabilities	(38.6)	14.8	11.0
Net cash provided by operating activities	223.2	176.0	456.7
Cash flows provided by (used for) investing activities			
Additions to plants, equipment and facilities	(375.5)	(397.6)	(381.5)
Acquisitions of businesses, net of cash acquired	(7.1)	(6.3)	(20.4)
(Additions) reductions to equity in net assets of and advances to associated companies	(4.5)	1.4	(38.1)
Proceeds from disposition businesses	820.0	20.1	8.8
Additions to investments—principally marketable securities	(244.6)	(451.1)	(2,179.0)
Reductions to investments—principally marketable securities	368.1	636.2	2,204.8
Other, net	11.8	7.6	(4.4)
Net cash provided by (used for) investing activities	568.2	(189.7)	(409.8)
Cash flows provided by (used for) financing activities			
Change in short-term borrowings, net	(522.9)	232.5	208.6
Funded debt:			
Additions	1.7	11.3	8.9
Reductions	(25.3)	(88.2)	(67.6)
Issuance/sale of common stock	—	60.6	—
Purchases of treasury stock	(120.6)	(8.4)	(41.8)
Cash dividends	(128.2)	(120.0)	(104.3)
Other, net	13.0	26.9	17.5
Net cash (used for) provided by financing activities	(782.3)	114.7	21.3
Effect of exchange rate changes on cash	12.4	(14.8)	(6.7)
Increase in cash and cash equivalents	21.5	86.2	61.5
Cash and cash equivalents, beginning of year	326.4	240.2	178.7
Cash and cash equivalents, end of year	$ 347.9	$ 326.4	$ 240.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars)

1 (In Part): Summary of Accounting Policies

Cash and Cash Equivalents—Cash equivalents are considered to be those securities with maturities of three months or less when purchased.

11 (In Part): Other Financial Information

Cash payments during the years ended December 31, 1990, 1989 and 1988 included interest (net of amounts capitalized) of $101.9, $140.9, and $92.2 and income taxes of $398.6, $166.1 and $151.8, respectively, which amounts have not been restated for discontinued operations.

HARMON INDUSTRIES, INC. (DEC)

Consolidated Statements of Cash Flows

(Dollars in thousands)	1990	1989	1988
Cash flows from operating activities:			
Net earnings (loss)	$(9,206)	$1,160	$ 2,486
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	3,511	3,185	2,834
Estimated loss on disposal of discontinued operations	10,381	—	—
Loss incurred on sale of IFP line	407	—	—
Gain on sale of property, plant and equipment	(2)	(15)	(225)
Deferred tax expense (benefit)	(3,410)	189	(308)
Changes in assets and liabilities			
Trade receivables	714	(2,070)	1,630
Inventories	(71)	509	(1,273)
Estimated costs, earnings and billings on contracts	1,563	(1,163)	631
Note receivable from affiliate	—	100	(100)
Prepaid expenses	(194)	1	(158)
Accounts payable	(132)	(1,024)	1,833
Accrued payroll and benefits	(505)	570	1,165
Current income taxes payable	(276)	(943)	(149)
Other liabilities	1,192	(792)	167
Other deferred liabilities	431	451	375
Net current assets (liabilities) of discontinued operations	565	(2,359)	(393)
Total adjustments	14,174	(3,361)	6,029
Net cash provided by (used in) operating activities	4,968	(2,201)	8,515
Cash flows from investing activities:			
Capital expenditures	(2,187)	(2,236)	(1,830)
Proceeds from sale of property, plant and equipment	213	359	976
Other investing activities	525	638	(69)
Net investing activities of discontinued operations	(2,154)	(1,285)	(8,299)
Net cash used in investing activities	(3,603)	(2,524)	(9,222)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	9,651	13,562	7,593
Net borrowings (repayments) under line of credit agreements	(308)	(510)	1,217
Principal payments of long-term debt	(10,122)	(7,949)	(9,769)
Payment of dividends	(289)	(578)	(560)
Net financing activities of discontinued operations	(34)	(31)	2,291
Net cash provided by (used in) financing activities	(1,102)	4,494	772
Net increase (decrease) in cash and cash equivalents	263	(231)	65
Cash and cash equivalents at beginning of year	235	466	401
Cash and cash equivalents at end of year	$ 498	$ 235	$ 466
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 2,511	$ 2,547	$ 1,796
Income taxes	$ 1,275	$ 1,372	$ 1,729

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Principles
Statement of Cash Flows

For purposes 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.

Extraordinary Items

ANTHONY INDUSTRIES, INC. (DEC)

Statements of Consolidated Cash Flows

(Thousands)	1990	1989	1988
Operating Activities			
Net income	$ 1,735	$13,424	$10,326
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	8,422	6,854	5,757
Amortization	1,086	1,143	660
Extraordinary loss on early extinguishment of debt	1,568		
Deferred taxes	(1,611)	1,006	(1,117)
Utilization of subsidiary's net operating loss			1,471
Changes in operating assets and liabilities:			
(Increase) in accounts receivable	(3,664)	(2,177)	(5,639)
(Increase) decrease in inventories	1,897	(12,185)	(3,203)
(Increase) decrease in prepaid expenses and other current assets	1,040	464	(665)
Increase in accounts payable	1,322	543	266
Increase (decrease) in payroll, taxes and other accruals	(416)	677	6,084
Net cash provided by operating activities	11,379	9,749	13,940
Investing Activities			
Property, plant and equipment expenditures	(14,007)	(13,542)	(14,211)
Disposals of property, plant and equipment	680	348	1,862
Purchase of business, net of cash acquired	(1,729)	(5,122)	(17,056)
Other items, net	(1,581)	(2,061)	(316)
Net cash used by investing activities	(16,637)	(20,377)	(29,721)
Financing Activities			
Borrowings under senior long-term debt and revolving lines of credit	16,579	11,209	18,900
Payments of senior long-term debt and revolving lines of credit	(1,150)	(285)	(5,254)
Reduction of Stearns debt at acquisition			(3,161)
Exercise of stock options and stock appreciation rights	29	486	982
Redemption of debentures	(5,895)		
Repurchase of shares	(1,198)		
Dividends paid	(3,931)	(3,778)	(2,574)
Net increase in short-term bank loans	658	2,065	7,924
Net cash provided by financing activities	5,092	9,697	16,817
Net increase (decrease) in cash and cash equivalents from continuing operations	(166)	(931)	1,036
Cash used by discontinued operations			(333)
Net increase (decrease) in cash and cash equivalents	(166)	(931)	703
Cash and cash equivalents at beginning of year	2,765	3,696	2,993
Cash and cash equivalents at end of year	$ 2,599	$ 2,765	$ 3,696

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies
Cash Equivalents
Short-term investments that are part of the Company's cash management portfolio are classified as cash equivalents. These investments are highly liquid and have original maturities of three months or less.

DIXIE YARNS, INC. (DEC)

Consolidated Statements of Cash Flows

($000)	1990	1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 7,528	$11,715	$21,482
Adjustments to reconcile net income to net cash provided by operating activities Depreciation and amortization	19,008	16,169	14,608
Provision for deferred income taxes	655	7,257	(6,893)
(Gains) losses from sale of assets and plant closing costs	1,779	(3,191)	(989)
Extraordinary gain from debt retirement—net of taxes	(699)		
Changes in operating assets and liabilities Accounts receivable	(384)	4,283	8,297
Inventories	(2,475)	2,222	5,650
Other current assets	509	216	2,128
Other assets	622	701	5,702
Accounts payable and accrued expenses	5,405	(11,903)	(14,649)
Other liabilities	(587)	(230)	(5,877)
NET CASH PROVIDED BY OPERATING ACTIVITIES	31,362	27,240	29,460
CASH FLOWS FORM INVESTING ACTIVITIES			
Proceeds from sale of assets—net of expenditures related to the sale of plants	724	(9,706)	36,050
Purchase of property, plant and equipment	(30,983)	(32,990)	(25,625)
Investment			(5,015)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(30,259)	(42,696)	5,409
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of subordinated notes	50,000		
Capital stock acquired	(11,372)	(24,224)	(16,350)
Net increase (decrease) in revolver borrowings	(31,000)	48,400	(9,100)
Repayment of senior debt and repurchase of convertible subordinated debentures	(3,456)	(1,750)	(1,750)
Dividends paid	(6,499)	(6,939)	(7,448)
Other	(193)	242	694
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(2,521)	15,728	(33,955)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,418)	272	914
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,379	3,107	2,193
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,961	$ 3,379	$ 3,107

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Significant Accounting Policies
Cash Equivalents: Highly liquid investments with maturities of three months or less when purchased are reported as cash equivalents.

Cumulative Effect Of Accounting Changes

BINKS MANUFACTURING COMPANY (NOV)

Consolidated Statements of Cash Flows

($000)	1990	1989	1988
Cash flows from operating activities			
Net earnings	$ 6,716	9,607	7,418
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Cumulative effect to December 1, 1989 and December 1, 1987 of changing overhead recorded in inventory	(930)	—	(375)
Depreciation and amortization:			
Property, plant, and equipment	3,668	3,054	2,481
Goodwill and other	389	179	174
Equity in loss of unconsolidated subsidiaries	93	36	62
Deferred compensation, net of payments	550	843	689
Deferred income taxes	486	38	(899)
Deferred revenue	(55)	(113)	(28)
Gain on sale of land	—	(1,570)	—
Other, net	503	102	254
Cash provided by (used in) changes in:			
Receivables	(2,883)	(8,615)	(15,062)
Inventories	(5,899)	(11,210)	(11,172)
Other current assets	165	(692)	642
Accounts payable	2,510	8,544	15,240
Accrued employees' profitsharing contributions	(506)	89	(613)
Accrued expenses	1,390	931	1,551
Income taxes	(2,419)	542	1,739
Net cash provided by operating activities	3,780	1,766	2,102
Cash flows from investing activities			
Purchase of property, plant, and equipment	(5,883)	(5,362)	(3,619)
Proceeds from sale of equipment	224	217	84
Purchase of other investments and assets	(399)	(874)	(601)
Increase in advances to an affiliate and an unconsolidated subsidiary	(70)	—	(150)
Decrease in other assets	256	—	—
Purchase of and increase in investment in subsidiaries	—	(673)	(200)
Proceeds from sale of treasury shares	—	2,902	—
Proceeds from sale of land	—	1,817	—
Purchase of treasury shares	—	—	(1,527)
Cash of acquired subsidiary, consolidated in 1988	—	—	900
Net cash used in investing activities	(5,872)	(1,973)	(5,113)
Cash flows from financing activities:			
Dividends paid	(3,382)	(2,878)	(2,852)
Proceeds from long-term borrowings	87	1,628	1,436
Net increase in short-term borrowings	10,948	2,689	4,137
Principal payments on long-term debt	(1,577)	(1,355)	(1,342)
Net cash provided by financing activities	6,076	83	1,378
Effect of exchange rate changes on cash	558	(480)	134
Net increase (decrease) in cash and cash equivalents	4,542	(603)	(1,498)
Cash and cash equivalents at beginning of year	6,809	7,412	8,910
Cash and cash equivalents at end of year	$11,351	6,809	7,412
Supplemental cash flows disclosures			
Cash paid for:			
Interest	$ 4,099	3,806	2,900
Income taxes	6,522	6,895	3,900

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies
(j) Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks.

BROWN-FORMAN CORPORATION (APR)

Consolidated Statement of Cash Flows

(Expressed in thousands; amounts in brackets are reductions of cash)	1990	1989	1988
Cash flows from operating activities:			
Net income	$ 92,505	$144,497	$103,399
Adjustments to reconcile net income to net cash provided by (used for) operations:			
Depreciation	25,439	21,070	21,483
Amortization of intangible assets	8,392	9,804	10,475
Cumulative effect of change in accounting for income taxes	(11,526)	—	—
Deferred income taxes	15,932	11,200	18,205
Gain net of income taxes on sale of Lenox Awards, Martell marketing rights and ArtCarved	(1,218)	(22,334)	(16,706)
Nondeductible write-off of intangible assets	59,868	—	33,000
Other	(10,515)	(8,015)	(9,677)
Change in assets and liabilities, excluding the effects of companies disposed of:			
Accounts receivable	(2,935)	(10,094)	13,107
Inventories	(47,932)	(6,062)	6,933
Other current assets	(13,690)	912	13,868
Accounts payable and accrued expenses	9,933	5,660	(1,261)
Accrued taxes on income	1,146	(8,404)	(10,683)
Cash provided by operating activities	125,399	138,234	182,143
Cash flows from investing activities:			
Proceeds from sale of Lenox Awards, Martell marketing rights and ArtCarved	12,139	36,000	118,384
Proceeds from sale of distribution rights	—	—	17,512
Additions to intangible assets	—	—	(15,721)
Additions to property, plant and equipment	(50,067)	(37,951)	(25,519)
Disposals of property, plant and equipment	5,038	3,542	10,272
Other	(3,448)	341	(588)
Cash provided by (used for) investing activities	(36,338)	1,932	104,340
Cash flows from financing activities:			
Commercial paper	—	—	(18,494)
Proceeds from long-term debt	—	16,696	99,700
Reduction long-term debt	(25,800)	(67,349)	(108,441)
Acquisition of treasury stock	—	(16)	(198,431)
Dividends paid	(53,069)	(42,997)	(40,264)
Cash (used for) financing activities	(78,869)	(93,666)	(265,930)
Net increase in cash and cash equivalents	10,192	46,500	20,553
Cash and cash equivalents, beginning of year	95,630	49,130	28,577
Cash and cash equivalents, end of year	$105,822	$ 95,630	$ 49,130

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies
Cash Equivalents

Marketable securities that are highly liquid and have maturities of three months or less at the date of purchase are classified as cash equivalents.

Sale Of Accounts Receivable

HARTMARX CORPORATION (NOV)

Consolidated Statement of Cash Flows

In Thousands	1990	1989	1988
Increase (Decrease) In Cash and Cash Equivalents			
Cash Flows from operating activities:			
Net earnings (loss)	$ (61,545)	$17,410	$38,015
Reconciling items to adjust net earnings to net cash provided by operating activities:			
Depreciation and amortization	35,219	31,038	25,018
Changes in:			
Accounts receivable:			
Sale of receivables	60,000	—	—
Other changes	16,030	543	(14,803)
Inventories	60,407	(60,892)	(51,145)
Prepaid expenses	1,586	(740)	2,246
Other assets	3,733	(936)	(803)
Accounts payable and accrued expenses	30,579	1,005	1,266
Taxes and deferred taxes on earnings	(41,127)	(1,692)	(6,281)
Net cash provided by (used in) operating activities	104,882	(14,264)	(6,487)
Cash Flows from investing activities:			
Capital expenditures, net of retirements	(16,145)	(52,285)	(33,712)
Cash (paid) received re acquisitions/dispositions, net of subsidiary cash	11,142	(76,449)	(3,725)
Net cash used in investing activities	(5,003)	(128,734)	(37,437)
Cash Flows from financing activities:			
Increase (decrease) in notes payable to banks	(123,250)	151,000	74,400
Proceeds from notes payable to insurance companies	45,000	—	—
Reduction of other long term debt	(9,238)	(8,843)	(10,811)
Proceeds from issuance of common stock	147	277	835
Proceeds from disposition of treasury shares	5,224	21,344	2,174
Purchase of treasury shares	—	—	(6,511)
Payment of dividends	(17,895)	(22,924)	(19,973)
Net cash provided by (used in) financing activities	(100,012)	140,854	40,114
Net decrease in cash and cash equivalents	(133)	(2,144)	(3,810)
Cash and cash equivalents at beginning of year	2,864	5,008	8,818
Cash and cash equivalents at end of year	$ 2,731	$ 2,864	$ 5,008
Supplemental cash flow information:			
Net cash paid during the year for:			
Interest expense	$ 27,200	$ 27,700	$ 14,600
Income taxes	8,300	12,100	28,100

Non-cash financing activities:
The December 1, 1988 loan of $15 million by a financial institution to The Hartmarx Employee Stock Ownership Plan is guaranteed by the Company and the $13.8 million outstanding at November 30, 1990 is included as a liability in the Company's balance sheet, with a corresponding reduction of shareholders' equity representing unearned employee benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies

For purposes of the consolidated statement of cash flows, the Company considers as cash equivalents all highly liquid debt instruments with an original maturity of three months or less.

STANDARD MOTOR PRODUCTS, INC. (DEC)

Statements of Consolidated Cash Flows

	1990	1989	1988
	(Dollars in Thousands)		
Cash Flows From Operating Activities:			
Net Income	$ 7,734	$13,143	$ 9,257
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,038	7,344	6,159
Loss on disposal of property, plant & equipment	216	466	
(Gain) loss on sale of marketable securities	1,049	(179)	490
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	2,519	(17,009)	(11,987)
Sale of accounts receivable	25,000		
(Increase) in inventories	(31,581)	(20,940)	(44,200)
(Increase) decrease in prepaid taxes based on earnings	1,283	2,568	(1,462)
(Increase) decrease in other assets	(929)	(5,563)	2,451
Increase (decrease) in accounts payable	7,165	(92)	2,571
Increase (decrease) in taxes based on earnings	174	(431)	(918)
(Decrease) in deferred income taxes	(2,185)	(2,384)	(988)
Increase (decrease) in other current assets and liabilities	354	(3,095)	1,160
Increase (decrease) in sundry payables and accrued expenses	8,077	(260)	239
Total adjustments	19,180	(39,575)	(46,485)
Net cash provided by (used in) operating activities	26,914	(26,432)	(37,228)
Cash Flows From Investing Activities:			
Proceeds from sales of marketable securities	34,025	63,418	66,217
Purchases of marketable securities	(30,415)	(56,876)	(67,448)
Sale of fixed assets	700		
Capital expenditures	(16,171)	(23,239)	(26,764)
Net cash used in investing activities	(11,861)	(16,697)	(27,995)
Cash Flows From Financing Activities:			
Net borrowings under line-of-credit agreements	(2,900)	13,600	62,200
Proceeds from issuance of long-term debt	1,800	49,229	10,000
Principal payments of long-term debt	(4,885)	(4,436)	(2,857)
Reduction of loan to E.S.O.P.	1,679	1,676	
Proceeds from exercise of employee stock options	12	567	
Tax benefits applicable to E.S.O.P.	126	82	
Loan to E.S.O.P.		(16,779)	
Dividends paid	(4,198)	(4,191)	(4,185)
Net cash (used in) provided by financing activities	(8,366)	39,748	65,158
Net increase (decrease) in cash	6,687	(3,381)	(65)
Cash at beginning of year	4,007	7,388	7,453
Cash at end of year	$10,694	$ 4,007	$ 7,388
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	18,791	16,639	10,891
Income taxes	2,603	4,700	6,037

Accreted Interest

CUMMINS ENGINE COMPANY, INC. (DEC)

Consolidated Statements of Cash Flows

$ Millions	1990	1989	1988
Cash flows from operating activities:			
Net earnings (loss)	$(137.7)	$ (6.1)	$ (63.4)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	143.4	135.0	131.8
Extraordinary credit	(27.4)	—	—
Minority interest in earnings	(2.1)	4.5	2.9
Unusual charges	62.9	—	49.0
Deferred income taxes	(3.1)	(1.3)	(4.7)
Accounts receivable	38.8	(24.2)	(38.1)
Inventories	(5.6)	26.1	(61.9)
Accounts payable and accrued expenses	(68.6)	45.4	55.4
Accreted portion of zero coupon notes	11.2	13.0	6.0
Income taxes payable	3.0	5.5	5.3
Other	17.6	10.9	(5.9)
Total adjustments	170.1	214.9	139.8
Net cash provided by operating activities	32.4	208.8	76.4
Cash flows from investing activities:			
Property, plant and equipment:			
Additions	(147.0)	(137.9)	(150.8)
Disposals	8.2	11.5	14.5
Acquisitions, net of cash acquired	(2.0)	—	—
Disposition of marketable securities	—	1.5	9.9
Net cash proceeds from the disposition of certain business activities	23.5	55.9	—
Investments in and advances to unconsolidated companies	(15.6)	(59.1)	(19.6)
Net cash used for investing activities	(132.9)	(128.1)	(146.0)
Cash flows from financing activities:			
Proceeds from borrowings	215.8	58.8	201.8
Payments on borrowings	(219.1)	(99.9)	(115.5)
Net borrowings under credit agreements	(29.8)	11.5	7.5
Net proceeds from issuances of common stock	246.0	.2	.2
Redemption of convertible preferred stock	(67.3)	—	—
Payments of dividends	(41.0)	(32.0)	(31.5)
Other	(2.1)	(1.7)	—
Net cash provided by (used for) financing activities	102.5	(63.1)	62.5
Effect of exchanges rate changes on cash	4.8	(2.1)	(.5)
Net change in cash and cash equivalents	6.8	15.5	(7.6)
Cash and cash equivalents:			
At the beginning of the year	73.2	57.7	65.3
At the end of the year	$ 80.0	$ 73.2	$ 57.7

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 1990, 1989 and 1988 were:

$ Millions	1990	1989	1988
Interest	$42.0	$53.3	$52.1
Income taxes	28.0	6.5	9.1

In July 1989, the Board of Directors of the company approved 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. In December 1990, the ESOP repaid the promissory note held by the company through scheduled principal

payments and with the proceeds received from a private placement of notes that are guaranteed by the company.
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. Also in July 1989, the company issued 37,426 shares of convertible preferred stock in exchange for 580,269 shares of Cummins common stock. In July 1990, the company redeemed $67.3 million of the convertible preferred stock for $67.3 million in cash and redeemed $37.4 million of the convertible preferred stock in exchange for 580,247 shares of common stock issued from treasury shares.

Cash Surrender Value

FEDERAL SCREW WORKS (JUN)

Statements of Cash Flows

($000)	1990	1989	1988
OPERATING ACTIVITIES			
Net earnings	$ 2,187	$ 3,502	$ 504
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,280	2,291	2,338
Increase in cash value of life insurance	(320)	(491)	(371)
Provision for deferred income taxes	160	(145)	373
Employee benefits	30	(43)	(111)
Amortization of restricted stock	266	252	297
Loss (gain) on sale of property, plant and equipment	24	(39)	115
Other	(112)	259	(204)
Changes in operating assets and liabilities:			
Accounts receivable	(425)	588	(1,752)
Inventories and prepaid expenses	2,449	(3,022)	(218)
Accounts payable and accrued expenses	(1,468)	1,633	1,323
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,072	4,786	2,294
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(2,790)	(1,694)	(2,067)
Proceeds from sale of property, plant and equipment	116	132	252
NET CASH USED IN INVESTING ACTIVITIES	(2,673)	(1,562)	(1,815)
FINANCING ACTIVITIES			
Proceeds from bank borrowings			6,150
Principal payments on debt	(1,400)	(2,150)	(5,800)
Purchases of common stock	(291)	(492)	(479)
Dividends paid	(831)	(482)	(499)
NET CASH USED IN FINANCING ACTIVITIES	(2,523)	(3,124)	(628)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(125)	99	(150)
Cash and cash equivalents at beginning of year	1,287	1,188	1,388
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,162	$ 1,287	$1,188

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies
Cash Equivalents: All liquid investments with a maturity of three months or less when purchased are considered cash equivalents. Cash equivalents are stated at cost plus accrued interest, which approximates market.

Nonhomogeneous Operations

QUAKER STATE CORPORATION

Consolidated Statement of Cash Flows

(in thousands)	1990	1989	1988
Cash flows from operating activities			
Net income	$19,557	$11,842	$15,259
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and depletion	35,706	36,401	39,414
Deferred income taxes and investment tax credit	(10,500)	800	5,400
Unusual items—noncurrent	(3,643)	—	(4,774)
Increase (decrease) from changes in:			
Receivables	(298)	3,250	4,755
Inventories	5,898	4,995	11,973
Other current assets	1,433	9,926	(8,287)
Accounts payable	9,786	(5,698)	(8,399)
Accrued liabilities	2,008	4,214	2,961
Other	(3,767)	5,778	(880)
Increase (decrease) from changes in insurance operations:			
Deferred policy acquisition costs	(5,189)	(9,876)	(10,240)
Unearned premiums	17,574	22,261	20,376
Other	5,592	1,184	(6,046)
Net cash provided by operating activities	74,157	85,077	61,512
Cash flows from investing activities			
Proceeds from disposal of property and equipment	21,778	1,845	16,010
Capital expenditures, including acquisitions	(40,178)	(40,789)	(48,682)
Proceeds from sale of bonds and securities	67,093	21,138	12,912
Purchase of bonds and securities	(85,387)	(34,679)	(17,957)
Net cash used in investing activities	(36,694)	(52,485)	(37,717)
Cash flows from financing activities			
Dividends paid	(21,700)	(21,550)	(21,094)
Proceeds from long-term debt	11,739	10,628	5,932
Payments on long-term debt	(41,799)	(7,808)	(10,254)
Net cash used in financing activities	(51,760)	(18,730)	(25,416)
Net increase (decrease) in cash and cash equivalents	(14,297)	13,862	(1,621)
Cash and cash equivalents at beginning of year:			
Other than insurance	22,889	11,818	12,887
Insurance	3,485	694	1,246
Total cash and cash equivalents at beginning of year	26,374	12,512	14,133
Cash and cash equivalents at end of year:			
Other than insurance	6,132	22,889	11,818
Insurance	5,945	3,485	694
Total cash and cash equivalents at end of year	$12,077	$26,374	$12,512

Supplemental disclosure of cash flow information:

Cash paid during the year for	1990	1989	1988
Interest, net of amounts capitalized	$ 8,229	$10,393	$ 8,323
Income taxes	14,480	5,171	4,500
Noncash investing activities:			
Note receivable from plant sale	$10,000	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

h. Cash equivalents: The company considers all highly liquid debt instruments, other than insurance company investments purchased with a maturity of three months or less, to be cash equivalents.

PHILIP MORRIS COMPANIES INC. (DEC)

Consolidated Statements of Cash Flows

(in millions of dollars)	1990	1989	1988
Cash Provided By (Used In) Operating Activities			
Net earnings—**Consumer products**	$ 3,400	$ 2,817	$ 2,173
—**Financial services and real estate**	140	129	164
Net earnings	3,540	2,946	2,337
Adjustments to reconcile net earnings to operating cash flows:			
Consumer products			
Depreciation and amortization	1,367	1,194	779
Deferred income tax provision	108	154	(43)
Restructuring charges		179	348
Gain on sale of investment in Rothmans International p.l.c.		(455)	
Gains on sales of businesses	(104)		
Cumulative effect of change in method of accounting for income taxes			(232)
Cash effect of changes, net of the effects from acquired companies:			
Receivables, net	(249)	(718)	601
Inventories	(699)	(431)	2
Accounts payable	100	171	408
Other working capital items	730	203	556
Other	378	210	9
Financial services and real estate			
Deferred income tax provision	277	217	178
Cumulative effect of change in method of accounting for income taxes			(41)
Decrease in real estate receivables	32	22	13
Decrease (increase) in real estate held for development and sale	(41)	(7)	108
Other	(54)	(4)	65
Net cash provided by operating activities	5,385	3,672	5,088
Cash Provided By (Used In) Investing Activities			
Consumer products			
Purchase of Jacobs Suchard AG, net of acquired cash of $825	(3,116)		
Purchase of Kraft, Inc., net of acquired cash of $866 in 1988	(11)	(388)	(11,363)
Purchase of other businesses, net of acquired cash	(160)	(400)	
Proceeds from sales of investments and businesses	159	992	44
Capital expenditures	(1,355)	(1,246)	(1,024)
Other	246	82	52
Financial services and real estate			
Investments in finance assets	(523)	(481)	(495)
Proceeds from other finance assets	111	190	69
Other	(17)		1
Net cash used in investing activities	(4,666)	(1,251)	(12,716)
Net cash provided by (used in) operating and investing activities	$ 719	$ 2,421	$ (7,628)

(in millions of dollars)	1990	1989	1988
Cash Provided By (Used In) Financing Activities			
Consumer products			
Net issuance (repayment) of short-term borrowings	$ (994)	$(2,990)	$ 8,761
Long-term debt proceeds	3,562	2,534	1,212
Long-term debt repaid	(1,776)	(1,014)	(881)
Purchase of treasury stock	(221)		(539)
Dividends paid	(1,351)	(1,101)	(895)
Issuance of shares	80	79	28
Other			(85)
Financial services and real estate			
Net issuance (repayment) of short-term borrowings	91	60	(20)
Long-term debt proceeds			201
Long-term debt repaid	(182)	(20)	(32)
Net cash provided by (used in) financing activities	(791)	(2,452)	7,750
Effect of exchange rate changes on cash and cash equivalents	100	(19)	(44)
Increase (decrease) in cash and cash equivalents	28	(50)	78
Cash and cash equivalents at beginning of year	118	168	90
Cash and cash equivalents at end of year	$ 146	$ 118	$ 168
Cash paid: Interest—Consumer products	$ 1,511	$ 1,711	$ 589
—Financial services and real estate	$ 100	$ 90	$ 88
Income taxes	$ 2,027	$ 1,303	$ 1,088

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and cash equivalents:

Cash equivalents include demand deposits with banks and all highly liquid investments with original maturities of three months or less.

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 of *SFAS No. 95* and paragraph 7 of *SFAS No. 104,* which amends *SFAS No. 95,* cash receipts and payments should be reported separately and not netted. Examples of reporting cash flows from investing activities follow.

Property Acquisitions/Disposals

HOLNAM INC. (DEC)

Consolidated Statements of Cash Flows

(000's omitted)	1990	1989	1988
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (28,002)	$ 8,490	$ 37,701
Adjustments to reconcile net income (loss) to net cash provided by operating activities (net of effects of acquisitions)			
Depreciation, depletion and amortization	76,792	67,347	60,077
Net (gain) loss on dispositions of fixed assets	(1,003)	(895)	3,559
Deferred income taxes	659	3,955	10,851
Minority interest in net income, net of dividends paid	(2,081)	5,026	14,666
(Increase) decrease in receivables	9,251	(9,222)	(36,622)
Increase in inventories and supplies	(16,147)	(9,842)	(9,434)
(Increase) decrease in prepaid expenses and other	3,752	(2,437)	1,409
Increase (decrease) in accounts payable, accrued liabilities and accrued compensation	(17,113)	3,722	245
Increase (decrease) in other assets and liabilities	1,912	(1,369)	4,569
Cash provided by operating activities	28,020	64,775	87,021
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of assets	3,385	5,288	5,903
Capital expenditures (including capitalized interest of $1,559 in 1990, $468 in 1989 and $525 in 1988)	(94,410)	(93,713)	(110,019)
Advances to Box-Crow	(4,500)	(18,100)	—
Acquisitions	(114,038)	(2,862)	—
Other investing activities	(5,170)	(8,604)	(610)
Cash used for investing activities	(214,733)	(117,991)	(104,726)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock	100,147		
Repayment of borrowings	(347,656)	(47,943)	(22,619)
Proceeds from borrowings	411,547	126,281	35,625
Other	1,146	1,712	(1,466)
Dividends paid	—	(18,227)	(11,049)
Cash provided by financing activities	165,184	61,823	491
Net increase (decrease) in cash and cash equivalents	(21,529)	8,607	(17,214)
Cash and Cash Equivalents, beginning of year	29,118	20,511	37,725
Cash and Cash Equivalents, end of year	$ 7,589	$ 29,118	$ 20,511

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

In 1988, Holnam declared and issued a stock dividend of 8,918,496 common shares resulting in a transfer from retained earnings to additional paid-in capital of $4,508.

In 1990, Holnam issued approximately 14.4 million common shares in a non-cash transaction (see Note 3).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Summary Of Accounting Policies

Supplemental Cash Flow Information

For purposes of the consolidated statement of cash flows all short-term investments with an original maturity less than three months are considered to be the equivalent of cash.

Interest and income taxes paid for the years ended December 31 were as follows:

(in thousands)	1990	1989	1988
Interest paid	$ 58,633	$ 46,155	$ 32,586
Income taxes paid	15,815	40,897	69,592

The difference between amounts paid and amounts provided is attributable to the timing of such payments.

SUPER VALU STORES, INC. (FEB)

Consolidated Statements of Cash Flows

($000)	1990	1989	1988
Cash flows from operating activities:			
Net earnings	$147,746	$137,468	$113,012
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and intangibles	123,206	110,116	103,268
Amortization of capital leases	7,642	7,714	6,970
Provision for losses on receivables	11,070	11,540	4,855
Loss (gain) on sale of property, plant and equipment	(1,241)	(4,724)	240
Deferred income taxes	4,415	(62)	8,085
Change in assets and liabilities net of effects from acquired companies:			
Increase in receivables	6,840	(24,147)	(31,662)
Increase in inventory	(54,213)	(50,775)	(43,375)
Decrease (increase) in prepaid supplies and expenses	(3,318)	545	(907)
Decrease (increase) in direct finance leases	2,302	5,073	(5,467)
Increase (decrease) in checks outstanding, net	30,008	521	(26,934)
Increase in accounts payable and accrued expenses	28,580	37,282	28,739
Increase (decrease) in income taxes payable	1,324	12,587	(8,444)
Increase (decrease) in other liabilities	1,041	2,159	(1,981)
Net cash provided by operating activities	291,722	245,297	146,399
Cash flows from investing activities:			
Additions to long-term notes receivable	(37,960)	(38,455)	(46,612)
Payments on long-term notes receivable	41,196	28,996	34,294
Proceeds from sale of property, plant and equipment	20,459	31,544	14,575
Property, plant and equipment additions	(210,925)	(221,288)	(193,745)
Proceeds from disposals of leased assets	3,081	5,005	5,398
Net assets of acquired companies, net of cash acquired		(57,954)	(19,065)
Other assets	(24,224)	(9,548)	(12,952)
Net cash used in investing activities	(208,373)	(261,700)	(218,107)
Cash flows from financing activities:			
Issuance (reduction) of short-term notes payable	(22,556)	67,366	16,564
Proceeds from issuance of long-term debt	1,359	3,982	100,100
Repayment of long-term debt	(12,725)	(5,808)	(9,657)
Repayment of obligations under capital leases	(9,735)	(14,630)	(5,994)
Sale of common stock under option plans and ESOP	2,316	1,802	1,910
Cash dividends paid	(41,974)	(36,284)	(32,477)
Net cash provided (used) by financing activities	(83,315)	16,428	70,446
Net increase (decrease) in cash	34	25	(1,262)
Cash at beginning of year	2,195	2,170	3,432
Cash at end of year	$ 2,229	$ 2,195	$ 2,170
Supplemental cash flow information:			
Noncash investing and financing activities:			
Leased asset additions	$ 11,847	$ 27,459	$ 28,531
Debt exchange of 8.875% sinking fund debentures due April 1, 2016 for 8.875% promissory notes due June 15, 1999	45,000		
Cash paid during the year for:			
Interest (net of amount capitalized)	78,908	69,383	59,450
Income taxes	84,384	75,455	83,665

Investments

McGRAW-HILL, INC. (DEC)

Consolidated Statements of Cash Flows

(Thousands of dollars)	1990	1989	1988
Cash flows from operating activities			
Net income	$172,475	$ 47,791	$185,505
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	44,544	45,892	44,762
Amortization of goodwill and intangibles	22,231	22,984	19,616
Provision for losses on accounts receivable	59,467	44,880	41,650
Undistributed share of profit of Macmillan/McGraw-Hill joint venture	(8,601)	(13,688)	(2,349)
Undistributed earnings of other affiliates	(3,298)	(1,637)	(4,712)
Gain on formation of Macmillan/McGraw-Hill joint venture	—	(27,471)	—
Gain on dispositions—net	—	(21,345)	(248,275)
Cumulative effect of change in accounting	—	(8,000)	—
Unusual charges	—	220,000	149,564
Other	6,785	11,215	624
Change in assets and liabilities net of effect of acquisitions and dispositions:			
Increase in accounts receivable	(118,237)	(68,096)	(69,818)
Increase in inventories	(15,573)	(18,967)	(25,885)
Increase in prepaid and other current assets	(2,145)	(14,678)	(1,401)
(Decrease)/increase in accounts payable and accrued expenses	(6,721)	16,351	9,414
Increase/(decrease) in unearned revenue	11,793	(1,676)	10,327
(Decrease)/increase in other current liabilities	(28,606)	7,921	1,761
Increase/(decrease) in interest and income taxes currently payable	34,988	(65,316)	35,662
Increase/(decrease) in prepaid/deferred income taxes	84,608	(30,013)	(33,737)
Decrease in reserve for restructuring	(60,010)	(19,118)	(11,239)
Net change in other assets and liabilities	432	(15,732)	906
Cash provided by operating activities	194,132	111,297	102,375
Investing activities			
Investment in Macmillan/McGraw-Hill School Publishing Company	—	(288,327)	(78,058)
Distribution from Macmillan/McGraw-Hill joint venture	70,000	30,000	—
Acquisition of businesses	(172,697)	(90,459)	(178,705)
Purchase of property and equipment	(95,834)	(58,016)	(41,176)
Disposition of businesses	6,012	36,862	317,599
Disposition of property and equipment	7,528	10,320	2,461
Purchase of short-term investments	—	—	(24,498)
Sale of short-term investments	—	—	45,422
Cash provided by/(used for) investing activities	(184,991)	(359,620)	43,045
Financing activities			
Dividends paid to shareholders	(105,322)	(99,688)	(88,959)
Issuance of 9.43% senior notes	250,000	—	—
Additions to long-term debt	—	376,904	—
Repayment of long-term debt	(127,881)	(1,969)	(1,974)
Repayment of short-term debt—net	(35,572)	(19,747)	(35,874)
Exercise of stock options	1,153	7,929	3,191
Settlement of yen/dollar currency swap	—	—	(22,870)
Other	(5,785)	(4,444)	(3,602)
Cash provided by/(used for) financing activities	(23,407)	258,985	(150,088)
Effect of exchange rate changes on cash	291	(546)	345
Net change in cash and equivalents	(13,975)	10,116	(4,323)
Cash and cash equivalents at beginning of year	34,586	24,470	28,793
Cash and cash equivalents at end of year	$ 20,611	$ 34,586	$ 24,470

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Joint Venture

During 1990 and 1989, the company received cash distributions from the joint venture of $83 million and $30 million, respectively. These distributions consisted of a $13 million distribution of earnings and a $70 million return of capital in 1990 and a $30 million return of capital in 1989. The company's investment in the venture at December 31, 1990 of $504.1 million is lower than its share of the venture's equity by approximately $37 million. This difference is being amortized over 24 years, the period that corresponds to the lives of the assets in the joint venture.

10. Statements 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 cash flows information follows:

	(Thousands of dollars)		
	1990	1989	1988
Interest and income taxes paid:			
Interest (net of amount capitalized)	$ 46,455	$ 35,917	$ 9,064
Income taxes (net of refunds)	17,497	120,085	173,527
Non-cash investing and financing activities:			
Liabilities assumed in conjunction with acquisition of businesses:			
Fair value of assets acquired	237,172	115,630	186,961
Cash paid	172,697	90,459	178,705
Liabilities assumed	64,475	25,171	8,256
Additional common stock issued upon conversion of 3 7/8% debentures:			
Debentures converted	20	115	45
Shares of common stock issued (thousands)	1	4	1
Capital lease obligations entered into for automobiles	$ —	$ 3,869	$ 2,992

HEWLETT-PACKARD COMPANY (OCT)

Consolidated Statements of Cash Flows

In millions	1990	1989	1988
Cash flows from operating activities:			
Net earnings	$ 739	$ 829	$ 816
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation and amortization	566	462	373
U.S. federal deferred taxes on earnings	78	(6)	(189)
Changes in assets and liabilities:			
Accounts and notes receivable	(409)	(385)	(305)
Inventories	(145)	(324)	(361)
Accounts payable	18	134	118
Taxes on earnings	(52)	(130)	192
Other current assets and liabilities	47	97	218
Other, net	(43)	(181)	(39)
	799	496	823
Cash flows from investing activities:			
Investment in property, plant and equipment	(955)	(857)	(648)
Disposition of property, plant and equipment	159	120	107
Purchase of short-term investments	(42)	(58)	(57)
Maturities of short-term investments	53	174	466
Purchase of long-term investments	(157)	(11)	(67)
Maturities of long-term investments	6	15	15
Purchase of Apollo Computer Inc., net of cash acquired	—	(486)	—
Other, net	(30)	(49)	(87)
	(966)	(1,152)	(271)
Cash flows from financing activities:			
Increase (decrease) in notes payable and short-term borrowings	212	799	(465)
Issuance of long-term debt	90	31	30
Repayment of current maturities of long-term debt	(101)	(95)	(117)
Issuance of common stock under employee stock plans	220	223	211
Repurchase of common stock	—	(140)	(1,569)
Dividends	(102)	(85)	(69)
Other, net	19	15	10
	338	748	(1,969)
Increase (decrease) in cash and cash equivalents	171	92	(1,417)
Cash and cash equivalents at beginning of year	906	814	2,231
Cash and cash equivalents at end of year	$1,077	$ 906	$ 814

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)
Statement of Cash Flows

The company has classified marketable securities and time deposits as cash equivalents if the original maturity of such investments is three months or less.

The company paid income taxes of $283 million in 1990, $484 million in 1989 and $335 million in 1988. For the same periods, the company paid interest of $162 million, $108 million and $70 million, respectively. The effect of foreign currency exchange rate fluctuations on cash balances held in foreign currencies was not material. Information about noncash investing activities related to the acquisition of Apollo Computer Inc. is included in the Acquisition note on page 30 of this report.

Loans Receivable

TASTY BAKING COMPANY (DEC)

Consolidated Statements of Cash Flows

($000)	1990	1989	1988
Cash flows from (used for) operating activities			
Net income	$ 1,934	$ 9,575	$ 9,456
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	6,529	5,859	5,263
Amortization	280	270	391
Provision for doubtful accounts	830	749	812
Provision related to early retirement program	9,450	—	—
Deferred taxes	(4,085)	1,873	457
Other	(249)	(2,672)	(306)
Change in assets and liabilities			
Increase in receivables	(1,737)	(3,453)	(888)
Decrease (increase) in inventories	(1,119)	339	(986)
Decrease (increase) in prepayments and other	(1,175)	(287)	176
Increase (decrease) in accrued and deferred income taxes	1,310	(838)	(355)
Decrease in accounts payable and other current liabilities	(567)	(1,040)	(218)
Net cash from operating activities	11,400	10,375	13,802
Cash flows from (used for) investing activities			
Proceeds from owner/operators' loan repayments	2,840	2,535	1,539
Proceeds from sale of marketable securities	—	—	5,860
Proceeds from sale of property, plant and equipment	84	327	161
Purchase of property, plant and equipment	(11,004)	(10,968)	(11,414)
Loans to owner/operators	(3,690)	(4,429)	(4,949)
Purchase of subsidiary	(1,150)	—	—
Other	149	(855)	(605)
Net cash used for investing activities	(12,769)	(13,390)	(9,407)
Cash flows from (used for) financing activities			
Additional long-term debt	15,000	7,450	5,000
Proceeds from sale of common stock	—	176	200
Dividends paid	(4,298)	(3,882)	(3,095)
Payment of long-term debt	(6,402)	(4,114)	(4,162)
Net increase (decrease) in short-term debt	1,486	2,877	(2,000)
Purchase of treasury stock	(3,975)	(217)	(428)
Net cash from (used for) financing activities	1,810	2,289	(4,486)
Net increase (decrease) in cash	$ 442	$ (725)	$ (91)
Cash, beginning of year	314	1,039	1,130
Cash, end of year	$ 756	$ 314	$ 1,039
Cash paid during the year for:			
Interest	$ 1,898	$ 1,473	$ 1,232
Income taxes	$ 3,218	$ 4,616	$ 4,696

FLEMING COMPANIES, INC. (DEC)

Consolidated Statements of Cash Flows

(In thousands)	1990	1989	1988
Cash flows from operating activities:			
Net earnings	$ 97,256	$ 80,076	$ 65,384
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	82,550	77,863	61,971
Bad debt expense	22,677	30,604	20,903
Deferred income taxes	10,699	13,089	(16,256)
Gain on sale of businesses and investment	—	(17,539)	(25,330)
Restructuring and reserve activities, net	(9,680)	(1,874)	11,126
Change in assets and liabilities, net of effect of acquisitions and dispositions:			
Receivables	(49,806)	12,031	(45,861)
Inventories	(102,097)	(9,898)	(73,873)
Other assets	(4,836)	(1,620)	33,363
Accounts payable	43,868	(51,284)	40,738
Other liabilities	(23,059)	(34,198)	27,971
Other adjustments, net	(3,597)	(4,676)	(820)
Net adjustments	(33,281)	12,498	33,932
Net cash provided by operating activities	63,975	92,574	99,316
Cash flows from investing activities:			
Collections on notes receivable	64,975	40,860	67,036
Notes receivable funded	(131,152)	(143,522)	(158,990)
Notes receivable sold	74,993	25,000	—
Additions to property and equipment	(60,585)	(112,983)	(74,123)
Proceeds from sale of property and equipment	10,700	7,233	17,486
Investment in affiliated retailers	(23,926)	(816)	—
Proceeds from sale of investment	13,599	7,000	—
Businesses acquired	—	—	(279,445)
Proceeds from sale of businesses	5,638	27,980	273,143
Other investing activities	(646)	(405)	(43,787)
Net cash used in investing activities	(46,404)	(149,653)	(198,680)
Cash flows from financing activities:			
Proceeds from long-term borrowings	214,891	296,443	778,034
Principal payments on long-term debt	(213,553)	(277,866)	(740,783)
Principal payment on capital lease obligations	(10,198)	(9,650)	(11,427)
Sale of common stock under incentive stock and stock ownership plans	8,653	13,817	3,055
Dividends paid	(36,212)	(34,013)	(26,557)
Proceeds from common stock sale	—	20,000	71,448
Proceeds from preferred stock sale	—	97,792	—
Redemption of preferred stock	—	(50,000)	—
Other financing activities	2,980	421	(13,754)
Net cash (used in) provided by financing activities	(33,439)	56,944	60,016
Net decrease in cash and cash equivalents	(15,868)	(135)	(39,348)
Cash and cash equivalents, beginning of year	37,155	37,290	76,638
Cash and cash equivalents, end of year	$ 21,287	$ 37,155	$ 37,290

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cash and cash equivalents: Cash equivalents consist of liquid investments readily convertible to cash with a maturity of three months or less.

Supplemental Cash Flows Information

(In thousands)	1990	1989	1988
Cash paid, during the year for:			
Interest, net of amounts capitalized	$96,352	$95,960	$ 73,833
Income taxes	$57,384	$71,468	$ 29,933

Purchase Method Business Combinations

CPC INTERNATIONAL INC. (DEC)

Consolidated Statement of Cash Flows

$ Millions	1990	1989	1988
Cash flows from operating activities			
Net income	$373.9	$327.5	$289.1
Non-cash charges (credits) to net income			
Depreciation and amortization	237.4	215.3	195.2
Deferred taxes	14.5	10.0	33.9
Translation (gains) losses	14.0	7.2	(7.0)
Other, net	(5.5)	(1.7)	6.0
Changes in trade working capital			
Notes and accounts receivable	(177.7)	(186.3)	(87.5)
Inventories	(115.5)	(86.4)	(82.4)
Accounts payable and accrued items	117.2	143.2	45.7
Net cash flows from operating activities	458.3	428.8	393.0
Cash flows from (used for) investing activities			
Capital expenditures paid	(260.3)	(210.8)	(226.1)
Disposal of plants and properties	16.4	20.0	5.5
Proceeds from businesses sold	23.2	23.1	7.6
Other equity investments	—	(6.6)	—
Businesses acquired	(379.2)	(174.8)	(170.0)
Net cash flows used for investing activities	(599.9)	(349.1)	(383.0)
Net cash flows after investments	(141.6)	79.7	10.0
Cash flows from (used for) financing activities			
Proceeds from issuance of ESOP preferred stock	—	200.0	—
Purchase of treasury stock	(17.8)	(182.7)	(99.1)
New long-term debt	91.2	101.2	171.2
Repayment of long-term debt	(28.4)	(83.9)	(293.8)
Net change in short-term debt	213.9	68.3	204.8
Dividends paid on common stock	(147.1)	(132.3)	(116.5)
Dividends paid on preferred stock	(16.0)	—	—
Common stock issued	4.3	2.0	4.9
Other liabilities (deposits)	(9.4)	(24.1)	(6.7)
Net cash flows from (used for) financing activities	90.7	(51.5)	(135.2)
Effects of exchange rate changes on cash	(8.8)	(8.0)	1.7
Increase (decrease) in cash and cash equivalents	(59.7)	20.2	(123.5)
Cash and cash equivalents, beginning of year	107.2	87.0	210.5
Cash and cash equivalents, end of year	$ 47.5	$107.2	$ 87.0

NOTES TO FINANCIAL STATEMENTS

Summary of accounting policies (In Part)

Cash and cash equivalents—Cash equivalents consist of all investments purchased with an original maturity of three months or less and which have virtually no risk of loss in value. At December 31, 1990, 1989, and 1988, the Company had $12.8 million, $96.2 million, and $70.9 million of cash equivalents, respectively.

Consolidated statement of cash flows

Supplementary information for the consolidated statement of cash flows is set forth below:

$ Millions	1990	1989	1988
Cash paid during the year for:			
Interest	$107.5	$ 92.7	$ 87.0
Income taxes	209.6	198.8	160.9
Details of businesses acquired were as follows:			
Fair value of assets acquired	$401.7	$210.5	$225.2
Liabilities assumed	22.0	27.7	50.7
Cash paid	379.7	182.8	174.5
Less cash acquired	.5	8.0	4.5
Net cash paid for acquisitions	$379.2	$174.8	$170.0

ROBERTSON-CECO CORPORATION (DEC)

Consolidated Statements of Cash Flows

(Thousands)	1990	1989	1988
Cash Flows From Operating Activities			
Net income (loss)	$(12,682)	$ 4,344	$(28,283)
Adjustments to reconcile net income (loss) to net cash used for operating activities:			
Depreciation	8,224	8,037	9,465
Amortization	2,729	706	235
Deferred income taxes	(360)	(513)	61
Gain on sale of investments	—	(1,211)	(846)
Gain on sale of discontinued assets (net of tax)	—	—	(62,461)
Net periodic pension credit	(3,183)	(1,945)	(864)
Provisions (credit) for			
Bad debts and losses on construction contracts	1,907	2,620	1,172
Rectification and other costs	4,930	3,472	5,052
Reorganization expense (income)	(2,105)	—	25,215
Discontinued operations	3,500	—	29,127
Changes in assets and liabilities, net of acquisitions			
(Increase) decrease in accounts and notes receivable	19,743	(10,768)	2,122
(Increase) decrease in inventories	10,370	7,679	(7,817)
Increase (decrease) in accounts payable, principally trade	(7,320)	19	16,756
Net changes in other assets and liabilities	(31,449)	(40,354)	(16,978)
Net cash used for operating activities	(5,696)	(27,914)	(28,044)
Cash Flows From Investing Activities			
Capital expenditures	(6,071)	(3,928)	(6,491)
Proceeds from sales of property, plant and equipment	7,101	10,731	2,149
Acquisition of businesses	(14,951)	—	(15,246)
Proceeds from sale of investments	—	2,400	2,303
Proceeds from sale of discontinued operations	—	—	91,860
Net cash provided by (used for) investing activities	(13,921)	9,203	74,575
Cash Flows From Financing Activities			
Net payments on short-term borrowings	(8,630)	(5,192)	(5,471)
Proceeds from long-term debt borrowings	475	14,834	7,442
Proceeds from revolving credit arrangements	137,028	39,035	—
Payments on revolving credit arrangements	(115,463)	(20,100)	—
Payments on long-term debt borrowings	(27,147)	(20,026)	(41,720)
Common stock issued	38,924	199	195
Dividends paid	(234)	(225)	(225)
Net cash provided by (used for) financing activities	24,953	8,525	(39,779)
Effect of foreign exchange rate changes on cash	750	(153)	(146)
Net increase (decrease) in cash and cash equivalents	6,086	(10,339)	6,606
Cash and cash equivalents—beginning of period	6,183	16,522	9,916
Cash and cash equivalents—end of period	$ 12,269	$ 6,183	$ 16,522
Supplemental Cash Flow Data			
Cash Payments Made For			
Interest	$ 8,628	$ 8,839	$ 6,231
Income taxes	$ 3,431	$ 2,780	$ 3,452

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Cash And Related Matters

Cash and cash equivalents consisted of the following:

(Thousands)	*December 31* 1990	1989
Cash	$11,232	$3,687
Time deposits and certificates of deposit	1,037	2,496
Total	$12,269	$6,183

At December 31, 1990, other non-current assets included restricted cash of $1,988,000 pledged to support a bank credit facility. At December 31, 1989, restricted cash balances of $7,398,000 represented amounts pledged to support bank guarantees issued on several large construction contracts.

As used in the consolidated financial statements, cash equivalents represent those short-term investments that can be easily converted into cash and that have original maturities of three months or less.

Cash and non-cash investing and financing activities consisted of the following:

	Year Ended December 31		
(Thousands)	1990	1989	1988
Acquisitions of businesses			
Assets acquired	$260,218	—	$ 47,618
Liabilities assumed	(198,215)	—	(32,887)
Common stock issued	(40,961)	—	
Warrants issued	(6,042)	—	
Cash paid	15,000	—	14,731
Fees and expenses	5,283	—	515
Less cash acquired	(5,332)	—	
Net cash paid	14,951	—	15,246
Investment in Spectrum Corporation			
Working capital	—	$(2,765)	—
Fixed assets	—	(2,635)	—
Non-current assets	—	5,400	—
Common stock issued—			
ESOP Plan	—	—	850

Restricted Funds

EG&G, INC. (DEC)

Consolidated Statement of Cash Flows

(Dollars in Thousands)	1990	1989	1988
Increase (decrease) in cash and cash equivalents:			
Cash flows from operating activities:			
Net income	$ 73,966	$ 69,850	$ 68,657
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	29,944	25,536	24,626
(Gains) on dispositions and investments, net	(4,966)	(6,898)	(200)
Changes in assets and liabilities, net of effects from companies purchased and divested:			
Decrease (increase) in accounts receivable	5,795	(25,091)	(20,921)
Decrease (increase) in inventories	3,919	(5,052)	(11,076)
Increase (decrease) in accounts payable and accrued expenses	15,569	283	(6,392)
Change in prepaid and deferred taxes	(740)	(2,587)	(8,008)
Other	5,721	(3,627)	(1,855)
Net Cash Provided By Operating Activities	129,208	52,414	44,831
Cash flows from investing activities:			
Capital expenditures	(19,848)	(23,258)	(27,915)
Proceeds from dispositions of businesses and sales of property, plant and equipment	295	6,636	1,475
Net cost of purchased companies	(3,237)	(87,659)	(4,756)
Funds held in escrow	(21,112)	—	—
Purchases of investment securities	(4,656)	(3,890)	(6,850)
Proceeds from sales of investment securities	4,997	33,934	51,404
Proceeds from sale of unconsolidated financing subsidiary	—	—	6,220
Other	—	40	442
Net Cash Provided By (Used In) Investing Activities	(43,561)	(74,197)	20,020
Cash flows from financing activities:			
Changes in commercial paper	(15,931)	68,648	(24,419)
Other changes in debt	(2,815)	(4,357)	(11,311)
Proceeds from issuing common stock	16,119	13,020	12,441
Purchases of common stock	(55,732)	(49,018)	(17,134)
Cash dividends	(21,711)	(19,878)	(16,970)
Net Cash Provided By (Used In) Financing Activities	(80,070)	8,415	(57,393)
Net Increase (Decrease)	5,577	(13,368)	7,458
Cash and cash equivalents at beginning of year	28,581	41,949	34,491
Cash and cash equivalents at end of year	$ 34,158	$ 28,581	$ 41,949
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 10,553	$ 8,737	$ 7,439
Income taxes	$ 32,992	$ 29,940	$ 35,217

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash Flows: For purposes of the Consolidated Statement of Cash Flows, the Company considers all highly liquid instruments with a purchased maturity of three months or less to be cash equivalents.

POTLATCH CORPORATION (DEC)

Statements of Cash Flows

(Dollars in thousands)	1990	1989	1988
Cash flows from operations			
Net earnings	$ 98,612	$ 136,715	$ 112,364
Non-cash adjustments to income:			
Depreciation, amortization and cost of fee timber harvested	86,154	77,294	72,409
Deferred taxes	6,659	25,172	11,760
Other, net	4,334	1,397	(2,454)
Cash provided by operations excluding working capital changes	195,759	240,578	194,079
Decrease (increase) in receivables	20,750	(14,014)	(11,192)
Increase in inventories	(16,011)	(9,779)	(23,937)
Increase in prepaid expenses	(329)	(10,926)	(3,330)
Increase in accounts payable and accrued liabilities	29,791	19,614	9,702
Cash provided by (used for) working capital changes	34,201	(15,105)	(28,757)
Net cash provided by operations	229,960	225,473	165,322
Cash flows from financing			
Increase in notes payable	9,959	—	—
Proceeds from long-term debt	12,283	119,470	8,386
Repayment of long-term debt	(104,809)	(3,438)	(2,705)
Redemption of preferred stock	—	(363)	—
Issuance of treasury stock	1,639	1,617	1,157
Dividends on common stock	(35,581)	(30,643)	(25,540)
Dividends on preferred stock	—	(6)	(3,750)
Net cash provided by (used for) financing	(116,509)	86,637	(22,452)
Cash flows from investing			
Decrease (increase) in short-term investments	220,470	(140,656)	(42,656)
Prefunding of retiree medical benefits included in other assets	(5,000)	(15,613)	(6,255)
Decrease (increase) in investments of unexpended revenue bond funds included in other assets	3,670	(12,288)	(22)
Additions to plant and equipment, and to land other than timberlands	(308,596)	(131,583)	(107,256)
Additions to timber, timberlands and related logging facilities	(9,054)	(11,161)	(7,000)
Disposition of plant and properties	1,789	1,846	2,845
Other, net	(15,659)	(6,803)	1,924
Net cash used for investing	(112,380)	(316,258)	(158,420)
Increase (decrease) in cash	1,071	(4,148)	(15,550)
Balance at beginning of year	(13,014)	(8,866)	6,684
Balance at end of year	$ (11,943)	$ (13,014)	$ (8,866)

Net interest paid (net of amounts capitalized) in 1990, 1989 was $32.7 million, $26.7 million and $24.7 million, respectively. Net income taxes paid in 1990, 1989 and 1988 were $35.9 million, $61.0 million and $52.6 million, respectively.

Hedges Of Foreign Investments

THE UPJOHN COMPANY (DEC)

Consolidated Statements of Cash Flows

Dollar amounts in thousands	1990	1989	1988
Cash flows from operations:			
Net earnings	$ 455,681	$ 176,020	$ 353,418
Adjustments to reconcile net income to net cash provided (required) by operations:			
Depreciation and amortization	124,351	120,486	102,945
Deferred income taxes	46,614	(79,076)	(8,540)
Provision for disposal of discontinued operations		180,000	
Restructuring and nonrecurring items	(37,804)	57,529	
Other	3,365	(28,037)	(6,232)
Changes in:			
Accounts receivable	(71,531)	(13,076)	(48,756)
Inventory	(28,421)	(29,825)	(9,169)
Payables and accruals	(37,326)	58,277	63,505
Income taxes payable	20,772	14,712	14,003
Other current and noncurrent assets	3,948	5,433	(47,184)
Other current and noncurrent liabilities	8,598	37,791	14,682
Net cash provided by operations	488,247	500,234	428,672
Cash flows provided (required) by investment activities:			
Property, plant and equipment additions	(246,763)	(242,260)	(240,997)
Proceeds from sale of property, plant and equipment	3,345	29,902	17,018
Proceeds from sale of investments	198,412	229,126	209,855
Purchase of investments	(316,467)	(220,825)	(50,086)
Proceeds from the sale of discontinued operation	58,025		
Hedges of foreign net investments	(49,861)		
Other	9,154	(12,238)	(22,757)
Net cash required by investment activities	(344,155)	(216,295)	(86,967)
Cash flows provided (required) by financing activities:			
Proceeds from issuance of debt	26,291	29,148	27,255
Repayment of debt	(26,759)	(27,125)	(203,301)
Debt maturing in three months or less	12,281	12,371	15,038
Dividends paid to shareholders	(192,881)	(168,608)	(141,516)
Purchase of treasury stock	(310,715)	(75,557)	(80,185)
Proceeds of preferred stock issued to ESOP	275,000		
Other	21,425	21,422	16,694
Net cash required by financing activities	(195,358)	(208,349)	(366,015)
Effect of exchange rate changes on cash	19,688	(8,271)	(1,555)
Net change in cash and cash equivalents	(31,578)	67,319	(25,865)
Cash and cash equivalents, beginning of year	247,275	179,956	205,821
Cash and cash equivalents, end of year	$ 215,697	$ 247,275	$ 179,956
Cash paid during the year for:			
Interest (net of capitalized)	$ 37,151	$ 36,705	$ 43,959
Income taxes	119,582	133,178	129,448

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollar amounts in thousands

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

Cash Flow—For purposes of the cash flow statement, the company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Note R. Foreign Operations

The consolidated financial statements include amounts related to foreign operations as follows:

December 31	1990	1989
Working capital	$549,110	$454,163
Net property and other assets	370,833	312,458
Noncurrent liabilities	(91,575)	(81,967)
Minority equity	(55,249)	(49,366)
Equity in foreign net assets	$773,119	$635,288

Amounts for 1989 have been restated to conform to the 1990 presentation.

The reported value of and, potentially, the cash flow from foreign working capital and net investments are subject to fluctuations in the value of the U.S. dollar relative to the respective foreign currencies in which the net assets are denominated.

Forward exchange contracts used to hedge certain foreign net investments were closed during 1990, and the corresponding accrued liability was settled. At December 31, 1989, the related accrual was $45,337.

Foreign exchange (losses) gains included in earnings, net of minority equity and taxes, were $(765) in 1990, $5,497 in 1989, and $5,521 in 1988.

Insurance Settlements

PHILLIPS PETROLEUM COMPANY (DEC)

Consolidated Statement of Cash Flows

Millions of Dollars	1990	1989	1988
Cash Flows from Operating Activities			
Net income	$ 779	219	650
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion, amortization and retirements	808	1,106	868
Dry hole costs and leasehold impairment	126	259	202
Deferred taxes	(245)	(153)	170
Cumulative effect of accounting change	(137)	—	—
Gain on extraordinary item	(101)	—	—
Decrease (increase) in accounts and notes receivable	(244)	(90)	8
Increase in inventories	(120)	(22)	(19)
Decrease (increase) in prepaid expenses and other current assets	(203)	8	(93)
Increase (decrease) in accounts payable	142	224	(10)
Increase (decrease) in taxes and other accruals	(80)	61	121
Other	379	42	(32)
Net Cash Provided by Operating Activities	1,104	1,654	1,865
Cash Flows from Investing Activities			
Capital expenditures, including dry hole costs	(1,383)	(872)	(797)
Proceeds from property insurance	594	—	—
Proceeds from extraordinary item	91	—	—
Property dispositions	22	37	127
Investment purchases	(47)	(122)	(59)
Investment sales	15	19	19
Net Cash Used for Investing Activities	(708)	(938)	(710)
Cash Flows from Financing Activities			
Issuance of debt	601	825	687
Repayment of debt	(1,148)	(1,668)	(1,638)
Issuance of company stock	406	5	252
Purchase of company stock	(37)	—	(215)
Dividends paid	(256)	(229)	(168)
Redemption of Preferred Share Purchase Rights	—	(20)	—
Net Cash Used for Financing Activities	(434)	(1,087)	(1,082)
Increase (Decrease) in Cash and Cash Equivalents	(38)	(371)	73
Cash and cash equivalents at beginning of year	708	1,079	1,006
Cash and Cash Equivalents at End of Year	$ 670	708	1,079

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 FINANCIAL STATEMENTS

Note 12—Cash Flow Information

	Millions of Dollars		
	1990	1989	1988
Noncash investing and financing activities			
Investment in joint ventures in exchange for noncash assets	$ —	24	43
Guarantees of LTSSP borrowings	400	—	250
Reduction of guarantees of LTSSP borrowings	25	25	—
Treasury stock issued for incentive compensation plans	40	7	10
Cash payments			
Interest	$870	604	681
Income taxes	960	448	284

STEWART SANDWICHES, INC. (JUN)

Consolidated Statements of Cash Flows

($000)	1990	1989	1988
Cash flows from operating activities:			
Net income (loss)	$ 1,552	$(1,232)	$ 176
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:			
Depreciation and amortization	1,192	1,819	2,045
Increase in salary continuation retirement plan	163	133	—
Provision for losses on accounts receivable	125	33	6
Increase (decrease) in deferred income taxes	115	(17)	12
Decrease in deferred non-compete agreement	(5)	(10)	(75)
Net gain on disposition of fixed assets and intangibles exclusive of unusual item and extraordinary item	(47)	(72)	(167)
Gain from unusual item	(570)	—	—
Gain from casualty (note 11)	(3,054)	—	—
Proceeds for casualty operating expenses	100	—	—
Changes in operating assets and liabilities net of effects from purchase and sale of business assets:			
Decrease in accounts receivable	449	251	15
Inventory and operating expenses due to casualty	(1,320)	—	—
(Increase) decrease in inventory	(81)	71	220
Decrease in other current assets	12	18	74
Increase (decrease) in accounts payable and accrued expenses	355	(445)	48
Increase in income taxes payable	6	—	—
Net cash (used) provided by operating activities	(1,005)	549	2,358
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(706)	(1,226)	(1,680)
Acquisition of assets of unrelated businesses	—	(194)	(735)
Proceeds from disposition of fixed and intangible assets	79	432	929
Proceeds from unusual item	725	—	—
Proceeds from casualty (note 11)	3,937	—	—
Note receivable from Employee Stock Option Plan	—	(79)	—
Note payment on employee stock option plan	15	—	—
Increase in other assets	(49)	(20)	(48)
Purchase of intangible assets	(7)	(8)	(18)
Payment received on officer's note receivable	—	—	30
Net cash provided (used) by investing activities	3,995	(1,095)	(1,524)
Cash flows from financing activities:			
Proceeds from long-term borrowings	—	2,317	139
Principal payments on revolving line of credit, long-term debt and capital lease obligation	(1,124)	(2,972)	(589)
(Increase) decrease in bond retirement fund	(9)	(82)	68
Purchase of treasury stock	—	(86)	(49)
Net cash used by financing activities	(1,134)	(823)	(430)
Increase (decrease) in cash	1,856	(1,370)	403
Cash at beginning of year	919	2,289	1,886
Cash at end of year	$ 2,775	$ 919	$ 2,289
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 302	$ 344	$ 378
Income taxes	3	58	38
	$ 306	$ 402	417

Supplemental schedule of noncash investing and financing activities:

On March 16, 1990, the Company sold certain assets of its route distribution business related to its frozen beverage program. The selling price was $1,196,850, which included a cash payment of $725,000 and a note receivable of $471,850 payable in three equal annual installments.

On October 31, 1989, the Company experienced a major fire which destroyed a majority of the administrative offices and part of the production facility. The total amount of the claim was for $5,781,353, the Company has received $4,037,770 in cash, the balance is recorded as an insurance claim receivable due from the insurance company.

During the year ended June 30, 1989, a term loan of $2,233,333 was refinanced for the same amount.

During the year ended June 30, 1989, the Company repossessed the property securing a defaulted note receivable in the amount of $48,786. The repossessed property was resold for $52,000 of which the Company was holding a note receivable in the amount of $42,000 which was curtailed in fiscal 1990.

During the year ended June 24, 1988, the Company acquired certain assets of A-1 King Size Sandwiches, Inc. $900,000 of the purchase price has been funded by A-1 through a five year note.

During the year ended June 24, 1988, the Company realized a tax benefit of $76,788 through utilization of a net operating loss carryforward.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Extraordinary Item

On October 31, 1989, the Company experienced a major fire which destroyed a majority of the administrative offices and part of its production facility. All assets destroyed were insured. The Company has settled its claim on the building and its contents with the insurance carrier. A claim for additional expenses, inventory and computer contents is still pending. The gain, which has been reflected as an extraordinary item on the income statement, was $2,937,393 net of related income taxes of $117,595 representing alternative minimum tax in the amount of $2,401 and deferred income taxes of $115,194 which have been reduced through utilization of tax benefits of net operating loss carryforwards of $772,711 and general business credit carryforwards amounting to $238,429. As of June 29, 1990, the Company has received $4,037,770 of the total insurance claim of $5,781,352 resulting in a receivable of $1,743,582 which has been reflected as a current asset on the balance sheet.

Nonhomogeneous Operations

CHRYSLER CORPORATION (DEC)

Consolidated Statement of Cash Flows

(In millions of dollars)	1990	1989	1988
Cash Flows from Operating Activities:			
Net earnings	$ 68	$ 359	$ 1,050
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	1,398	1,346	1,169
Provision for restructuring changes	(101)	931	150
Equity in earnings of unconsolidated subsidiaries and affiliates	—	—	—
Provision for credit losses	339	297	250
Deferred income taxes	55	(135)	473
Gain on equity investment transactions	—	(503)	(85)
Net earnings from discontinued operations	—	(36)	(41)
Change in accounts receivable	1,373	811	(301)
Change in inventories	(188)	(46)	(271)
Change in prepaid expenses and other assets	(200)	(30)	(330)
Change in accounts payable and accrued liabilities	(258)	(306)	1,402
Dividends received from affiliate	—	—	—
Other	93	182	55
Net Cash Provided by Operating Activities	2,579	2,870	3,521
Cash Flows from Investing Activities:			
Purchases of marketable securities	(7,480)	(5,012)	(2,909)
Sales and maturities of marketable securities	7,189	5,265	2,271
Proceeds from sale of Gulfstream Aerospace Corporation, net of expenses	820	—	—
Proceeds from sale of equity investment, net of expenses	—	598	—
Finance receivables acquired	(19,973)	(22,047)	(20,930)
Finance receivables collected	15,683	16,961	15,444
Proceeds from sales of finance receivables	8,354	2,990	2,371
Sales of property and equipment	37	100	92
Expenditures for property and equipment	(1,131)	(1,036)	(1,044)
Expenditures for special tools	(663)	(651)	(557)
Increase in property held for lease	(251)	(325)	(380)
Other	345	(63)	(142)
Net Cash Provided by (Used in) Investing Activities	2,930	(3,220)	(5,784)
Cash Flows from Financing Activities:			
Change in short-term debt (less than 90-day maturities)	(2,755)	33	1,533
Proceeds from long-term borrowings	2,370	2,701	3,004
Payments on long-term borrowings	(4,287)	(2,377)	(1,971)
Proceeds from issuance of subsidiary preferred stock	123	74	—
Redemption of subsidiary preferred stock	(215)	—	—
Dividends paid	(269)	(268)	(225)
Other	24	(252)	(40)
Net Cash Provided by (Used in) Financing Activities	(5,009)	(89)	2,301
Change in cash and cash equivalents	500	(439)	38
Cash and cash equivalents at beginning of year	1,072	1,511	1,473
Cash and cash equivalents at end of year	$ 1,572	$ 1,072	$ 1,511

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents

Highly liquid investments with an original maturity of three months or less from the date of purchase are classified as cash equivalents.

PFIZER INC. (DEC)

Consolidated Statement of Cash Flows

(millions of dollars)	1990	1989	1988
Operating Activities			
Net income	$ 801.2	$ 681.1	$ 791.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangibles	244.8	207.1	194.5
Deferred income amortization	(99.8)	(99.8)	(105.4)
Gain on sale of DeKalb-Pfizer Genetics	(39.0)	—	—
Provision for loss on the sale of pigments business	—	70.0	—
Other—net	32.7	20.5	(9.0)
Changes in assets and liabilities, net of effect of businesses acquired and divested:			
Accounts receivable	(62.7)	(221.7)	4.0
Inventories	(38.8)	(77.1)	(54.5)
Prepaid and other assets	(88.7)	(154.0)	(27.3)
Accounts payable and accrued liabilities	70.9	184.8	7.1
Income taxes payable	42.3	(3.3)	44.9
Other deferred items	17.6	48.2	27.0
Net cash provided by operating activities	860.5	655.8	872.6
Investing Activities			
Purchases of property, plant and equipment	(547.5)	(456.5)	(343.7)
Proceeds from disposals of property, plant and equipment	15.9	10.8	18.2
Purchases of short-term investments	(89.6)	(382.4)	(345.9)
Proceeds from redemptions of short-term investments	116.4	449.8	295.5
Proceeds from sales of businesses	335.9	—	—
Purchases of long-term investments	(78.4)	(176.1)	(198.2)
Acquisitions—net of cash acquired	(62.1)	(20.9)	(256.4)
Purchases and redemptions of short-term investments by PIB*—net	80.8	(144.5)	159.0
Purchases and redemptions of long-term investments by PIB*—net	(25.0)	62.0	76.2
Disbursements and collections of loans by PIB*—net	(112.3)	(21.2)	(444.2)
Other investing activities—net	36.9	52.2	82.2
Net cash used in investing activities	(329.0)	(626.8)	(957.3)
Financing Activities			
Proceeds from issuance of long-term debt	36.0	9.7	5.1
Repayments of long-term debt	(9.8)	(11.0)	(25.5)
Increase/(decrease) in short-term debt—net	(62.8)	615.3	290.2
Employee benefit transactions	60.8	38.6	6.4
Repurchases of common stock	(132.2)	(154.7)	(7.1)
Cash dividends paid	(396.7)	(364.0)	(330.1)
Other	4.8	4.9	5.8
Net cash provided by /(used in) financing activities	(499.9)	138.8	(55.2)
Effect of exchange rate changes on cash	13.3	(9.0)	(3.1)
Net increase/(decrease) in cash	44.9	158.8	(143.0)
Cash balance at beginning of year	825.4	666.6	809.6
Cash balance at end of year	$ 870.3	$ 825.4	$ 666.6

*Transactions of the Pfizer International Bank (PIB).

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 investments, are included in Short-term investments.

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 of *SFAS No. 95* and paragraph 7 of *SFAS No. 104,* which amends *SFAS No. 95,* cash receipts and payments should be reported separately and not netted. Examples of reporting cash flows from financing activities follow.

Capital Stock Proceeds/Payments

FARR COMPANY (DEC)

Consolidated Statements of Cash Flows

($000)	1990	1989	1988
Operating Activities			
Net income	$3,398	$ 2,949	$ 2,558
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,701	2,696	2,622
Provision for loss on accounts receivable	61	67	2
Increase (decrease) in deferred income taxes	(102)	408	(356)
Net loss (gain) on sale/retirement of P, P & E	36	(13)	(81)
Decrease (increase) in inventories	249	577	(1,455)
Increase in receivables and prepaid expenses	(259)	(1,235)	(3,223)
Increase (decrease) in accounts payable and accrued liabilities	(418)	549	2,265
Increase (decrease) in current income taxes payable	(543)	(246)	106
Foreign currency transaction (gain) loss	(204)	(45)	41
Net cash provided by operating activities	4,919	5,707	2,479
Investing Activities			
Purchases of property, plant and equipment	(2,495)	(2,063)	(1,707)
Proceeds from sale of property, plant and equipment	23	416	185
Proceeds from (purchases of) investments	(14)	(56)	245
Net cash used in investing activities	(2,486)	(1,703)	(1,277)
Financing Activities			
Proceeds from revolving line of credit, and long-term borrowings	1,824		4,500
Principal payments on revolving line of credit, long-term debt and capital lease obligations	(990)	(5,637)	(3,668)
Loans to ESOPs	(1,205)		
Principal payments received on ESOP loans	89		
Proceeds from sale of stock, stock option plans	620	52	71
Proceeds from sale of treasury stock (96,250 shares)	830		
Treasury stock acquired (187,656 shares)	(1,671)		
Dividends paid	(856)	(818)	(684)
Net cash provided (used) by financing activities	(1,359)	(6,403)	219
Effect of Exchange Rate Changes on Cash	13	23	71
Increase (decrease) in cash	1,087	(2,376)	1,492
Cash at Beginning of Year	4,583	6,959	5,467
Cash at End of Year	$5,670	$ 4,583	$ 6,959

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Cash—Cash includes currency on hand, demand deposits with financial institutions and investments with maturities of three months or less at the time of acquisition (see note 2).

INTERMEC CORPORATION (MAR)

Consolidated Statements of Cash Flows

(In thousands)	1990	1989	1988
Cash flows from operating activities:			
Net earnings	$ 11,515	$ 8,036	$ 4,881
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:			
Depreciation and amortization	5,568	4,666	3,499
Undistributed income of equity investees	(154)	(339)	(313)
Deferred income taxes (benefit)	278	(437)	(2,662)
(Increase) decrease in accounts receivable	1,413	(15,309)	(9,494)
Increase in inventory	(6,222)	(5,829)	(3,456)
Increase (decrease) in accounts payable	(842)	3,246	1,583
Increase (decrease) in income taxes payable	328	(3,131)	2,607
(Increase) decrease in other current assets	28	(118)	(301)
Increase in other liabilities	1,103	1,873	3,884
Cash provided (used) by operating activities	13,015	(7,342)	228
Cash flows from investing activities:			
Purchase of land		(6,190)	
Construction expenditures	(22,148)		
Purchase of property and equipment	(8,216)	(5,511)	(3,932)
Increase in short-term investments	(25,000)		
Additional equity investments			(479)
Non-recurring engineering costs		(1,190)	(758)
Increase in other assets	(459)	(752)	(73)
Payments to former Central and Northwest Regional distributors	(800)	(1,750)	
Purchase of INTERMEC Systems Corporation		(2,065)	
Cash used by investing activities	(56,623)	(17,458)	(5,242)
Cash flows from financing activities:			
Issuance of capital stock:			
Public stock offering	32,095		
Stock option and purchase plans	3,112	4,764	875
Proceeds from long-term liabilities	21,700	3,300	730
Payments on long-term liabilities	(32)	(60)	(24)
Increase (decrease) in notes payable	(12,929)	13,586	1,267
Cash provided by financing activities	43,946	21,590	2,848
Net increase (decrease) in cash	338	(3,210)	(2,166)
Cash—beginning on year	1,255	4,465	6,631
Cash—end of year	$1,593	$1,255	$4,465
Supplemental cash flow disclosures			
Interest paid	$ 2,403	$ 1,129	$ 549
Income taxes paid	4,893	6,883	2,101

UST INC. (DEC)

Consolidated Statement of Cash Flows

(Dollars in thousands)	1990	1989	1988
Operating Activities			
Net earnings	$ 223,275	$190,487	$ 162,150
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation and amortization	19,633	16,543	17,698
Deferred income taxes	(1,117)	3,410	5,474
Dispositions of businesses	—	—	3,988
Changes in operatings assets and liabilities net of effects of dispositions of businesses:			
Decrease (increase) in accounts receivable	4,610	(9,769)	(3,808)
(Increase) decrease in inventories	(2,894)	7,197	(15,060)
Decrease (increase) in prepaid expenses and other assets	3,221	(2,255)	(2,686)
Increase in accounts payable, accrued expenses and other liabilities	8,286	8,640	11,375
Increase (decrease) in income taxes payable	3,621	1,693	(1,437)
Net cash provided by operating activities	258,635	215,946	177,694
Investing Activities			
Purchases of property, plant and equipment	(40,742)	(24,394)	(22,156)
Investments in unconsolidated companies	254	(3,699)	(2,616)
Other, principally long-term investments	8,536	(33,118)	(14,624)
Dispositions of property, plant and equipment	3,564	669	1,320
Proceeds received from sales of businesses	1,690	1,881	10,165
Net cash used in investing activities	(26,698)	(58,661)	(27,911)
Financing Activities			
Reduction of short-term obligations	—	(1,006)	(2,024)
Reduction of long-term debt	(9,620)	(15,288)	(15,505)
Proceeds from the issuance of common stock	39,236	39,638	39,018
Dividends paid	(118,295)	(101,197)	(81,672)
Common stock repurchased	(151,259)	(97,517)	(67,356)
Net cash used in financing activities	(239,938)	(175,370)	(127,539)
(Decrease increase in cash and cash equivalents	(8,001)	(18,085)	22,244
Cash and equivalents at beginning of year	54,569	72,654	50,410
Cash and cash equivalents at end of year	$ 46,568	$ 54,569	$ 72,654
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Income taxes	$ 113,189	$ 94,047	$ 83,627
Interest	1,778	3,347	5,113

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

(Dollars in thousands)	December 31	
	1990	1989
Cash	$ 5,027	$33,331
Commercial paper	41,541	19,238
Money market preferred shares	—	2,000
	$46,568	$54,569

Cash equivalents are all highly liquid investments with maturities of three months or less when acquired and are carried at cost which approximates market value.

Debt Proceeds/Repayments

JOHN FLUKE MFG. CO., INC. (SEP)

Consolidated Statements of Cash Flows

(In thousands)	1990	1989	1988
Operating Activities			
Net income	$ 12,178	$ 23,151	$ 12,419
Items not affecting cash:			
Depreciation and amortization	10,208	10,831	10,351
Deferred income tax	(265)	159	(2,079)
Accrued pension expense	(473)	(655)	546
Stock awards	1,147	1,120	1,157
Gains on disposal property, plant and equipment	(11)	(16,357)	(2,342)
Adjustment of investment in affiliate	1,099	4,265	531
Net change in:			
Accounts receivable	4,755	(2,238)	(919)
Receivable related to restructuring	—	—	6,910
Inventories	1,936	(147)	(7,550)
Prepaid expenses	(1,942)	1,453	2,048
Accounts payable	(905)	1,420	762
Accrued liabilities	(3,282)	2,416	(2,634)
Accrued liabilities related to restructuring	(4,017)	(5,381)	(3,911)
Income taxes payable	(169)	(757)	(358)
Other assets and liabilities	714	(165)	(618)
Net Cash Provided By Operating Activities	20,973	19,115	14,313
Investing Activities			
Additions to property, plant and equipment	(11,429)	(10,513)	(15,682)
Proceeds from disposal of property, plant and equipment	121	22,316	5,341
Investment in affiliate	—	—	(6,000)
Other investing activities, net	105	—	—
Net Cash Provided (Used) by Investing Activities	(11,203)	11,803	(16,341)
Financing Activities			
Proceeds from short-term debt	27,300	6,800	—
Payments to settle short-term debt	(31,300)	(2,800)	(10,000)
Proceeds from long-term obligations	10,500	22,700	—
Payments to settle long-term obligations	(12,109)	(21,146)	(34)
Proceeds from sale of preferred stock	—	—	16,419
Repurchase of common stock	(7)	(44,966)	(4,185)
Repurchase of preferred stock	(3,550)	—	—
Cash dividends	(2,050)	(1,237)	—
Other financing activities, net	135	7	(21)
Net Cash Provided (Used) By Financing Activities	(11,081)	(40,642)	2,179
Net Increase (Decrease) in Cash and Cash Equivalents	(1,311)	(9,724)	151
Cash and Cash Equivalents at Beginning of Year	2,627	12,351	12,200
Cash and Cash Equivalents at End of Year	$1,316	$2,627	$12,351
Supplemental Cash Flow Information:			
Taxes paid	$ 5,291	$ 12,078	$ 5,019
Interest paid	$ 578	$ 426	$ 722

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand and highly liquid short-term investments with a maturity of less than three months.

JOHNSON & JOHNSON (DEC)

Consolidated Statement of Cash Flows

(Dollars in Millions)	1990	1989	1988
Cash flows from operating activities:			
Net earnings	$ 1,143	1,082	974
Adjustments to reconcile net earnings to cash flows from operating activities:			
Depreciation and amortization of property and intangibles	474	414	391
Tax deferrals	(46)	(8)	(6)
Changes in assets and liabilities, net of effects from acquisition of businesses:			
Increase in accounts receivable, trade, less allowances	(127)	(179)	(214)
Increase in inventories	(106)	(82)	(149)
Increase (decrease) in accounts payable and accrued liabilities	360	(42)	47
Increase in other current and non-current assets	(7)	(103)	(110)
(Decrease) increase in other current and non-current liabilities	(34)	168	(45)
Net cash flows from operating activities	1,657	1,250	888
Cash flows from investing activities			
Additions to property, plant and equipment	(830)	(750)	(664)
Proceeds from the disposal of assets	62	71	95
Acquisition of businesses, net of cash acquired	(300)	(131)	(39)
Other, principally marketable securities	11	(87)	(89)
Net cash used by investing activities	(1,057)	(897)	(697)
Cash flows from financing activities			
Dividends to stockholders	(436)	(373)	(327)
Repurchase of common stock	(209)	(153)	(611)
Loan to employee stock ownership plan	(100)	—	—
Proceeds from short-term debt	542	435	369
Retirement of short-term debt	(261)	(383)	(174)
Proceeds from long-term debt	825	451	540
Retirement of long-term debt	(695)	(453)	(114)
Proceeds from the exercise of stock options	71	47	55
Net cash used by financing activities	(263)	(429)	(262)
Effect of exchange rate changes on cash and cash equivalents	37	(1)	(22)
Increase (decrease) in cash and cash equivalents	374	(77)	(93)
Cash and cash equivalents, beginning of year	452	529	622
Cash and cash equivalents, end of year	$ 826	452	529

	1990	1989	1988
Supplemental cash flow data			
Cash paid during the year for:			
Interest, net of portion capitalized	$ 186	122	87
Income taxes	509	418	500
Supplemental schedule of noncash investing and financing activities			
Liabilities assumed from the acquisition of businesses	$ —	12	8
Treasury stock issued for employee compensation and stock option plans, net of cash proceeds	148	103	96

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Company considers securities with maturities of three months or less, when purchased, to be cash equivalents.

THE TIMKEN COMPANY (DEC)

Consolidated Statements of Cash Flows

	1990	1989	1988
		(Thousands of Dollars)	
Cash Provided (Used)			
Operating Activities			
Net income	$ 55,242	$ 55,345	$ 65,912
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	101,260	91,070	88,756
Provision for deferred income taxes	(662)	23,046	31,180
Common stock issued in lieu of cash to employee benefit plans	10,483	7,148	7,695
(Gains) losses on disposals of property, plant and equipment	2,631	2,336	(1,543)
Changes in operating assets and liabilities:			
Accounts receivable	(8,462)	27,238	(44,309)
Inventories and other assets	4,501	9,226	(81,882)
Accounts payable and accrued expenses	19,783	(49,910)	39,284
Foreign currency translation (gain) loss	(293)	(355)	1,559
Net Cash Provided By Operating Activities	$ 184,483	$165,144	$106,652
Investing Activities			
Purchases of property, plant and equipment	$(120,090)	$ (91,536)	$ (78,943)
Purchase of subsidiary, net of cash acquired	(195,584)	-0-	-0-
Proceeds from disposals of property, plant and equipment	1,095	1,546	6,986
Net Cash (Used) In Investing Activities	$(314,579)	$ (89,990)	$ (71,957)
Financing Activities			
Purchase of treasury shares	$ (48,843)	$ (4,291)	$ -0-
Cash dividends paid to shareholders	(24,010)	(23,441)	(17,190)
Proceeds from issuance of long-term debt	68,976	-0-	-0-
Payments on long-term debt	(479)	(50,556)	(358)
Commercial paper activity—net	121,159	17,916	(13,936)
Short-term debt activity—net	(6,406)	(7,560)	14,449
Net Cash Provided (Used) By Financing Activities	$ 110,397	$ (67,932)	$ (17,035)
Effect of exchange rate changes on cash	$ 330	$ 234	$ (393)
Increase (Decrease) in Cash and Cash Equivalents	$ (19,369)	$ 7,456	$ 17,267
Cash and cash equivalents at beginning of year	42,167	34,711	17,444
Cash and Cash Equivalents at End of Year	$ 22,798	$ 42,167	$ 34,711

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Cash Equivalents: The company considers all highly liquid investments with a maturity of three or fewer months from the balance sheet date to be cash equivalents.

Dividend Payments

UNISYS CORPORATION (DEC)

Consolidated Statement of Cash Flows

(Millions)	1990	1989	1988
Cash flows from operating activities			
Net income	$ (436.7)	$ (639.3)	$ 680.6
Add (deduct) items to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	528.9	533.5	593.2
Amortization:			
Marketable software	161.6	111.5	64.2
Cost in excess of net assets acquired	61.7	59.2	35.0
Decrease (increase) in long-term receivables, net	148.0	(69.3)	(89.6)
Increase in deferred income taxes	14.6	14.4	66.7
Decrease (increase) in accounts and notes receivable, net	219.5	(111.0)	174.3
Decrease (increase) in inventories	303.1	722.7	(605.9)
(Increase) in other current assets	(27.0)	(94.6)	(109.6)
Increase (decrease) in accounts payable and other accrued liabilities	414.1	(11.6)	(424.9)
(Decrease) in estimated income taxes	(36.5)	(90.9)	(101.9)
(Increase) decrease in other assets	(40.1)	37.6	(88.3)
Other	29.2	5.0	(73.3)
Net cash provided by operating activities	1,340.4	467.2	120.5
Cash flows from investing activities			
Proceeds from investments	3,775.3	3,889.7	4,325.2
Purchase of investments	(3,912.6)	(3,759.7)	(4,305.9)
Proceeds from sales of properties	155.3	146.0	54.4
Investment in marketable software	(210.5)	(195.0)	(183.6)
Capital additions:			
Properties	(284.4)	(364.9)	(418.5)
Rental equipment	(175.5)	(250.5)	(251.4)
Purchase of Convergent, Inc.		(78.4)	(270.6)
Proceeds from sales of subsidiaries			311.8
Other	1.6	1.0	34.9
Net cash used for investing activities	(651.0)	(611.8)	(703.7)
Cash flows from financing activities			
Proceeds from issuance of debt	353.8	396.8	650.6
Principal payments of debt	(306.8)	(210.8)	(353.5)
Net (reduction in) proceeds from short-term borrowings	(274.7)	245.7	557.3
Proceeds from issuance of preferred stock	150.0		
Dividends paid on common shares	(118.9)	(158.3)	(150.1)
Dividends paid on preferred shares	(110.9)	(105.9)	(105.7)
Other	37.4	(21.5)	(33.5)
Net cash (used for) provided by financing activities	(270.1)	146.0	565.1
Effect of exchange rate changes on cash and cash equivalents	(25.1)	(18.5)	(10.7)
Increase (decrease) in cash and cash equivalents	394.2	(17.1)	(28.8)
Cash and cash equivalents, beginning of year	9.2	26.3	55.1
Cash and cash equivalents, end of year	$ 403.4	$ 9.2	$ 26.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

All short-term investments purchased with a maturity of three months or less are classified as cash equivalents.

WESTMORELAND COAL COMPANY (DEC)

Consolidated Statements of Cash Flows

	1990	1989	1988
		(in thousands)	
Cash Flows from operating activities:			
Net income	$ 12,529	$ 11,474	$ 1,506
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
(Gain) loss on disposition of assets	(102)	3,677	(8,413)
Depreciation, depletion and amortization	22,873	21,938	22,502
Cumulative effect of accounting change	—	—	(1,640)
Deferred income taxes	(502)	(454)	(492)
Decrease in accrual for pneumoconiosis benefits	(2,114)	(790)	(723)
Minority interest in WRI income	2,007	1,654	1,240
(Increase) decrease in customers' accounts receivable net of allowance for doubtful accounts	10,313	8,843	(14,771)
(Increase) decrease in other receivables	2,424	(4,682)	(10,558)
(Increase) decrease in inventories	(2,319)	2,103	(1,260)
Increase (decrease) in trade payables	1,080	(5,168)	1,088
Increase (decrease) in other accounts payable and accrued expenses	(1,238)	4,872	3,335
Increase (decrease) in income taxes payable	(170)	1,068	(203)
Increase (decrease) in long-term accruals	(4,524)	794	(4,151)
Other	(1,989)	158	5,908
Net cash provided (used) by operating activities	38,268	45,487	(6,632)
Cash flows from investing activities:			
Fixed asset additions	(14,823)	(6,909)	(24,938)
Decrease in long-term investments	165	22,207	305
Proceeds from sales of investments and assets	658	17,832	17,288
Net cash provided (used) in investing activities	(14,000)	33,130	(7,345)
Cash flows from financing activities:			
Proceeds from long-term debt	—	7,414	44,734
Repayment of long-term debt	(9,108)	(56,203)	(8,402)
Repayment of notes payable to banks	—	(2,000)	(19,000)
Dividends paid to shareholders	(2,640)	—	(2,475)
Dividends paid to minority shareholders	(1,840)	(2,420)	(1,760)
Purchase of treasury stock	(805)	—	—
Proceeds from sale of treasury stock	633	—	—
Net cash provided (used) in financing activities	(13,760)	(53,209)	13,097
Net increase (decrease) in cash and cash equivalents	10,508	25,408	(880)
Cash and cash equivalents, beginning of year	32,934	7,526	8,406
Cash and cash equivalents, end of year	$ 43,442	$ 32,934	$ 7,526
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 5,060	$ 9,457	$ 9,143
Income taxes, net	3,744	462	1,578

Supplemental disclosures of non-cash investing and financing activities:
The Company incurred capital lease obligations of $420,000, $585,000 and $10,650,000 in 1990, 1989 and 1988, respectively, to finance new equipment.

Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash equivalents of $33,300,000 and $27,688,000 at December 31, 1990 and 1989, respectively, consist of Eurodollar time deposits and bank repurchase agreements carried at cost and having maturities of not longer than fifteen days. The Company considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

Sale Of Subsidiary's Stock

CABOT CORPORATION (SEP)

Consolidated Statements of Cash Flows

Dollars in thousands	1990	1989	1988
Cash Flows from Operating Activities			
Net income	$ 71,030	$ 18,057	$ 60,359
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation, depletion and amortization	85,509	97,751	108,601
Deferred tax provision (benefit)	6,815	(35,761)	(2,355)
Decrease in deferred revenue	—	(9,101)	(39,505)
Gain on subsidiary's sale of stock	(36,000)	—	—
Equity in net income of affiliated companies, net of dividends received	(5,845)	(7,835)	(2,982)
Net loss on sales of divested businesses	—	23,990	—
Other, net	(2,026)	13,613	5,334
Changes in assets and liabilities:			
Increase in accounts receivable	(5,318)	(8,275)	(44,338)
(Increase) decrease in inventory	(6,618)	(26,890)	1,844
Increase (decrease) in accounts payable and accruals	14,426	(11,209)	15,354
Other, net	6,349	(15,870)	32,461
Cash provided by operating activities	128,322	38,470	134,773
Cash Flows from Investing Activities			
Additions to property, plant and equipment	(174,435)	(192,302)	(169,957)
Investments and acquisitions (excluding cash acquired)	(123,896)	(40,718)	(43,781)
Proceeds provided by disposals of property, plant and equipment, and investments	14,105	1,412	14,322
Proceeds from sales of divested businesses	35,000	177,827	—
Cash used by investing activities	(249,226)	(53,781)	(199,416)
Cash Flows from Financing Activities			
Proceeds from subsidiary's sale of stock	55,728	—	—
Proceeds from long-term debt	92,970	11,517	254,491
Reduction in long-term debt	(5,363)	(18,747)	(158,606)
Increase (decrease) in short-term debt	43,763	35,320	(4,911)
Issuance of convertible preferred stock	—	75,336	—
Purchase of treasury stock, net of sales	(7,457)	(103,812)	(18,466)
Cash dividends paid to stockholders	(29,687)	(29,996)	(24,796)
Cash provided by (used by) financing activities	149,954	(30,382)	47,712
Effect of exchange rate changes on cash	2,994	(3,577)	321
Increase (decrease) in cash and cash equivalents	32,044	(49,270)	(16,610)
Cash and cash equivalents at beginning of year	16,234	65,504	82,114
Cash and cash equivalents at end of year	$ 48,278	$ 16,234	$ 65,504

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Significant Accounting Policies
Cash Equivalents

For purposes of the statement of cash flows, the Company considers all time deposits and short-term investments with a maturity of three months or less to be cash equivalents.

Restricted Funds

CLARK EQUIPMENT COMPANY (DEC)

Statement of Cash Flows

Amounts in thousands	1990	1989	1988
Cash Flows from Operating Activities:			
Net income	$ 60,299	$ 68,913	$ 46,091
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	40,501	33,822	31,741
Amortization of intangibles	1,421	—	—
Net gain on sale of businesses	—	—	(620)
Exchange loss	9,869	461	8,144
Employee benefit expense funded with treasury stock	709	1,020	1,978
Dividends from unconsolidated companies	6,072	12,819	107
Earnings of unconsolidated companies	(21,514)	(22,527)	(5,638)
Changes in assets and liabilities, net of the effects of acquisitions:			
Increase in receivables and other current assets	(24,023)	(71,787)	(90,763)
Refundable income taxes	(7,882)	—	—
Decrease (increase) in inventory	19,962	(9,534)	3,446
Increase (decrease) in payables and accruals	(9,165)	69,400	87,129
Restructuring program costs expended	(815)	(332)	(7,245)
Decrease (increase) in other non-current assets	(12,537)	8,601	(4,419)
Increase (decrease) in other long-term liabilities	6,518	(708)	21,423
Decrease (increase) in net prepaid income taxes	(3,312)	(3,876)	1,071
Other	(329)	(1,090)	(2,104)
Net cash provided by operating activities	65,774	85,182	90,341
Cash Flows from Investing Activities:			
Proceeds from sale of businesses (net of businesses' cash)	—	—	(181)
Additions to properties	(55,917)	(44,745)	(46,303)
Sales of properties	4,457	2,502	4,062
Cost of acquisitions—net of cash acquired	(144,373)	—	—
Decrease in investments and advances—associated companies	9,495	3,759	34,433
Net cash used in investing activities	(186,338)	(38,484)	(7,989)
Cash Flows from Financing Activities:			
Decrease (increase) in funds restricted for payment of long-term debt	61,200	8,562	(749)
Additions to long-term borrowings	13,130	5,405	4,344
Payments on long-term debt	(72,567)	(21,561)	(40,246)
Increase (decrease) in notes payable—current	11,533	(12,398)	33,548
Proceeds from sale of stock under option plans	468	2,485	574
Stock repurchased and placed in treasury	—	(1,533)	—
Other	1,056	831	68
Net cash provided (used) in financing activities	14,820	(18,209)	(2,461)
Effect of exchange rate changes on cash	(8,359)	(5,869)	(24,507)
Increase (decrease) in cash and cash equivalents	(114,103)	22,620	55,384
Cash and cash equivalents at beginning of year	184,403	161,783	106,399
Cash and cash equivalents at end of year	$ 70,300	$184,403	$161,783

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Cash and Cash Equivalents—Cash equivalents include temporary investments of $64.0 million and $178.2 million at December 31, 1990 and 1989, respectively. Temporary investments are recorded at cost plus accrued interest.

For purposes of the Statement of Cash Flows, 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 $25.7 million, $25.1 million, and $23.1 million and income taxes of $31.0 million, $51.5 million, and $8.7 million during 1990, 1989, and 1988, respectively. The 1990 and 1989 tax payments include $4.0 million and $33.0 million, respectively, of U.S. taxes relating to prior years tax audit issues. See further discussion on page 44.

Overdraft

GEORGIA-PACIFIC CORPORATION (DEC)

Statements of Cash Flows

(Millions)	1990	1989	1988
Cash provided by (used for) operations			
Net income	$ 365	$ 661	$ 467
Items in net income not affecting cash			
Depreciation	622	445	392
Depletion	77	69	58
Gain on sales of assets	(64)	(27)	(17)
Amortization of goodwill	50	10	9
Deferred income taxes	48	53	44
Common stock compensation	4	32	6
Other	20	72	15
	1,122	1,315	974
Cash provided by (used for) working capital			
Receivables	929	15	(102)
Inventories	34	16	(38)
Other current assets	(6)	(7)	20
Accounts payable and accrued liabilities	(6)	19	11
	951	43	(109)
Cash provided by operations	2,073	1,358	865
Cash provided by (used for) investment activities			
Capital expenditures			
Property, plant and equipment	(833)	(447)	(697)
Timber and timberlands	(33)	(46)	(14)
Total capital expenditures	(866)	(493)	(711)
Acquisition of Great Northern Nekoosa Corporation	(3,565)	(23)	—
Other acquisitions	(8)	(6)	(468)
Proceeds from sales of assets	204	66	74
Other	6	(44)	10
Cash (used for) investment activities	(4,229)	(500)	(1,095)
Cash provided by (used for) financing activities			
Additions to long-term debt	7,111	133	1,534
Repayments of long-term debt	(5,543)	(305)	(884)
Fees paid to issue debt	(114)	(20)	(10)
Net increase (decrease) in bank overdrafts	(29)	(38)	37
Net increase (decrease) in commercial paper and other short-term notes	905	(69)	63
Common stock repurchased	—	(468)	(395)
Cash dividends paid	(139)	(130)	(123)
Cash provided by (used for) financing activities	2,191	(897)	222
Increase (decrease) in cash	35	(39)	(8)
Balance at beginning of year	23	62	70
Balance at end of year	$ 58	$ 23	$ 62

Transactions With ESOP

DONALDSON COMPANY, INC. (JUL)

Consolidated Statements of Cash Flows

(Thousands of dollars)	1990	1989	1988
Operating Activities			
Net earnings	$ 21,026	$ 15,434	$ 17,622
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	10,857	10,583	10,351
Equity in losses of affiliates	1,369	3,772	3,080
Deferred taxes	(1,633)	2,074	(896)
Gain on sale of land and plant	—	—	(2,637)
Other	1,704	(2,132)	(2,210)
Changes in operating assets and liabilities			
Accounts receivable	(4,148)	(7,814)	(7,171)
Inventories and prepaid expenses	2,317	(6,761)	(6,652)
Accounts payable, accruals and taxes	18,200	3,254	7,079
Net Cash Provided by Operating Activities	49,692	18,410	18,566
Investing Activities			
Net expenditures on property and equipment	(16,055)	(11,567)	(9,954)
Proceeds from sale of land and plant	—	—	4,133
Investment in affiliates	(287)	(7,200)	—
Net change in short-term investments	—	—	4,789
Net Cash Used in Investing Activities	(16,342)	(18,767)	(1,032)
Financing Activities			
Proceeds from issuance of long-term debt	—	—	1,344
Repayment of long-term debt	(2,483)	(2,975)	(2,311)
Net change in short-term debt	1,974	4,932	(677)
Payments received from ESOP	1,785	1,680	1,575
Purchase of treasury stock	—	—	(31,934)
Dividends paid	(3,788)	(3,629)	(3,410)
Exercise of stock options	473	199	1,143
Net Cash Provided by (Used in) Financing Activities	(2,039)	207	(34,270)
Effect of exchange rate changes on cash	831	(960)	(3)
Increase (Decrease) in Cash and Cash Equivalents	32,142	(1,110)	(16,739)
Cash and cash equivalents at beginning of year	6,226	7,336	24,075
Cash and Cash Equivalents at End of Year	$ 38,368	$ 6,226	$ 7,336

H.J. HEINZ COMPANY (APR)

Consolidated Statements of Cash Flows

(dollars in thousands)	**1990**	**1989**	**1988**
Operating Activities:			
Net income	$ 504,451	$ 440,230	$ 386,014
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	168,523	148,104	133,348
Deferred tax provision	37,921	65,271	27,560
Other items, net	(31,572)	(45,454)	(10,595)
Changes in current assets and liabilities, excluding effects of acquisitions and divestitures:			
Receivables	(104,818)	(69,818)	(72)
Inventories	(86,549)	(134,582)	(12,251)
Prepaid expenses and other current assets	17,634	(13,650)	19,908
Accounts payable	46,751	25,290	38,145
Accrued liabilities	(35,837)	19,855	18,940
Income taxes	11,333	(18,929)	(33,837)
Cash provided by operating activities	527,837	416,317	567,160
Investing Activities:			
Capital expenditures	(355,317)	(323,325)	(238,265)
Acquisitions, net of cash acquired	(56,328)	(167,470)	(287,597)
Proceeds from divestitures	6,398	72,712	18,880
Purchases of short-term investments	(342,228)	(382,550)	(513,408)
Sales and maturities of short-term investments	368,767	412,365	666,272
Other items, net	10,434	12,627	5,005
Cash (used for) investing activities	(368,274)	(375,641)	(349,113)
Financing Activities:			
Proceeds from long-term debt	231,584	227,291	45,108
Payments on long-term debt	(28,095)	(34,683)	(165,832)
Proceeds (payments) on short-term debt	87,596	49,110	(41,305)
Dividends	(207,500)	(178,474)	(154,573)
Purchase of treasury stock	(279,899)	(97,508)	(123,519)
Exercise of stock options	56,752	30,393	23,463
Cash loaned to ESOP, net	(47,000)	—	—
Sale of treasury stock to ESOP	50,000	—	—
Other items, net	—	(1,590)	1,589
Cash (used for) financing activities	(136,562)	(5,461)	(415,069)
Effect of exchange rate changes on cash and cash equivalents	211	(8,098)	280
Net increase (decrease) in cash and cash equivalents	23,212	27,117	(196,742)
Cash and cash equivalents at beginning of year	102,605	75,488	272,230
Cash and cash equivalents at end of year	$ 125,817	$ 102,605	$ 75,488

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash Equivalents: Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less.

5. Supplemental Cash Flow Information

(dollars in thousands)	1990	1989	1988
Cash paid during the year for:			
Interest	$106,696	$ 81,219	$ 79,323
Income taxes	233,081	235,020	249,017
Details of acquisitions:			
Fair value of assets acquired	$ 87,270	$198,946	$377,281
Liabilities assumed*	29,577	28,853	84,356
Cash paid	57,693	170,093	292,925
Less cash acquired	1,365	2,623	5,328
Net cash paid for acquisitions	$ 56,328	$167,470	$287,597

*Includes notes to seller

In January 1989, the company issued 2.3 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.

Lease Obligation Payments

O'SULLIVAN CORPORATION (DEC)

Consolidated Statements of Cash Flows

($000)	1990	1989	1988
Cash Flows from Operating Activities:			
Net income	$ 14,685	$ 16,098	$ 16,955
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	6,675	5,344	4,737
Gain on disposal of assets	(41)	(1,253)	(113)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(6,077)	4,759	(8,601)
(Increase) decrease in other receivables	(155)	(95)	15
(Increase) decrease in inventories	291	(468)	(3,788)
(Increase) decrease in prepaid expenses	(154)	(119)	2
Increase (decrease) in accounts payable	1,203	(466)	4,667
Increase (decrease) in accrued expenses	114	(308)	182
Increase (decrease) in accrued compensation	(91)	(316)	400
Increase (decrease) in income taxes payable	8	(355)	(624)
Increase in deferred income taxes	635	1,149	1,087
Net cash provided by operating activities	$ 17,092	$ 23,968	$ 14,921
Cash Flows From Investing Activities:			
Proceeds from disposal of assets	$ 97	$ 1,087	$ 2,635
Principal payments received on note for sale of property and equipment	—	—	1,380
Purchase of property and equipment	(16,495)	(33,655)	(12,579)
Purchase of investment securities	—	—	(1,602)
Purchase of real estate investments	—	(847)	(2,290)
Other	(395)	(110)	38
Net cash (used in) investing activities	$(16,793)	$(33,526)	$(12,417)
Cash Flows From Financing Activities:			
Proceeds from long-term debt	$ 5,000	$ 14,000	$ —
Payments of long-term debt	(2,000)	(2,000)	(2,000)
Principal payments under capital lease obligations	(192)	—	—
Proceeds from issuance of common stock	—	—	94
Purchase of common stock	(2)	(1)	(136)
Cash dividends paid	(4,616)	(4,162)	(3,547)
Net cash provided by (used in) financing activities	$ (1,811)	$ 7,836	$ (5,589)
Decrease in cash and cash equivalents	$ (1,512)	$ (1,721)	$ (3,085)
Cash and cash equivalents at beginning of year	2,524	4,245	7,330
Cash and cash equivalents at end of year	$ 1,012	$ 2,524	$ 4,245
Supplemental Disclosure of Cash Flow Information:			
Cash payments for interest, net of interest capitalized	$ 770	$ 158	$ 525
Cash payments for income taxes	$ 8,206	$ 9,208	$ 9,978

Supplemental Schedule of Noncash Investment Activities:

A note receivable of $1,500,000 was received by the Corporation in 1989 for a portion of the proceeds due from the sale of certain real estate investments.

Capital lease obligations totalling $724,765 were incurred by the Corporation during 1990 for data processing and manufacturing equipment.

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.

Nonhomogeneous Operations

TEXTRON INC. (DEC)

Consolidated Statements of Cash Flows

(In millions)	1990	1989	1988
Cash flows from operating activities:			
Net income	$ 283.0	$ 259.2	$ 234.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	220.0	214.3	204.7
Provision for losses on receivables	149.7	119.5	110.5
Deferred income taxes	(8.5)	50.7	28.7
Increase in insurance policy liabilities	264.9	224.0	206.8
Amortization of insurance policy acquisition costs	126.1	115.8	106.9
Gains on sales of investments	(2.5)	(8.4)	(11.0)
Loss on early redemption of debt	—	—	15.6
Changes in assets and liabilities:			
Decrease (increase) in commercial and U.S. Government receivables	(17.1)	78.3	(59.9)
Decrease (increase) in inventories	26.6	(89.1)	(21.3)
Additions to insurance policy acquisition costs	(182.4)	(182.5)	(171.3)
Increase in other assets	(73.9)	(91.0)	(53.7)
Increase (decrease) in accounts payable	26.3	(22.7)	82.6
Decrease in income taxes payable	(9.1)	(37.6)	(21.8)
Increase (decrease) in accrued liabilities	14.2	42.0	(71.5)
Increase in unearned insurance premiums and reserves for insurance losses and adjustment expenses	21.1	24.9	12.9
Other—net	(7.2)	(47.7)	9.9
Net cash provided by operating activities	777.2	649.7	602.5
Cash flows from investing activities:			
Purchases of investments	(779.1)	(950.9)	(840.1)
Proceeds from sales of investments	560.2	597.9	539.6
Finance receivables originated or purchased	(3,746.9)	(3,627.5)	(3,232.9)
Finance receivables repaid or sold	2,956.2	2,726.7	2,490.2
Collections on notes receivable	4.0	9.6	11.0
Capital expenditures	(191.2)	(240.2)	(217.8)
Proceeds from sales of property, plant and equipment	13.2	13.3	12.4
Proceeds from sales of discontinued operations	—	32.7	34.8
Net cash used by investing activities	(1,183.6)	(1,438.4)	(1,202.8)
Cash flows from financing activities:			
Increase in short-term debt	209.3	169.0	112.2
Proceeds from issuance of long-term debt	1,960.2	1,709.7	1,324.1
Principal payments on long-term debt	(1,551.2)	(1,078.0)	(687.4)
Receipts from interest sensitive insurance products	108.9	103.0	95.6
Return of account balances on interest sensitive insurance products	(97.2)	(111.9)	(79.2)
Sale of Textron common stock to employee stock ownership plan	—	100.0	—
Purchases of Textron common stock	(98.6)	—	(105.5)
Dividends paid	(88.4)	(89.4)	(87.1)
Net cash provided by financing activities	443.0	802.4	572.7
Effect of exchange rate changes on cash	.5	(.4)	1.1
Net increase (decrease) in cash	37.1	13.3	(26.5)
Cash at beginning of year	29.3	16.0	42.5
Cash at end of year	$ 66.4	$ 29.3	$ 16.0

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.

MEDTRONIC, INC. (APR)

Consolidated Statements of Cash Flows

(In thousands of dollars)	1990	1989	1988
Operating Activities			
Net earnings	$ 108,720	$ 97,429	$ 86,521
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	39,352	44,645	29,039
Deferred income taxes	(2,532)	(13,521)	(3,128)
Foreign currency transaction loss	(2,728)	6,672	2,656
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(37,482)	(15,009)	(53,432)
(Increase) decrease in inventories	(6,122)	(17,118)	(15,474)
(Increase) decrease in prepaid expenses and other assets	(4,909)	(7,120)	(11,151)
Increase (decrease) in accounts payable and accrued liabilities	1,617	4,455	32,814
Increase (decrease) in accrued income taxes	9,539	18,338	10,354
Increase (decrease) in product warranties and other long-term liabilities	(4,130)	6,493	2,989
Net Cash Provided by Operating Activities	106,781	125,264	81,188
Investing Activities			
Acquisitions, net of cash acquired	—	(108,659)	(33,781)
Additions to property, plant and equipment (net)	(55,282)	(51,431)	(35,362)
Receivable from Employee Stock Ownership Plan	(40,000)	—	—
(Increase) decrease in short-term investments (net)	(2,027)	(5,677)	5,539
(Increase) decrease in marketable securities (net)	(1,432)	52	7,389
Other investing activities	(14,311)	(4,382)	(7,689)
Net Cash Used in Investing Activities	(113,052)	(170,007)	(63,904)
Financing Activities			
Increase in short-term borrowings (net)	10,455	20,439	25,340
Additions to long-term debt	179	3,842	4,172
Dividends to shareholders	(18,945)	(16,000)	(14,234)
Repurchase of common stock	(37,532)	(6,538)	(71,789)
Issuance of common stock	50,276	7,248	6,848
Net Cash Provided by (Used in) Financing Activities	4,433	8,991	(49,663)
Effect of exchange rate changes on cash and cash equivalents	117	(141)	32
Net Change in Cash and Cash Equivalents	(1,721)	(35,893)	(32,347)
Cash and cash equivalents at beginning of year	37,956	73,849	106,196
Cash and Cash Equivalents at End of Year	$ 36,235	$ 37,956	$ 73,849
Supplemental Cash Flow Information			
Cash paid during the year for:			
Interest	$ 9,590	$ 7,593	$ 5,773
Income taxes	32,500	42,302	29,790

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Equivalents

The company considers temporary cash investments with maturities of three months or less, when purchased, to be cash equivalents.

LOCTITE CORPORATION (JUN)

Consolidated Statements of Cash Flows

(dollars in thousands)	1990	1989	1988
Cash flows from operating activities:			
Net earnings	$ 61,372	$ 54,476	$ 41,850
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,308	11,597	11,016
Deferred income taxes	(2,558)	(1,242)	(2,132)
Loss on sale of fixed assets	43	1,915	63
Provision for loss—accounts receivable	1,450	1,755	876
Undistributed (earnings) losses of affiliates	(58)	485	(705)
Change in:			
Trade and other receivables	(9,537)	(12,527)	(12,514)
Inventory	(3,918)	(4,368)	(2,339)
Prepaid and other current assets	(1,638)	387	(1,832)
Accounts payable and accrued expenses	(1,773)	5,664	6,473
Interest payable	74	(154)	679
Taxes payable	669	(5,246)	7,692
Other	(3,526)	(1,674)	(4,492)
Cash provided by operating activities	54,908	51,068	44,635
Cash flows from investing activities:			
Additions to property, plant and equipment	(26,917)	(15,983)	(14,466)
Dispositions of property, plant and equipment	893	5,127	2,126
Acquisitions, net of cash acquired	(17,811)	—	—
Change in short-term investments	(15,363)	67	16,214
Decrease in long-term investments	242	914	372
Cash provided by (used in) investing activities	(58,956)	(9,875)	4,246
Cash flows from financing activities:			
Stock repurchase	(6,344)	(5,821)	(9,276)
Issuance of common stock	3,986	2,298	2,036
Dividends paid	(20,223)	(14,367)	(9,930)
Increase (decrease) in short-term debt	5,732	(5,717)	(25,663)
Increase (decrease) in long-term debt	(1,532)	(2,584)	28,650
Other	—	—	151
Cash used in financing activities	(18,431)	(26,191)	(14,032)
Effect of exchange rate changes on cash	5,016	(2,804)	(1,028)
Increase (decrease) in cash and cash equivalents	(17,463)	12,198	33,821
Cash and cash equivalents:			
July 1	81,604	69,406	35,585
June 30	$ 64,141	$ 81,604	$ 69,406
Interest paid	$ 9,045	$ 5,970	$ 10,338
Taxes paid (net of refunds)	$ 23,110	$ 30,391	$ 13,743

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Flows: In fiscal 1988, the company adopted Statement of Financing Accounting Standards No. 95, "Statement of Cash Flows". Consolidated statements of cash flows are presented for each of the three years in the period ended June 30, 1990. 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. Cash flows from forward exchange contracts and other hedges of identifiable transactions or events are classified in the same category as the cash flows from the items being hedged.

WOOLWORTH CORPORATION (JAN)

Consolidated Statement of Cash Flows

(in millions)	**1991**	**1990**	**1989**
From Operating Activities			
Net income	$ 317	$ 329	$ 288
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	234	204	177
Net gain on sale of facilities	(6)	(30)	(6)
Change in assets and liabilities, net of acquisitions:			
Increase in inventory	(78)	(245)	(105)
Increase in accounts payable	115	93	28
Other, net	(69)	21	22
Net cash provided by operating activities	513	372	404
From Investing Activities			
Proceeds form sale of facilities	27	57	19
Additions to owned properties	(396)	(311)	(264)
Cost of acquisitions, net of cash acquired	(6)	(6)	(176)
Net cash used in investing activities	(375)	(260)	(421)
From Financing Activities			
Increase in long-term debt	5	9	2
Reduction in long-term debt	(26)	(41)	(5)
Reduction in capital lease obligations	(9)	(9)	(9)
Issuance of common stock	21	20	15
Purchase of treasury stock	(15)	(4)	(38)
Dividends paid	(132)	(117)	(100)
Net cash used in financing activities	(156)	(142)	(135)
Effect of Exchange Rate Changes on Cash	12	5	(26)
Net Change in Cash and Cash Equivalents	(6)	(25)	(178)
Cash and Cash Equivalents at Beginning of Year	56	81	259
Cash and Cash Equivalents at End of Year	$ 50	$ 56	$ 81

NOTES TO FINANCIAL STATEMENTS

Supplemental Cash Flow Information

Cash paid for interest and income taxes follows:

(in millions)	1990	1989	1988
Interest	$ 94	$ 93	$ 60
Income taxes	$224	$189	$ 189

Information regarding investing and financing activities involving noncash transactions follows:

(in millions)	**1990**	**1989**	**1988**
Acquisitions:			
Cash paid	$ 6	$ 6	$ 176
Liabilities assumed	—	5	80
Fair value of assets acquired	(2)	(6)	(166)
Excess purchase price over fair value	$ 4	$ 5	$ 90
Additions to capital lease obligations	$ 1	$ 1	$ 6

The company considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

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.

HALLIBURTON COMPANY (DEC)

Consolidated Statements of Cash Flows

	1990	1989	1988
		(In Millions)	
Cash Flows from Operating Activities			
Net income	$ 197.4	$ 135.0	$ 93.6
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	249.6	244.6	225.0
Benefit for deferred income taxes	(25.3)	(32.5)	(23.3)
Gain on sale of marine assets	(33.0)	—	—
Distributions from (advances to) related companies, net of equity in earnings or losses	(49.0)	22.4	12.8
Changes in accounting methods	—	(1.3)	(9.0)
Other non-cash items	(6.4)	.5	9.7
Other changes, net of non-cash items Receivables and unbilled work	(240.7)	(118.2)	(59.8)
Inventories	(92.7)	.7	(44.0)
Insurance loss reserves	47.0	78.4	203.5
Accounts payable and other	99.8	82.5	21.0
Total cash flows from operating activities	146.7	412.1	429.5
Cash Flows from Investing Activities			
Payments for purchase of property, plant and equipment	(332.3)	(202.4)	(168.9)
Receipts from sales of property, plant and equipment	82.0	31.2	19.9
Payments for acquisitions of businesses, net of cash acquired	(6.0)	(42.4)	(229.6)
Receipts from dispositions of businesses, net of cash disposed	8.9	88.2	—
Payments for purchase of marketable investments	(102.6)	(135.1)	(323.0)
Receipts form sales or maturities of marketable investments	85.2	76.1	135.0
Other investing activities	(47.5)	(49.3)	(3.0)
Total cash flows from investing activities	(312.3)	(233.7)	(569.6)
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	.1	.5	1.2
Payments on long-term borrowings	(9.1)	(1.2)	(19.2)
Net borrowings (payments) of short-term debt	6.4	(6.5)	(9.6)
Payments to re-acquire common stock, net of issues	(.1)	(4.9)	(10.8)
Payments to dividends to shareholders	(106.7)	(106.5)	(105.6)
Total cash flows from financing activities	(109.4)	(118.6)	(144.6)
Effect of Exchange Rate Changes on Cash	(3.4)	(2.6)	(2.4)
Increase (Decrease) in Cash and Equivalents	(278.4)	57.2	(286.5)
Cash and Equivalents at Beginning of Year	401.8	344.6	631.1
Cash and Equivalents at End of Year	$ 123.4	$ 401.8	$ 344.6
Supplemental Disclosure of Cash Flow Information:			
Cash payments during the year for:			
Interest	$ 38.8	$ 34.6	$ 32.6
Income taxes	164.1	109.5	34.4
Non-cash investing and financing activities:			
Liabilities assumed in acquisitions of businesses	$ 2.4	$ 51.2	$ 184.9
Liabilities disposed in dispositions of businesses	27.5	663.9	—
Fair value of common stock from treasury issued in acquisitions of businesses	—	—	29.7

SUMMARY OF 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.

IMCERA GROUP INC. (JUN)

Consolidated Statements of Cash Flows

(In millions)	1990	1989	1988
Cash provided (used) by operations			
Net earnings	$ 56.5	$ 117.0	$ 113.5
Adjustments to reconcile net earnings to net cash provided by operations			
Depreciation and amortization	82.5	62.3	106.7
Gains on disposals of assets	(8.3)	(17.4)	(61.5)
(Gain) loss on IMC Fertilizer public stock offerings		(28.6)	11.9
Equity in earnings of IMC Fertilizer	(31.4)	(52.9)	(26.2)
Common and (in 1989) preferred stock dividends from IMC Fertilizer	10.8	24.5	3.7
Interest on zero coupon exchangeable subordinated debentures	30.9	18.3	
Deferred income taxes	13.2	15.3	21.2
Other, net	14.9	(11.9)	(18.8)
	169.1	126.6	150.5
Changes in working capital			
Receivables	(35.4)	(10.1)	37.0
Inventories	(9.5)	(23.5)	133.5
Accounts payable, accrued liabilities, and income taxes	13.0	(49.3)	(87.2)
Effect of disposals and the deconsolidation of IMC Fertilizer		(9.3)	(130.3)
Other, net	5.2	(7.4)	1.0
	142.4	27.0	104.5
Cash provided (used) by investing activities			
Businesses acquired	(257.6)	(11.7)	(71.4)
Capital expenditures	(85.7)	(82.2)	(69.1)
Short-term investments	23.4	(55.2)	
Proceeds form IMC Fertilizer public stock offerings and related transactions, net		200.0	558.9
Proceeds from disposals of assets	35.6	32.0	150.3
IMC Fertilizer investng activity			(49.5)
Other, net	13.3	(22.9)	(8.6)
	(271.0)	60.0	510.6
Cash provided (used) by financing activities			
Preferred stock redemption	(65.1)		
Proceeds from long-term debt	30.6	359.5	8.2
Payments on long-term debt	(38.6)	(35.3)	(273.8)
Increase (decrease) in short-term debt	(11.9)	15.6	(75.6)
Purchase of IMCERA stock	(56.0)	(215.8)	(112.8)
Dividends paid	(25.8)	(36.9)	(42.6)
Issuance of common stock	6.3	.3	.7
	(160.5)	87.4	(495.9)
Increase (decrease) in cash and cash equivalents	(289.1)	174.4	119.2
Cash and cash equivalents at beginning of year	389.1	214.7	95.5
Cash and cash equivalents at end of year	$ 100.0	$ 389.1	$ 214.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In millions except per share amounts)

Accounting Policies (In Part)

Cash and Cash Equivalents

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 C

Supplemental Cash Flow Information

	1990	1989	1988
Interest paid	$ 44.7	$29.5	$63.4
Income taxes paid	$ 12.3	$ 8.3	$ 8.9
Noncash investing and financing activities:			
Conversion of Series A and B preferred stock for IMCERA common stock	$137.0		
Issuance of common stock from exercise of stock options	$ 11.2	$ 4.4	$10.2
Purchase of IMCERA stock from exercise of stock options	$ 9.7	$ 3.6	$ 8.7
Issuance of IMCERA shares for restricted stock awards		$ .5	
Noncash proceeds from certain divestitures			$ 3.3
Assumption of liabilities related to acquisitions	$ 44.8		$ 3.5

Note N (In Part)

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 5,200,000 shares of common stock at prices not less than 100 percent of market price (as defined) 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 3,592,263 shares was granted under these plans through June 30, 1990. The plans permit certain employees to temder shares to IMCERA in lieu of cash for the exercise of stock options. Information on options exercised and shares tendered follows:

	1990	1989	1988
Options exercised	265,606	111,662	258,569
Market value	$13.4	$4.6	$12.4
Shares tendered	192,457	85,746	179,583
Market value	$ 9.7	$3.6	$ 8.6

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 $1.4 million, $.6 million, and $1.5 million in 1990, 1989, and 1988, respectively, relative to these tendered shares.

PEERLESS MFG. CO. (JUN)

Statements of Cash Flows

($000)	1990	1989	1988
Cash Flows from operating activities:			
Net earnings	$ 2,736	$ 91	$ 638
Adjustments to reconcile earnings to net cash provided by (used in) operating activities			
Depreciation and amortization	323	321	343
Deferred income taxes	(127)	20	(43)
Loss (gain) on sale of assets	(13)	(42)	144
Other	(23)	9	(13)
Changes in assets and liabilities (Increase) decrease in			
Accounts receivable	(3,372)	671	(1,979)
Inventories	(528)	(563)	(257)
Refundable income taxes	(166)	24	217
Other current assets	(19)	(14)	22
Other assets	(229)	(17)	(13)
Increase (decrease) in Accounts payable	676	(101)	324
Commissions payable	186	(68)	131
Income taxes payable	80	26	—
Accrued expenses	568	(39)	107
	2,645	226	(1,017)
Cash provided by (used in) operating activities	90	317	(378)
Cash flows from investing activities Net sales (purchases) of certificates of deposit	1,208	1,010	(885)
Net sales of marketable investment securities	—	—	2,009
Payment received on note receivable	—	50	—
Acquisition of property and equipment	(139)	(132)	(138)
Net cash provided by investing activities	1,068	927	986
Cash flows from financing activities Net borrowings (repayments) under line of credit agreement	—	(250)	250
Tax effect of purchased tax benefit	(67)	(98)	(80)
Dividends paid	(679)	(675)	(670)
Net cash used in financing activities	(747)	(1,023)	(500)
Net increase in cash and cash equivalents	412	221	107
Cash and cash equivalents at beginning of year	407	186	79
Cash and cash equivalents at end of year	$ 819	$ 407	$ 186
Cash paid during the year for:			
Interest	$ 13	$ 12	$ 2
Income taxes	805	20	375
Noncash investing and financing activity:			
Foreclosure on note receivable collateralized by land:			
Carrying value of note	$ 333	$ —	$ —
Interest receivable	27	—	—
Deferred income	(285)	—	—
Amount assigned to land	$ 76	—	—

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Summary of Accounting Policies

Cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

SAFEWAY INC. (DEC)

Concolidated Statements of Cash Flows

(in millions)	1990	1989	1988
Cash Flows from Operations:			
Net income	$ 87.1	$ 2.5	$ 31.2
Reconciliation to net cash flow from operations:			
Depreciation and amortization	276.2	257.8	247.4
Amortization of deferred finance costs	13.5	13.2	16.0
Deferred income taxes	(35.6)	11.5	(38.3)
LIFO expense	15.1	15.2	17.1
Noncash interest income, net	—	—	(21.5)
Equity in undistributed losses (earnings) of affiliates	(25.5)	4.0	4.5
Net pension income	(0.9)	(6.5)	(8.7)
Increase in accrued claims and other liabilities	3.6	49.1	20.9
Loss (gain) on property retirements	24.7	(1.2)	(82.8)
Changes in working capital items:			
Receivables	0.2	32.8	(34.2)
Inventories at FIFO cost	(55.2)	(65.6)	(57.0)
Prepaid expenses and other current assets	(1.4)	(13.8)	16.9
Payables and accruals	74.4	114.6	55.4
Income taxes	(40.0)	19.4	(16.7)
Net cash flow from operations	336.2	433.0	150.2
Cash Flow from Investing Activities:			
Cash paid for property additions	(422.1)	(365.3)	(257.6)
Proceeds from sale of property and operations	45.9	19.7	750.0
Other	(13.5)	5.4	(8.4)
Net cash flow from (used by) investing activities	(389.7)	(340.2)	484.0
Cash Flow from Financing Activities:			
Additions to short-term borrowings	$ 5.3	$ 133.7	$ 379.9
Payments on short-term borrowings	(383.9)	(227.2)	(117.2)
Additions to long-term borrowings	450.3	219.1	173.0
Payments on long-term borrowings	(108.8)	(195.2)	(1,023.2)
Net proceeds from sale of common stock	120.5	0.9	4.8
Redemption of Redeemable Preferred Stock and cash dividends	—	—	(57.1)
Other	(0.9)	—	—
Net cash flow from (used by) financing activities	82.5	(68.7)	(639.8)
Effects of changes in exchange rates on cash	(1.6)	2.1	5.5
Increase (decrease) in cash and equivalents	27.4	26.2	(0.1)
Cash and Equivalents:			
Beginning of year	123.2	97.0	97.1
End of year	$ 150.6	$ 123.2	$ 97.0
Other Cash Flow Information:			
Cash payments during the year for:			
Interest	$ 374.5	$ 376.8	$ 403.3
Income taxes (net of refunds)	183.2	61.4	91.5
Noncash Investing and Financing Activities:			
Mortgage notes assumed in property acquisitions	0.8	14.7	27.6
Capital leases obligations entered into	3.3	12.6	6.3
Capital lease assets retired, net of accumulated amortization	5.5	1.9	10.9
Capital lease obligations retired	4.8	9.4	24.9
Redeemable Preferred Stock issued in lieu of cash dividends payments	—	—	1.1
Noncash proceeds from sale of asset—Vons common stock	—	—	83.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Acquisition and Basis of Presentation

Statement of Cash Flows

Short-term investments with original maturities of less than three months are considered to be cash equivalents.

UNION CAMP CORPORATION (DEC)

Consolidated Statement of Cash Flows

($ in thousands)	1990	1989	1988
Cash Provided By Operations:			
Net income	$ 229,591	$ 299,400	$ 295,146
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation, amortization and cost of company timber harvested	230,383	215,992	200,519
Deferred income taxes	8,701	1,644	41,778
(Gain)/loss on sale of assets	(14,773)	1,149	(6,419)
Changes in current assets and liabilities:			
Receivables	159	(13,000)	(38,823)
Inventories	(41,178)	(6,219)	(13,731)
Other current assets	(3,083)	(5,714)	501
Accounts payable, taxes and other liabilities	(23,764)	33,433	40,007
Cash Provided by Operations	386,036	526,685	518,978
Cash (Used For) Provided By Investment Activities:			
Capital expenditures	(934,452)	(556,268)	(358,671)
Payments for acquired businesses	(21,128)	(11,988)	—
Proceeds from sale of assets	20,144	5,530	11,141
Change in short-term investments	—	45,882	(45,882)
Other	(23,984)	(8,245)	(6,220)
	(959,420)	(525,420)	(399,632)
Cash (Used For) Provided By Financing Activities:			
Proceeds from issuance of long-term debt	518,190	144,000	2,805
Repayments of long-term debt	(17,906)	(81,369)	(18,811)
Change in notes payable	222,528	13,047	3,140
Dividends paid	(105,496)	(97,753)	(84,327)
Purchase of company's common stock	(49,196)	—	(101,955)
	568,120	(22,075)	(199,148)
Effect of exchange rate changes on cash	864	(897)	276
Increase (decrease) in cash and cash equivalents	(4,400)	(21,376)	(79,526)
Balance at beginning of year	56,152	77,528	157,054
Balance at end of year	$ 51,752	$ 56,152	$ 77,528

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
($ in thousands, except per share)

1. 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.

9. Supplemental Cash Flow Information

Cash paid for income taxes was $132.0 million in 1990, $173.9 million in 1989 and $119.1 million 1988. Cash paid for interest, net of amounts capitalized, was $24.8 million 1990, $48.3 million in 1989 and $50.4 million in 1988.

The following table summarizes non-cash investing and financing activities related to the acquisitions of Tate, FMC and Chase in 1990 and a chemical operation in Bedlington, England in 1989:

	1990	1989
Fair value of assets acquired	$187,913	$12,872
Less: Cash paid	21,128	11,988
Cash paid	20,970	—
Common stock to be issued	63,095	—
Liabilities incurred or assumed	$ 82,720	$ 884

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

	1990	1989	1988
Cash and cash equivalents	391	381	331
Cash and equivalents	37	24	21
Cash	90	102	90
Cash and short-term investments	46	51	50
Cash and short-term cash investments	4	5	—
Cash and temporary cash investments	10	11	17
Cash and temporary investments	9	8	7
Cash and marketable securities	9	13	16
Other descriptive captions	4	5	10
Total Companies	**600**	**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-six Statements on Auditing Standards have been issued.

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

	1990	1989	1988	1987
Follows financial statements and notes	386	378	396	390
Precedes financial statements and notes	189	193	170	166
Between financial statements and notes	14	14	17	21
Other	11	15	17	23
Total Companies	**600**	**600**	**600**	**600**

TITLE

Paragraph 8a of *Statement on Auditing Standards No. 58* states that the title of an auditors' report should include the word *independent*.

The titles of auditors' reports presented in the annual reports of 594 survey companies included the words *independent* and *report*. 307 titles identified the auditors as auditors, 154 as accountants, 97 as public accountants, and 36 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

	1990	1989	1988	1987
Board of Directors and Stockholders	475	478	463	463
Stockholders	62	61	67	68
Board of Directors	48	47	43	45
Company	13	12	16	17
Other or no addressee	2	2	11	7
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.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders,
Media General, Inc.:

We have audited the accompanying consolidated balance sheets of Media General, Inc. as of December 31, 1990 and 1989, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 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 Media General, Inc. at December 31, 1990 and 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1990, 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

	1990	1989	1988	1987
Examination by Other Auditors Covers:				
Statements for branch or consolidated subsidiary	10	8	12	12
Statements of investee only	8	7	5	12
Statements for prior years only	6	5	6	8
Total Companies	**24**	**20**	**23**	**32**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of CONSTAR International Inc.:

We have audited the accompanying consolidated balance sheets of CONSTAR International Inc. and subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of income, common stockholders' ownership, and cash flows for each of the three years in the period ended December 31, 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 did not audit the financial statements of Wellstar Holding, B.V., the investment in which is reflected in the accompanying financial statements using the equity method of accounting. The investment in Wellstar Holding, B.V. represents 6 percent of total assets at December 31, 1990 and the equity in its net income represents 7 percent of net income for the year ended December 31, 1990. The 1990 financial statements of Wellstar Holding, B.V. were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Wellstar Holding, B.V., 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 audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of CONSTAR International Inc. and subsidiaries as of December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders, Gulf Resources & Chemical Corporation:

We have audited the accompanying consolidated balance sheets of Gulf Resources & Chemical Corporation and subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1990. 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 did not audit the financial statements of a subsidiary, City Realties Limited, which statements reflect total assets constituting 60 percent and total revenues constituting 21 percent in 1990 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 City Realties 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 provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors in 1990, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gulf Resources & Chemical Corporation and subsidiaries as of December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1990, in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Directors of Sonoco Products Company:

We have audited the accompanying consolidated balance sheets of Sonoco Products Company as of December 31, 1990 and 1989, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 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 did not audit the consolidated financial statements of Sonoco U.K. Ltd. Inc., a wholly-owned subsidiary, which statements reflect total assets of $113,111,000 and $84,598,000 as of December 31, 1990 and 1989, respectively, and total sales of $127,352,000, $104,356,000 and $95,117,000 for the years ended December 31, 1990, 1989 and 1988. 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 Sonoco U.K. Ltd. Inc., 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sonoco Products Company as of December 31, 1990 and 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Valhi, Inc.:

We have audited the accompanying consolidated balance sheets of Valhi, Inc. and Subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 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 did not audit the financial statements of certain subsidiaries constituting approximately 16% and 22% of consolidated assets as of December 31, 1990 and 1989, respectively, and approximately 36%, 35% and 35% of consolidated net sales for the years ended December 31, 1990, 1989 and 1988, respectively. These statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to amounts included for such subsidiaries, is based solely upon their reports.

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, based upon 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 Valhi, Inc. and Subsidiaries as of December 31, 1990 and 1989, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of Avery Dennison:

We have audited the accompanying consolidated balance sheet of Avery Dennison Corporation and subsidiaries as of December 31, 1990, and the related consolidated statements of income, 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.

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 consolidated financial position of Avery Dennison Corporation and subsidiaries as of December 31, 1990, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

We previously audited and reported on the consolidated balance sheet of Avery International Corporation as of November 30, 1989, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended November 30, 1989, and 1988, prior to their restatement for the 1990 pooling of interests with Dennison Manufacturing Company. The contribution of Avery International Corporation and subsidiaries represented 67 percent of total assets as of November 30, 1989, 70 percent and 69 percent of net sales and 76 percent and 66 percent of net income for the years ended November 30, 1989 and 1988, respectively. Separate consolidated financial statements of Dennison Manufacturing Company and its subsidiaries included in the 1989 restated consolidated balance sheet and the 1989 and 1988 restated consolidated statements of income, shareholders' equity and cash flows were audited and reported on separately by other auditors. We also audited the combination of the accompanying consolidated balance sheet as of November 30, 1989, and the consolidated statements of income, shareholders' equity and cash flows for the years ended November 30, 1989 and 1988, after restatement for the 1990 pooling of interests; in our opinion, such consolidated statements have been properly combined on the basis described in Note 1 of Notes to Consolidated Financial Statements.

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*, as amended by *SAS No. 64* for auditors' reports issued after December 31, 1990, discuss uncertainties. Examples of uncertainty disclosures follow.

Litigation

REPORT OF INDEPENDENT ACCOUNTANTS

To the Directors and Stockholders of Curtiss-Wright Corporation:

We have audited the accompanying consolidated balance sheets of Curtiss-Wright Corporation and Subsidiaries as of December 31, 1990 and 1989 and the related consolidated statements of earnings, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1990. 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Curtiss-Wright Corporation and Subsidiaries as of December 31, 1990 and 1989, and the consolidated results of their operations and their cash flows for each of the three years in the period ended

TABLE 6-4: UNCERTAINTIES

	1990	1989	1988	1987
Litigation	20	18	11	10
Going concern	18	12	8	13
Other	8	12	7	9
Total Uncertainties	**46**	**42**	**26**	**32**
Total Companies	**34**	**32**	**23**	**24**

December 31, 1990 in conformity with generally accepted accounting principles.

As discussed in Note 11 to the Consolidated Financial Statements, the U.S. Government filed on December 21, 1990, a complaint against Target Rock Corporation, a wholly-owned subsidiary of the Corporation, asserting claims under the False Claims Act and at common law based on alleged embezzlements from Target Rock and labor mischarging to Government subcontracts issued to Target Rock. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Contingencies

On December 21, 1990, the U.S. Government filed a complaint against the Corporation's wholly-owned subsidiary, Target Rock Corporation, in the U.S. District Court for the Eastern District of New York, asserting claims under the False Claims Act and at common law. The complaint alleges that the government has been damaged as a result of (i) embezzlements from Target Rock by certain faithless, former employees who caused it to make payments on false travel and expense reports and on false or inflated invoices from suppliers and (ii) mischarging of labor hours to government subcontracts by former employees. The complaint seeks approximately $22,000,000 in damages and about $92,000,000 in penalties under the False Claims Act, for a total claim of about $114,000,000, as well as pre-judgment and post-judgment interest, costs and attorneys fees. However, the information currently available to Target Rock would not, in its opinion, substantiate a claim for damages constituting more than a small fraction of the $22,000,000 sum claimed. Target Rock intends to defend the suit vigorously, and believes it has a number of defenses available to it.

These charges are the result of an investigation initiated by the Corporation in 1987. The Corporation immediately advised the appropriate government authorities of the irregularities and cooperated fully with them in the ensuing criminal investigation which culminated in the indictment and guilty pleas of former employees and suppliers. Target Rock was not charged in the criminal matter. As a result of the investigation, the employment of a number of senior officials of Target Rock, including the former owner from whom Target Rock was acquired by the Corporation, was terminated and other corrective actions, including the installation of new management, were promptly initiated.

While Target Rock was the victim of the embezzlements (and a significant part of its resulting direct loss was recovered under a blanket crime insurance policy), the embezzlements also had an indirect effect on the government as an ultimate customer of Target Rock. The government was promptly reimbursed by Target Rock for a substantial portion of such damage as determined by Target Rock, but efforts to reach agreement concerning any additional amounts due the government have been unsuccessful. While discussions also have taken place concerning the allegations of labor mischarging in the complaint, the government has been unwilling or unable to provide substantiation for these allegations.

Under current circumstances, no determination can be made as to the ultimate outcome of the litigation or as to the necessity for any provision, in the accompanying financial statements, for any liability that may result from a final adjudication. Target Rock Corporation comprises a major portion of the Flow Control and Marine segment, information in respect of which appears in Note 19.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Dravo Corporation:

We have audited the accompanying consolidated balance sheets of Dravo Corporation and subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of operations, retained earnings and cash flows for each of the years in the three-year period ended December 31, 1990. 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 Dravo Corporation and subsidiaries at December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1990, in conformity with generally accepted accounting principles.

As discussed in Note 9 to the consolidated financial statements, certain lawsuits, claims and assertions have been brought against the company for environmental costs, contract and claim disputes, and other matters, the outcome of which presently cannot be determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Contingent Liabilities

The company has been notified by the Federal Environmental Protection Agency (EPA) that the EPA believes the company is a potentially responsible party (PRP) for the clean-up of soil and groundwater contamination in several locations. Three such instances are sub-sites of one of the EPA's priority sites for taking remedial action under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). In one sub-site, the company, after a limited investigation, has determined that it disposed of no hazardous waste at the particular site and has so informed the EPA; no formal response has been received from the EPA. At the second sub-site,

the company, again after a preliminary investigation, concluded that release from the landfill is not sufficient to warrant the taking of remedial action. With respect to the third sub-site, the company, along with one other PRP has been served with an administrative order to remedy soil contamination. The company has notified the EPA of its intent to comply with the order to design a remediation process but has refused to commit to implementation of the design unless the EPA and the company can agree on the criteria for deciding when soil cleanup has been completed. The ability to obtain contribution from the other PRPs, both identified and unidentified, is unclear as is the extent of insurance coverage. Because applicable clean-up standards have not been established, reasonably reliable estimates of remediation costs are not possible.

A state environmental protection agency has requested that the company perform remediation activities at another site. The company intends to conduct further testing at the site, the scope of which is under discussion with the agency. The results of that testing will determine whether remediation is required under the applicable clean-up standards and, if so, the extent of the remedial effort. In this circumstance, a reasonably reliable estimation of costs to be incurred is not possible.

The company contracted with a governmental authority to design, construct and operate a resource recovery facility in Long Beach, California. A dispute has arisen with the authority as to whether the design and construction contract has, in fact, been properly completed and whether certain retainages and escrows are owed to the company. Two lawsuits have been filed, one by the authority and the other by the company, seeking damages arising out of the design and construction contract. The two lawsuits have now been consolidated.

The company's sale of a portion of its waste-to-energy business, which included the sale of its contractual interest in the previously mentioned Long Beach resource recovery facility, has spawned several lawsuits and an arbitration demand. The arbitration demand relates to services performed by the purchaser, allegedly at the request of the company prior to the termination of the design and construction contract. Although the company has defenses and counterclaims, it seeks to have the arbitration proceeding permanently stayed pending resolution of the underlying lawsuit between the company and the owner of the facility. A temporary stay is now in place. A lawsuit filed by the purchaser seeking to avoid payment of the purchase price has been transferred to the same court and the same judge hearing the underlying lawsuit. The company has petitioned to have this suit consolidated with the underlying lawsuit. A second lawsuit, seeking funds owed to the company by the owner and making claims against the company's surety, has been stayed pending the arbitration proceeding. In addition to the actions brought by the purchaser, the company has named the purchaser as an additional defendant in the underlying lawsuit.

A dispute has arisen out of a contract obligating the company to design and construct a coal gasification facility. The owner terminated the contract alleging breaches of the contract by the company. The company has instituted litigation claiming wrongful termination and seeking damages for breach of the contract by the owner and the owner has countersued the company.

The company, along with approximately thirty fabricators and suppliers of specialty steel piping, has been named as a defendant in a class action lawsuit filed in Houston, Texas, alleging violations of anti-trust laws and common law fraud during the period 1966 to 1985. Additionally, the pricing practices complained of in the lawsuit have been the subject of a number of grand jury investigations conducted throughout the United States. The company has supplied documents as requested by certain of these grand juries.

In May, 1990, the company learned that the U.S. Attorney in Greenville, Tennessee was seeking an indictment against the company arising out of allegedly fraudulent prices charged on the supply of certain specialty pipe. The company has had preliminary discussions with the U.S. Attorney and has learned that the amount allegedly overcharged is approximately $157,000. Based on information received to date, the company has substantial defenses against criminal charges arising out of the matter.

If these lawsuits, claims and assertions, discussed above, are sustained against the company, material charges would be recorded in the company's financial statements. However, in some instances, it is not possible to determine the outcome of these matters or to estimate with any degree of certainty the range of potential costs which may be involved. In other instances, based upon the knowledge the company has of these lawsuits, claims and assertions and contract substantiation for recorded receivable amounts, management believes the ultimate disposition of these matters and recovery of receivables will not result in material charges to earnings in excess of amounts recorded in the financial statements.

Other claims and assertions made against the company, including pension, personnel and other matters, will be resolved, in the opinion of management, without material additional charges to earnings.

The company has asserted claims, both in lawsuits and in administrative proceedings for contract adjustments under various contracts, which management believes to be meritorious, but no estimate can be made at present of the timing or the amount of recovery.

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Imo Industries Inc.

We have audited the accompanying consolidated balance sheets of Imo Industries Inc. and subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 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 Imo Industries Inc. and subsidiaries at December 31, 1990 and 1989, and consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

As discussed in Note 13, during 1985 litigation was instituted against the Company by Long Island Lighting Company. At this time, the Company cannot predict the extent of loss, if any, that may result from an adverse outcome in this litigation or the impact thereof on its consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Contingencies

In August 1985, the Company was named as a defendant in a lawsuit filed by Long Island Lighting Company ("LILCO"). The action stemmed from the sale of three diesel generators to LILCO for use at its Shoreham Nuclear Power Station. During testing of the diesel generators, the crankshaft of one of the diesel generators severed.

Through a series of motions beginning with the Court's order on October 27, 1986, and ending with the Court's order on August 20, 1987, LILCO's claims were dismissed with the exception of the court alleging a breach of warranty to repair or replace.

On May 3, 1990, the Court responded to the Company's motion to limit damages by ordering that "... LILCO's claim is dismissed as to all categories of damages other than the amount attributable to the cost of repairing the engines, which amount may, upon appropriate showing, include the cost of maintenance or of testing the diesels in the course of or subsequent to their repair." In August 1990, in response to interrogatories, LILCO stated that its valuation of damages remaining in the case is $23.7 million plus interest. In addition, LILCO retains its right of appeal on matters which the court has decided adverse to LILCO.

The Company's insurers are on notice of the suit and they are defending the action under a reservation of rights. Both parties have completed discovery. The Company is currently unable to predict the outcome of this litigation or its effect, if any, on the Company's financial condition. Accordingly, no provision for any liability has been made in the accompanying consolidated financial statements.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Micron Technology, Inc.
Boise, Idaho

We have audited the accompanying consolidated balance sheets of Micron Technology, Inc. and subsidiaries as of August 30, 1990 and August 31, 1989, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended August 30, 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 Micron Technology, Inc. and subsidiaries as of August 30, 1990 and August 31, 1989, and the consolidated results of their operations and their cash flows for each of the three years in the period ended August 30, 1990, in conformity with generally accepted accounting principles.

As discussed in the contingencies note to the consolidated financial statements, management can provide no assurance that the amounts provided have been or will be adequate for estimated costs and expenses of obtaining licenses for product and process technology and the cost of establishing whether technology used by the Company infringes on valid rights held by others, which may result from future events, including litigation or settlement of claims. As also discussed in the contingencies note, the Company is a defendant in a consolidated class action complaint alleging federal securities law violations. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability that may result from litigation or settlement has been made in the accompanying financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

With regard to possible patent infringement claims, the Company makes provision and recognizes a liability for estimated costs and expenses of obtaining licenses for product and process technology and the cost of establishing whether technology used by the Company infringes on valid rights held by others. There can be no assurance that the amounts provided have been or will be adequate. Future events, including litigation or settlement of claims, could have a material adverse effect on the Company's financial position or results of operations.

A consolidated class action complaint was filed on January 18, 1990, in the United States District Court for the District of Idaho in substitution for five similar suits previously filed against the Company and certain of its past and present officers and directors. The suit alleges federal securities law violations in connection with certain statements allegedly made by the Company during the period from approximately December 1988 through September 1989 and claims of insider trading violations by certain

past and present officers and directors as well as pendent state law claims. The suit seeks compensatory damages and costs. The Company believes the allegations are without merit and intends to defend the action vigorously. In view of the early stage of the litigation, the Company cannot predict the outcome of the suit or estimate the amount of loss, if any. Accordingly, no provision for any liability that may result has been made in the financial statements. Micron is a party in various other legal actions arising out of the normal course of business, none of which is expected to have a material effect on the Company's financial position or results of operations.

Going Concern

INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Directors
CMI Corporation:

We have audited the accompanying consolidated balance sheets of CMI Corporation and subsidiaries (the Company) as of December 31, 1990 and 1989, and the related consolidated statements of operations and accumulated deficit and cash flows for each of the years in the three-year period ended December 31, 1990. 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 CMI Corporation and subsidiaries at December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1990, in conformity with generally accepted accounting principles.

The accompanying 1990 consolidated financial statements have been prepared assuming that CMI Corporation and subsidiaries will continue as a going concern. As discussed in notes 2 and 4 to the consolidated financial statements, the Company's default of certain loan agreements, recurring losses, and decreases in working capital raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in note 2 to the consolidated financial statements. The 1990 consolidated financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Results of Operations and Management's Plans

The Company incurred a loss of approximately $27 million in 1990 and continued to experience certain decreases in working capital. As a result, the Company is in technical default of certain loan agreements (see note 4). On April 5, 1991, the Company held a special meeting of its Board of Directors to discuss the Company's operations and its relationships with banks and creditors. At that meeting, the Board of Directors resolved that the Company would continue its ongoing negotiations with its primary lenders to stabilize its lender relationships by establishing certain internal operating and management plans. It was also resolved that the Company needed outside professional assistance to participate in negotiating with its lenders, including possible restructuring of debt, disposing of certain assets and raising new capital for future operations.

As a result of these resolutions, the Company retained the services of an investment banking firm and a firm specializing in corporate turnarounds to work, in conjunction with the Company's Board of Directors and senior management, to implement any and all required programs to accomplish the Board of Directors' objectives.

In addition, the corporate turnaround specialist firm will participate in the daily management of the Company and report directly to the Board of Directors. Such daily management activities are anticipated to include:

- Managing the Company within its cash constraints including the authority to recruit and terminate personnel,
- Establishing an immediate short term cost reduction and cash generation program that systematically identifies and addresses the largest, most timely opportunities for cost reductions and directing the Company such that these reductions can be accomplished,
- Reorganizing operations and restructuring operational efficiencies,
- Establishing New Product Development Oversight Committee,
- Establishing design review procedures,
- Assisting in restructuring operational assets, and
- Assisting the Board of Directors as may be requested.

Although the results of these actions cannot be predicted, the Company believes that these steps are appropriate and will help the Company effectively reorganize its operations.

4. (In Part): Long-Term Debt and Notes Payable

In April 1990, the Company amended its term credit agreement with its primary lender, including an extension in the maturity date to April 30, 1991, a periodic reduction in the amounts available under the term credit agreement and a periodic increase in the interest rate. Subsequent to April 1990, the third, fourth and fifth amendments to the term credit agreement were finalized. The amended term credit agreement calls for a maximum borrowing base of $16,500,000, including maximum letters of credit of $900,000, and an interest rate of 3% above the prime interest rate. These additional amendments did not change the maturity date of April 30, 1991.

At December 31, 1990, the Company is in technical default of certain covenants contained in the amended term credit agreement with its primary lender. The Com-

pany's technical default under the amended term credit agreement has triggered events of default under certain other obligations of the Company including a $5,000,000 interim bond and certain promissory notes secured by real estate and equipment. The holders of the interim bond and promissory notes may, at their option, give notice to the Company that amounts owed are immediately due and payable. As a result, $25,167,000 of the Company's total long-term debt and notes payable of $26,754,000, is classified as the current portion of long-term debt. The Company is currently working with all of its lenders to obtain necessary waivers under the terms of the various agreements. See note 2 regarding management's plans.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Eagle-Picher Industries, Inc.:

We have audited the accompanying consolidated balance sheet of Eagle-Picher Industries, Inc. and subsidiaries (debtor-in-possession, as of January 7, 1991) as of November 30, 1990 and 1989, 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, 1990. 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, 1990 and 1989, and the results of their operations and their cash flows for each of the years in the three-year period ended November 30, 1990 in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, Eagle-Picher Industries, Inc. (the Company), together with seven of its subsidiaries, filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court on January 7, 1991. Although the Company and its operating subsidiaries are currently operating their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court, the continuation of their businesses as going concerns is contingent upon among other things, the ability to formulate a Plan of Reorganization which will gain approval of the creditors and confirmation by the Bankruptcy Court, and the ability to generate sufficient cash from operations and financing sources to meet obligations as they come due. The filing under chapter 11 and the continued uncertainty related to claims associated with the Company's sale of asbestos products and certain other litigation as discussed in the following paragraph, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying 1990 consolidated financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that might be necessary should the Company or its subsidiaries be unable to continue as going concerns. The 1990 consolidated financial statements also do not include any adjustments relating to the recoverability and classification of reported asset amounts or adjustments relating to the establishment, settlement and classification of liabilities that may be required in connection with restructuring the Company and its subsidiaries as they reorganize under chapter 11 of the United States Bankruptcy Code.

As discussed in Note M 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. The final resolution of actual amounts, however, is dependent upon future events, the outcome of which are not fully determinable at the present time. In addition, as discussed in Note N, the Company is a defendant in various other litigation. Although some provision has been made for these matters, the final outcomes and their effect, if any, on the Company's consolidated financial statements is not presently determinable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Proceedings Under Chapter 11

On January 7, 1991 (the "petition date"), Eagle-Picher Industries, Inc. (the "Company"), together with seven of its subsidiaries, filed voluntary petitions for reorganization under chapter 11 of the United States Bankruptcy Code ("chapter 11") in the United States Bankruptcy Court for the Southern District of Ohio, Western Division, in Cincinnati, Ohio (the "Bankruptcy Court") and are currently operating their respective businesses as debtors-in-possession, subject to the supervision of the Bankruptcy Court. The chapter 11 filing is the result of a cash shortfall resulting from the Company's inability to satisfy certain immediate asbestos litigation liabilities including the Company's Mat Division which was under a contract of sale. The shortfall was triggered by the failure of the buyers to fulfill that purchase contract.

As of the petition date, litigation is stayed and prepetition indebtedness and other contractual obligations may not be enforced against the Company. In addition, the Company may reject pre-petition executory contracts and lease obligations, and parties affected by these rejections may file claims with the Bankruptcy Court. Substantially all liabilities as of the petition date will be dealt with in accordance with a plan of reorganization which will be voted upon by all classes of creditors and approved by the Bankruptcy Court. Two creditor committees have been formed and it is expected that they will have the right to review non-ordinary course of business transactions

and participate in the formulation of any plan or plans of reorganization.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the chapter 11 filings, such realization of assets and liquidation of liabilities are subject to uncertainty. While under the protection of chapter 11, in the normal course of business, the Company may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements. Further, a plan of reorganization could materially change the amounts and classifications reported in the consolidated historical financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of a plan of reorganization. The appropriateness of using the going concern basis is dependent upon, among other things, confirmation of a plan of reorganization, and the Company's ability to comply with debtor-in-possession and other financing agreements.

Substantially all of the Company's debt is in default because of the chapter 11 filing. All debt for legal entities in chapter 11 has been classified as current as of November 30, 1990.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
INTERCO INCORPORATED

We have audited the accompanying consolidated balance sheets of INTERCO INCORPORATED and subsidiaries as of February 24, 1990, February 25, 1989 and February 29, 1988, and the related consolidated statements of earnings and changes in shareholders' equity (deficit) for each of the years in the three-year period ended February 24, 1990, the consolidated statements of cash flows for the year ended February 24, 1990 and February 25, 1989, and the consolidated statement of changes in financial position for the year ended February 29, 1988. 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 INTERCO INCORPORATED and subsidiaries at February 24, 1990, February 25, 1989 and February 29, 1988, the results of their operations for each of the years in the three-year period ended February 24, 1990, their cash flows for the years ended February 24, 1990 and February 25, 1989, and their changes in financial position for the year ended February 29, 1988 in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the company has a substantial portion of its debt due contractually within the next fiscal year and expects not to be in compliance with certain financial covenants contained in certain of its credit agreements, which will permit its lenders to accelerate the due dates on its debt. The company's inability to meet its liquidity needs raises substantial doubt about the company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. As described in Note 2, to alleviate its liquidity problems, the company is seeking to implement a restructuring plan to achieve changes in its debt and capital structure, including an amended bank agreement and the exchange of existing debentures and preferred stock for new debentures and common stock.

As discussed in Note 1 to the consolidated financial statements, the company adopted Statement of Financial Accounting Standards No. 95 "Statement of Cash Flows" in fiscal 1989.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Proposed Restructuring

As a result of a recapitalization plan adopted in fiscal 1989, the company distributed to holders of its common stock $1.42 billion in cash, approximately $1.0 billion face amount of debentures and 3,320,702 shares of its Series E Preferred Stock. The recapitalization immediately changed the company's capital structure to one that is highly leveraged. To meet the interest expense and principal repayment obligations of the indebtedness incurred in connection with the recapitalization, the company embarked on a program to lower its cost structure and streamline its business to allow senior management to focus its attention on four core companies, Broyhill Furniture Industries, Inc., The Lane Company, Incorporated, The Florsheim Shoe Company and Converse Inc., and to sell its non-core businesses and certain other assets to repay certain of its debt obligations.

Because of prevailing economic and market conditions, the company's asset sales have not occurred as rapidly as expected and the proceeds from the company's asset sales have been below projected amounts. In addition, operating results have been lower than anticipated, particularly in the Footwear Manufacturing and Retailing Group. As a result, the company must currently service substantially more debt than was originally anticipated. The company will not have sufficient resources to make the required principal payments on its bank debt due October 1, 1990, as extended by waiver from the original May 7, 1990 due date, and expects not to be in compliance with certain financial covenants of the Secured Credit Agreement. Further, it is likely the company will not have sufficient resources to make principal payments on certain senior debt securities which come due in the next few years and will be unable to service its increasing debt and preferred stock dividend obligations arising from the

pay-in-kind features of certain of the securities issued in connection with the recapitalization.

The company is seeking to implement a restructuring plan to achieve changes in the company's debt and capital structure to alleviate these problems and avoid the necessity of filing for bankruptcy. As part of the restructuring plan, the company proposes to amend its Secured Credit Agreement by extending the contractual maturities, including the October 1, 1990 principal payments, revising the financial covenants and reconfiguring the loan structure, among other revisions. The proposed Amended Secured Credit Agreement would also provide an available credit facility to repay other debt which comes due in the future. In addition, the company is also proposing an exchange of the company's Senior Subordinated Debentures for newly issued common stock and new debentures with a lower interest rate, and the exchange of the other series' of debentures and the company's outstanding preferred stock for newly-issued common stock.

The amendment to the Secured Credit Agreement requires the unanimous approval of the bank syndicate. The exchange offers require acceptance by the holders of at least 90% of the outstanding principal amount of each series of the outstanding debentures; the conversion of the preferred stock into common stock requires the consent of the requisite number of holders of the common stock and the preferred stock.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors of USG Corporation:

We have audited the accompanying consolidated balance sheet of USG Corporation and subsidiaries as of December 31, 1990 and 1989 and the related consolidated statements of earnings and cash flows for each of the three years in the period ended December 31, 1990. 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, the financial statements referred to above present fairly, in all material respects, the financial position of USG Corporation and subsidiaries as of December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Corporation will continue as a going concern. As discussed in the Financial Restructuring footnote to the consolidated financial statements, the Corporation is in default of its term loan agreement and does not expect to be able to meet its debt service requirements in 1991, which raises substantial doubt about its ability to continue as a going concern without restructuring its debt and selling assets. Management's plans in regard to this matter are described in the Financial Restructuring footnote. The Corporation is also unable to determine whether it would have the financial resources, in the present circumstances, to satisfy any material adverse effects of asbestos related litigation as discussed in the Litigation footnote. The consolidated financial statements do not include any adjustments relating to the outcome of this proposed restructuring or the impact on those financial statements if the plan is not implemented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Financial Restructuring

On December 31, 1990, the Corporation announced that it was developing a long-term financial plan to restructure its debt and address future cash flow needs. A broad outline of the plan was presented to the Corporation's senior lending banks which have indicated that they will participate in the development of specific elements of the plan. The restructuring plan is expected to involve: an exchange proposal for certain public debt securities, including the 13.25% senior subordinated debentures, due 2000, and the 16.0% junior subordinated debentures, due 2008; extension of the term loan amortization schedule; substantial equity dilution; and the sale of DAP Inc. The exchange proposal may involve a package consisting of any or all of the following: cash; shares of common stock; and new debt. As part of the restructuring, USG is also exploring the feasibility of a sale of a significant equity stake to a strategic or financial investor. Proceeds from an equity infusion, if made, and from the sale of DAP will be used as determined by the restructuring plan.

In connection with the restructuring plan, the Corporation deferred the payment of $105 million in term loan principal due to its senior lending banks on December 31, 1990 in order to maintain adequate liquidity during the restructuring process. The Corporation was subsequently notified that an event of default existed as of December 31, 1990 under the term loan agreement by reason of its failure to make this scheduled repayment. Accordingly, the senior lending banks have notified the Corporation that no payments or distributions may be made to holders of the 13.25% senior subordinated debentures while the default continues. As a result, payments totaling approximately $40 million due on January 15, 1991 to the 13.25% subordinated bondholders were not made. Other requirements and restrictions caused by the default condition are explained in the Indebtedness footnote on pages 25 through 27 of this report.

The Corporation does not intend to file for protection under Chapter 11 bankruptcy laws. This restructuring is intended to provide an appropriate revision to the Corporation's capital structure without incurring the excessive expense, time and uncertainty typically experienced in bankruptcy proceedings. While it is uncertain when the restructuring will be completed, the Corporation expects the plan will be accomplished before the end of 1991.

Government Contracts

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To General Dynamics Corporation:

We have audited the accompanying Consolidated Balance Sheet of General Dynamics Corporation and subsidiaries as of 31 December 1990 and 1989, and the related Consolidated Statements of Earnings, Shareholders' Equity and Cash Flows for each of the three years in the period ended 31 December 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 financial position of General Dynamics Corporation and subsidiaries as of 31 December 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 1990, in conformity with generally accepted accounting principles.

As discussed in Note B to the financial statements, the U.S. Navy on 7 January 1991, terminated for default the A-12 contract between the U.S. Navy and General Dynamics Corporation and its partner, McDonnell Douglas Corporation. The companies deny they were in default on the contract and intend to pursue reimbursement for all work done on the program. The U.S. Navy has demanded payment of $1.4 billion of unliquidated progress payments under the contract; however, the U.S. Navy has deferred collection enforcement pending resolution of this dispute. As a result of the uncertainties arising from the termination, General Dynamics Corporation has reserved for all A-12 related assets and has provided for known liabilities stemming from the termination. The ultimate outcome of the above dispute cannot presently be determined. Accordingly, no provision for any additional liability that may result upon resolution of this dispute has been made in the 31 December 1990 financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars In millions, except per share amounts

B. (In Part): Unusual Charges
A-12 Termination

On 7 January 1991, the U.S. Navy terminated the Company's A-12 contract for default. The Company's A-12 aircraft contract was a full-scale development and initial production fixed-price incentive contract for the U.S. Navy's new carrier-based Advanced Tactical Aircraft. Both the Company and McDonnell Douglas were parties to the contract with the U.S. Navy and each had full responsibility to the U.S. Navy for performance under the contract. Also, the Company and McDonnell Douglas were parties to a teaming agreement in which profits and losses under the contract were shared equally.

The Company and McDonnell Douglas will contest the default termination and pursue their rights for payment for all work done and costs incurred on the A-12 program to date. The Company believes that ultimately it will not be found to have been in default on the contract. The U.S. Navy demanded payment of unliquidated progress payments in the approximate amount of $1,400 from the team, but has deferred collection pending resolution of the termination dispute. The deferment agreement is to be reviewed by the U.S. Navy on 1 December 1992 and annually thereafter. The Company and McDonnell Douglas remain joint and severally liable under the U.S. Navy contract.

As a result of the termination, the Company recorded a $274 ($181 after tax, or $4.34 per share) charge during the fourth quarter of 1990. This charge, when combined with the $426 ($281 after tax, or $6.74 per share) charge recognized in the second quarter of 1990, fully reserves the contracts in process balance associated with the A-12 program and recognizes the Company's estimated termination liabilities, primarily to its vendors. The second quarter charge was originally taken to reflect the Company's estimated cost overruns on the full-scale development and first production lot of the A-12 contract. An additional $24 charge (before tax) was recognized in the second quarter to reverse earnings previously recorded on the program.

Prior to the termination, the Company and McDonnell Douglas had filed claims with the U.S. Navy in the approximate amount of $1,400. As a result of the termination, the amount of these claims (but not the claims' legal bases) is now being reviewed by the Company and McDonnell Douglas to determine the need for amendment or modification.

The Company has neither recognized any claim revenue from the U.S. Navy, nor any potential return of unliquidated progress payments to the U.S. Navy, in its 1990 financial statements.

In the unlikely event that the Company and McDonnell Douglas are ultimately found to be in default of the A-12 contract, additional losses of approximately $500 (before tax) may be recognized by the Company. This estimated additional loss does not include interest that may ultimately be payable to the U.S. Government as provided by the deferred payment agreement.

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, 1990 and 1989, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 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 Harsco Corporation and Subsidiary Companies as of December 31, 1990 and 1989, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles.

As discussed in Note 10 to the consolidated financial statements, the Company is subject to the Government exercising an additional option under a certain contract. If the Government exercises this option, 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 certain 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 and related claims) has been reflected in the accompanying financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. (In Part): Commitments and Contingencies

Subsequent to the award of the five-ton truck contract, the Federal Excise Tax (FET) 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 Government has changed destinations for shipments of various trucks which also impacts the FET claims. The Company continues to anticipate favorable resolution with respect to the FET and related claims (currently estimated at $61 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.

The Company has also filed or is in the process of filing other claims relating to the five-ton truck contract in excess of $55 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.

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 all options purported to be exercised, which together with other claims on this program will in the aggregate be $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 in prior years of $49 million for the purportedly exercised options three, four and five. The Army has not exercised the sixth and final option of the ACE contract and it seems unlikely that this option will be exercised because of lack of funding by Congress. However, should this remaining option be exercised in its entirety, an additional loss of approximately $20 million would be incurred unless the Company's claims are favorably resolved beforehand.

Recovery Of Investment

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of AEL Industries, Inc.

We have audited the accompanying consolidated balance sheets of AEL Industries, Inc. as of February 23, 1990 and February 24, 1989, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended February 23, 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 AEL Industries, Inc. at February 23, 1990 and February 24, 1989, and the consolidated results of their operations, and their cash flows for each of the three years in the period ended February 23, 1990, in conformity with generally accepted accounting principles.

As discussed in Notes 2 and 10 to the consolidated financial statements, the outcome of a potential claim

related to the possible irregularities in the cost accumulation and reporting practices at one of the Company's wholly-owned subsidiaries, and the outcome of a claim and potential civil, criminal or administrative liabilities arising from a contract pricing adjustment associated with a fixed-price contract modification are presently not determinable. No provision for any liability that may result from either of these matters has been made in the accompanying financial statements. As discussed in Note 3 to the consolidated financial statements, the ability of the Company to recover its investment in a foreign company is not known. No adjustment has been made to the carrying value of the investment in the accompanying financial statements.

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. for redeemable shares representing a 6% interest in Tadiran Ltd. (Tadiran), an electronics company in Israel. At the time of the exchange, the Company accounted for its investment in Tadiran under the cost method of accounting and recognized no gain for financial reporting purposes. The investment carrying value of $12,989,000 includes $2,694,000 related to an income tax payment on a gain reported for income tax purposes.

In January 1990, the Company exercised its redemption right under an agreement which required Tadiran to make a redemption payment of approximately $25,000,000 to the Company by March 31, 1990. Tadiran has been experiencing adverse financial and operating conditions and has defaulted on its payment obligation. Tadiran is seeking amendments to the redemption agreement which would result in the extension and deferral of the redemption payment obligation. To date, the Company and Tadiran have not been able to agree on a mutually satisfactory arrangement for payment.

Because of the uncertainties related to the receipt of the redemption proceeds, no gain has been recognized for financial reporting purposes and any proceeds received will be applied initially against the carrying value of the Company's investment, unless uncertainties regarding collection of the proceeds are resolved. Tadiran's ability to satisfy its redemption obligation and the Company's ability to recover its investment are not presently determinable.

Lease Guarantee Agreements

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Adobe Resources Corporation:

We have audited the accompanying consolidated balance sheets of Adobe Resources Corporation and subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1990. 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Adobe Resources Corporation and subsidiaries as of December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

As more fully discussed in note 10, the Corporation assumed the obligations of a predecessor corporation under guarantee agreements relating to the payment and performance under certain operating lease agreements of a wholly-owned subsidiary of AOI Coal Company (AOI), a nonaffiliated entity. In February 1991, AOI notified the Corporation that AOI's wholly-owned subsidiary would be unable to make certain payments under these lease agreements. Management of the Corporation cannot presently estimate the ultimate loss, if any, which the Corporation might sustain as a result of the lease guarantee agreements. Accordingly, no provision for any loss related to these guarantee agreements has been made in the accompanying consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. (In Part): Commitments and Contingencies

In October 1985, Adobe Oil & Gas Company (AOG) was merged with Madison Resources, Inc., to form Adobe Resources Corporation (the Corporation). The coal mining operations of AOG were split off to a nonaffiliated entity, AOI Coal Company (AOI). In connection with this transaction, the Corporation assumed the obligations of AOG under guarantee agreements for the payment and performance under certain operating lease agreements of a wholly-owned subsidiary of AOI, Adobe Mining Co. (Adobe Mining). These leases, which cover draglines used in strip mining coal and also equipment used to process mined coal, provide for payments as follows (amounts in thousands):

1991	$ 3,831
1992	3,831
1993	3,831
1994	3,831
1995	3,831
Thereafter through 2005	26,107
	$45,262

The present value of these lease payments discounted at 10% amounted to $26.3 million at December 31, 1990. Since these are operating leases, the assets remain the property of the lessor at the end of the primary lease term. In the event of a default by Adobe Mining, the lessor may,

among other remedies, require the payment of stipulated loss value, as defined in the lease agreements. The aggregate stipulated loss values under all leases amounted to $35.2 million at December 31, 1990. Upon the payment of stipulated loss value, the leased assets would become the property of the lessee.

In February 1991, AOI notified the Corporation that, as a result of poor operating results in its strip mining operations, Adobe Mining would be unable to make certain lease payments covered by the above guarantee agreements as they become due in 1991. Most of these strip mining operations have been suspended and the majority of the leased assets are currently idle. Subsequently, management of the Corporation has assessed the financial and operational propspects of Adobe Mining and plans to advance up to $6.9 million through December 31, 1992 to cover lease payments. Although the arrangement under which these advances will be made is not yet final, management believes that the advances will be made pursuant to a loan agreement with interest and repayment terms. Management believes that this lending agreement will give Adobe Mining time to improve its operations and to sublease idle equipment, which would reduce the exposure to the Corporation under the lease guarantee agreements. However, there is no assurance that Adobe Mining will achieve these objectives. Management of the Corporation cannot presently estimate the ultimate loss, if any, which the Corporation might sustain as a result of the lease guarantee agreements. Accordingly, no provision for any loss related to these guarantee agreements has been made in the consolidated financial statements.

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

	1990	1989	1988	1987
Income taxes	72	94	96	29
Inventories:				
Capitalization of costs formerly expensed	9	17	17	10
LIFO adopted	2	2	3	6
LIFO discontinued	1	—	4	2
Other	4	1	—	2
Pension Plans:				
Minimum liability	6	—	—	—
Costs	4	14	66	170
Other	2	—	—	—
Postretirement benefits	5	5	3	1
Statement of cash flows	5	10	10	—
Depreciation method	2	4	3	3
Reporting entity	2	16	44	11
Other—described	11	11	20	21
Total References/ Qualifications	**125**	**174**	**266**	**255**
Total Companies	**113**	**158**	**198**	**215**

Income Taxes

REPORT OF INDEPENDENT AUDITORS

We have audited the accompanying consolidated balance sheets of AMETEK, Inc. as of December 31, 1990 and 1989, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 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, such consolidated financial statements present fairly, in all material respects, the financial position of Baker Hughes Incorporated and its subsidiaries at September 30, 1990 and 1989 and the results of its operations and its cash flows for each of the three years in the period ended September 30, 1990 in conformity with generally accepted accounting principles.

As discussed in Note 1 to consolidated financial statements, the Company changed its method of accounting for income taxes in 1990.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes: Effective October 1, 1989, the Company adopted Statement of Financial Accounting Standards No. 96 ("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 statement of financial position. Deferred income tax assets and liabilities arise from differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements. Deferred tax balances are determined by using the tax rate expected to be in effect when the taxes will actually be paid or refunds received. Under the provisions of SFAS No. 96, the Company elected not to restate prior years' consolidated financial statements and has determined that the cumulative effect of the change in accounting for

income taxes was insignificant. In prior years, the Company accounted for income taxes using Accounting Principles Board Opinion No. 11 ("APB No. 11").

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Phillips Petroleum Company

We have audited the accompanying consolidated balance sheets of Phillips Petroleum Company as of December 31, 1990 and 1989, 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, 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 Phillips Petroleum Company at December 31, 1990 and 1989, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, effective January 1, 1990 the company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes."

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Extraordinary Item and Accounting Change

Effective January 1, 1990, the company adopted FASB Statement No. 96, "Accounting for Income Taxes," which requires an asset and liability approach in accounting for income taxes. Under the new method, the amount of deferred tax liabilities or assets is calculated by applying the provisions of enacted tax law to determine the amount of taxes payable or refundable currently or in future years. The effect of the change was to increase income before extraordinary item and cumulative effect of a change in accounting principle by $130 million ($.52 per share) for the year. In addition, the cumulative effect of the change on prior years increased net income by $137 million ($.55 per share). Prior years' financial statements have not been restated.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and
Shareholders, Sanmark-Stardust Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of Sanmark-Stardust Inc. and subsidiaries as of June 30, 1990 and 1989, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended June 30, 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, such consolidated financial statements present fairly, in all material respects, the financial position of Sanmark-Stardust Inc. and subsidiaries as of June 30, 1990 and 1989, and their cash flows for each of the three years in the period ended June 30, 1990 in conformity with generally accepted accounting principles.

As discussed in Note 1e to the financial statements, the Company changed its method of accounting for income taxes in 1989 by adopting FASB No. 96.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

e. Income Taxes

Income taxes provided include deferred taxes due to temporary differences between financial and tax reporting principally related to bad debts, estimated losses on closed facilities and depreciation.

In the year ended June 30, 1989, the Company elected to implement Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes." In accordance with this pronouncement, the Company recognized net operating loss tax benefits related to an acquisition made in 1988 as a reduction of current tax expense. The effect of this change in accounting principle was to increase net income and earnings per share for the year ended June 30, 1989 by $1,500,000 and $.09, respectively. The cumulative effect of the change in accounting principle on the Company's 1989 financial statements was insignificant, and, accordingly, has been given no accounting recognition in the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Super Valu Stores, Inc.
Eden Prairie, Minnesota

We have audited the accompanying consolidated balance sheets of Super Valu Stores, Inc. and subsidiaries as of February 24, 1990 and February 25, 1989, and the related statements of earnings, stockholders' equity and cash flows for each of the three years (52 weeks) in the period ended February 24, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Super Valu Stores, Inc. and subsidiaries as of February 24, 1990 and February 25, 1989, and the results of their operations and their cash flows for each of the three years in the period ended February 24, 1990, in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, in fiscal 1990 the company changed its method of accounting for income taxes to conform with Statement of Financial Accounting Standards No. 96, and retroactively restated the 1989 and 1988 consolidated financial statements for the change.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. (In Part): Summary of Significant Accounting Policies:
Change in accounting method for income taxes:

The company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," in the fourth quarter of the fiscal year ended February 24, 1990, and has elected to apply the provisions retroactively to its fiscal year ended February 28, 1987. It was not practical to restate years prior to 1987. Accordingly, retained earnings at February 28, 1987 have been reduced by $17.9 million, the cumulative effect of the change in the method of accounting for income taxes. The consolidated financial statements for the fiscal years ended February 27, 1988 and February 25, 1989 have been restated for the effect of adopting the statement as follows:

	Year Ended	
	Feb. 25, 1989	Feb. 27, 1988
Net earnings as previously reported	$135,363,000	$111,780,000
Adjustment for effect of adoption of Statement No. 96	2,105,000	1,232,000
Net earnings as restated	$137,468,000	$113,012,000
Earnings per share:		
Net earnings per share as previously reported	$1.81	$1.50
Adjustment for effect of adoption of Statement No. 96	.03	.01
Net earnings per share	$1.84	$1.51

Minimum Pension Liability

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Acme-Cleveland Corporation
Cleveland, Ohio

We have audited the accompanying consolidated balance sheets of Acme-Cleveland Corporation and subsidiaries as of September 30, 1990 and 1989, and the related statements of consolidated operations, shareholders' equity and cash flows for each of the three years in the period ended September 30, 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 financial position of Acme-Cleveland Corporation and subsidiaries as of September 30, 1990 and 1989, and the results of its operations and cash flows for each of the three years in the period ended September 30, 1990, in conformity with generally accepted accounting principles.

As discussed in Note G to the financial statements, in 1990 Acme-Cleveland Corporation changed its method of accounting for pension liabilities to adopt the additional minimum liability provisions required by Statement of Financial Accounting Standards No. 87.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Pension, Profit Sharing and Health Care Cost

Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," required the Corporation to adopt its additional minimum liability provisions in 1990. This required the Corporation to record a long-term pension liability of $5,762,000, an intangible asset of $525,000 which is included with other assets, and a reduction of shareholders' equity of $5,237,000.

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, 1990 and 1989, and the related statements of consolidated operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1990. 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 $364,396,000 and $333,150,000 in National Steel Corporation's net assets at March 31, 1990 and 1989, respectively, and of $34,596,000, $42,213,000 and $34,759,000 in the net income of National Steel Corporation for the respective years ended March 31, 1990, 1989 and 1988, are included in the accompanying consolidated financial statements. The financial statements of National Steel Corporation were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for National Steel Corporation, is based on the report of such 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, such consolidated financial statements present fairly, in all material respects, the financial position of National Intergroup, Inc. and consolidated subsidiaries at March 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1990 in conformity with generally accepted accounting principles.

As discussed in Note B to the consolidated financial statements, the Corporation changed its method of accounting for certain overhead costs in inventory as of April 1, 1987.

As discussed in Note L to the consolidated financial statements, in fiscal 1990 the Corporation recognized in the balance sheet its additional unfunded accumulated pension benefit obligation as required by Statement of Financial Accounting Standards Number 87.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L (In Part): Retirement Plans

The Corporation adopted the additional minimum liability provisions of Statement of Financial Accounting Standards Number 87 "Employers Accounting for Pensions" in 1990. Accordingly, the Corporation recorded an additional minimum liability of $27,825,000, a corresponding reduction in stockholders' equity of $22,852,000 and an intangible asset of $4,973,000 at March 31, 1990, representing the difference between the unfunded accumulated benefit obligation and accrued pension cost previously recorded.

Inventories

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors
of Kerr Glass Manufacturing Corporation:

We have audited the accompanying consolidated balance sheets of Kerr Glass Manufacturing Corporation (Kerr) as of December 31, 1990 and 1989, and the related consolidated statements of earnings (loss), common stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1990. 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 Kerr at December 31, 1990 and 1989, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1990, 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 inventories in 1989.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Change in Accounting for Inventories

During the fourth quarter of 1989, the Company changed its method of determining inventory value for financial reporting purposes including its formula to account for the differences between actual and standard manufacturing costs. Management of the Company is of the opinion that such change more accurately reflects the actual cost of inventory. The impact of this change, primarily affecting the Glass Container division, was to increase earnings for both the year and the three months ended December 31, 1989 by $1,143,000 ($702,000 after tax or $0.19 per common share). The cumulative effect of such change prior to January 1, 1989 and the impact such change had on the Company's first, second and third quarters of 1989 were not material.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders, Outboard Marine Corporation:

We have audited the accompanying statements of consolidated financial position of Outboard Marine Corporation and subsidiaries as of September 30, 1990 and 1989, and the related statements of consolidated earnings, cash flows and changes in consolidated stockholders' investment for each of the three years in the period ended September 30, 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 audit.

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 Outboard Marine Corporation and subsidiaries as of September 30, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1990, in conformity with generally accepted accounting principles.

As discussed in note 3 to the consolidated financial statements, the Company changed its method of accounting for overhead costs included in inventory in 1988.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Change in Accounting Principle

Effective October 1, 1987, the company changed its method of accounting to include in United States-produced inventories certain manufacturing overhead costs previously charged directly to expense. The company believes this change provides a better matching of production costs with related revenues and is consistent with inventory accounting methods provided for in the Tax Reform Act of 1986. The $5.8 million ($.30 per share) cumulative effect (net of taxes) of this change for periods prior to October 1, 1987, is included in net earnings for the first quarter of fiscal year 1988. For the twelve months ended September 30, 1988, the effect on net earnings due to this change is immaterial.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of Smithfield Foods, Inc.:

We have audited the accompanying consolidated balance sheets of Smithfield Foods, Inc. and subsidiaries as of April 29, 1990 and April 30, 1989 and the related consolidated statements of income, stockholders' equity and cash flows for the three years in the period ended April 29, 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 financial position of Smithfield Foods, Inc. and subsidiaries as of April 29, 1990 and April 30, 1989 and the results of its operations and its cash flows for the three years in the period ended April 29, 1990, in conformity with generally accepted accounting principles.

As explained in Note 1 to the consolidated financial statements, Smithfield Foods, Inc. and subsidiaries have given retroactive effect to the change in accounting for certain inventories from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories

During fiscal 1990, Smithfield Packing changed its method of valuing its inventories from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. The change was made to more fairly reflect the current value of such inventories and the financial position of the Company. In addition, this change by Smithfield Packing results in the consistent valuation of all inventories of the Company's subsidiaries at the lower of FIFO cost or market. This consistent valuation of inventories by the Company should result in a better matching of costs and revenues on a consolidated basis. This change in accounting method has been applied retroactively and financial information for all years presented has been

restated to eliminate the effect of the LIFO method on prior periods. This change increased the inventory values by $523,000, $2,023,000 and $4,523,000 as of April 30, 1989, May 1, 1988 and May 3, 1987, respectively. Net income decreased by $938,000 and $1,496,000 in fiscal 1989 and 1988 as a result of this change and retained earnings were retroactively restated from $25,790,000 to $28,548,000 as of May 3, 1987.

Consolidation Policy

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The Board of Directors and Stockholders of Walbro Corporation:

We have audited the accompanying consolidated balance sheets of Walbro Corporation and subsidiaries as of December 31, 1990, 1989 and 1988, and the related consolidated statements of income, stockholders' 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Walbro Corporation and subsidiaries as of December 31, 1990, 1989 and 1988, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As explained in Note 1 to the consolidated financial statements, effective January 1, 1989, the Company changed its method of accounting for the consolidation of its Far East subsidiaries.

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 the Company and its wholly-owned subsidiaries. The accompanying consolidated financial statements include the accounts and respective financial information of Walbro Far East, Inc. as of and for the year ended September 30, 1988. Effective January 1, 1989, the Company changed the yearend of Walbro Far East, Inc. to December 31, the yearend of the Company and its other wholly-owned subsidiaries. The cumulative effect of the accounting change for the three month period ended December 31, 1988, net of applicable income taxes, is included in net income in the first quarter of 1989. The pro forma effect of applying the accounting change to 1988 consolidated net income is not material and is not presented. All material intercompany accounts and transactions have been eliminated in consolidation.

Equity Method Adopted

INDEPENDENT ACCOUNTANTS' REPORT

To the Stockholders and Directors,
Tokheim Corporation:

We have audited the accompanying consolidated balance sheets of Tokheim Corporation and Subsidiaries as of November 30, 1990 and 1989, and the related consolidated statements of earnings and retained earnings, and cash flows for each of the three years in the period ended November 30, 1990. These 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 Tokheim Corporation and Subsidiaries as of November 30, 1990 and 1989, and the consolidated results of their operations and their cash flows for each of the three years in the period ended November 30, 1990 in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 12, the financial statements reflect a change in method of accounting for income taxes in 1988.

As discussed in Note 2, the financial statements for 1989 and 1988 have been restated to retroactively adopt the equity method of accounting for an investment in an affiliated company previously carried at cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except dollars per share)

2. *Restatement of Prior Year Financial Statements*

Prior to 1990, the Company had accounted for its investment in preferred stock, certain loans to D-Tech Corporation, and a loan guarantee aggregating approximately $4.8 million on the cost method. During 1990, the Company made additional loans aggregating $1.3 million to D-Tech and obtained modification to certain warrants which, after the modification, give the Company the right to acquire, for nominal consideration, that number of shares which would result in the Company owning 53% of the outstanding stock of D-Tech. In fiscal 1991, the warrants

were further modified to the extent that the Company has the right to acquire that number of shares which would result in the Company owning 74% of the outstanding stock of D-Tech. In the fiscal 1991, the warrants were further modified to the extent that the Company has the right to acquire that number of shares which would result in the Company owning 74% of the outstanding stock of D-Tech. Because of the additional loans and modification of its warrant rights, the Company has retroactively accounted for its investment in D-Tech on the equity method. The effect of this retroactive change on net earnings as previously reported for 1989 and 1988 is as follows:

	1989	1988
Net earnings as previously reported	$8,057	$10,979
Adjustment to retroactively account for investment in D-Tech Corporation on equity method, net of tax benefits	2,069	141
Net earnings as adjusted	$5,988	$10,838
Per share amounts:		
Primary:		
As previously reported	$ 1.15	$ 1.73
Adjustment to retroactively account for investment in D-Tech Corporation on equity method, net of tax benefits	.32	.03
As adjusted	$ .83	$ 1.70
Fully diluted:		
As previously reported	$ 1.12	$ 1.73
Adjustment to retroactively account for investment in D-Tech Corporation on equity method, net of tax benefits	.31	.03
As adjusted	$ .81	$ 1.70

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 auditors' report. Phrases such as "with the foregoing explanation" should not be used in the opinion paragraph in situations of this type.
>
> An example of explanatory information follows.

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors
K Med Centers, Inc.

We have audited the accompanying balance sheets of K Med Centers, Inc. as of May 31, 1990 and 1989, and the related statements of operations, stockholders' equity and cash flows for the years then ended and the supporting schedules listed in the accompanying index for the years ended May 31, 1990 and 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. The financial statements of K Med Centers, Inc. for the year ended May 31, 1988 were examined by other auditors whose report, dated July 8, 1988, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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.

As described in Note 2, during 1990 the Company derived a significant portion of its revenue from customers referred by an affiliate. In addition, during 1989 the Company derived a significant portion of its revenue from management fees and rental income as a result of its association with an affiliate.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of K Med Centers, Inc. as of May 31, 1990 and 1989, and the results of its operations and its cash flows, and the supporting schedules for the years ended May 31, 1990 and 1989 present fairly the information set forth therein, all in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Company adopted FASB No. 95 "Statement of Cash Flows" in 1989 and has therefore presented a statement of cash flows in 1990 and 1989 rather than a statement of changes in financial position as presented in 1988.

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. One of the auditors' reports issued in connection with the financial statements of the survey companies contained a departure as defined by *SAS No. 58*.

REPORTS ON COMPARATIVE FINANCIAL STATEMENTS

Paragraphs 74-83 of *Statement on Auditing Standards No. 58* discuss Reports on Comparative Financial Statements. For the survey companies, none of the auditors' reports included different opinions for the comparative financial statement and one auditors' report included an opinion on prior period financial statements different from the opinion previously expressed. Twelve 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.

Predecessor Auditors' Report Reissued

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
and Stockholders of Anacomp, Inc.:

We have audited the accompanying consolidated balance sheet of Anacomp, Inc. and subsidiaries as of September 30, 1990, and the related statements of operations, stockholders' equity (deficit) and cash flows for the year then ended. These financial statements and schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we 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 Anacomp, Inc. and subsidiaries as of September 30, 1990, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

The consolidated financial statements and schedules of Anacomp, Inc. and subsidiaries as of September 30, 1989 and for the two years in the period then ended were audited by other auditors whose report dated January 12, 1990, on those statements included an explanatory paragraph calling attention to a going concern issue. At September 30, 1989 the Company had an excess of current liabilities over current assets of $459,182,000 which as expressed in their report raised substantial doubt about the Company's ability to continue as a going concern. As explained in Note 6, in October 1990, the Company refinanced, on a long-term basis, a significant portion of its debt which had been classified as a current liability as of September 30, 1989.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in Item 14(a) 2 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 for the year ended September 30, 1990, have been subjected to the auditing procedures applied in the audit 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.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Stockholders of Anacomp, Inc.:

We have audited the accompanying consolidated balance sheets of Anacomp, Inc., and Subsidiaries as of September 30, 1989 and 1988, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended September 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Anacomp, Inc., and Subsidiaries as of September 30, 1989 and 1988, and the 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.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2, the Company, in the fiscal year ended September 30, 1989, incurred a significant loss from discontinued operations which has resulted in a stockholders' deficit. As a result, the Company is not in compliance with certain financial covenants contained in its long-term debt agreements and waivers have not been obtained as of this date from the lenders. As a result, the Company has classified a substantial portion of its long-term debt as a current liability, resulting in the Company having an excess of current liabilities over current assets of $459,182,000 at September 30, 1989, which raises substantial doubt about its ability to continue as a going concern. Management's plans about these matters are described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In connection with our audit of the financial statements referred to above, we audited the financial statement schedules listed under Item 14(a)2. In our opinion, these financial statement schedules present fairly, in all material respects, the information stated therein, when considered in relation to the financial statements taken as a whole.

REPORTS OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Ekco Group, Inc.

We have audited the accompanying consolidated balance sheet of Ekco Group, Inc. and subsidiaries as of December 30, 1990, and the related consolidated statements of operations, stockholders' equity and cash flows for the fiscal year then ended. 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 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 1990 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ekco Group, Inc. and subsidiaries as of December 30, 1990, and the results of their operations and their cash flows for the fiscal year then ended in conformity with generally accepted accounting principles.

Board of Directors and Stockholders
Ekco Group, Inc.

We have audited the accompanying consolidated balance sheet of Ekco Group, Inc. and subsidiaries as of December 31, 1989, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two fiscal 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 Ekco Group, Inc. and subsidiaries as of December 31, 1989, and the consolidated results of their operations and their cash flows for each of the two fiscal years in the period ended December 31, 1989 in conformity with generally accepted accounting principles.

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Hyde Athletic Industries, Inc.

We have audited the accompanying consolidated balance sheet of Hyde Athletic Industries, Inc. and Subsidiaries as of December 31, 1990, and the related consolidated statements of income, 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.

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 also 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 esitmates 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 consolidated financial position of Hyde Athletic Industries, Inc. and Subsidiaries as of December 31, 1990, and the consolidated results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hyde Athletic Industries, Inc.
Peabody, Massachusetts

We have audited the accompanying consolidated balance sheets of Hyde Athletic Industries, Inc. and Subsidiaries as of December 31, 1989 and 1988, and the related consolidated statements of income (loss), 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 also 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 Hyde Athletic Industries, Inc. and Subsidiaries 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 2 to the consolidated financial statements, the Company changed its method of accounting for the costs of inventory in 1989.

In connection with our audit of the financial statements referred to above, we audited the financial statement schedules listed under Item 14. In our opinion, these financial statement schedules present fairly, in all material respects, the information stated therein, when considered in relation to the financial statements taken as a whole.

Predecessor Auditors' Report Not Presented

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, 1990 and 1989, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years 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 audits. The 1988 consolidated financial statements of Avon Products Inc. and subsidiaries 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 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 1990 and 1989 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Avon Products Inc. and subsidiaries at December 31, 1990 and 1989, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of L.B. Foster Company:

We have audited the accompanying consolidated balance sheet of L.B. Foster Company and subsidiaries at December 31, 1990 and the related consolidated statements of income, 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 consolidated financial statements of L.B. Foster Company and subsidiaries for the two years ended December 31, 1989 were audited by other auditors whose report dated January 29, 1990, expressed an unqualified opinion on those statements and included explanatory paragraphs that described the litigation, which was settled February 1, 1991, discussed in Note 17 to these consolidated financial statements and described the 1988 change in method of accounting for income taxes discussed in Note 12 to these 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 1990 financial statements referred to above present fairly, in all material respects, the consolidated financial position of L.B. Foster Company and subsidiaries at December 31, 1990 and the consolidated 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 sheets of National Presto Industries, Inc. and Subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of earnings, stockholders' 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 audit. The financial statements of National Presto Industries, Inc. and Subsidiaries for the year ended December 31, 1988, were audited by other auditors whose report dated February 17, 1989, expressed an unqualified opinion on those statements.

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 concern.

In our opinion, the 1990 and 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, 1990 and 1989, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with generally accepted accounting principles.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Unifi, Inc.

We have audited the consolidated balance sheet of Unifi, Inc. as of June 24, 1990 and the related consolidated statements of income, changes in 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 Unifi, Inc. at June 25, 1989, and for the years ended June 25, 1989 and June 26, 1988 were audited by other auditors whose report dated July 26, 1989, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the 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 1990 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unifi, Inc. at June 24, 1990, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in notes to consolidated financial statements, in 1990 the Company adopted Statement of Financial Accounting Standard No. 96 "Accounting for Income Taxes."

TABLE 6-6: OPINION EXPRESSED ON SUPPLEMENTARY FINANCIAL INFROMATION

	Number of Companies			
	1990	1989	1988	1987
Financial statement schedules	27	22	13	18
Financial statements of subsidiaries	—	2	1	5
Historical summaries or five year summaries of operations	—	—	1	1
Other	2	2	3	4

OPINIONS EXPRESSED ON SUPPLEMENTARY 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 supplementary financial information to the basic financial statements.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
American Building Maintenance Industries, Inc.:

We have audited the accompanying consolidated balance sheets of American Building Maintenance Industries, Inc. and subsidiaries as of October 31, 1990 and 1989 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended October 31, 1990. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedules II and VIII. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules 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 American Building Maintenance Industries, Inc. and subsidiaries as of October 31, 1990 and 1989, and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 1990, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements

taken as a whole, present fairly, in all material respects, the information set forth therein.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders,
Figgie International, Inc.:

We have audited the accompanying consolidated balance sheets of Figgie International Inc. and Subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1990. 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 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 Figgie International Inc. and Subsidiaries as of December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ending December 31, 1990 in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The selected consolidating balance sheet and income statement data is presented to facilitate additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. This information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

REPORTS OF AUDIT COMMITTEES AND MANAGEMENT

Sixteen survey companies presented a Report of An Audit Committee and 336 survey companies presented a Report of Management. Examples of such reports follow.

Reports Of Audit Committee

THE UNITED STATES SHOE CORPORATION

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee consists of four members of the Board of Directors, none of whom is or has been an employee of the company. The Board of Directors pursues certain of its responsibilities through this Audit Committee. The Audit Committee meets periodically with management, internal auditors and independent public accountants to review the work of each and satisfy itself that they are properly discharging their responsibilities. Primary duties of the Audit Committee are:

Recommend to the Board of Directors a firm of independent public accountants ("independent auditors") to audit the books of account.

Review and approve the independent auditors' scope for their annual audit of the company's financial statements.

Review with the independent auditors and management the company's accounting principles, policies and practices and its reporting policies and practices.

Review with the independent auditors and the internal auditors recommendations regarding the adequacy of the company's accounting, financial and operating controls and any other matter within the scope of the Audit Committee's authority.

Review the financial statements which are the subject of the independent public accountants' report.

Report on its activities to the Board of Directors.

REPORT OF THE AUDIT COMMITTEE

To the Directors and Stockholders
UST Inc.

The Audit Committee of the Board of Directors is composed of three independent directors and is responsible for overseeing the Company's financial reporting process.

The Committee held six meetings during the year which were attended by management, the internal auditors, and on several occasions, the independent auditors. Various accounting and auditing matters were discussed, including qualifications of the financial staff, results of audit examinations and the controls relating to the quarterly and annual financial reporting process. The Committee discussed and approved the plan of audit coverage presented by the internal auditors and independent auditors. The meetings facilitate communication between

these groups and provide the internal auditors and independent auditors an opportunity to meet privately with the Committee.

The Audit Committee assessed the independence of the independent auditors through inquiry and a review of their audit and nonaudit services and related fees. The Committee recommended its selection of the Company's independent auditors for 1990 to the Board of Directors, which was approved by stockholders.

Audit Committee Chairman

Reports Of Management

BAXTER INTERNATIONAL INC.

MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING

The consolidated balance sheets of Baxter International Inc. and subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of income, cash flows and stockholders' equity for each of the years in the three year period ended December 31, 1990 have been prepared by management, which is reponsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and include some amounts that are based upon management's best estimates and judgements. The financial information contained elsewhere in this annual report is consistent with that contained in the financial statements.

Management is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The concept of reasonable assurance is based on the recognition that there are inherent limitations in all systems of internal control, and that the cost of such systems should not exceed the benefits to be derived therefrom. A professional staff of corporate auditors reviews the related internal control system design, the accounting policies and procedures supporting this system and compliance therewith. Management believes this system of internal control effectively meets its objectives of reliable financial reporting.

In connection with their annual audits, independent certified public accountants perform examinations, in accordance with generally accepted auditing standards, which include a review of the system of internal control and assurance that the financial statements are fairly presented.

The board of directors, through its audit committee composed solely of non-employee directors, is responsible for overseeing the integrity and reliability of the company's accounting and financial reporting practices and the effectiveness of its system of internal controls. The independent certified public accountants and corporate auditors meet regularly with, and have access to, this committee, with and without management present, to discuss the results of their audit work.

Chairman and Chief Executive Officer
President
Senior Vice President and Chief Financial Officer
Vice President and Controller

DANA CORPORATION

RESPONSIBILITY FOR FINANCIAL STATEMENTS

We have prepared the accompanying consolidated financial statements and related information included herein for the three years ended December 31, 1990.

The management of Dana Corporation is primarily responsible for the accuracy of the financial information that is presented in this annual report. These statements were prepared in accordance with generally accepted accounting principles and where appropriate, we used our estimates and judgment with consideration to materiality.

To meet management's responsibility for financial reporting, we have established internal control systems which we believe are adequate to provide reasonable assurance that our assets are protected from loss. These systems produce data used for the preparation of financial information.

We believe internal control systems should be designed to provide accurate information at a reasonable cost which is not out of line with the benefits to be received. These systems and controls are reviewed by our internal auditors in order to ensure compliance, and by our independent accountants to support their audit work.

The Audit Committee of the Board of Directors meets regularly with management, internal auditors and our independent accountants to review accounting, auditing and financial matters. Our Audit Committee is composed of only outside directors. This committee and the independent accountants have free access to each other with or without management being present.

We believe our people are our most important asset and that the proper selection, training and development of our people is a means of ensuring that management's objectives of maintaining effective internal accounting controls and fair, uniform reporting standards are met.

Chief Financial Officer
Vice President—Finance
and Treasurer

MCDONNELL DOUGLAS CORPORATION

REPORT OF MANAGEMENT RESPONSIBILITIES

The financial statements of McDonnell Douglas Corporation and consolidated subsidiaries have been prepared under the direction of management in conformity with generally accepted accounting principles and, particularly with respect to long-term contracts and programs, include amounts based upon estimates and judgments. The integrity and reliability of data in these financial statements is the responsibility of management. In the opinion of management, the financial statements set forth a fair presentation of the consolidated financial condition of MDC at December 31, 1990 and 1989, and the consolidated results of its operations for the years ended December 31, 1990, 1989 and 1988.

MDC and its consolidated subsidiaries maintain accounting systems and related internal controls which, in the opinion of management, provide reasonable assurances that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with generally accepted accounting principles, and that assets are properly accounted for and safeguarded.

Ethical decision making is a fundamental key in MDC's management philosophy. Management recognizes its responsibility for fostering a strong ethical climate. Written codes of ethics and standards of business conduct are distributed to every employee, and each employee has been trained or is being scheduled to be trained in ethical decision making. The Board of Directors' Corporate Responsibility Committee has oversight responsibilities relative to standards of business conduct.

The Board of Directors has appointed four of its nonemployee members as an Audit Committee. This Committee meets periodically with management and the internal and independent auditors. Both internal and independent auditors have unrestricted access to the Audit Committee to discuss the results of their examinations and the adequacy of internal controls. In addition, the Audit Committee makes its recommendations as to the selection of independent auditors to the Board.

Chairman and Chief Executive Officer

Controller

THE STANLEY WORKS

MANAGEMENT REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The Stanley Works is responsible for the preparation, integrity and objectivity of the accompanying financial statements. The statements were prepared in accordance with generally accepted accounting principles. Preparation of financial statements and related data involves our best estimates and the use of judgment. Management also prepared the other information in the Annual Report and is responsible for its accuracy and consistency with the financial statements.

The company maintains a system of internal accounting controls which is designed to provide reasonable assurance, at appropriate cost, as to the reliability of financial records and the protection of assets. This system includes monitoring by a staff of internal auditors. It is further characterized by care in the selection of competent financial managers, by organizational arrangements that provide for delegation of authority and divisions of responsibility and by disseminating policies and procedures throughout the company.

The Stanley Works also 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 business conduct. This responsibility is reflected in the company's Business Conduct Guidelines which are publicized throughout the organization. The company has a long-established reputation of integrity in business conduct and maintains a systematic program to assess compliance with these policies.

The adequacy of Stanley's internal accounting controls, the accounting principles employed in its financial reporting and the scope of independent and internal audits are reviewed by the Audit Committee of the Board of Directors, consisting solely of outside directors. Both the independent auditors and our internal auditors have unrestricted access to the Audit Committee, and they meet with it periodically, with and without management present.

Chairman and Chief Executive Officer

Vice President, Finance and Chief Financial Officer

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-fourth (1990) edition. Twenty-four companies in the 1990 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 776 to 795, 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 International, 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
	Allegheny Ludlum Corporation—*see 776*	
	The Allen Group Inc.—*see 602*	
	Alliant Techsystems Inc.—*see 777*	
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
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.	12
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 Dennison 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
	Baldor Electric Company—*see 778*	
71	Ball Corporation	12
	Banner Industries, Inc.—*see 656*	
	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
85	The Black & Decker Corporation	12
	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*	
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
	Champion Enterprises, Inc.—see *740*	
117	Champion International Corporation	12
	Chesapeake Corporation—see *659*	
	Chesapeake Industries, Inc.—see *779*	
121	Chevron Corporation	12
	Chiquita Brands International, Inc.—see *557*	
124	Chock Full o'Nuts Corporation	7
126	Chrysler Corporation	12
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
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
	Crystal Brands, Inc.—see *780*	
156	Culbro Corporation	11
157	Cummins Engine Company, Inc.	12
158	Curtiss-Wright Corporation	12
	Customedix Corporation—see *781*	
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
	Dep Corporation—see *743*	
170	Designcraft Industries, Inc.	2
171	*Maxus Energy Corporation*	12
	Dibrell Brothers, Incorporated—see *782*	
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
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
196	Emerson Radio Corp.	3

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
198	Engelhard Corporation	12
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*	
	First Brands Corporation—see *783*	
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
222	Freeport-McMoRan Inc.	12
223	*Terex Corporation*	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	Greyhound Dial Corporation	12
258	Grumman Corporation	12
	Guardsman Products, Inc.—see *749*	
259	Guilford Mills, Inc.	6

Co. No.		*Month in which fiscal year ends
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
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*	
	Holnam Inc.—see *784*	
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*	
	IMCERA Group Inc.—see *300*	
	INTERMEC Corporation—see *710*	
290	IPCO Corporation	6
291	ITT Corporation	12
	Illinois Tool Works Inc.—see *625*	
	Imo Industries Inc.—see *785*	
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	*IMCERA Group Inc.*	6
301	International Multifoods Corporation	2
302	International Paper Company	12
305	JLG Industries, Inc.	7
	Jacobs Engineering Group Inc.—see *754*	

***Months numbered in sequence, January through December**

Co. No.		*Month in which fiscal year ends
307	James River Corporation of Virginia	12
308	Johnson & Johnson	12
309	Johnson Controls, Inc.	9
310	Johnson Products Co., Inc.	8
	Johnston Industries, Inc.—*see 786*	
311	Joslyn Corporation	12
312	Jostens, Inc.	6
	Juno Lighting, Inc.—*see 712*	
314	*Kmart Corporation*	1
	Kaman Corporation—*see 629*	
317	Kellogg Company	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
	Kmart Corporation—*see 314*	
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
	MagneTek, Inc.—*see 758*	
357	Manville Corporation	12
	Marion Merrell Dow 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
	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
	Micron Technology, Inc.—*see 787*	
377	Herman Miller, Inc.	5
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
	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
	Oryx Energy Corporation—*see 788*	
413	O'Sullivan Corporation	12
414	Outboard Marine Corporation	9
415	Owens-Corning Fiberglas Corporation	12
417	Oxford Industries, Inc.	5
	PACCAR Inc.—*see 419*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	PORTEC, Inc.—see *444*	
418	PPG Industries, Inc.	12
	PRAB Robots, Inc.—see *447*	
419	*PACCAR Inc.*	12
421	Pall Corporation	7
	Paramount Communications Inc.—see *789*	
424	Parker Hannifin Corporation	6
	Peerless Mfg. Co.—see *790*	
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
435	Pfizer Inc.	12
436	Phelps Dodge Corporation	12
437	Philip Morris Companies Inc.	12
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
	Pittway Corporation—see *791*	
	Plasma-Therm, Inc.—see *762*	
443	Polaroid Corporation	12
444	*PORTEC, Inc.*	12
446	Potlatch Corporation	12
447	*PRAB Robots, Inc.*	10
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
	The Reader's Digest Association, Inc.—see *792*	
	Republic Gypsum Company—see *718*	
466	Reynolds Metals Company	12
	Rhone-Poulenc Rorer Inc.—see *641*	
	Robbins & Myers, Inc.—see *764*	
468	Robertson-Ceco Corporation	12
469	Rockwell International Corporation	9
470	Rohm and Haas Company	12
	Rohr Industries, Inc.—see *640*	
471	Rowe Furniture Corporation	11
472	Rubbermaid Incorporated	12
473	Russ Togs, Inc.	1
	Rykoff-Sexton, Inc.—see *719*	

Co. No.		*Month in which fiscal year ends
474	Rymer Foods Inc.	10
	SCI Systems, Inc.—see *793*	
475	*Harmon Industries, Inc.*	12
477	SPS Technologies, Inc.	12
	SPX Corporation—see *642*	
478	Safeway Inc.	12
	Sanmark-Stardust Inc.—see *720*	
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	Supreme 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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
530	Tecumseh Products Company	12
	Tektronix, Inc.—*see 794*	
531	Teledyne, Inc.	12
532	Temple-Inland Inc.	12
533	Temtex Industries, Inc.	8
534	Tenneco Inc.	12
	Terex Corporation —*see 223*	
535	Tesoro Petroleum Corporation	9
536	Texaco Inc.	12
	Texas Industries, Inc.—*see 725*	
537	Texas Instruments Incorporated	12
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	12
	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 Corp.	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*	
	Vista Chemical Company—*see 795*	

Co. No.		*Month in which fiscal year ends
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
	Westmoreland Coal Company—*see 774*	
584	Westvaco Corporation	10
585	Wetterau Incorporated	3
586	Weyerhaeuser Company	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

Co. No.		*Month in which fiscal year ends
601	*Alberto-Culver Company*	9
602	*The Allen Group Inc.*	12
603	*Amdahl Corporation*	12
604	*Avery Dennison Corporation*	12
605	*Barnes Group Inc.*	12
606	*Bassett Furniture Industries, Incorporated*	11
607	*Bowater Incorporated*	12
608	*CalMat Co.*	12
610	*Carpenter Technology Corporation*	6
611	*Liz Claiborne, Inc.*	12
615	*CONSTAR International Inc.*	12
616	*E-Systems, Inc.*	12
617	*Ecolab Inc.*	12
618	*Federal Paper Board Company, Inc.*	12
619	*Fieldcrest Cannon, Inc.*	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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	*Rhone-Poulenc Rorer Inc.*	12
642	*SPX Corporation*	12
643	*Shaw Industries, inc.*	6
644	*Thorn Apple Valley, Inc.*	5
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

Co. No.		*Month in which fiscal year ends
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
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
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
686	*Photo Control Corporation*	12
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

Co. No.		*Month in which fiscal year ends
696	*Anacomp, Inc.*	9
698	*Betz Laboratories, Inc.*	12
699	*Blount, inc.*	2
700	*Burlington Resources Inc.*	12
701	*CTS Corporation*	12
703	*Cross & Trecker Corporation*	9
705	*Farr Company*	12
706	*Figgie International Inc.*	12
710	*INTERMEC Corporation*	3
712	*Juno Lighting, Inc.*	11
713	*The Lamson & Sessions Co.*	12
714	*Lufkin Industries, Inc.*	12
715	*Marion Merrell Dow Inc.*	12
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.*	12
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

Co. No.		*Month in which fiscal year ends
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
746	*ERLY Industries Inc.*	3
747	*Federal Screw Works*	6
748	*Georgia Gulf Corporation*	12
749	*Guardsman Products, 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.*	12
761	*Nashua Corporation*	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
762	*Plasma-Therm, Inc.*	11
763	*Rawson-Koenig, Inc.*	12
764	*Robbins & Myers, Inc.*	8
765	*Scientific Industries, Inc.*	6
766	*Southdown, Inc.*	12
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 ADDED FOR 1991 EDITION

Co. No.		*Month in which fiscal year ends
776	*Allegheny Ludlum Corporation*	12
777	*Alliant Techsystems Inc.*	12
778	*Baldor Electric Company*	12
779	*Chesapeake Industries, Inc.*	6
780	*Crystal Brands, Inc.*	12
781	*Customedix Corporation*	6
782	*Dibrell Brothers, Incorporated*	6
783	*First Brands Corporation*	6
784	*Holnam Inc.*	12
785	*Imo Industries Inc.*	12
786	*Johnston Industries, Inc.*	6
787	*Micron Technology, Inc.*	8
788	*Oryx Energy Corporation*	12
789	*Paramount Communications Inc.*	10
790	*Peerless Mfg. Co.*	6
791	*Pittway Corporation*	12
792	*The Reader's Digest Association, Inc.*	6
793	*SCI Systems, Inc.*	6
794	*Tektronix, Inc.*	5
795	*Vista Chemical Company*	9

Companies Included in Forty-Fourth Edition Not Included in this Edition of the Survey

19 Allegheny International, Inc.
37 American Medical International, Inc.
73 The Barden Corporation
84 Bird Incorporated
116 CertainTeed Corporation
148 Copperweld Corporation
169 Dennison Manufacturing Company
211 Fischbach Corporation
318 Kelly Services, Inc.
351 MCA Inc.
353 Mack Trucks, Inc.
378 Milton Roy Company
406 Norton Company
434 Pettibone Corporation
587 Wheeling-Pittsburgh Steel Corporation
609 Cameron Iron Works, Inc.
620 The Foxboro Company
667 Esselte Business Systems Inc.
677 International Proteins Corporation
685 Philips Industries Inc.
702 Chyron Corporation
711 J.P. Industries, Inc.
745 Doskocil Companies Incorporated
750 The Henley Group, Inc.

*Months numbered in sequence, January through December

Company Index

A

ADDSCO Industries, Inc., 188, 222, 266
AEL International, Inc., 498
AM International, Inc., 84, 203, 234
AMAX Inc., 98, 231, 311
AMETEK, Inc., 298
AMP Incorporated and Pamcor, Inc., 65, 260, 321
ASARCO Incorporated, 216, 346
Abbott Laboratories, 198, 428
Acclaim Entertainment, Inc., 120, 283
Acme-Cleveland Corporation, 73, 298, 502
Acme Steel Company, 272
Action Industries, Inc., 119
Adobe Resources Corporation, 499
Advanced Micro Devices, Inc., 74, 124, 205, 339
Affiliated Publications, Inc., 127
Air Products and Chemicals, Inc., 98, 146, 161
Alico, Inc., 132
Allegheny Ludlum Corporation, 215
The Allen Group, Inc., 52, 136, 162, 236
Alliant Techsystems, Inc., 347
Allied-Signal Inc., 88, 173, 241
Allis-Chalmers Corporation, 88
Aluminum Company of America, 86, 149, 225, 284
Amcast Industrial Corporation, 221, 260
Amdahl Corporation, 124
Amerada Hess Corporation, 106, 221, 393
American Biltrite Inc., 112
American Brands, Inc., 56, 256, 271
American Building Maintenance Industries, Inc., 215, 245, 359, 511
American Cyanamid Company, 163, 350, 431
American Greetings Corporation, 39, 205
American Home Products Corporation, 227, 330
American Maize-Products Company, 112, 118
American Pacific Corporation, 192
American Petrofina, Incorporated, 137
The American Ship Building Company, 219
American Software, Inc., 133
American Telephone and Telegraph Company, 83
Ameron, Inc., 269, 414
Amoco Corporation, 53, 275
Ampco-Pittsburgh Corporation, 279
Anacomp, Inc., 170, 376, 508
Analogic Corporation, 254, 425
Anheuser-Busch Companies, Inc., 207, 319
Anthony Industries, Inc., 433
Apple Computer, Inc., 9, 100, 129
Archer Daniels Midland Company, 208
Arden Group, Inc., 92
Armada Corporation, 171
Armco Inc., 129, 227, 340
Armstrong World Industries, Inc., 100, 266
Arvin Industries, Inc., 86, 118, 146, 216
Ashland Oil, Inc., 80, 329
Astrosystems, Inc., 116, 133
Athlone Industries, Inc., 201, 385
Atlantic Richfield Company, 46, 288, 355
Ault Incorporated, 221, 321, 325
Avery Dennison Corporation, 67, 242, 284, 489
Avon Products Inc., 121, 193, 200, 301, 510

B

BMC Industries, Inc., 149, 202
BMC Software, Inc., 192
Badger Meter, Inc., 248, 318
Baker Hughes Incorporated, 63, 80, 112, 186, 409, 500
Baldor Electric Company, 156
Ball Corporation, 285
Banner Industries, Inc., 121, 271
Bassett Furniture Industries, Incorporated, 279, 426
Bausch & Lomb Incorporated, 22, 90, 268
Baxter International Inc., 86, 144, 513
Becton, Dickinson and Company, 101, 251, 275
Belding Heminway Company, 324
Bemis Company, Inc., 316
Bergen Brunswig Corporation, 171
Bethlehem Steel Corporation, 106, 182, 276, 360
Betz Laboratories, Inc., 254, 319
Binks Manufacturing Company, 47, 194, 435
The Black & Decker Corporation, 34, 157, 245
Blount, Inc., 348
The Boeing Company, 104, 121
Boise Cascade Corporation, 74, 326, 361
Borden, Inc., 40
Bowater Incorporated, 310, 358
Bowne & Co., Inc., 190, 427
Brenco, Incorporated, 273

Briggs & Stratton Corporation, 32, 151, 203, 273
Brock Exploration Corporation, 185
Brown & Sharpe Manufacturing Company, 68, 87, 260
Brown-Forman Corporation, 232, 280, 436
Brown Group, Inc., 38, 140, 304
Browning-Ferris Industries, Inc., 101, 180
Brunswick Corporation, 92, 181, 266
Burlington Resources, Inc., 353

C

CBI Industries, Inc., 155, 195, 348, 398
CBS Inc., 87, 205
CLARCOR Inc., 316
CMI Corporation, 87, 95, 239, 493
CONSTAR International Inc., 74, 235, 487
CPC International Inc., 30, 139, 364, 451
CSP Inc., 134
CTS Corporation, 199, 300
Cabot Corporation, 101, 122, 164, 471
Caesars World, Inc., 109, 158
CalMat Co., 74
Campbell Soup Company, 151
Capital Cities/ABC, Inc., 41
Carco Electronics, 154
Castle & Cooke, Inc., 2
Champion Enterprises, Inc., 158, 408
Champion International Corporation, 277
Chesapeake Corporation, 106
Chesapeake Industries, Inc., 231
Chevron Corporation, 261, 331
Chiquita Brands International, Inc., 401
Chock Full o'Nuts Corporation, 142, 357
Chrysler Corporation, 50, 461
Cincinnati Milacron Inc., 13, 402
Liz Claiborne, Inc., 130, 382
Clark Equipment Company, 472
Cleveland-Cliffs, Inc., 118, 139
The Clorox Company, 116, 290
The Coastal Corporation, 80
The Coca-Cola Company, 137, 394
Coca-Cola Enterprises Inc., 90, 159, 239, 267
Coherent, Inc., 232, 246
Colgate-Palmolive Company, 120, 320
Collins Industries, Inc., 120
Commercial Metals Company, 3
Compaq Computer Corporation, 28, 130, 318
ConAgra, Inc., 388
Concord Fabrics Inc., 151, 325
Consolidated Papers, Inc., 107, 311
Control Data Corporation, 75, 144, 235
Cooper Industries, Inc., 343
Adolph Coors Company, 23, 285
Corning Incorporated, 51, 147
Courier Corporation, 76
Crane Co., 128
Cross & Trecker Corporation, 93, 348
Crown Central Petroleum Corporation, 89, 216
Crown Cork & Seal Company, Inc., 63, 197
Crystal Brands, Inc., 125
Culbro Corporation, 36
Cummins Engine Company, Inc., 124, 141, 358, 439
Curtiss-Wright Corporation, 3, 76, 188, 204, 346, 489
Customedix Corporation, 110
Cyclops Industries, Inc., 122
Cyprus MInerals Company, 46, 96, 237

D

DSC Communications Corporation, 6, 69, 174, 359
Dana Corporation, 59, 195, 318, 513
Danaher Corporation, 77
Data General Corporation, 29, 257, 308, 332
Dayton Hudson Corporation, 49, 312, 364
Deere & Company, 99, 415
Delchamps, Inc., 152
Dep Corporation, 117
Designcraft Industries, Inc., 193
Dibrell Brothers, Incorporated, 64, 181
Digital Equipment Corporation, 334, 376
The Walt Disney Company, 27
Dixie Yarns, Inc., 434
Donaldson Company, Inc., 473
R. R. Donnelley & Sons Company, 69, 312
Dover Corporation, 84, 242, 368
The Dow Chemical Company, 41, 107, 268
Dow Jones & Company, Inc., 327
Dravo Corporation, 149, 231, 490
Dresser Industries, Inc., 77, 259, 305, 384
The Dun & Bradstreet Corporation, 26
Duplex Products, Inc., 38
E.I. du Pont de Nemours and Company, 122
The Duriron Company, Inc., 313
Durr-Fillauer Medical, Inc., 303
Dynamics Corporation of America, 77, 145

E

E-Systems, Inc., 87, 94
EG&G, Inc., 454
ERLY Industries Inc., 172
Eagle-Picher Industries, Inc., 171, 335, 494
The Eastern Company, 15
Eastman Kodak Company, 259
Eaton Corporation, 264
Echlin, Inc., 144
Ecolab Inc., 261
Ekco Group, Inc., 509
Emerson Electric Co., 374
Emerson Radio Corp., 83
Engelhard Corporation, 159
Ethyl Corporation, 97, 174
Exxon Corporation, 321

F

FMC Corporation, 104, 228, 240, 410
Fansteel Inc., 186
Farr Company, 117, 246, 463
Fedders Corporation, 114, 135, 247, 368
Federal-Mogul Corporation, 70
Federal Paper Board Company, Inc., 199
Federal Screw Works, 440
Figgie International Inc., 512
First Brands Corporation, 178
Fleetwood Enterprises, Inc., 38, 84
Fleming Companies, Inc., 222, 450
Flowers Industries, Inc., 360
John FLuke Mfg. Co., Inc., 343, 466
Fluor Corporation, 7, 348
Ford Motor Company, 44, 55, 102
L.B. Foster Company, 77, 126, 510
Foster Wheeler Corporation, 202, 395

H.B. Fuller Company, 236
Fuqua Industries, Inc., 104, 118

G

GTI Corporation, 226, 405
Garan, Incorporated, 110
GenCorp Inc., 96
General Cinema Corporation, 8, 168
General Dynamics Corporation, 172, 349, 496
General Host Corporation, 197
General Instrument Corporation, 257
General Mills, Inc., 227
General Motors Corporation, 104, 322
General Signal Corporation, 152
Georgia Gulf Corporation, 386
Georgia-Pacific Corporation, 141, 246, 328, 473
Gerber Products Company, 130, 389
Giant Food Inc., 302
The Gillette Company, 251, 320
Golden Enterprises, Inc., 131
The BFGoodrich Company, 238
The Goodyear Tire & Rubber Company, 313
W.R. Grace & Co., 329
The Great Atlantic & Pacific Tea Company, Inc., 198, 273
Greif Bros. Corporation, 249
Greyhound Dial Corporation, 42, 126
Grumman Corporation, 25, 327
Guilford Mills, Inc., 201
Gulf Resources & Chemical Corporation, 329, 488

H

HON INDUSTRIES Inc., 392
Halliburton Company, 96, 114, 136, 417, 480
Hampton Industries, Inc., 147
Handy & Harman, 51, 307
Harcourt Brace Jovanovich, Inc., 122, 264
Harley-Davidson, Inc., 282, 390
Harmon Industries, Inc., 97, 190, 324, 432
Harnischfeger Industries, Inc., 102
Harris Corporation, 346
Harsco Corporation, 150, 310, 349, 497
Hartmarx Corporation, 437
Hasbro, Inc., 31
Hecla Mining Company, 324
H.J. Heinz Company, 474
C. H. Heist Corp., 391
Hercules Incorporated, 89, 206, 256, 416
Hershey Foods Corporation, 365
Hewlett-Packard Company, 345, 366, 448
Hillenbrand Industries, Inc., 177
Holnam Inc., 444
Homasote Company, 267
Honeywell Inc., 54, 177, 316, 392
Geo. A. Hormel & Company, 240
Hughes Supply, Inc., 276, 422
Hunt Manufacturing Co., 70, 87, 178
Hurco Companies, Inc., 114, 240
Hyde Athletic Industries, Inc., 110, 228, 509

I

IBP, Inc., 358
ICOT Corporation, 192, 218
IMC Fertilizer Group, Inc., 112
IMCERA Group Inc., 369, 481
INTERMEC Corporation, 464
IPCO Corporation, 135, 358
Imo Industries Inc., 491
Ingersoll-Rand Company, 177, 289
Inland Steel Industries, Inc., 328
Insilco Corporation, 411
Inspiration Resources Corporation, 78, 223
Intel Corporation, 93, 206, 407
Interco Incorporated, 495
The Interlake Corporation, 94, 291
Intermagnetics General Corporation, 179
International Business Machines Corporation, 313
International Flavors & Fragrances Inc., 195
International Multifoods Corporation, 118

J

JLG Industries, Inc., 147
Jacobs Engineering Group Inc., 232
James River Corporation of Virginia, 35, 112, 415
Johnson & Johnson, 38, 249, 292, 326, 467
Johnson Controls, Inc., 315, 370
Johnson Products Co., Inc., 143, 180, 274
Johnston Industries, Inc., 45, 155, 230
Joslyn Corporation, 33, 174
Jostens, Inc., 117, 273
Juno Lighting, Inc., 284

K

K Med Centers, Inc., 506
Kaman Corporation, 198
Kellogg Company, 150, 250
Kerr Glass Manufacturing Corporation, 78, 503
Kerr-McGee Corporation, 280
Kevlin Microwave Corporation, 119, 155
Keystone Consolidated Industries, Inc., 88
Kimberly-Clark Corporation, 160
Kmart Corporation, 48, 80, 217, 317
Knape & Vogt Manufacturing Company, 383
Knight-Ridder, Inc., 37, 198
The Kroger Co., 219
Kuhlman Corporation, 16, 188

L

LADD Furniture, Inc., 182
The LTV Corporation, 259, 314
LaBarge, Inc., 336
Laclede Steel Company, 45, 183
Lafarge Corporation, 117
Lee Enterprises, Incorporated, 131, 378
Leggett & Platt, Incorporated, 222
Eli Lilly and Company, 103, 111
Litton Industries, Inc., 115, 136
Lockheed Corporation, 97, 293
Loctite Corporation, 84, 203, 478
Lone Star Industries, Inc., 337
Loral Corporation, 32, 119, 202, 255
The Louisiana Land and Exploration Company, 247
Lowe's Companies, Inc., 198
The Lubrizol Corporation, 179, 286
Lukens Inc., 108

M

M/A-COM, Inc., 186, 217, 301
MAPCO Inc., 94, 225
MagneTek, Inc., 258
Manville Corporation, 119
Mark IV Industries, Inc., 388
Marriott Corporation, 181
Marshall Industries, 403
Martin Marietta Corporation, 396
Masco Corporation, 175
Mattel, Inc., 111
Maxus Energy Corporation, 18, 97, 175
Maxxam Inc., 134
The May Department Stores Company, 208, 323
Maytag Corporation, 209
McCormick & Company, Incorporated, 193, 323
McDermott International, Inc., 168, 280
McDonald's Corporation, 30, 346
McDonnell Douglas Corporation, 349, 514
McGraw-Hill, Inc., 139, 446
The Mead Corporation, 99, 148
Media General, Inc., 108, 153, 486
Medtronic, Inc., 78, 146, 252, 477
Melville Corporation, 153, 323
Merck & Co., Inc., 247
Meredith Corporation, 79
Met-Pro Corporation, 9, 128, 160
Micron Technology, Inc., 79, 179, 210, 492
Minntech Corporation, 51, 110
Mobil Corporation, 80, 347, 417
Molex Incorporated, 278
Monsanto Company, 376
Morton International, Inc., 210
Mosinee Paper Corporation, 99, 324, 421
Motorola, Inc., 53, 321
Munsingwear, Inc., 341
Murphy Oil Corporation, 203, 326

N

NACCO Industries, Inc., 371
NCR Corporation, 92, 243
NIKE, Inc., 324
Nashua Corporation, 243
National Intergroup, Inc., 262, 503
National Presto Industries, Inc., 89, 510
National Semiconductor Corporation, 90, 354
Navistar International Corporation, 45, 84, 341
The New York Times Company, 204
Newell Co., 256
Nortek, Inc., 189
Northrop Corporation, 424

O

Oak Industries Inc., 4, 193, 262
Occidental Petroleum Corporation, 137
The Oilgear Company, 183
Olin Corporation, 141
Optical Coating Laboratory, Inc., 258
Orion Pictures Corporation, 361, 399
O'Sullivan Corporation, 475
Outboard Marine Corporation, 241, 504
Owens-Corning Fiberglas Corporation, 99, 163
Oxford Industries, Inc., 300

P

PACCAR Inc., 81, 99, 303
PORTEC, Inc., 119, 187
PRAB Robots, Inc., 269
Pall Corporation, 189, 200, 322
Parker Hannifin Corporation, 294
Peerless Mfg. Co., 317, 482
The Penn Central Corporation, 48
J.C. Penney Company, Inc., 38, 362
Pennzoil Company, 81, 224, 356
Pentair, Inc., 317, 362
PepsiCo, Inc., 82, 211
Pfizer Inc., 128, 462
Phelps Dodge Corporation, 113, 244, 299
Philip Morris Companies Inc., 442
Phillips Petroleum Company, 458, 501
Phillips-Van Heusen Corporation, 82
Pioneer Hi-Bred International, Inc., 88, 196
Pitney Bowes Inc., 106, 204, 351
The Pittston Company, 185, 341
Pittway Corporation, 224
Plasma-Therm, Inc., 200
Polaroid Corporation, 322, 375
Potlatch Corporation, 362, 397, 455
Premier Industrial Corporation, 131

Q

The Quaker Oats Company, 100, 196
Quaker State Corporation, 441
Quanex Corporation, 274
Quantum Chemical Corporation, 166, 372

R

Ralston Purina Company, 85, 250
Rawson-Koenig, Inc., 342
Raychem Corporation, 309
Raytheon Company, 91, 173, 275
Republic Gypsum Company, 338, 373
Reynolds Metals Company, 282
Rhone-Poulenc Rorer Inc., 71, 93
Robbins & Myers, Inc., 45, 260
Robertson-Ceco Corporation, 71, 135, 452
Rockwell International Corporation, 184
Rohm and Haas Company, 89
Rowe Furniture Corporation, 91, 190
Rubbermaid Incorporated, 66, 266
Rykoff-Sexton, Inc., 108, 180, 304
Rymer Foods Inc., 112, 230, 282

S

SCI Systems, Inc., 126, 212
SPS Technologies, Inc., 48, 354, 380
SPX Corporation, 85, 169
Safeway Inc., 107, 304, 483
Sanmark-Stardust Inc., 125, 501
Sara Lee Corporation, 226, 255
Savannah Foods & Industries, Inc., 156, 228, 274
Schering-Plough Corporation, 91
Scientific Industries, Inc., 110
Scope Industries, 169
Seagate Technology, 72, 91, 179, 406
Seagull Energy Corporation, 379

Sears, Roebuck and Co., 105
Sequa Corporation, 141, 303
Service Corporation International, 108, 257
The Sherwin-Williams Company, 120
Simpson Industries, Inc., 91
A. O. Smith Corporation, 97, 194
Smithfield Foods, Inc., 119, 126, 412, 504
Snap-on Tools Corporation, 49, 140, 202, 250, 363
Sonoco Products Company, 175, 488
Southdown, Inc., 226
Sparton Corporation, 153, 383
Speizman Industries, Inc., 108
Springs Industries, Inc., 201
Square D Company, 187, 351
Standard Motor Products, Inc., 45, 142, 252, 273, 438
The Standard Products Company, 151
The Standard Register Company, 132, 204, 274
Standex International Corporation, 356
Stanhome Inc., 91, 199
The Stanley Works, 172, 296, 514
Steel Technologies Inc., 46
Stewart Sandwiches, Inc., 459
Stone Container Corporation, 44, 109, 125
Sun Company, Inc., 49, 356
Sun Microsystems, Inc., 94, 204
Sundstrand Corporation, 85, 89, 270, 429
Super Valu Stores, Inc., 47, 445, 502
Supreme Equipment & Systems Corp., 154

T

TRINOVA Corporation, 301
TRW Inc., 430
Talley Industries, Inc., 191
Tandem Computers Incorporated, 138
Tandy Corporation, 318
Tasty Baking Company, 449
Tecumseh Products Company, 120, 230, 327
Tektronix, Inc., 38
Teledyne, Inc., 95, 295
Temtex Industries, Inc., 213
Teradata Corporation, 232
Terex Corporation, 244, 269
Tesoro Petroleum Corporation, 63, 315
Texaco Inc., 347
Texas Industries, Inc., 111
Textron Inc., 93, 476
Thorn Apple Valley, Inc., 109, 197
Time Warner Inc., 264
The Timken Company, 200, 468
Tokheim Corporation, 119, 165, 227, 505
Tonka Corporation, 113
The Toro Company, 320
Tosco Corporation, 116, 322, 363
Toys "R" Us, Inc., 404
TransTechnology Corporation, 352
Tribune Company, 125, 253, 281
Trinity Industries, Inc., 60
Tultex Corporation, 236, 302
Twin Disc, Incorporated, 268
Tyco Laboratories, Inc., 117
Tyson Foods, Inc., 44, 82, 278

U

USG Corporation, 128, 272, 496
UST Inc., 465, 512
USX Corporation, 123, 213
Unifi, Inc., 511
Union Camp Corporation, 484
Union Carbide Corporation, 107
Unisys Corporation, 30, 265, 469
United Foods, Inc., 191, 201
United Merchants and Manufacturers, Inc., 115
The United States Shoe Corporation, 50, 202, 220, 277, 512
United States Surgical Corporation, 176
United Technologies Corporation, 357
Univar Corporation, 281
Universal Corporation, 82, 123, 344
Universal Voltronics Corp., 340
Unocal Corporation, 54
The Upjohn Company, 113, 278, 456

V

VF Corporation, 277
Valhi, Inc., 304, 488
Varian Associates, Inc., 154, 203, 265
Vishay Intertechnology, Inc., 217, 286
Vista Chemical Company, 176
Vulcan Materials Company, 72, 82, 148, 229

W

Wal-Mart Stores, Inc., 200
Walbro Corporation, 505
Wang Laboratories, Inc., 123
Warner-Lambert Company, 176
Wausau Paper Mills Company, 270
Waxman Industries, Inc., 359, 413
Western Digital Corporation, 109
Westinghouse Electric Corporation, 79
Westmoreland Coal Company, 229, 470
Wetterau Incorporated, 253
Weyerhaeuser Company, 283
Whirlpool Corporation, 138, 167
Whitman Corporation, 103, 277
Whittaker Corporation, 91, 352
Willamette Industries, Inc., 200, 377
The Williams Companies, Inc., 82
Winn-Dixie Stores, Inc., 276
Winnebago Industries, Inc., 92, 132, 203
Witco Corporation, 400
Wolverine World Wide, Inc., 5
Woolworth Corporation, 479

X

Xerox Corporation, 83

Z

Zenith Electronics Corporation, 123, 354

Subject Index

A

ACCOUNTANTS' REPORT, *see* Independent Auditors' Reports

ACCOUNTING CHANGES
- Auditors' report, 500-506
- Consolidation, 51, 63
- Customer acquisition costs, 45
- Depreciable lives, 44
- Depreciation method, 49
- Income taxes, 46, 345, 378, 500-502
- Inventories 47, 48, 380, 381, 504
- Maintenance shut down costs, 49
- Oil and gas operations, 380
- Patent application costs, 51
- Pension plans, 45, 259, 260, 298, 306, 308-310, 502, 503
- Postretirement health care and insurance benefits, 49
- Product maintenance contracts, 50
- Sales incentive programs, 50

ACCOUNTING POLICIES, 39-43

ACCOUNTING PRINCIPLES BOARD OPINIONS (AICPA)
- No. 6—Treasury Stock, 246
- No. 10—Liquidation preference of preferred stock, 234
- No. 11—Statement presentation of income taxes, 330
- No. 12—Allowances deducted from assets, 143
- No. 12—Capital changes, 387
- No. 12—Disclosure of depreciable assets, 156
- No. 12—Disclosure of depreciation expense, 156
- No. 15—Capital structures, 233
- No. 15—Earnings per share, 360
- No. 15—Stock dividends and splits, 367
- No. 16—Business combinations, 66
- No. 17—Intangible assets, 173
- No. 18—Equity method for investments, 161
- No. 20—Accounting changes, 43
- No. 22—Disclosure of accounting policies, 39
- No. 23—Taxes on undistributed earnings, 342
- No. 25—Compensatory plans, 316
- No. 30—Discontinued operations, 350
- No. 30—Extraordinary items, 357

ACCOUNTING RESEARCH BULLETINS (AICPA)
- No. 43 Chapter 3A Current liabilities, 194
- No. 43 Chapter 3A Marketable securities, 129
- No. 43 Chapter 3A Noncurrent receivables, 170
- No. 43 Chapter 4 Inventories, 143
- No. 43 Chapter 9C Depreciation accounting, 325
- No. 43 Chapter 13B Stock option plans, 241
- No. 50 Gain contingencies, 73
- No. 51 Consolidation of subsidiaries, 52

ACCOUNTS PAYABLE, *see* Liabilities

ACCOUNTS RECEIVABLE, *see* Receivables

ACCRETION
- Preferred stock, 385

ADDITIONAL PAID-IN CAPITAL, *see* Stockholders' Equity

ADVANCES
- Current assets, 155, 156
- Current Liability, 202, 204

AFFILIATED COMPANIES, *see* Investments

AGREEMENTS, *see* Commitments; Contracts

ANNUAL REPORTS TO STOCKHOLDERS
- SEC requirements, 2, 38

ARBITRATION, 93

ASSETS
- Adjustments, *see* Write-downs/Write offs
- Depreciable, *see* Property, Plant, and Equipment
- Held for sale, 152-154, 186-188
- intangible, *see* Intangible Assets
- Pledged, *see* Collateral
- Sale, 118, 170-172, 266, 267, 272, 280, 281, 286

AUDIT COMMITTEE REPORT, 512

AUDITING STANDARDS BOARD
- Addressee, 485
- Auditors' standard report, 486
- Departures from unqualified opinions, 507
- Emphasis of a matter, 506
- Lack of consistency, 500
- Reports on comparative financial statements, 507
- Subsequent events, 114
- Title of auditors' report, 485
- Uncertainties, 489
- Work of other auditors, 487

AUDITORS, CHANGE IN, 507-511

AUDITORS' REPORT, *see* Independent Auditors' Reports

B

BALANCE SHEET
- Consolidating, 62
- Format, 127
- Nonhomogeneous accounts segregated, 55-58
- Offsetting accounts, 195
- Title, 127
- Unclassified, 59

BANKRUPTCY
- Debtor-in-possession, 494
- Settlement, 412

BONDS, *see* Liabilities

BONUS PAYMENTS, *see* Employees

BUSINESS COMBINATIONS *see* Poolings of Interest; Purchase Method
- Acquisition of reporting company, 122
- Merger costs, 284

C

CAPITAL STOCK, *see* Stockholders' Equity

CAPITAL STRUCTURES, 233

CARRYBACKS/CARRYFORWARDS, *see* Income Taxes

CASH
- Cash equivalents, 39-41, 128-134
- Current asset, 127, 128
- Noncurrent asset, 188-190
- Restricted, 188-190

CASH SURRENDER VALUE, 190

CHANGES IN ACCOUNTING, *see* Accounting Changes

CLASSIFICATION OF COMPANIES
- Industrial groups, 1
- Revenues, 1

COLLATERAL
- Cash, 188, 189
- Letters of credit, 212
- Property, 196, 205, 210, 212
- Receivables, 142, 143, 213

COMBINED FINANCIAL STATEMENTS, 65

COMMERCIAL PAPER
- Current asset, 128, 130
- Noncurrent liability, 207, 209, 214

COMMITMENTS, *see* Contracts; Financial Instruments
- Capital contribution,112
- Capital expenditures, 106-108
- Contingent consideration, 69, 70, 111
- Development and license agreement, 113
- Employment contracts, 109, 110
- Funding of employee benefits, 112
- Loan agreement restrictions, 97, 209
- Price protection contracts, 113
- Purchase contracts, 108, 109
- Put and call agreements, 112
- Repurchase of securities sold under repurchase agreements, 205
- Royalty payments, 113
- Sales agreements, 112, 410
- Stock repurchase agreements, 108, 109
- Support agreements, 81-83
- Unconditional purchase obligations, 107

COMMON STOCK, *see* Stockholders' Equity

COMPANIES SELECTED FOR SURVEY, 1

COMPARATIVE FINANCIAL STATEMENTS
- Auditors' standards report, 486
- SEC requirement, 2, 38

COMPENSATION, *see* Employees

CONSOLIDATION
- Accounting change, 51, 63
- Deconsolidation, 51, 52, 63
- Foreign subsidiaries, 59, 63, 64
- Nonconsolidated subsidiaries, 54, 64
- Nonhomogeneous operations, 42, 52-62
- Proportionate basis, 63
- Year end of subsidiary, 505

CONTINGENCIES, *see* Gain Contingencies; Loss Contingencies
- Definition, 73

CONTINGENT CONSIDERATION, 69, 70, 111

CONTINGENT VALUE RIGHTS, 71

CONTRACTS, *see* Commitments
- Completion costs, 206
- Employment, 109, 110
- Futures, *see* Financial Instruments
- Government, 349, 496-498
- Guaranteed, 374
- Inventories, 145, 150
- Litigation, 76, 79
- Prepaid allowances, 193, 194
- Product maintenance, 50
- Receivables, 136, 154, 155
- Revenue, 265, 347-349
- Service, 204
- Termination, 121, 496, 497
- Timber, 326
- Unasserted claims, 93-95
- Unbilled costs, 154, 155
- Uncertainty, 496-498

CONTROL
- Debt payable in event of change in control, 214

CORPORATE RESPONSIBILITY
- Social awareness expenditures, 364-366

COST OF GOODS SOLD, 273, 274

COSTS, *see* Expenses; Losses
- Customer acquisition, 45
- Debt issuance, 192, 193
- Environmental contamination treatment, 159
- Information systems, 156, 193
- Maintenance shut down, 49
- Model changes, 194
- Model design, 43
- Patent application, 51
- Placing purchase parts into production, 144
- Software development, 192

COVENANTS NOT TO COMPETE, 178, 180, 181

CREDIT AGREEMENTS
- Long term, 209-218

Short term, 195-197
Subsequent events, 116
CREDIT RISK
Commodity swap contracts, 104
Financial guarantees, 80-83, 85, 86, 102, 499
Foreign currency exchange contracts, 83, 86, 100-103, 105, 211, 415-417
Interest rate swap agreements, 83, 98-100, 102, 103, 105, 211, 216
Investments, 86-88, 106
Loan commitments, 103-106
Power contract, 86
Receivables sold with recourse, 84-86, 105, 106, 140-142
Trade receivables, 81, 86-88, 100, 102, 104, 106
CUSTOMER ACQUISITION COSTS, 45
CUSTOMER LISTS, 178, 180

D

DEALER NETWORKS, 181
DEBT, *see* Liabilities
DEBT ISSUANCE COSTS, 192, 193
DEBTOR-IN-POSSESSION, 494
DEFERRED COMPENSATION, *see* Employees
DEFERRED CREDITS
Current liability, 204
Sale-leaseback, 231, 232
Sale of distribution rights, 232
Sale of future production, 231
Service contracts, 204
Subscription revenue, 204
DEFERRED INCOME TAXES
Current asset, 151, 152
Noncurrent asset, 190, 335
Noncurrent liability, 225
DEPLETION, 326, 327, 329, 330
DEPOSITS
Current assets, 155, 156
Current liability, 202
Noncurrent asset, 191
DEPRECIABLE ASSETS, *see* Property, Plant and Equipment
DEPRECIATION
Accounting change, 44, 49
Accumulated, 157
Composite rates, 328
Declining balance, 327
Definition, 325
Depreciable lives, 44
Production-variable, 328
Straight line, 325, 326
Unit of production, 326, 327
DISCLOSURE
Accounting policies, 39-43
Changes in stockholder equity accounts, 387
Complex capital structures, 233
Consolidation policy, 52
Credit risk, 73
Defined benefit pension plans, 287
Depreciable assets, 156
Depreciation expense, 156
Discontinued operations, 350
Earnings per share, 360
Financial instruments, 73
Income taxes, 330, 340, 342
Intangible asset amortization, 173
Lack of consistency, 500
Liquidation preference, 234
Long-term debt maturities, 207
Marketable securities, 129
Notes to financial statements, 39
Preferred stock redemption requirements, 234
Related party transactions, 124
SEC requirements, 2, 38
Segment information, 22
Statement of Cash Flows, 420, 479, 484
Stock dividends or splits subsequent to balance sheet date, 367
Stock option and purchase plans, 241
Uncertainties, 489
Valuation allowances, 143
Work of other auditors, 487
DISCONTINUED OPERATIONS
Assets, 152-154, 186-188
Liability accruals, 201, 202, 230
Losses, 280, 281
Restructuring credit, 271
Restructuring losses, 276, 277
Segments of business, 350-355
Subsequent event, 118, 281, 352
DIVIDENDS
Cash, 121, 368-371
In kind, 123, 374, 375
Restrictions, 97, 209-218, 401
Special, 139
Stock, 372, 373
Stock purchase rights, 120, 376, 377, 384
DOLLARS IN THOUSANDS OR MILLIONS, 38
DOUBTFUL ACCOUNTS, 143

E

EARNINGS PER SHARE, 360-363
EMBEZZLEMENTS, 76
EMERGING ISSUES TASK FORCE
Discontinued operations, 153
Recognition of investee income/loss, 170
EMPHASIS OF A MATTER
Related party transactions, 506, 507
EMPLOYEE STOCK OWNERSHIP PLANS, 209, 251-253, 319-321
EMPLOYEES
Deferred compensation, 228, 324
Employee stock ownership plan, 209, 251-253, 319-321

Employment contracts, 109, 110
Incentive compensation, 227, 321, 322
Investment plans, 318
Issuance of stock, 393-396
Liability accruals, 198, 199, 227-229
Pension plans, *see* Pension Plans
Post retirement health care and insurance benefits, 40, 49, 227, 229, 288, 290, 291, 296, 298, 300, 305, 307, 311-315
Profit sharing, 322-324
Receivables, 171, 257, 258
Savings plans, 318
Stock appreciation rights, 241-245
Stock award plans, 316, 317, 395
Stock option plans, 241-245
Stock purchase plans, 245, 246
Subsequent event, 119, 228
Termination benefit, 228
Unearned compensation, 254, 255
VEBA trust, 151

ENVIRONMENTAL REGULATIONS
Accounting policy, 88
Compliance costs, 88-90, 230, 231, 282, 283
Litigation, 76, 89
Remediation costs, 159, 285
Uncertainty, 490

EQUITY METHOD, 161-168, 268, 356

EXCESS OF COST OVER FAIR VALUE, 173-176

EXPENSES, *see* Losses
Cost of goods sold, 273, 274
Definition, 273
Doubtful accounts, 276
Factoring of receivables, 283
Interest, 274
Professional fees, 284
Research and development, 275

EXTRAORDINARY ITEMS
Extinguishment of debt, 357-359
FTC ordered divestiture, 360
Insurance settlement, 359, 360
Litigation settlement, 359

F

FACTORING OF RECEIVABLES, 283

FIFO, *see* Inventories

FILMS
Revenue, 265

FINANCE SUBSIDIARIES, 53-55, 59, 60, 137

FINANCIAL ACCOUNTING STANDARDS BOARD INTERPRETATIONS
No. 28—Stock appreciation rights, 241
No. 35—Equity method criteria, 161

FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENTS
No. 4—Debt extinguishment losses/gains, 357
No. 5—Definition of contingencies, 73
No. 12—Marketable equity securities, 129
No. 13—Leases, 218
No. 14—Segment reporting, 22
No. 16—Prior period adjustments, 377
No. 21—Nonpublic enterprises, 22
No. 47—Long-term debt maturities, 207
No. 47—Preferred stock redemption requirements, 234
No. 52—Foreign currency translation, 414
No. 57—Related party transactions, 124
No. 77—Receivables sold with recourse, 140
No. 87—Pension plans, 287
No. 89—Current cost requirement eliminated, 126
No. 94—Consolidation of majority-owned subsidiaries, 52
No. 95—Statement of Cash Flows, 419
No. 96—Income taxes, 330
No. 105—Financial instruments and credit risk, 73
No. 106—Postretirement health care and life insurance benefits, 287

FINANCIAL INSTRUMENTS
Commodity swap contracts, 104
Financial guarantees, 80-83, 85, 86, 102, 499
Foreign currency exchange contracts, 83, 86, 100-103, 105, 211, 414-417
Guaranteed contracts, 374
Interest rate swap agreements, 41, 83, 98-100, 102, 103, 105, 211, 216
Letters of credit, 83, 87
Loan commitments, 103-106
Power contract, 86
Receivables sold with recourse, 84-86, 105, 106, 140-142

FINANCIAL STATEMENTS
Combined, 65
Comparative, 38
Consolidating, 61, 62
Notes, 39
Order of presentation, 38
Rounding of amounts, 38

FIRST-IN, FIRST-OUT, *see* Inventories

FISCAL PERIODS
Change in, 34-37
Definition, 38
Natural business year, 34

FIVE YEAR SUMMARY OF OPERATIONS, 6-9

FIXED ASSETS, *see* Property, Plant, and Equipment

FOREIGN OPERATIONS
Currency translation, *see* Translation of Foreign Currencies

FORWARD EXCHANGE CONTRACTS, *see* Financial Instruments

FUNDS SEGREGATED FOR DESIGNATED PURPOSES, 188-190

FURNITURE DESIGNS, 182

FUTURES, *see* Financial Instruments

G

GAIN CONTINGENCIES
Carryforwards, 336, 337, 340-342
Litigation, 95-97, 231

GAINS, *see* Revenue
Definition, 264
Equity in income of investees, 268
Extraordinary, 357-360
Foreign currency transactions, 268
Insurance settlement, 359, 360
Interest income, 266
Investment income, 271
Life insurance proceeds, 270
Litigation settlements, 269, 270, 272
Pension plan settlements, 301, 304-309
Restructuring credits, 271
Royalty income, 269
Sale of assets, 266, 267, 272, 286
Sale of currency option, 286
Unusual/nonrecurring, 272, 286

GOING CONCERN BASIS
Auditors' report, 493-496

GOODWILL
Amortization, 278, 286
Intangible asset, 173-176

GOVERNMENT REGULATIONS, 88-90
Environmental, *see* Environmental Regulations
Uncertainty, 489-492
Underground gasoline storage tanks, 90

GUARANTEES AND WARRANTIES
Financial guarantees, 80-83, 499
Product, 203

H

HEDGING, *see* Financial Instruments
Inventory, 156

I

INCENTIVE COMPENSATION, *see* Employees

INCOME, *see* Gains; Revenue

INCOME PER SHARE, *see* Earnings Per Share

INCOME STATEMENT
Consolidating, 61
Format, 263
Title, 263

INCOME TAXES
Accounting change, 46, 345, 378, 500-502
Alternate minimum tax, 336, 337
Assessments, 90, 91
Balance sheet presentation, 199
Carryforwards, 336, 337, 340-342
Deferred Income taxes, *see* Deferred Income Taxes
Income statement presentation, 330-340
Refund claims, 135
Settlement with IRS, 340
Tax benefits related to employee benefit plans, 244, 254, 394, 395, 403, 404
Undistributed earnings, *see* Undistributed Earnings

INDEBTEDNESS, *see* Liabilities

INDEPENDENT AUDITORS' REPORTS
Addressee, 485
Auditors' standard report, 486
Change in auditors, 507-511
Emphasis of a matter, 506, 507
Lack of consistency, 500-506
Presentation in annual report, 485
Qualified opinion, 507
Supplemental financial information, 511, 512
Title, 485
Uncertainties, 489-499
Work of other auditors, 487-489

INDUSTRIAL REVENUE BONDS, 212

INDUSTRY CLASSIFICATION
Classification of companies in survey, 1
LIFO inventories, 145

INFLATION ACCOUNTING, 126

INFORMATION SYSTEM COSTS, 193, 194

IN-SUBSTANCE DEFEASANCE, 212

INSURANCE
Accrued costs, 203
Cash surrender value, 190
Corporate owned life insurance policies, 40
Life insurance proceeds, 270
Self-insured, 91, 92, 229
Settlement, 359, 360

INSURANCE SUBSIDIARIES, 56-58, 264

INTANGIBLE ASSETS
Convenants not to compete, 178, 180, 181
Customer lists, 178, 180
Dealer networks, 181
Furniture designs, 182
Goodwill, *see* Goodwill
License agreements, 177, 178
Management contracts, 182
Organization costs, 176
Patent application costs, 51
Patents, 176-178
Pensions, 182-184
Processing rights, 181
Scarce assets, 41
Technology, 178-180, 184
Trademarks/trade names, 177, 178, 181, 182
Write-offs, 280

INTEREST
Capitalized, 158, 159
Expense, 274
Income, 266

INTEREST RATE DERIVATIVE INSTRUMENTS, 41

INTEREST RATE EXCHANGE AGREEMENTS, *see* Financial Instruments

INTERIM PERIODS
Quarterly financial data, 2-5

INTERPERIOD TAX ALLOCATION, *see* Income Taxes

INVENTORIES
Accounting change, 47, 48, 380, 381, 504

Average cost, 149, 150
FIFO, 144-146
Hedging, 156
Industry groups using LIFO, 145
LIFO, 48, 143, 145-148
Purchase commitments, 108, 109
U.S. Government Liens, 145

INVESTMENT AND TECHNOLOGY AGREEMENTS, 123

INVESTMENTS
Accounting change, 505, 506
Cost method, 129-132, 168
Current asset, 129-134
Equity method, 161-168, 268, 356
Life insurance, 40
Lower of cost or market, 132-134, 169
Nonconsolidated subsidiaries, 54, 64
Noncurrent asset, 161-170
Purchased receivables, 131
Purchased tax benefits, 39
Subsequent event, 169, 279
Uncertainty, 498, 499
Valuation allowance, 133, 256, 257
Write-downs, 279
Zero amount, 165, 169, 170, 224

IRAQ SANCTIONS, 123

J

JOINT VENTURE
Formation, 51, 162
Proportionate interest consolidated, 63
Subsequent event, 122

L

LACK OF CONSISTENCY, 500-506

LAST-IN, FIRST-OUT, *see* Inventories

LAWSUITS, *see* Litigation

LEASES
Lease guarantee agreements, 499
Lease incentives, 232
Lessee, 218-222
Lessor, 42, 138, 170, 172, 204, 222-225
Leveraged, 42, 138, 223, 225
Sale-leaseback, 123, 208, 231, 232

LEASING SUBSIDIARIES, 52, 53, 60-62

LETTERS OF CREDIT, 83, 87, 216

LICENSE AGREEMENTS, 177, 178

LIABILITIES
Accounts payable, 197
Advances, 202
Change in control, 214
Commercial paper, *see* Commercial Paper
Contract completion costs, 206
Credit sensitive debt, 210, 397
Current amount classified as noncurrent, 211, 212, 214
Current amount of long term debt, 199, 200
Debt converted into stock, 397-399
Debt redeemable at option of holder, 206
Deferred revenue, *see* Deferred Credits
Deposits, 202
Discontinued operations, 201, 202, 230
Dual currency debt, 207
Employees, 198, 199, 227-229
Environmental regulations, 204, 205, 230, 231
Extinguishment of debt, 357-359, 397
Income taxes, 199
In-substance defeasance, 212
Insurance, 203
Litigation settlement, 230
Loan agreement restrictions, 97, 209-218
Long-term debt, 207-215
Noncurrent amount classified as current, 213, 493-495
Noninterest bearing debt, 210
Nonrecourse debt, 211, 212
Perpetual bonds, 211
Product warranties, 203
Sale-leasebacks with related party, 208
Sales returns, 205
Securities sold under repurchase agreements, 205
Short term debt, 194-197
Subsequent event, 114-116
Taxes other than federal income taxes, 200, 201
Technical default, 213, 215, 493
Zero coupon notes, 208, 211, 214, 358

LIFO, *see* Inventories

LINE OF CREDIT, *see* Credit Agreements

LITIGATION
Auditors' Report, 489-492
Contingencies, 73-79, 95-97, 231
Settlements, 74, 119, 205, 230, 269, 270, 282, 359
Subsequent event, 118, 119

LOANS, *see* Liabilities

LOSS CARRYFORWARDS, *see* Income Taxes

LOSS CONTINGENCIES
Arbitration, 93
Credit risk, *see* Credit Risk
Financial instruments, *see* Financial Instruments
Government contracts, 496-498
Government regulations, 88-90
Guarantees, *see* Guarantees and Warranties
Hostile tender offer, 92
Letters of credit, 83, 87
Litigation, *see* Litigation
Loan to Chapter 11 company, 93
Non-insured losses, 91, 92
Products repurchase agreement, 92
Receivables sold with recourse, 84-86, 140
Tax assessments, 90, 91
Unasserted claims, 88, 93-95
Withdrawal from union pension plan, 92

LOSSES, *see* Expenses
Definition, 273
Environmental cleanup, 282, 283, 285
Extraordinary, 358-360

Foreign currency transactions, 278, 414, 415
Goodwill amortization, 278, 286
Litigation settlement, 282
Minority interest, 280
Pension plan curtailment/settlement, 300, 308
Restructuring, 276, 277
Sale of assets, 280, 281
Terminated acquisition costs, 285
Unusual/nonrecurring, 284-286
Write-downs/write-offs, 279, 280, 284-286

M

MAINTENANCE
Product maintenance contracts, 50
Shut down costs, 49
MANAGEMENT ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, 9-21
MANAGEMENT CONTRACTS, 182
MANAGEMENT REPORT, 513, 514
MARKETABLE SECURITIES, *see* Investments
MERGERS, *see* Poolings of Interests; Purchase Method
MINORITY INTERESTS
Balance sheet, 225-227
Income statement, 280, 355, 356
MODEL CHANGE COSTS, 194
MODEL DESIGN COSTS, 43
MONEY MARKET INSTRUMENTS, 130, 133, 134, 205

N

NATURAL BUSINESS YEAR, *see* Fiscal Periods
NONCANCELABLE LEASES, *see* Leases
NONCOMPETE AGREEMENTS, 178, 180, 181
NONHOMOGENEOUS OPERATIONS, 42, 52-62
NONRECOURSE DEBT, 211, 212
NOTES PAYABLE, *see* Liabilities
NOTES RECEIVABLE, *see* Receivables
NOTES TO FINANCIAL STATEMENTS, 39

O

OBLIGATIONS, *see* Liabilities
OFFSETTING ACCOUNTS, 195
OIL AND GAS OPERATIONS
Successful-efforts method adopted, 379, 380
OPINIONS, *see* Independent Auditors' Reports
OPINIONS, APB, *see* Accounting Principles Board Opinions
ORGANIZATION COSTS, 176
OVERDRAFT, 195

P

PAID-IN CAPITAL, *see* Stockholders' Equity
PATENTS, 176-178
PAYABLES, *see* Liabilities
PAY-IN-KIND DIVIDENDS, 375
PENSION AND RETIREMENT PLANS
Accounting change, 45, 259, 260, 298, 306, 308-310, 502, 503
Acturial assumption changes, 310
Amendments, 308-310
Balance sheet presentation of accrued cost, 228, 300, 308, 309
Balance sheet presentation of minimum liability, 289, 290
Curtailment gains/losses, 308
Defined benefit plans, 287-297
Defined contribution plans, 298, 300, 301
Minimum liability, 182-184, 259, 260, 298-300, 502, 503
Multiemployer, 304
Prepaid costs, 185, 186
Settlement gains/losses, 300, 301, 304-309
Supplemental benefits, 301-303
Terminated, 301, 307
Termination commitment, 294
PERFORMANCE SHARE PLAN, *see* Employees
PERPETUAL BONDS, 211
PLEDGED ASSETS, *see* Collateral
POOLINGS OF INTERESTS
Business combinations, 66-68
Merger expense, 284
Subsequent events, 117
POST BALANCE SHEET DISCLOSURES, *see* Subsequent Events
POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS, 40, 49, 227, 229, 288, 290, 291, 296, 298, 300, 305, 307, 311-315
PREFERRED STOCK, *see* Stockholders' Equity
PREPAID EXPENSES, 150, 151
PRICE PROTECTION CONTRACTS, 113
PRO FORMA FINANCIAL DATA
Purchase method, 68-72, 405, 406
Subsequent events, 115, 117, 118, 120, 121
PROCESSING RIGHTS, 181
PRODUCT REPURCHASE AGREEMENT, 92
PRODUCT WARRANTIES, *see* Guarantees and Warranties
PROFESSIONAL FEES, 284
PROFIT SHARING, *see* Employees
PROGRAM RIGHTS, 41

PROPERTY, PLANT AND EQUIPMENT
Balance sheet presentation, 156-160
Commitments, 106-108
Depreciation, *see* Depreciation
Discontinued operations, *see* Discontinued Operations
Environmental contamination treatment costs, 159
Held for sale, 152-154, 186-188
Idle facilities, 158
Information systems, 156
Write-downs, 284

PUBLIC OFFERINGS
Parent company, 401, 402
Subsidiary, 410

PURCHASE METHOD
Business combinations, 68-72, 405, 406
Contingent consideration, 69, 70, 111
Contingent value rights, 71
Subsequent event, 116, 117
Terminated acquisition costs, 285

PURCHASED TAX BENEFITS, 39

PUT AND CALL AGREEMENTS, 112

PUT OPTION PREMIUM, 212

Q

QUALIFIED OPINIONS, 507

QUARTERLY FINANCIAL INFORMATION, 2-5

R

REAL ESTATE SUBSIDIARIES, 54

REALTY ASSETS, 191

RECAPITALIZATION, 386

RECEIVABLES
Assigned to factor, 283
Bankruptcy claims, 139
Broker-dealers, 139
Collateral, 142, 143
Contracts, 136, 154, 155
Current, 135-143
Doubtful accounts, 143
Drafts, 139
Employees, 171, 257, 258
Finance receivables, 137, 138
Income tax refund claims, 135
Installment, 140, 173
Leases, 138, 170, 172
Noncurrent, 170-173
Related parties, 136, 137
Sale of assets, 170-172
Sold to independent entity, 84-86, 140-142
Write-offs, 286

REINCORPORATION, 413

RELATED PARTY TRANSACTIONS, 124-126, 136, 137, 208

RELOCATION, *see* Discontinued Operations

REPORT OF AUDIT COMMITTEE, 512

REPORT OF MANAGEMENT, 513, 514

REPORTING ENTITY, *see* Consolidation

REPURCHASE AGREEMENTS, 205

RESEARCH AND DEVELOPMENT EXPENSE, 275

RESERVES
Use of term, 233

RESTRICTED ASSETS, 188-190

RESTRICTED STOCK AWARDS, *see* EMPLOYEES

RESTRICTIONS
Loan agreements, 97, 209-218, 401

RESTRUCTURING, *see* Discontinued Operations

RETAINED EARNINGS
Adjustments to opening balance, 377-381
Balance sheet title, 240, 241
Dividends, *see* Dividends
Preferred stock accretion, 385
Recapitalization, 386
Statement of changes, 367
Stock purchase rights redemption, 384
Treasury stock transactions, 382, 383

REVENUE *see* Gains
Contracts, 265, 347-349
Deferred, 203, 204, 231, 232
Definition, 264
Films, 265
Income statement captions, 264, 265
Lessor, 42
Revenue of survey companies, 1
Sales incentive programs, 50
Service contracts, 204
Subscription, 41, 204

REVOLVING CREDIT AGREEMENTS, *see* Credit Agreements

RIGHTS, *see* Stock Purchase Rights

ROUNDING OF AMOUNTS, 38

ROYALITIES
Income, 269
Minimum royalty payments, 113

S

SALES, *see* Revenues

SAMPLE LINES, 193

SAVINGS PLANS, *see* Investments

SECURITIES, *see* Investments
SECURITIES AND EXCHANGE COMMISSION
Annual reports to stockholders, 2
Comparative financial statements, 2, 38
Preferred stock subject to redemption, 234

SEGMENT INFORMATION, 22-33
Export sales, 25, 32, 33
Foreign operations, 23, 28-31
Industry segments, 22-27
Major customers, 25, 28, 31, 32
SELECTED FINANCIAL DATA, 6-9
SERVICE CONTRACT REVENUE, 204
SHORT-TERM DEBT, *see* Liabilities
SHUT DOWN, *see* Discontinued Operations
SOCIAL AWARENESS EXPENDITURES, 364-366
SOFTWARE DEVELOPMENT COSTS, 192
STATEMENT OF CASH FLOWS
Accretion of zero coupon notes, 439
Capital stock, 463-465
Cash equivalents, 484
Cash surrender value, 440
Cumulative effect of accounting change, 435, 436
Debt, 466-468
Direct method, 421-424
Discontinued operations, 431, 432
Dividends paid, 469, 470
ESOP, 438, 439, 463, 473, 474
Extraordinary items, 433, 434, 439
Foreign currency cash flows, 477-480
Hedging activities, 456, 457
Insurance settlements, 458-460
Interest and income tax payments, 420, 428-430
Investments, 446-448
Leases, 475
Litigation settlement, 424
Loans, 449, 450
Noncash activities, 421, 437, 439, 441, 445, 458-460, 467, 470, 475, 479-484
Nonhomogeneous operations, 441-443, 461, 462, 476
Overdraft, 473
Presentation in annual report, 419
Property, 444, 445
Public offering of subsidiary stock, 471
Purchase method acquisitions, 451-453, 474
Reconciliation of net income to net cash flow, 420
Restricted funds, 454, 455, 472
Sale of receivables, 437, 438
Title, 419
STATEMENT OF FINANCIAL POSITION, *see* Balance Sheet
STATEMENT OF INCOME, *see* Income Statement
STATEMENTS ON AUDITING STANDARDS, *see* Auditing Standards Board
STOCK APPRECIATION RIGHTS, 241-245
STOCK DIVIDENDS, *see* Dividends
STOCK OPTION AND STOCK PURCHASE PLANS
Stock option plans, 241-245
Stock purchase plans, 245, 246
STOCK PURCHASE RIGHTS
Amended, 261, 262
Issued, 376, 377, 384
Outstanding, 234, 237, 238, 260-262
Redemption, 377, 384
Subsequent event, 120
STOCK PURCHASE WARRANTS
Exercised, 407
Issued, 409
Outstanding, 235, 262, 401, 408
Revaluation, 411
STOCK REPURCHASE AGREEMENTS, 108, 109
STOCK SPLITS, 120, 387-392
STOCKHOLDERS' EQUITY
Additional paid-in capital, 240, 393
Balance sheet title, 233
Bankruptcy settlement, 412
Capital structure, 233
Change from stated to par value, 413
Change in ownership interest in subsidiary, 410
Common stock, 233
Conversion of debt or preferred stock, 397-401, 409
Cumulative translation adjustments, 249-251, 414-418
ESOP, 251-253
Employee benefit plan issuances, 393-396
Marketable equity securities, 256-258
Minimum pension liability, 238, 259, 260
Preferred stock, 234-239
Public offering, 410, 402, 410
Purchase method acquisitions, 405, 406
Recapitalization, 386
Receivable from sale of capital stock, 257, 258
Retained earnings, *see* Retained Earnings
Stock purchase rights, *see* Stock Purchase Rights
Stock purchase warrants, *see* Stock Purchase Warrants
Stock splits, 120, 387-392
Subsequent event, 120
Tax benefits related to employee benefit plans, 244, 254, 394, 395, 403, 404
Treasury stock, *see* Treasury Stock
Unearned compensation, 254, 255
SUBSCRIPTION REVENUE, 41
SUBSEQUENT EVENTS
Acquisition of reporting company, 122
Business combinations, 116, 117
Capital stock transactions, 120
Chapter 11 petition, 494
Contract termination, 121
Debt incurred, reduced, or refinanced, 114-116
Discontinued operations, 118, 281, 352
Dividends, 121, 123, 139
Employees, 119, 228
Exchange of company stock for subsidiary stock, 122
Investment and technology agreements, 123
Investments, 169, 279
Iraq sanctions, 123
Joint venture, 122
Litigation, 77, 118, 119
Sale of assets, 118, 281, 410
Sale of subsidiary stock, 121
Sale-leaseback, 123
Stock purchase rights, 120
Stock splits, 120
SUMMARY OF ACCOUNTING POLICIES, 39-43
SUPPLEMENTARY FINANCIAL INFORMATION
Consolidating data, 512
Financial statement schedules, 511

T

TAXES OTHER THAN FEDERAL INCOME TAXES
  Expense, 275, 276
  Liability, 200, 201
TECHNICAL DEFAULT, 213, 215, 493
TECHNOLOGY, 178-180, 184
TELEVISION
  Program licenses and rights, 41
TENDER OFFER, 92
TIMBER
  Timber contracts, 326
TRADEMARKS/TRADE NAMES, 177, 178, 181, 182
TRANSLATION OF FOREIGN CURRENCIES
  Cumulative adjustments, 249-251, 414-418
  Gains/losses, 268, 278, 414-418
TREASURY STOCK
  Balance sheet presentation, 246-248
  Issued, 382
  Purchased, 382, 383, 396, 408
  Reclassification, 383, 408

U

UNASSERTED CLAIMS, 88, 93-95
UNAUDITED DATA
  Business combinations, 67-72, 405, 406
  Subsequent event, 117, 118, 120, 121
UNBILLED COSTS, 154, 155
UNCERTAINTIES, 489-500
UNCONDITIONAL PURCHASE OBLIGATIONS, 107
UNCONSOLIDATED SUBSIDIARIES, Investments
UNDISTRIBUTED EARNINGS
  Taxes accrued, 343-346
  Taxes not accrued, 332, 333, 344-347
UNEARNED REVENUE, *see* Deferred Credits
UNUSUAL/NONRECURRING ITEMS
  Gains, 272
  Losses, 284-286

W

WAIVERS
  Loan agreement restrictions, 213, 215
WARRANTIES, *see* Guarantees and Warranties
WARRANTS, *see* Stock Purchase Warrants
WRITE-DOWNS/WRITE-OFFS
  Intangible assets, 280
  Investments, 279
  Property, 284
  Receivables, 286

Y

YEAR ENDINGS, *see* Fiscal periods

Z

ZERO COUPON NOTES, 208, 211, 214, 358

TECHNICAL HOTLINE

The AICPA Technical Information Service answers inquiries about specific audit or accounting problems.

Call Toll Free

(800) 223-4158 (Except New York)
(800) 522-5430 (New York Only)

This service is free to AICPA members.

009883