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1992 Accounting Trends & Techniques AICPA

1992
Forty-Sixth Edition

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA
American Institute of Certified Public Accountants

1992
Forty-Sixth Edition

Accounting Trends & Techniques

Forty-sixth 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 2, 1992.

Edited by
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American Institute of Certified Public Accountants

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PREFACE

Accounting Trends & Techniques—1992, Forty-sixth 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 22, 1991 and February 2, 1992.

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, Harborside Financial Center, 201 Plaza III, Jersey City, NJ 07311–3881; telephone (201) 938–3067.

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. 395 of the companies were listed in the fortieth (1986) edition and each retained the number assigned in that edition. The other 205 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 601 through 805 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, (201) 938–3248.

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

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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

	1991	1990	1989	1988
Foods:				
Meat products	6	6	7	7
Dairy products	2	2	2	2
Canning, etc.	4	4	4	4
Packaged and bulk	15	15	16	17
Baking	3	2	2	3
Sugar, confections	3	3	3	3
Beverages	7	7	7	7
Tobacco products	5	5	4	4
Textiles	23	23	21	23
Paper products	21	21	23	25
Printing, publishing	19	20	19	19
Chemicals	33	32	31	28
Drugs, cosmetics	26	26	25	30
Petroleum	30	30	29	30
Rubber products	8	8	8	10
Shoes—manufacturing, merchandising	8	8	8	7
Building:				
Cement	5	5	4	4
Roofing, wallboard	7	7	9	9
Heating, plumbing	4	3	3	3
Other	18	17	17	17
Steel and iron	20	19	20	20
Metal—nonferrous	17	17	17	16
Metal fabricating	20	20	21	20
Machinery, equipment and supplies	33	35	37	38
Electrical equipment, appliances	19	21	20	17
Electronic equipment	36	36	34	33
Business equipment and supplies	24	22	22	21
Containers	7	7	7	8
Autos and trucks (including parts, accessories)	26	26	26	27
Aircraft and equipment, aerospace	12	12	12	13
Railway equipment, shipbuilding	4	5	5	5
Controls, instruments, medical equipment, watches and clocks	26	25	25	23
Merchandising:				
Department stores	3	4	4	4
Mail order stores, variety stores	2	2	2	2
Grocery stores	13	13	12	12
Other	8	8	8	6
Motion pictures, broadcasting	4	4	4	5
Widely diversified, or not otherwise classified	79	80	82	78
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-2: REVENUE OF SURVEY COMPANIES

	1991	1990	1989	1988
Less than $100,000,000	51	51	50	50
Between $100,000,000 and $500,000,000	103	103	110	115
Between $500,000,000 and $1,000,000,000	83	89	90	95
Between $1,000,000,000 and $2,000,000,000	123	117	128	114
More than $2,000,000,000	240	240	222	226
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 18-30.

Quarterly Financial Data

THE BLACK & DECKER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of Dollars Except Per Share Data)

Note 22: Quarterly Results (unaudited)

Year Ended December 31, 1991	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total revenues	$1,087,560	$1,106,527	$1,097,342	$1,345,525
Gross margin	389,939	389,589	374,802	478,856
Net earnings	4,096	7,267	9,757	31,911
Net earnings per common share	.07	.11	.16	.47
Year Ended December 31, 1990				
Total revenues	$1,033,337	$1,224,634	$1,274,089	$1,330,204
Gross margin	363,525	426,302	438,288	479,540
Net earnings	10,014	16,085	18,239	6,757
Net earnings per common share	.17	.26	.30	.11

Quarterly results for 1991 include the operating results of PRC and Dynapert for each quarter, whereas, in 1990, operating results of PRC and Dynapert are included from the second quarter. The fourth quarter of 1990 includes an increase in the effective full year tax rate due to fourth quarter changes in the mix of earnings between taxable and non-taxable subsidiaries.

The effective tax rate for the three-month period ended September 29, 1991, was 39%, which was lower than the rate for the preceding quarters. This lower rate reflected the cumulative effect of a change in the estimated annual effective tax rate due to a change in the mix of foreign versus domestic taxable earnings expected for the full year, the finalization of the previously estimated tax effects of certain prior business sales, and the benefits from actions implemented during the third quarter to reduce foreign taxes in 1991 and beyond.

The improvement in net earnings during the fourth quarter of 1991 compared to the fourth quarter of 1990 was primarily the result of net losses in Brazil during the fourth quarter of 1990 compared to net earnings in 1991, and significantly lower net interest expense during the fourth quarter of 1991 compared to the fourth quarter of 1990.

HURCO COMPANIES, INC.

NOTES TO FINANCIAL STATEMENTS

9. Quarterly Highlights (Unaudited)

The following table sets forth selected highlights for each of the fiscal quarters during the years ended October 31, 1991 and 1990 (dollars in thousands, except per-share data):

First Quarter Ended January 31	1991	1990
Sales	$21,330	$22,161
Gross margin	6,728	7,842
Net income	254	2,167
Net income per common share	$ .05	$ .38
Second Quarter Ended April 30		
Sales	$20,045	$24,218
Gross margin	6,219	8,894
Net income	1,078	2,549
Net income per common share	$ .20	$ .45
Third Quarter Ended July 31		
Sales	$17,612	$23,869
Gross margin	5,679	8,065
Net income	102	1,055
Net income per common share	$ .02	$ .19
Fourth Quarter Ended October 31		
Sales	$21,765	$24,022
Gross margin	8,347 [a]	8,254
Net income	903	1,094
Net income per common share	$ .16	$ .20

[a] Fourth quarter adjustments, primarily resulting from physical inventory valuations, had the effect of increasing fourth quarter gross margin by approximately $900,000. However, as a result of other offsetting fourth quarter adjustments, primarily affecting selling, general and administrative expenses, the overall impact on net income is not significant.

PPG INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Quarterly Financial Information (unaudited)

	Net Sales (Millions)	Gross Profit (Millions)	Earnings Before Cumulative Effect of Accounting Change: Amount (Millions)	Earnings Before Cumulative Effect of Accounting Change: Per Share	Net Earnings (Millions)	Earnings Per Share
1991 quarter ended March 31	$1,376.7	$ 477.1	$ 21.9	$ .21	$ 96.7	$ .91
June 30	1,477.9	528.2	79.1	.75	79.1	.75
September 30	1,393.5	500.2	68.9	.65	68.9	.65
December 31	1,424.5	491.0	31.5	.29	31.5	.29 (1)
Total	$5,672.6	$1,996.5	$201.4	$1.90	$276.2	$2.60
1990 quarter ended March 31	$1,478.3	$ 567.2	—	—	$125.3	$1.16
June 30	1,571.6	622.0	—	—	141.0	1.31
September 30	1,471.7	549.2	—	—	107.1	1.00
December 31	1,499.8	540.3	—	—	101.4	.96 (2)
Total	$6,021.4	$2,278.7	—	—	$474.8	$4.43

(1) In the fourth quarter of 1991, we increased our estimate of the annual effective tax rate to 41.5%, which reduced fourth quarter net earnings per share by 2 cents and was associated with prior quarters. Additionally, fourth quarter earnings were reduced by a pre-tax charge for business divestitures and realignments of $26.8 million, which reduced net earnings per share by 15 cents.

(2) In the fourth quarter of 1990, we lowered our estimate of the annual effective tax rate to 37.5%, which added 6 cents to fourth quarter net earnings per share and was associated with prior quarters.

SCOTT PAPER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarterly Highlights (Unaudited)

(In millions, except on a per share basis)	*1st Quarter*	*2nd Quarter*	*3rd Quarter*	*4th Quarter*
1991(1)				
Sales	$1,234.2	$1,209.2	$1,210.2	$1,322.9
Gross margin(4)	377.4	393.5	377.0	440.3
Net income (loss)	29.3	30.5	28.0	(157.7)
Per share				
Earnings (Loss)(5)	$ .40	$ .41	$ .38	$ (2.14)
Dividends	.20	.20	.20	.20
Market price				
High	$ 46⅝	$ 45⅛	$ 42¼	$ 38¾
Low	35⅝	38	36½	29½
1990(2)(3)				
Sales	$1,286.1	$1,309.3	$1,329.9	$1,431.0
Gross margin(4)	385.3	419.7	406.4	423.7
Net income (loss)	60.1	74.6	64.8	(51.5)
Per share				
Earnings (Loss)(5)	$ .82	$ 1.01	$ .88	$ (.70)
Dividends	.20	.20	.20	.20
Market price				
High	$ 49¼	$ 48¼	$ 51⅜	$ 39⅛
Low	42½	41¼	30	30⅝

(1) Earnings (Loss) per share for the fourth quarter of 1991 included a net charge of $2.49 for special items related to the Company's business improvement program, which primarily includes selling nonstrategic businesses and assets and reducing its work force by 3,800 employees worldwide. Excluding special items, earnings per share for the fourth quarter and the year were $.35 and $1.54, respectively.

(2) Earnings (Loss) per share for the fourth quarter of 1990 included a net charge of $1.36 for special items related to the Company's business improvement program, which primarily includes selling nonstrategic businesses and assets and reducing its work force. Excluding special items, earnings per share for the fourth quarter and the year were $.66 and $3.37, respectively.

(3) 1990 is not restated to exclude the results of the businesses to be divested, which were excluded in 1991.

(4) Sales less product costs.

(5) Based on average common shares outstanding for each period.

Selected Information For Five Years

AMERON, INC.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Year ended November 30 *(Dollars in thousands except per share data)*	1991	1990	1989	1988	1987
Per Common Share Data					
Net Income	$ 2.01[2]	$ 3.02	$ 3.54	$ 2.83[3]	$ 3.37[4]
Dividends	1.28	1.28	1.24	1.04	.96
Book Value	37.61	37.32	35.07	33.14	32.22
Average Shares[1]	3,805,781	3,783,881	3,978,212	4,262,631	4,863,286
Market Price—High	47⅛	52½	41½	40¼	37¼
Market Price—Low	31¾	34½	30¼	26⅜	24¾
Price/Earnings Ratio (Range)	23-16	17-11	12-9	14-9	11-7
Operating Results					
Sales	$ 465,136	$ 445,900	$ 426,464	$ 363,625	$ 308,191
Gross Profit	118,399	116,661	107,156	95,565	81,279
Interest Expense	14,105	13,644	10,735	9,642	8,108
Provision for Income Taxes	5,052	6,133	6,180	5,215	5,800
Equity in Earnings (Losses) of Affiliated Companies, net of taxes	(976)	566	3,260	2,680	7,723
Net Income	7,635[2]	11,427	14,101	12,065[3]	16,368[4]
Net Income/Sales	1.6%	2.6%	3.3%	3.3%	5.3%
Return on Average Equity	5.4%	8.4%	10.7%	8.3%	10.9%
Financial Condition at Year End					
Working Capital	$ 104,431	$ 103,396	$ 66,322	$ 75,139	$ 80,576
Property, Plant and Equipment, net	122,201	127,778	110,071	101,293	89,579
Investments, Advances and Equity in Affiliated Companies	45,901	48,857	50,201	54,087	74,333
Total Assets	384,472	375,373	335,445	311,776	317,645
Long Term Debt, less current portion	99,304	110,266	66,006	66,087	52,830
Stockholders' Equity	143,404	141,012	131,482	132,267	156,902
Property, Plant and Equipment					
Expenditures	$ 26,527	$ 33,314	$ 25,868	$ 17,071	$ 11,802
Depreciation	16,704	14,286	12,686	11,405	11,146

(1) Includes common stock equivalents.

(2) Includes $360,000 or $.10 per share of income, net of income taxes, related to the sale of the Company's corporate headquarters facility, reduced by asset write downs and repositioning costs.

(3) Includes net nonrecurring expense of $3.0 million or $.70 per share relating to proposed tax adjustments by the Internal Revenue Service.

(4) Includes $4.6 million or $.95 per share of net nonrecurring income. This income was derived principally from the sale of idle plant property in Hawaii, reduced by expenses and write offs related to the restructuring of several of the Company's foreign protective coatings and fiberglass pipe businesses.

CHIQUITA BRANDS INTERNATIONAL, INC. (DEC)

SELECTED FINANCIAL DATA

(In thousands, except per share amounts)	1991	1990	1989	1988	1987
FINANCIAL CONDITION					
Working capital	$ 983,329	$ 438,137	$ 418,538	$ 387,707	$ 376,429
Capital expenditures	410,652	323,334	130,628	78,373	47,831
Total assets	3,142,532	2,174,437	1,612,958	1,435,521	1,115,976
Capitalization					
Short-term debt	212,818	163,698	82,665	21,002	28,862
Long-term debt	1,226,575	521,923	416,599	401,888	157,029
Shareholders' equity	967,925	687,709	463,954	400,792	418,471
OPERATIONS					
Net sales	$4,627,397	$4,272,660	$3,822,770	$3,503,237	$3,267,986
Operating income	226,155	173,762	142,121	127,047	112,274
Income before income taxes and extraordinary items	183,395	151,618	110,567	109,863	107,089
Net income	128,495	93,918	67,767	60,363	59,383*
SHARE DATA					
Average number of primary shares outstanding	50,382	42,089	39,788	41,022	46,212
Primary earnings per share	$ 2.55	$ 2.23	$ 1.70	$ 1.47	$ 1.29*
Fully diluted earnings per share	2.52	2.20	1.67	1.45	1.26*
Dividends declared per common share	.55	.35	.20	.20	.15
Market price per common share:					
High	50.63	32.00	17.63	19.88	16.67
Low	29.63	16.13	12.88	13.75	9.33
End of year	40.00	32.00	17.38	16.38	15.21
Book value per common share at end of year	19.39	15.21	11.94	10.38	9.69

*For 1987, income before extraordinary items was $61,289 ($1.33 per share primary; $1.30 per share fully diluted).

HOLNAM INC. (DEC)

FIVE YEAR FINANCIAL SUMMARY

(Dollars in thousands, except per share amounts)	*1991(b)*	*1990(c)*	*1989*	*1988*	*1987*
Operating Data (a):					
Net sales	$ 979,297	$1,074,579	$1,078,664	$ 992,692	$ 637,054
Income (Loss) From Operations	(59,892)	45,416	113,396	147,885	145,268
Net Income (Loss)	(95,054)	(25,116)	8,652	36,266	33,455
Net Income (Loss) Per Common Share	$ (0.71)	$ (0.22)	$ 0.09	$ 0.37	$ 0.34
Average Common Shares Outstanding (In thousands)	134,782	115,670	98,103	98,103	98,103
Cash Flow From Operations	$ 39,086	$ 28,020	$ 64,775	$ 87,021	$ 124,796
Balance Sheet Data (a):					
Working Capital	$ 263,130	$ 292,251	$ 208,756	$ 193,013	$ 187,383
Property, Plant, and Equipment—Net	929,114	958,868	745,503	709,323	638,329
Total Assets	1,456,589	1,494,169	1,263,282	1,168,653	1,067,437
Total Debt	619,514	549,119	490,019	407,468	378,478
Stockholders' Equity	481,208	575,048	391,627	395,106	349,560
Acquisition of Property, Plant, and Equipment	$ 54,178	$ 94,410	$ 93,713	$ 110,019	$ 49,857
Cash Dividends Per Common Share	$ —	$ —	$ .19	$ .11	$ .20
Number of Employees	5,785	5,748	5,745	5,907	5,338

a. See Note 3 to Consolidated Financial Statements regarding, effective January 1, 1991, a change in accounting principle; years prior to 1991 have been restated to be consistent with the principle used in 1991.

b. The 1991 consolidated net loss of $95,054 includes Unused Charges of $61,672 ($58,500 net of tax and minority equity in net loss). See Note 5 to Consolidated Financial Statements.

c. See Note 4 to Consolidated Financial Statements regarding merger and acquisitions in 1990.

UNC INCORPORATED

SELECTED FINANCIAL INFORMATION

(Dollars and shares in thousands except per share amounts)	*Year Ended December 31,* 1991	1990	1989	1988	1987
Operating Results					
Revenues	$360,571	$356,255	$305,240	$251,644	$206,274
Earnings (loss) from:					
Continuing operations before extraordinary item	$ (25,485)	$ 5,219	$ (3,416)	$ 6,605	$ 1,286
Discontinued operations	34,100	(128)	3,427	13,330	9,588
Extraordinary items					
Income tax benefit of net operating loss carryforwards	—	—	—	—	7,203
Early retirement of debt	(1,700)	—	—	—	—
Cumulative effect of change in accounting principle	—	—	—	3,915	—
Net earnings	$ 6,915	$ 5,091	$ 11	$ 23,850	$ 18,077
Earnings (loss) per share:					
Continuing operations before extraordinary item	$ (1.49)	$ .31	$ (.20)	$ .39	$ .08
Discontinued operations	1.99	(.01)	.20	.80	.59
Extraordinary item	(.10)	—	—	—	.45
Cumulative effect of change in accounting principle	—	—	—	.23	—
Net earnings	$ .40	$ .30	$ —	$ 1.42	$ 1.12
Average number of shares outstanding	17,128	17,082	16,994	16,822	16,132
Financial Position Data					
Working capital	$ 88,379	$130,266	$128,218	$121,882	$110,309
Current ratio	1.5 to 1	3.2 to 1	2.5 to 1	2.6 to 1	2.0 to 1
Total assets	$455,094	$409,980	$481,706	$407,987	$440,400
Total long-term debt, including current portion	$177,829	$186,971	$230,873	$159,131	$176,611
Shareholders' equity	$143,492	$136,488	$131,059	$134,059	$108,078
Total debt to capitalization	55.3%	57.8%	64.0%	54.9%	62.0%
Return on average shareholders' equity	4.9%	3.8%	—	19.7%	17.6%
Other					
Capital expenditures	$ 7,280	$ 24,235	$ 49,092	$ 41,003	$ 26,173
Depreciation and amortization	$ 10,196	$ 12,345	$ 15,089	$ 21,147	$ 16,602
Employees	3,852	4,612	5,014	3,768	4,260
Shareholders	8,936	9,193	9,389	9,766	10,168

See Notes 5 and 10 of Notes to Consolidated Financial Statements for matters affecting 1991 continuing operations and Notes 2 and 3 of Notes to Consolidated Financial Statements for a description of acquisitions and dispositions.

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

DOW JONES & COMPANY, INC. (DEC.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net income in 1991 of $72.2 million, or $.71 per share, declined $34.7 million or 32.5%, from 1990 net income of $106.9 million, or $1.06 per share. Earnings in 1990 decreased 66.3% from 1989 earnings of $317 million, or $3.15 per share.

Included in 1991 results was an after-tax charge of $31.8 million, or $.32 per share, from the write-down of goodwill, capitalized development costs and equipment associated with The Trading Service (TTS), the company's foreign exchange trading service. Excluding the TTS write-down, earnings of $104 million, or $1.03 per share, would have been down $2.9 million, or 2.7%, from the $106.9 million, or $1.06 per share, earned in 1990.

The $2.9 million reduction in 1991 earnings, adjusted to remove the TTS write-down, was primarily attributable to a nonrecurring income tax benefit of $12.9 million recorded

in 1990, partly offset in the same year by severance costs and the write-down of equipment totaling $6.9 million after taxes. Most of the 1990 benefit resulted from the favorable settlement of a tax issue that arose in 1985. Net income in 1991 also benefited from a $14.3 million, or 25.8%, drop in interest expense.

Operating income in 1991 grew $11.5 million, or 5%, on the strength of a 14.3% increase at the information services segment. Operating income at the business publications and community newspapers segments declined primarily as a result of a fall-off in advertising revenue.

Earnings in 1989 reflected an after-tax gain of $164.1 million, or $1.63 per share, from the sale of an investment. Earnings in 1990 would have dropped $45.9 million, or 30%, from 1989's $152.9 million, or $1.52 per share, excluding the nonrecurring gain.

This $45.9 million, or $.46 per share, decline in 1990 earnings from 1989 net income was due to a number of factors. Net income in 1990 was reduced $.44 per share by combined interest costs and goodwill amortization resulting from the November 1989 and January 1990 purchases of the remaining balance of Telerate, Inc. Also contributing to 1990's earnings decrease were downturns in operating income at the company's information services, business publications and community newspapers segments, offset in part by recording 100% of Telerate's earnings in 1990, whereas in 1989 a portion of Telerate's earnings was allocated to minority interests.

In November 1989 Dow Jones increased its 67% interest in Telerate, Inc. to approximately 92% through its tender offer for Telerate shares. These investments totaled $676.1 million including expenses. In January 1990 the company began to consolidate TTS revenues and expenses. Previously the company's share of TTS losses was not included in operating income because the investment was accounted for by the equity method.

A summary of the results of operations of each of the company's principal business segments can be found in Note 16 to the financial statements.

Operating Income

Consolidated operating income in 1991 was $240.7 million, an increase of $11.5 million, or 5%, from 1990. Operating income was $229.2 million in 1990, down 31.7% from $335.5 million in 1989. The consolidated operating margin was 14% in 1991, 13.3% in 1990, and 19.9% in 1989.

Operating income at the information services segment, which includes Telerate and Dow Jones' Information Services Group, was $147.6 million in 1991, an increase of $18.5 million, or 14.3%, from the preceding year. Telerate operating income increased 22% from 1990 on the continuing strength of its overseas revenue. Operating income for the Dow Jones Information Services Group, which includes the Dow Jones News Service and Dow Jones News/Retrieval, was up 8.1%.

Operating income in 1990 at the information services segment decreased $84.9 million, or 39.7%, from 1989. Beginning in 1990, The Trading Service's losses were included in operating income, whereas in 1989 The Trading Service's losses were included in equity in losses of associated companies. Also adversely affecting 1990 information services operating income was additional goodwill amortization resulting from the November 1989 and January 1990 purchases of Telerate, Inc. stock. Telerate revenues in North America were impacted by the retrenchments taking place at major financial services and investment firms as well as the slowdown taking place in the economy, and the shakeout in the savings and loan industry.

In 1990 operating income for Dow Jones' Information Services Group was down 4.4%. The Group's operating income had risen in each of the prior five years.

Business publications operating income in 1991 was $81.5 million, down $2.3 million, or 2.7%, following declines of 16.3% in 1990 and 11.4% in 1989. Revenue in 1991 fell $13 million, or 1.7%. However, operating expenses decreased $10.8 million, or 1.6%, due to stringent cost controls and a reduction in newsprint expense. Advertising linage at The Wall Street Journal decreased 10.3% in 1991, reflecting the continuing downturn in general advertising occurring throughout the newspaper and magazine publishing industries, and the continuing fall-off in classified advertising. Advertising also was hurt in 1991's first quarter by the economic uncertainties associated with the Persian Gulf war.

Operating income of the community newspapers segment declined $4.5 million, or 14.2%, from $31.4 million in 1990 because of the same advertising downturns mentioned above. Operating income in 1990 dropped $8.5 million, or 21.4%, from the prior year. In 1989 community newspapers operating income fell 8%.

Revenues

Consolidated revenues increased $5 million, or 0.3%, in 1991 and $32.2 million, or 1.9%, in 1990, compared with the respective prior years. Advertising revenue declined $35.9 million, or 5.4%, to $624.6 million in 1991. Advertising revenue in 1990 was off $25.9 million, or 3.8%, from 1989. Circulation revenue increased $13.2 million, or 4.4%, in 1991 to $316.2 million. In 1990 circulation revenue rose 5.3% to $302.9 million.

Information services revenue increased $25.6 million, or 3.5%, in 1991 to $762 million. In 1990 revenue from this segment increased $40.2 million, or 5.8%, to $736.4 million from $696.2 million. Revenue at Telerate grew 4.2% in 1991 reflecting strong growth in its European and Asian markets which offset flat results in North American operations. In 1990 and 1989 Telerate revenue grew 7.5% and 14.9%, respectively. Dow Jones' Information Services Group posted revenue increases of 3% in 1991, 5.1% in 1990 and 9.7% in 1989.

Business publications 1991 revenues were down $13 million, or 1.7%, compared with 1990. Business publications 1990 revenues slipped $4.1 million, or 0.5%, from $753.1 million in 1989. Advertising linage at The Wall Street Journal, the largest component of the business publications segment declined 10.3% in 1991 following declines of 9.7% in 1990 and 8% in 1989. The decrease in 1991 advertising linage was primarily attributable to a fall-off in general and classified advertising. Linage was hurt by the effects of the Persian Gulf war, which was the primary reason first-quarter 1991 linage fell 21.2%. In the fourth quarter the rate of decline dropped significantly to 0.7% on the strength of a marked improvement in financial advertising.

The declines in the 1989 to 1990 period chiefly reflect retrenchments in financial advertising. Financial advertising comprised 28.5% of total advertising in 1991, 27% in 1990 and 30% in 1989, compared with its peak of 39% in 1987. Journal advertising rates were increased an average of 6% in 1991, 5.5% in 1990 and 6.5% in 1989.

Wall Street Journal attained circulation at December 31, 1991, was 1,827,200, down 4.9% from 1990, partly as a result of a retail cover price increase of 50% from 50 cents to 75 cents per copy in December 1990. Also adversely impacting circulation was the continued restructuring in the financial services industries. Including the Journal's European and Asian editions, world-wide attained circulation at December 31, 1991, was 1,921,500. Barron's attained circulation at December 31, 1991, was down 1.5% from 1990, to 237,700. In 1990 Journal circulation fell 1.6% and Barron's attained circulation was down 2.2% from the prior year end.

Revenue at Ottaway Newspapers, Inc., the company's community newspaper subsidiary, declined $7.6 million, or 3.2%, in 1991, compared with the prior year. In 1990 revenue was off 1.6% after growing 3% in 1989. Advertising revenue decreased $12 million, or 7%, in 1991 following a fall-off in 1990 of $6.2 million, or 3.5%, from its peak in 1989. Advertising linage fell 11.9% in 1991, 7.2% in 1990 and 3% in 1989. The decreases in the past three years reflect industry wide weakness in retail and classified advertising.

Prior to 1989 this segment's advertising linage had risen in each year since 1982. Circulation revenue increased $4.2 million, or 7.2%, in 1991, following a $3.3 million, or 5.9%, increase in 1990. Average circulation for Ottaway's daily newspapers for the quarter ended December 31, 1991 was 565,500, versus 572,400 in 1990.

Operating Expenses

Consolidated operating expenses decreased $6.5 million, or 0.4%, in 1991, compared with an increase of $138.5 million, or 10.2%, in 1990. The drop in 1991 operating expenses reflected company-wide cost-containment efforts and lower newsprint expense. A significant portion of the 1990 increase resulted from the consolidation of TTS for the first time in 1990, additional amortization of goodwill, and severance charges of $6.5 million incurred in the fourth quarter resulting from the company's cost-containment efforts.

Information services expenses were up just $7.1 million, or 1.2%, in 1991 versus the year-earlier period. Operating expenses at Telerate grew $10.8 million, or 2.3%, in 1991 compared to the prior-year period. The increase was mainly attributable to additional costs to outside information providers. Dow Jones' Information Services Group expenses decreased 0.3% in 1991.

In 1990 information services operating expenses rose $125.2 million, or 26%, accounting for approximately 90% of the increase in consolidated expenses. Contributing to the 1990 increase in this segment's costs was the inclusion of The Trading Service in operating expenses. In 1989 these costs were recorded as equity in losses of associated companies. In addition, goodwill amortization resulting from the late 1989 and early January 1990 purchases of Telerate, Inc. stock contributed to the increase. Excluding TTS's operating expenses and goodwill amortization, information services expenses in 1990 were up 15.6% from 1989. Depreciation expense for the information services segment was $87.7 million in 1990, a 31.4% increase over 1989. Consolidated amortization of excess of cost over net assets acquired, principally relating to the Telerate, Inc. acquisition, amounted to $40.9 million in 1990, up from $27.4 million in 1989.

In 1990 Dow Jones' Information Services Group expenses increased 11.2% chiefly due to expansion of services and distribution networks, and a full year of costs associated with products introduced during 1989.

Business publications expenses were down $10.8 million, or 1.6%, in 1991 after rising just 1.9% in 1990. The drop in 1991 expenses reflected te effects of lower newsprint expense and continued cost-control efforts partly offset by increased second class postage. A 7.3% decline in newsprint consumption caused newsprint expense to fall 7.5%. In February 1991 second class postage rates for the Journal increased about 23%. The number of business publication full-time employees at year-end 1991 was 4.5% fewer than at the end of 1990.

Community newspapers expenses were down $3.1 million, or 1.5%, in 1991 compared to the year-earlier period largely due to lower newsprint expense and cost controls. Operating expenses in 1990 were up 2.3% over 1989. The slight increase in 1990 primarily resulted from increases in salaries and benefits, moderated by lower newsprint costs and the effects of cost-containment efforts.

In 1991 Dow Jones' purchases of recycled newsprint reached 11.5% of total purchases, up from 2.5% in 1990 and 1.5% in 1989. The company expects purchases of recycled newsprint to increase in 1992.

Salaries and wages were 29% of consolidated operating expenses in 1991 and 1990 and 28% in 1989. Salaries and wages increased just 1.4% in 1991. In 1990 and 1989 salaries and wages rose 14% and 7.7%, respectively. At December 31, 1991, the company employed 9,459 full-time employees, compared with 9,677 at year-end 1990 and 9,818 at year-end 1989.

Dow Jones and the Dow Jones Foundation made public-interest and charitable contributions in 1991 totaling $2.3 million, which was approximately 1.5% of consolidated earnings before taxes and 3.2% of consolidated earnings after taxes.

Other Income/Deductions

Interest expense of $41.2 million decreased $14.3 million, or 25.8%, from 1990 as a result of a lower average debt level and lower interest rates on commercial paper. Long-term debt outstanding averaged $531.4 million during 1991 compared to $656.1 million for 1990.

Equity in earnings of associated companies was $3.9 million in 1991 compared with $6.8 million in the prior year and losses of $44.3 million in 1989. Equity earnings from the company's newsprint mill affiliates declined $2.8 million in 1991, reflecting the softness in the newsprint industry, and the resulting lower newsprint prices, which is primarily attributable to the fall-off in advertising experienced by the newspaper industry.

In 1989 the company's share of start-up losses of The Trading Service was included in equity in losses of associated companies. In December 1989 the company acquired the remaining 50% interest in TTS that it did not already own. In connection with the purchase, the company assumed certain obligations that had previously been reflected as due from the other partner, resulting in equity losses of $22.8 million in 1989. As of December 28, 1989, TTS has been operated as a wholly-owned subsidiary.

In the fourth quarter of 1991 the company determined that certain assets of TTS, its foreign exchange trading

service, should be written down. This write-down resulted in a nonrecurring charge of approximately $45 million ($31.8 million after taxes). Included in this charge was an $11.3 million write-down of goodwill and $33.7 million ($20.5 million after taxes) related to capitalized development costs and equipment.

Income Taxes

The effective federal and state income tax rate was 54.7% in 1991, 41.2% in 1990, and 40.2% in 1989. The higher effective rate in 1991 partially resulted from the disproportionate impact of ongoing nondeductible goodwill amortization on lower pretax earnings, and the write-down of $11.3 million in nondeductible goodwill mentioned previously.

The company recorded nonrecurring tax benefits of $12.9 million and $12.2 million in 1990 and 1989, respectively. Most of the 1990 benefit resulted from the favorable settlement of a tax issue that arose in 1985. The $12.2 million credit in 1989 resulted from the reversal of income tax expense previously accrued by the company on its share of Telerate earnings. These taxes do not have to be paid now that Telerate is included in the company's consolidated federal income tax return. The effective income tax rate in 1991, 1990 and 1989 would have been 40.9%, 39.5% and 40.4%, if goodwill amortization, the TTS write-down in 1991 and nonrecurring tax benefits in 1990 and 1989 were excluded.

Statement of Financial Accounting Standards No. 109 (SFAS No. 109), "Accounting for Income Taxes," mandates a change in accounting for income taxes from the current income statement-based deferred method to a balance sheet-based liability method. Implementation of SFAS No. 109 is required to be adopted by 1993. The extent of the impact on income when the standard is implemented will depend upon the year of adoption (early adoption is permitted) and the method of implementation (cumulative adjustment or restatement of prior periods), which have not yet been determined. If a cumulative adjustment is made, a positive contribution to net income is expected.

Business Combinations and Investments

During 1990, the company spent an aggregate of $3.8 million to acquire 100% of Sample Publishing Company and The Inquirer and Mirror, Inc., publishers of weekly community newspapers in Garner, North Carolina, and Nantucket, Massachusetts, respectively.

Financial Position

Cash provided by operations in 1991 was $345.2 million compared to $278.2 million in 1990, an increase of 24.1%. Cash generated by operations enabled the company to pay dividends of $76.8 million and fund capital expenditures of $106 million in 1991. The company also repaid $160.2 million in long-term debt. In 1990 the company made capital expenditures of $123.4 million. The drop in 1991 capital spending reflects the company's emphasis on repaying long-term debt. At the end of 1991 the company's cash and cash equivalents balance totaled $36 million versus $18.3 million at year-end 1990.

At December 31, 1991, the company had outstanding $448 million in long-term debt, excluding current maturities, primarily related to the acquisition of Telerate, Inc. shares in late 1989 and early 1990. The debt-to-equity ratio at December 31, 1991, was 31.2%, compared with 42.3% at the prior year end and 51.2% at year-end 1989. In February 1991 the company issued $100 million of 7.7% notes due February 1, 1994. The notes are general unsecured obligations of the company and may not be redeemed prior to maturity. The proceeds were used to repay a portion of the company's commercial paper borrowings.

In 1992 the company expects to be able to meet its normal recurring operating commitments, to fund estimated capital expenditures of $100 million, to pay dividends of about $77 million and to repay a significant portion of its long-term debt, all with cash provided by operations.

Working capital, excluding unearned revenue, was 1.0 to 1 at December 31, 1991, compared with 1.1 to 1 at December 31, 1990. Return on equity decreased to 5% in 1991, reflecting The Trading Service write-down, from 7.4% in 1990 and 22.6% in 1989. Return on equity in 1989 was high due to a gain on the sale of an investment. The dividend payout ratio increased to 106.3% from 71.7% in 1990. The 1991 and 1990 dividend payout ratios were inflated due to the previously mentioned $32 million after-tax charge in 1991 and a 66.3% decline in net income in 1990. The average payout for the five-year period ended 1991 was 52.1%.

Outlook

The Wall Street Journal's advertising sales may continue to be depressed in 1992 by the slowdown in the national economy. However, advertising linage in 1992 is not expected to be down in the 10% range of 1991 and 1990. Journal linage was down 0.7% in 1991's fourth quarter after falling 21.2% in the first quarter and 13.1% in the first nine months, both of which reflected the adverse impact of the Persian Gulf war.

Journal advertising rates were raised, effective January 2, 1992, 4.1% for the national edition and up to 6.1% for regional and localized editions.

While soft advertising linage may continue for the community newspapers segment, a decrease in the rate of decline is expected by mid-1992, and will be partly offset by rate increases.

Dow Jones' Information Services Group and Telerate's North American operations will continue to be affected by the general slowdown in the national economy. Outside of North America, Telerate's basic services are expected to remain strong. Information services segment operating income will benefit from the 1991 write-down of TTS assets.

During 1990 the company negotiated a new contract with its major union, which covers approximately 20% of the company's employees. The contract runs from February 1, 1990, to January 31, 1993. Wage scales under this contract, which increased approximately 5.5% in 1990, and about 5% in 1991, will increase an estimated 5% in 1992.

In response to the industry-wide slump in advertising and financial markets, the company instituted stronger cost-control measures in the fourth quarter of 1990. The company continues to monitor and maintain these cost controls.

During 1992 interest expense is expected to decline as a result of the company's intention to continue to reduce debt in the absence of a major acquisition. Interest expense should total between $32 million and $35 million, depending upon interest rate movements. Interest expense was $41.2 million in 1991 and $55.5 million in 1990.

In December 1990 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106 (SFAS No. 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions", which provides

for a change in the company's current accounting practice by requiring accrual, during the years that the employee renders service, of the expected cost of providing postretirement benefits. Implementation of SFAS No. 106 will be required generally by 1993, although earlier adoption is permitted.

SFAS No. 106 provides for alternate methods of recognizing the transition obligation (the unrecognized accumulated postretirement benefit obligation for active employees) associated with the adoption of this standard; those being either immediate recognition or recognition on a delayed basis over the plan participants' future service periods. The company has provided upon retirement an estimate of the future cost of postretirement benefits for those retirees currently receiving these benefits.

While the company has not decided upon the method or period of adoption, it believes that under either method of adoption the annual expense will be in excess of the current cost for retirees.

ENGELHARD CORPORATION (DEC)

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

Overview

The Company's net earnings for 1991 were $87.9 million, up 25 percent, with cost savings generated by the Company-wide restructuring benefitting all businesses. The net loss of ($77.5) million in 1989 included an after tax provision of $160.4 million for restructuring the Company's operations as well as an after tax gain of $21.5 million from the public sale of a portion of the stock of the Company's Japanese affiliate.

Both the decrease in 1991 net sales to $2.4 billion and the increase in 1990 to $2.9 billion from $2.4 billion in 1989 were attributable to the Engineered Materials and Precious Metals Management segment.

Restructuring/1989 Special Charge

In 1989, the Company provided a special charge of $237 million ($160.4 million after tax) for exiting certain businesses and sites and for restructuring ongoing operations with an emphasis on effective cost management. Implementation of this plan began in 1990 and, in 1991, cost savings realized exceeded the original $30 million target and resulted from actions taken to eliminate salaried positions, realign business units and reduce working capital. The Company is continuing its emphasis on cost management and, in 1992 began a formal program aimed at further reducing manufacturing costs and improving productivity. In the following discussion of the Company's business segments, the 1989 results exclude the impact of the special charge.

Catalysts and Chemicals

The Catalysts and Chemicals segment develops, manufactures and markets a wide range of catalysts, chemical products and process technologies for the automotive, aircraft, industrial power generation, process, petroleum refining, chemical, petrochemical, pharmaceutical and food processing industries.

Results of operations

(in millions)	1991	1990	1989
Net sales	$459.9	$446.8	$452.8
Operating earnings	55.8	44.6	43.1
Special charge	—	—	(82.2)

1991 compared with 1990

In 1991, the Catalysts and Chemicals segment generated a 25 percent increase in operating earnings while sales increased slightly over the prior year. Significantly higher earnings from the Environmental and Petroleum Catalysts Groups were offset partially by lower results from the Chemical Catalysts Group.

The Environmental Catalysts Group benefitted from higher worldwide sales of catalysts to the automotive industry. The Petroleum Catalysts Group realized higher average pricing and favorable product mix for fluid cracking catalysts during the year and strong moving bed catalysts volume in the first half of the year. Earnings for the Chemical Catalysts Group declined primarily as a result of the impact of the United States recession on the chemical, construction and automotive industries and less favorable annual physical inventory results.

1990 compared with 1989

Operating earnings in 1990 increased three percent on slightly lower net sales. The Environmental and Chemical Catalysts Groups reported higher operating earnings reflecting, in part, more favorable annual physical inventory results. The Environmental Catalysts Group also benefitted from higher shipments of auto catalysts to U.S.-based Japanese customers, partially offset by lower sales of catalysts to the aircraft market. The Petroleum Catalysts Group earnings were down significantly due to reduced volume and pricing resulting from very competitive conditions in the United States market and higher costs at its new European production facility.

1989 compared with 1988

Operating earnings declined 31 percent in 1989 on a sales increase of 12 percent. The impact of competitive market conditions, higher costs related to the start-up of a European production facility and an unfavorable product mix in the Petroleum Catalysts Group more than offset the improved results from the Chemical Catalysts Group, which included the former Harshaw operations for a full year, stronger demand for its base metal and precious metal catalysts and reduced costs at its South Carolina manufacturing facility. 1988 included the benefit of a $6 million special payment associated with a renegotiated, long-term contract and certain nonperiod items.

Outlook

We expect improvement in all business groups in 1992. The European auto catalysts market growth should continue. We have increased ownership in our German affiliate to 100 percent and will add substantial capacity with a new plant (See "Other Matters"). In the petroleum catalyst market, conditions have improved as anticipated and we believe that the favorable trend should continue. While we do not anticipate an easing of the economic pressures on the end markets of our Chemical Catalysts Group, we expect this business to expand its market base by commercializing new products. All groups could be adversely impacted by a continuing recession.

Pigments and Additives

The Pigments and Additives segment develops, manufactures and markets coating and extender pigments for the paper industry and pigments and additives, thickeners and absorbents for the plastics, coatings, paint and allied industries.

Most of the minerals used by the Pigments and Additives segment are mined by the Company from reserves it owns or has under long-term leases. The Company has sufficient mineral reserves for its operations.

Results of operations

(in millions)	1991	1990	1989
Net sales	$349.2	$360.2	$360.3
Operating earnings	54.8	55.2	53.0
Special charge	—	—	(21.7)

1991 compared with 1990

In 1991, the Pigments and Additives segment reported slightly lower sales and operating earnings. A small decline in the Specialty Minerals and Colors Group offset higher operating earnings from the Paper Pigments and Chemicals Group.

In the Specialty Minerals and Colors Group, favorable pricing was offset by lower volumes due to weakness in end-use markets. The Paper Pigments and Chemicals Group increased its earnings due to lower production and operating costs, despite the overall weakness of the worldwide paper industry, which resulted in lower volumes and pricing for both coated and uncoated paper pigments.

1990 compared with 1989

Net sales decreased slightly while operating earnings increased four percent. The increase in operating earnings was due to improved results for the Specialty Minerals and Colors Group, which had higher sales of pigments and extenders to the plastics, coatings and paint markets and additives to the pharmaceutical industry. Earnings decreased for the Paper Pigments and Chemicals Group because lower pricing, resulting from very competitive market conditions, more than offset the benefit of cost savings.

1989 compared with 1988

Operating earnings increased 19 percent on a net sales increase of 12 percent principally due to higher prices, favorable product mix, lower manufacturing costs for paper pigments and chemicals and the inclusion of the Harshaw colors business for the full year, partially offset by higher distribution and research and development expenses.

Outlook

As expected, the market pressures affecting the Paper Pigments and Chemicals Group in 1991 are forecast to continue into 1992 although the coated paper market could be stronger. We expect moderate growth in 1992 for the Specialty Minerals and Colors Group from recovery in end-use markets, introduction of new products and penetration of new market segments; however, a continuation of present economic conditions would negatively impact these businesses.

Engineered Materials and Precious Metals Management

The Engineered Materials and Precious Metals Management segment develops, manufactures and markets precious metal products and coatings for a broad spectrum of industries and is engaged in refining and in precious metal dealing and management.

Results of operations

(in millions)	1991	1990	1989
Net sales	$1,627.3	$2,135.2	$1,589.9
Operating earnings	47.8	40.9	25.6
Special charge	—	—	(104.0)

Precious metals are significant component of sales if the metal has been supplied by the Company for the manufacture of a product. In such cases, precious metals market price fluctuations can result in material variations in sales. The Company also has arrangements where customers supply the precious metals for the manufactured product, and, in these arrangements, precious metal values are not reflected in sales. The mix of such arrangements and the extent of market price fluctuations significantly impact the level of sales reported while not usually having a direct effect on earnings, because purchases and sales of precious metals are generally hedged.

1991 compared with 1990

Net sales for 1991 declined 24 percent while operating earnings increased 17 percent. The decline in net sales was principally caused by lower precious metal volumes and prices and the absence of sales from businesses sold or now operated as part of a joint venture. Both the Engineered Materials and the Precious Metals Management Groups reported higher operating earnings for the year.

In the Engineered Materials Group, earnings improved significantly as cost reductions continued to offset lower industrial products and jewelry volumes. The Precious Metals Management Group had higher earnings as a result of transaction timing and favorable market conditions.

1990 compared with 1989

The Precious Metals Management Group generated most of the 34 percent increase in the segment's sales in 1990 reflecting an expanded business base and favorable precious metal market conditions.

Operating earnings in 1990 increased 60 percent attributable to higher sales by the Precious Metals Management Group partially offset by lower earnings of the Engineered Materials Group reflecting softness in construction, automotive and capital goods markets.

1989 compared with 1988

The slight decrease in 1989 net sales resulted from lower precious metal prices partially offset by the inclusion of the Harshaw Chemicals Business for a full year.

The 41 percent increase in operating earnings was due to improved results in electronics, precious metals refining and precious metals management services partially offset by significantly lower earnings of the platinum group metal fabrication business due to competitive pressures, higher manufacturing costs and softness in construction and capital goods markets.

Outlook

Although we expect continued growth in the business base of the Precious Metals Management Group, market conditions may not be as favorable in 1992. The Engineered Materials Group will continue to be challenged by the economic and competitive pressures that affected 1991, however, additional efficiencies will be a positive factor in 1992.

Equity Earnings, Interest and Taxes

Equity in earnings of affiliates increased to $5.0 million in 1991 from $1.7 million in 1990, which was down significantly from $6.6 million in 1989. The 1991 results include M&T Harshaw, a joint venture established at the end of 1990. The decrease in equity earnings in 1990 was due primarily to a decline in the market value of certain investments held by an affiliate, a reduction in the Company's equity interest in that affiliate and the impact of higher financing costs at another.

Net interest expense has been reduced to $21.7 million in 1991 from $25.8 million in 1990 and $28.5 million in 1989. Gross interest expense and offsetting contango income, which are components of net interest expense, reflect the extent of precious metals financed by spot and forward transactions during each year. The lower net interest expense in 1991 resulted from the Company's planned debt reductions while the 1990 decrease reflected more favorable financing arrangements. The increase in net interest expense for 1989 was primarily attributable to financing costs related to the 1988 Harshaw Chemicals Business acquisition. Interest income, included as a component of net sales, was $6.5 million, $5.7 million and $5.6 million for the years ended December 31, 1991, 1990 and 1989, respectively.

The effective tax rate (benefit) was 25.2 percent in 1991, 25.0 percent in 1990 and (38.7) percent in 1989. Excluding the tax benefit related to the special charge, the Company's effective tax rate is comparable for all periods.

Investments and Divestitures

In 1991, the Company realized cash proceeds of $7.1 million from the sale of certain assets and technology related to its electrical contact and liquid gold businesses. An additional $2.0 million is expected to be realized in 1992. In 1990, the Company realized $17.0 million in cash proceeds from the sale of its crystals and electronics business and entered into a base-metal plating joint venture with Atochem North America, Inc. These transactions resulted from the Company's restructuring actions. (See "Restructuring/1989 Special Charge").

In 1989, as a result of the public sale of a portion of the stock of its Japanese affiliate, N.E. Chemcat Corporation, the Company realized cash proceeds of $28.3 million and a pretax gain of $35.4 million ($21.5 million after tax).

Liquidity and Capital Resources

At December 31, 1991, the Company's ratio of current assets to current liabilities increased to 1.5 times from 1.3 times a year earlier and its working capital was $197.5 million, more than 50 percent higher than the year earlier level. In addition, the market value of the Company's precious metal exceeded its carrying cost by $108 million at December 31, 1991.

Typically, short-term borrowings are used to finance precious metals in excess of the Company's owned inventories needed for manufacturing and refining operations, as well as for precious metal dealing activities. Such metals, when purchased, are normally hedged, frequently with futures or forward sales contracts, such that the Company is not at risk for subsequent price fluctuations. Short-term borrowings are reduced as products are delivered to customers or forward contracts are closed out.

The Company's total debt to total capital ratio declined to 15 percent at December 31, 1991, from 22 percent at December 31, 1989. The Company currently has available $580 million in revolving credit facilities. The Company also has authorization from its Board of Directors to issue up to $200 million of commercial paper and has uncommitted lines of short-term credit exceeding $700 million. Management believes that the Company will continue to have adequate access to short-term and long-term credit and capital markets to meet its needs for the foreseeable future.

During the past three-year period, the Company has generated sufficient cash from operations to fund working capital requirements, support capital projects, sustain an increasing rate of dividends paid and significantly reduce outstanding debt. The Company anticipates that cash flows will be adequate in 1992 to fund operational requirements.

Capital Expenditures and Commitments

Capital projects designed to maintain capacity, expand operations, improve operational efficiency or protect the environment amounted to $46.3 million in 1991, down from $58.9 million and $87.2 million in 1990 and 1989, respectively. Capital expenditures in 1992 are projected to approximate $80 million, including a new automotive catalyst production facility in Germany (See "Other Matters").

Effect of Foreign Currency Translation

Currency exchange rate fluctuations did not have a significant effect on the results of foreign operations. Worldwide, precious metals transactions are generally not impacted by foreign currency rate fluctuations because they are denominated in U.S. dollars.

Other Matters

The Company announced early in 1992 that it had acquired the remaining 50 percent of Engelhard Kali-Chemie GmbH, an auto catalyst manufacturer and marketer in Germany, and planned to invest $25 million in a new German production facility. This acquisition and the new production facility, scheduled for completion in 1993, will enable the Company to increase its presence in the growing European auto catalyst market.

The Company has not yet adopted the provisions of two standards issued by the Financial Accounting Standards Board. Statement No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" was issued in December 1990 with adoption required by the Company in 1993. Based on a study by the Company's actuaries and considering amendments to be enacted, the Company estimates that, upon adoption, its annual expense for postretirement employee benefits other than pensions will be 1½ to 2 times that recognized on a pay-as-you-go basis and its tax-affected accumulated postretirement benefit obligation will range between $45 and $90 million. Statement No. 109 "Accounting for Income Taxes" was issued in early 1992. The Company expects to adopt the standard in 1993 and, based on its current evaluation, anticipates no material impact.

GRUMMAN CORPORATION (DEC)

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

This discussion supplements the detailed information presented in the consolidated financial statements and notes to consolidated financial statement which begin on Page 32.

Financial condition

The company's liquidity position improved significantly in 1991. At December 31, 1991, debt net of marketable securities totaled $502 million compared with $728 million at December 31, 1990. This improvement of $226 million was attributable principally to lower inventories and receivables of $196 million, and other aggressive steps taken to improve cash flow.

The company's financing needs were met by internally generated funds and its credit lines. At December 31, 1991, the company had available to it an aggregate of $560 million under its credit agreement and short-term credit lines with various banks, of which $250 million had been borrowed. During 1992 the company expects to continue to utilize these credit lines to the extent necessary to support working capital requirements (see Note 7 of the notes to consolidated financial statements). Inventories continued to decrease as a result of higher progress payment rates, delivery of production aircraft and improved inventory management. Income tax payments continue to be accelerated in 1992 as a result of the changes made to the completed contract method of accounting by the Tax Reform Act of 1986.

Capital expenditures totaled $55 million in 1991, an increase of $5 million from the prior year.

At December 31, 1991, the ratio of debt to capital (debt plus shareholders' equity) was 42 percent as compared with 47 percent at December 31, 1990.

Future operations

As reported previously, the fiscal year 1992 defense budget does not contain funds for new or remanufactured F-14s. The last new F-14 will be delivered in mid-1992 while the last remanufactured F-14 is scheduled for delivery in 1993. In 1991, F-14 program sales were about 23 percent of the company's total consolidated sales.

The fiscal year 1993 budget, proposed by the Department of Defense, does not contain funding for E-2C aircraft. When finalized, the budget may contain many changes, including the possible delaying and scaling back of new programs. At the present time there are several potential foreign customers for the E-2C and it would be economically beneficial to the Department of Defense to have funding for domestic deliveries included in the final 1993 budget. In 1991, sales of the domestic E-2C program approximated 11 percent of total consolidated sales.

It is our belief that as military budgets continue to shrink, substantial refurbishment of weapon systems already in inventory will be required. Grumman is capable of performing this work. Although it is possible this may occur, and Grumman would be an effective contractor, we have no assurance that the Department of Defense will follow this course of action, and if it does, whether it will choose Grumman to perform this type of service.

The company is teamed with Boeing and Lockheed in competing for the A-X aircraft program, which will be the Navy's replacement for Grumman's A-6 Intruder. Grumman, as prime, has been awarded one of five $20 million concept exploration contracts. In early 1993, the Navy will select one contracting team to perform the demonstration and validation phase which will then lead to production. Grumman is teamed with the aerospace company Gruppo Agusta of Milan, Italy, in competition to build the new Joint Primary Aircraft Trainer System (JPATS). This contract will be awarded in 1994 and could range from $5 to $6 billion in sales of more than 800 aircraft, ground-based training systems and support. The competition for both of these programs is very intense, and it is impossible to predict the ultimate winner of these contracts.

In September 1991, the company and TRW Inc. teamed to compete for the U.S. Air Force's Follow-on Early Warning System (FEWS). The company, which will be the principal subcontractor to TRW, established a new subsidiary, Grumman Sensor Systems, Inc., for FEWS and other sensor applications. TRW will make significant investments in capital and equipment and hold a minority equity position in Grumman Sensor Systems, Inc.

The effects of inflation on selected financial data have been excluded from this report. Most of the company's products and services are acquired under binding long-term contracts with its customers, principally the U.S. government. These contracts are priced on the basis of estimated costs to complete that include projected inflation factors. Additionally, some of these contracts include cost escalation clauses that reduce the risk of inflation inherent in the performance of these tasks over prolonged periods of time. For these reasons, the impact of inflation on the company is minimized to a large extent.

Results of operations

1991 Compared with 1990

Consolidated sales for 1991 totalled $4.038 billion, a slight decrease from $4.041 billion in 1990. Net income in 1991 amounted to $99.3 million or $2.88 per share, an increase of $13.8 million or $.40 per share over the 1990 totals.

In the first quarter of 1991, a charge of $46.5 million against operating income was recorded for the settlement of claims against the bankrupt Tracor Aviation Inc. resulting from its work on Grumman's prime contract for the modernization of S-2(T) aircraft for Taiwan. In the first quarter, $30.7 million of tax reserves no longer required was released and included in income.

Interest expense in 1991 was $13.6 million lower than in 1990 as both total borrowings and interest rates were lower in 1991. Total debt was down $60 million to a level of $722 million at year end. As an additional improvement in liquidity, cash and marketable securities were $170 million higher than year-earlier levels.

Other pertinent comments by the company's principal business segments follow:

Aerospace sales in 1991 decreased $27 million or 1 percent to $2.90 billion. Excluding the aforementioned $46.5 million charge, operating income increased $9 million or 6 percent, which was the result of improved margins on defense industry sales, primarily the F-14 program.

Aircraft deliveries for the past three years were:

Aircraft Program	1991	1990	1989
F-14D	14	13	—
F-14D/R (Remanufactured)	2	—	—
F-14A (PLUS)	—	2	17
E-2C	6	7	6
EA-6B	6	13	12
A-6E	9	—	8

In 1992 the following deliveries are scheduled: 10 F-14D's, seven F-14D/R's, four F-14 remanufacture upgrade kits, eight E-2C's and one A-6E.

Electronics systems sales in 1991 increased $12 million or 3 percent to $505 million, and operating income increased $.8 million or 6 percent to $14 million. The sales increase was due to higher revenues for the U.S. Air Force/ Army Joint STARS radar aircraft program. The increased operating income was due principally to improved margins on simulation and trainer sales.

Sales in the information and other services segment increased $44 million or 7 percent to $686 million, and operating profits increased $4 million or 10 percent to $38 million. The sales increase was due primarily to new business generated in the technical support service operations. The improvement in operating income is attributable to the loss recorded in 1990 on a foreign technical support program.

In the special purpose vehicles segment, 1991 sales decreased $25 million or 6 percent, and operating income decreased $4 million or 15 percent. The continued strong performance of the U.S. Postal Service delivery van (LLV) program did not offset the sales decrease resulting from the continued soft market for the company's aluminum truck bodies. The operating income decrease reflected the lower sales and a $4 million charge related to the company's decision to withdraw from the emergency vehicles business.

1990 Compared with 1989

Sales for 1990 were $4.041 billion, an increase of $482 million or 13.6 percent from the 1989 total. The sales increase was principally due to F-14 program as deliveries of the F-14D model began along with the recoupement of related non-recurring efforts. Net income in 1990 increased 27 percent to $85.6 million or $2.48 per share, principally the result of increased profits on the F-14D and the postal delivery truck programs.

Interest expense in 1990 decreased $6.5 million due to reduced borrowings. At the end of 1990, total debt was $167 million lower than in 1989.

Other pertinent comments by the company's principal business segments follow:

Aerospace sales in 1990 increased $390 million or 15 percent to $2.9 billion. The increased sales on the F-14 program, ($240 million) and the E-2C program, ($31 million) were partially offset by decreased EA-6B, C-2A, and A-6 program sales, ($99 million). Commercial subcontract and military aircraft support sales increased $61 million. Operating income for 1990 increased approximately $25 million or 19 percent to $157 million as a result of the sales increase.

Electronics systems sales in 1990 increased $47 million or 11 percent to $493 million, and operating income increased $5 million or 56 percent to $13 million. Sales increased due to more test equipment and trainer deliveries. These increases were partially offset by lower revenues for the U.S. Air Force/Army Joint STARS radar aircraft program. Joint STARS revenues were down in accordance with the government's spending plan for the development and test program. The increased operating income was due principally to 1989 having included a $7.5 million loss from discontinuing a business unit that made gallium arsenide electronic components.

Sales in the information and other services segment increased $53 million or 9 percent to $643 million while operating profits of $34 million declined 26 percent or $12 million from the comparable 1989 period. The sales increased primarily due to new business generated in the Data Systems Division's custom systems operation, while the operating income reduction was the result of the settlement of an overseas service contract, which had the effect of reducing pre-tax income by $8.5 million.

In the special vehicles segment, 1990 operating income increased $9 million or 59 percent to $25 million as a result of the continued very strong performance of the U.S. Postal Service delivery truck (LLV) program. Sales declined $9 million in this segment as a result of fewer sales of aluminum truck bodies and the disposition of the aluminum boat unit earlier in 1990. A loss of $2.8 million was recorded as a result of the disposition of the boats unit.

INTERFACE, INC. (DEC)

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

Results of Operations

During 1991, the general worldwide recession resulted in the first year-on-year sales decline in the Company's history. Early in 1991, the Company reacted to the anticipated sales decline by taking several significant steps which, due to timing, only modestly impacted 1991. The primary steps taken were (i) stringent cost control, including workforce rightsizing, (ii) seizing additional market share, particularly in the interior fabrics operation, and (iii) focusing capital expenditures in two general areas: supporting innovation and reducing costs.

These steps should significantly improve the Company's ability to cope with the current recessionary climate as well as position the Company to maximize earnings when the economic recovery begins in its major geographical markets.

The following table shows, as a percentage of net sales, certain items included in the Company's consolidated statements of income for each of the three years through the period ended December 29, 1991.

	Fiscal Year Ended		
	12-29-91	12-30-90	12-31-89
Net Sales	100.0%	100.0%	100.0%
Cost of Sales	67.7	65.9	65.7
Gross profit on sales	32.3	34.1	34.3
Selling, general and administrative expenses	25.8	24.6	23.3
Operating income	6.5	9.5	11.0
Other expense, net	4.1	3.5	4.0
Income before taxes	2.4	6.0	7.0
Taxes on income	.9	2.2	2.8
Net income	1.5%	3.8%	4.2%

Fiscal 1991 Compared with Fiscal 1990

In fiscal 1991, the Company's net sales decreased $41.7 million (6.7%) compared with fiscal 1990. The decrease was due primarily to a recessionary environment in most of the Company's major markets, which resulted in a decline in unit volume in the interior fabrics, chemicals and carpet tile businesses. The decrease in net sales was accentuated by the weakening of currencies of the Company's major foreign markets against the U.S. dollar, the Company's reporting currency. These factors were offset somewhat by increased sales volume in the Company's carpet tile operations in Germany, Southern Europe, Southeast Asia and the Middle East.

Cost of sales as a percentage of sales increased in 1991 compared with 1990, due primarily to (i) competitive price pressures in most major markets, particularly France and Japan, (ii) reduced efficiencies in the manufacturing operations, which was a result of a decline in unit volumes, and (iii) the impact of business interruption insurance proceeds, related to the May 1990 fire at the Company's carpet tile plant in the Netherlands, which reduced cost of sales in 1990.

Selling, general and administrative expenses as a percentage of sales increased in 1991 from 1990 primarily as a result of (i) increased selling costs associated with penetrating developing markets, particularly Southeast Asia, Southern Europe, Eastern Europe and Latin America, (ii) higher selling costs in the interior fabrics business due to emphasis on the U.S. refurbishment market for panel and upholstery fabrics, (iii) the incurring of significant costs associated with a reduction in the number of employees of the Company, which for 1991 somewhat offset the benefit of the reduced level of employee costs, and (iv) difficulty in pacing the 1991 cost reductions to the sales decline, thus delaying the benefit of the cost reduction efforts until 1992.

Other expense increased by $3.7 million in 1991, primarily due to certain unusual items which occurred in 1990, namely, a partial reversion of a foreign pension fund, and a gain on disposal of property and equipment resulting from a fire at the Netherlands facility. The increase in other expense was offset somewhat by a $1.9 million reduction in interest expense primarily due to a reduction in bank debt and a decline in U.S. interest rates.

As a result of the aforementioned factors, the Company's net income decreased 62.2% to $8.9 million in 1991 from $23.6 million in 1990.

Fiscal 1990 Compared with Fiscal 1989

In fiscal 1990, the Company's net sales increased $41.7 million (7.2%) over 1989. The increase was primarily due to (i) an improvement in unit volume from carpet tile operations in Continental Europe, Southeast Asia, Japan and Australia, and (ii) a strengthening of the major foreign currencies of the Company against the Company's reporting currency, the U.S. dollar, which added to the sales growth from foreign operations. These gains in sales were achieved despite (i) weakening carpet tile markets in North America and the United Kingdom primarily due to recessionary economic climates, (ii) a weakening interior fabrics business in the United States, and (iii) a fire in May 1990 which destroyed a large portion of the work-in-progress operations in the Netherlands.

Cost of sales as a percentage of sales remained constant in 1990 compared with 1989; due primarily to (i) business interruption insurance proceeds related to the Netherlands fire, (ii) increased manufacturing efficiencies, improved quality and reduced waste in the Company's carpet tile and interior fabrics operations, and (iii) a higher margin product mix in the carpet tile operation in the United Kingdom. These factors were offset by (i) competitive price pressures in France and Japan, and (ii) increased costs associated with the Company's Netherlands manufacturing facility, which experienced unfavorable foreign currency exchange rates associated with its export markets, particularly the United Kingdom and Japan.

Selling, general and administrative expenses as a percentage of sales increased in 1990 from 1989 primarily as a result of (i) increased selling costs associated with penetrating developing markets, particularly Japan, Southeast Asia, Eastern Europe and Latin America, (ii) higher selling costs in the interior fabrics business due to emphasis on the foreign panel fabric and U.S. refurbishment markets, and (iii) a slowdown in sales in Company's North America and United Kingdom carpet tile businesses.

Other income increased by $2.8 million in 1990 primarily due to a partial reversion of a foreign pension fund and a gain on disposal of property and equipment resulting from the fire in the Netherlands. These factors were partially offset by a $1.4 million increase in interest expense.

The Company's effective tax rate decreased to 37.4% in 1990 from 39.6% in 1989 due primarily to an increased portion of income before taxes being generated by the Company's foreign operations, which were taxed at lower effective foreign tax rates.

As a result of the aforementioned factors, the Company's net income decreased 3.8% to $23.6 million in 1990 from $24.5 million in 1989.

Liquidity and Capital Resources

The Company's primary sources of cash over the last three fiscal years have been funds provided by operating activities and proceeds from additional long-term debt. In 1991, operating activities provided $31.1 million of cash compared to $18.8 million and $38.6 million in 1990 and 1989, respectively.

The primary use of cash during the three year period has been (i) additions to property and equipment at all of the Company's manufacturing facilities, (ii) increases in working capital items, and (iii) acquisitions of businesses.

The addition to property and equipment required cash outlays of $64.4 million, while increases in working capital required $35.6 million, and the acquisitions of businesses required $9.7 million. Management believes these expenditures will result in expanded market presence, and improve efficiency in the Company's production and distribution.

As of December 29, 1991, the Company had long-term debt of $32.2 million outstanding under its $65.5 million revolving lines of credit, $108.4 million of term debt and $103.9 million in convertible subordinated debt. The Company believes that it has minimized its exposure to interest rate fluctuations in that over one-half of its debt is at fixed interest rates.

At the end of fiscal 1991, the Company estimated capital expenditure requirements of approximately $17.5 million for 1992, with purchase commitments for approximately $2.0 million. Management believes that the cash provided by operations and long-term borrowing arrangements will provide adequate funds for current commitments and other requirements in the near future.

See Note 1 and Note 8 of the consolidated financial statements for a discussion of the anticipated effects of the newly released Statements of Financial Accounting Standards Nos. 109 and 106.

Impact of Inflation

Petroleum-based products comprise approximately 90% of the cost of raw materials used by the Company in manufacturing. The Company historically has been able to offset increases in the cost of such petroleum-based products with finished product price increases. Management cannot predict the extent to which it will be able to pass through any future cost increases.

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 1991 financial statements of the survey companies.

Industry Segments

BROWN-FORMAN CORPORATION (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Business Segment Information

The company's operations have been classified into three business segments: wine and spirits, consumer durables, and other. The wine and spirits segment involves the production, importing, and marketing of wines and distilled spirits. The consumer durables segment includes the manufacture and sale of china, crystal, ceramic and crystal collectibles, silver, pewter and luggage. The other segment includes a credit card transaction processing business and an aquaculture business. In 1991, the company redefined its business segments and reclassified previously reported financial information.

Summarized financial information by business segment for 1991, 1990, and 1989 is as follows (in thousands):

	1991	1990	1989
Net sales:			
Wine and Spirits	$1,018,171	$ 984,047	$1,008,852
Consumer Durables	362,982	317,716	284,967
Other	6,627	2,222	172
	$1,387,780	$1,303,985	$1,293,991
Operating income:			
Wine and Spirits	$ 214,975	$ 204,981	$ 178,710
Consumer Durables	33,500	39,430	47,519
Other	(8,114)	(4,180)	(1,682)
Corporate	(16,894)	(15,287)	(16,067)
	$ 223,467	$ 224,944	$ 208,480
Total assets:			
Wine and Spirits	$ 533,566	$ 500,799	$ 524,887
Consumer Durables	427,573	395,639	372,535
Other	7,075	3,295	56
Corporate	114,383	121,251	105,794
	$1,082,597	$1,020,984	$1,003,272
Depreciation and amortization:			
Wine and Spirits	$ 16,282	$ 19,203	$ 17,614
Consumer Durables	15,767	14,406	13,158
Other	84	47	—
Corporate	219	175	102
	$ 32,352	$ 33,831	$ 30,874
Capital expenditures:			
Wine and Spirits	$ 15,967	$ 26,456	$ 22,279
Consumer Durables	30,281	22,365	15,341
Other	4,823	595	14
Corporate	453	651	317
	$ 15,524	$ 50,067	$ 37,951

Classes of products which contributed 10% or more to consolidated net sales:

	1991	1990	1989
American Spirits	$ 486,057	$444,106	$ 405,522
Imported Spirits	219,900	224,084	253,389
Wines and Specialties	312,214	315,857	349,941
	$1,018,171	$984,047	$1,008,852

There were no significant intersegment sales or transfers during 1991, 1990, and 1989. Operating income by business segment excludes interest income, interest expense, and net unallocated corporate expenses. Corporate assets consist principally of cash and cash equivalents, short-term investments, certain corporate receivables, and other assets.

Foreign assets, revenues, and export sales each represents less than ten percent of the company's total. No material amounts of the company's sales are dependent upon a single customer.

TABLE 1-3: SEGMENT INFORMATION

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Industry segments				
Revenue	367	371	366	397
Operating income or loss	332	336	334	358
Identifiable assets	355	368	366	383
Depreciation expense	352	365	363	383
Capital expenditures	347	367	355	374
Geographic areas				
Revenue	234	216	210	202
Operating income or loss	189	171	162	167
Identifiable assets	222	207	205	204
Depreciation expense	15	17	14	8
Capital expenditures	17	21	13	18
Export sales	148	131	127	121
Sales to major customers	142	151	148	139

FLEETWOOD ENTERPRISES, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Industry Segment Information

The Company conducts manufacturing operations principally in two industries—recreational vehicles and manufactured housing. On a smaller scale, the Company operates supply companies which provide fiberglass parts, lumber and other wood components to its primary businesses, while also generating outside sales. Manufacturing operations are conducted in the United States and to a much lesser extent in Canada. In addition, the Company's wholly owned finance subsidiary provides wholesale and retail financing to buyers of Fleetwood recreational vehicles. The operations of the Company's wholly owned insurance and real estate subsidiaries have been included in the "Corporate and Other" category because the impact on consolidated operating income is not material. Operating profit is total revenue less cost of sales, operating expenses and finance interest expense. None of the following items have been included in the computation of operating profit for the individual operating segments: corporate expenses, non-operating income and expenses and income taxes. Identifiable assets are those assets used in the operations of each industry segment. Corporate assets primarily consist of cash, investments, deferred tax benefits, other assets and idle facilities. Information with respect to industry segments as of April 28, 1991, April 29, 1990 and April 30, 1989, and for each of the years then ended is set forth below:

Amounts in thousands	Recreational Vehicles	Manufactured Housing	Supply Operations	Finance Operations	Corporate and Other	Adjustments and Eliminations	Total
1991							
Operating revenues	$ 796,693	$566,564	$11,465	$ 29,505	$ 7,661	$(10,994)	$1,400,894
Operating profit (loss)	14,775	23,578	(2,645)	4,699	(6,118)	—	34,289
Identifiable assets	211,441	82,978	25,399	224,680	232,643	(12,532)	764,609
Depreciation	6,824	4,698	1,429	305	1,828	—	15,084
Capital expenditures	10,132	6,020	1,493	244	1,032	—	18,921
1990							
Operating revenues	$ 978,239	$532,917	$15,186	$ 26,646	$ 7,976	$(11,540)	$1,549,424
Operating profit (loss)	61,906	19,967	512	4,110	(10,531)	—	75,964
Identifiable assets	238,105	78,681	27,467	253,600	217,982	1,645	817,480
Depreciation	5,672	4,169	1,442	295	1,897	—	13,925
Capital expenditures	9,919	6,027	6,409	242	4,230	—	26,827
1989							
Operating revenues	$1,053,766	$535,339	$17,168	$ 14,731	$ 8,445	$(10,926)	$1,618,523
Operating profit (loss)	81,040	22,710	5,190	2,788	(11,592)	1,954	102,090
Identifiable assets	204,855	74,279	26,305	173,236	236,236	2,724	717,635
Depreciation	4,943	4,465	1,188	305	1,148	—	12,049
Capital expenditures	14,451	6,934	8,630	383	2,259	—	32,657

LUKENS INC. (DEC.)

NOTES TO FINANCIAL STATEMENTS

3. Business Groups

Lukens has four operating business groups. The Steel Group specializes in the production of carbon and alloy steel plates. In the Safety Products Group, highway construction-zone safety products, including reflective glass beads, are the primary products manufactured. The Corrosion Protection Group applies protective coatings to steel pipelines and provides cathodic protection services for pipelines and metal structures. In the Diversified Group, operations include the production of materials-handling equipment, real estate development, and the operation of short-line railroads. Sales between groups, export sales and foreign operations are not significant.

Dollars in thousands

	1991	1990	1989
Net Sales			
Steel	$421,966	$487,250	$476,678
Safety Products	60,274	66,125	65,303
Corrosion Protection	116,399	101,433	73,893
Diversified	30,135	28,836	29,090
	$628,774	$683,644	$644,964
Operating Earnings (Loss)			
Steel[a]	$ 36,394	$ 71,198	$ 71,572
Safety Products	3,014	3,213	3,049
Corrosion Protection[b]	8,459	6,612	3,510
Diversified[c]	2,856	1,374	1,949
Corporate[d]	(14,144)	(11,629)	(11,458)
	$ 36,279	$ 70,768	$ 68,622
Assets			
Steel	$232,777	$234,260	$251,423
Safety Products	41,281	46,864	42,380
Corrosion Protection	51,916	50,289	48,231
Diversified	36,127	33,781	22,374
Corporate[e]	70,259	46,725	12,252
	$432,360	$411,919	$376,660
Depreciation and Amortization			
Steel	$ 17,243	$ 16,753	$ 16,083
Safety Products	2,469	2,660	2,611
Corrosion Protection	3,948	4,576	3,665
Diversified	1,860	1,513	1,242
Corporate	313	287	108
	$ 25,833	$ 25,789	$ 23,709
Capital Expenditures			
Steel	$ 22,345	$ 22,700	$ 18,659
Safety Products	3,051	3,331	1,242
Corrosion Protection	4,606	3,085	3,064
Diversified	4,574	5,471	2,081
Corporate	120	431	425
	$ 34,696	$ 35,018	$ 25,471

[a] During the fourth quarter of 1991, a labor strike at the primary manufacturing facility resulted in an $8.6 million loss for the quarter. During the first quarter of 1992, the strike was settled with a new four-year contract. In 1989, the sale of equipment used in the manufacture of head products resulted in a $5.9 million gain.

[b] During the fourth quarter of 1991, expenses for product claims, litigation items, and asset write-downs reduced results by $1.2 million.

[c] During 1989, the sale of a subsidiary resulted in a $.9 million gain.

[d] Expenses in 1991 included $2.7 million of severance expenses for executives. Gains from the sale of corporate assets partially offset these expenses.

[e] Corporate assets consist primarily of cash and cash equivalents, short-term investments, refundable income taxes, marketable equity securities, and office facilities. Marketable equity securities are included in Other Assets in the Consolidated Balance Sheets.

McGRAW-HILL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Segment Reporting and Geographic Information

A description of each of the company's four segments and their products, services and markets served is included on the inside back cover of this Annual Report.

Operating profit by segment and geographic area is total operating revenue less expenses which are deemed to be related to the unit's operating revenue. Identifiable assets by segment and geographic area are those assets that are used in the operation of that unit. Corporate assets consist principally of cash and equivalents, investment in Rock-McGraw, Inc., prepaid pension expense and income taxes and leasehold improvements relating to subleased areas.

Foreign revenue and profits are from book publishing and financial and information services operations in 18 countries. Transfers of books between geographic areas are recorded at cost plus a mark-up and intercompany revenue and profits are eliminated.

The 1989 results include unusual charges of $220 million. A breakdown by segment appears below. Corporate expense for 1989 includes gains on dispositions and the formation of the joint venture totaling $48.8 million.

A summary of information about the company's operations by segment and geographic area follows:

(Thousands of dollars)

	Operating revenue	Operating profit	Assets at December 31	Depreciation expense	Purchases of property and equipment
Segment Reporting					
1991					
Information and Publication Services	$ 699,757	$ 81,743	$ 455,522	$15,751	$14,536
Educational and Professional Publishing	548,278	56,960	654,830	10,806	17,809
Financial Services	596,840	142,291	593,613	17,124	16,566
Broadcasting	98,137	25,948	94,528	4,229	2,312
Total operating segments	1,943,012	306,942	1,798,493	47,910	51,223
Macmillan/McGraw-Hill joint venture	—	27,483	509,498	—	—
Corporate	—	(29,131)	217,240	974	—
Interest expense—net	—	(46,987)	—	—	—
Total company	$1,943,012	$258,307*	$2,525,231	$48,884	$51,223
1990					
Information and Publication Services	$ 746,495	$126,600	$ 475,891	$11,754	$26,997
Educational and Professional Publishing	550,661	77,788	635,438	9,036	41,334
Financial Services	537,528	121,982	622,786	17,853	22,579
Broadcasting	103,954	33,537	97,376	4,536	4,920
Total operating segments	1,938,638	359,907	1,831,491	43,179	95,830
Macmillan/McGraw-Hill joint venture	—	21,601	504,096	—	—
Corporate	—	(23,294)	198,017	1,365	4
Interest expense—net	—	(55,627)	—	—	—
Total company	$1,938,638	$302,587*	$2,533,604	$44,544	$95,834
1989 (see Note)					
Information and Publication Services	$ 732,997	$133,882	$ 425,872	$14,614	$28,208
Educational and Professional Publishing	499,617	16,428	533,664	9,161	11,614
Financial Services	459,075	(8,023)	342,112	16,099	13,289
Broadcasting	97,274	32,025	97,116	4,854	4,399
Total operating segments	1,788,963	174,312	1,398,764	44,728	57,510
Macmillan/McGraw-Hill joint venture	—	13,688	565,354	—	—
Corporate	—	(66,324)	244,131	1,164	506
Interest expense—net	—	(35,038)	—	—	—
Total company	$1,788,963	$ 86,638*	$2,208,249	$45,892	$58,016
Geographic Information					
1991					
United States	$1,707,558	$280,279	$1,516,193		
Foreign	235,454	26,663	282,300		
1990					
United States	$1,727,516	$334,757	$1,575,706		
Foreign	211,122	25,150	255,785		
1989					
United States	$1,621,114	$159,456	$1,199,191		
Foreign	167,849	14,856	199,573		

*Income before taxes on income

PENNZOIL COMPANY (DEC.)

NOTES TO FINANCIAL STATEMENTS

(11) Segment Financial Information—

Information with respect to revenues, operating income and other data by industry segment is presented on pages 53 and 54 and is an integral part of the consolidated financial statements. Pennzoil's foreign operations are not material in relation to consolidated revenues, operating income and identifiable assets.

	Oil and Gas	Motor Oil & Automotive Products	Sulphur	Franchise Operations[1]	Filtration Products[2]	Intersegment Corporate and Other[3][4]	Total
				(Expressed in thousands)			
1991							
Revenues	$ 457,015	$1,521,159	$225,518	$129,678	$402,436	$ (51,064)	$2,684,742
Costs and expenses	408,372	1,412,846	182,776	137,473	390,865	(178,905)	2,353,427
Provision for write-down of assets and other charges[5]	—	—	—	—	107,976	—	107,976
Operating income (loss)	$ 48,643	$ 108,313	$ 42,742	$ (7,795)	$ (96,405)	$ 127,841	$223,339
Corporate administrative expenses							56,209
Interest expense, net							244,055
Income (loss) from continuing operations before income tax							(76,925)
Income tax (benefit)							(34,905)
Income (loss) from continuing operations							$ (42,020)
Depreciation, depletion and amortization included in expenses above	$ 143,600	26,929	7,823	7,921	13,341	6,820	$ 205,894
Capital expenditures[7][8]	$ 177,905	32,260	6,999	4,939	7,905	7,891	$ 237,899
Identifiable assets	$1,321,424	620,545	144,435	270,159	354,286	2,520,502	$5,231,351
1990							
Revenues	$ 496,539	$1,535,695	$238,934	$107,672	$415,247	$ (45,318)	$2,748,769
Costs and expenses	374,816	1,473,751	178,921	104,193	427,756	(194,629)	2,364,808
Operating income (loss)	$ 121,723	$ 61,944	$ 60,013	$ 3,479	$ (12,509)	$ 149,311	$ 383,961
Corporate administrative expenses							63,017
Interest expense, net							231,659
Income from continuing operations before income tax and equity in Proven Properties Inc.							89,285
Income tax							7,592
Equity (loss) in net income of Proven Properties Inc.[6]							(889)
Income from continuing operations							$ 80,804
Depreciation, depletion and amortization included in expenses above	$ 136,598	25,974	6,512	9,286	12,066	6,297	$ 196,733
Capital expenditures[7][8]	$ 250,019	37,450	8,546	60,928	9,711	16,450	$ 383,104
Identifiable assets	$1,342,305	595,213	162,195	283,735	326,411	2,651,837	$5,361,696
1989							
Revenues	$ 467,079	$1,390,853	$274,349	$ —	$420,336	$ 180,598	$2,733,215
Cost and expenses	370,101	1,311,343	198,016	—	425,567	(128,349)	2,176,678
Operating income (loss)	$ 96,978	$ 79,510	$ 76,333	$ —	$ (5,231)	$ 308,947	$ 556,537
Corporate administration expenses							62,100
Interest expense, net							139,804
Income from continuing operations before income tax and equity in Proven Properties Inc.							354,633
Income tax							113,695
Equity (loss) in net income of Proven Properties Inc.[6]							(12,391)
Income from continuing operations							$ 228,547
Depreciation, depletion and amortization included in expenses above	$ 141,972	21,628	7,337	—	14,323	6,192	$ 191,452
Capital expenditures[7]	$ 237,701	59,135	7,810	—	13,878	31,411	$ 349,935
Identifiable assets	$1,143,548	589,304	159,904	—	334,306	2,763,037	4,990,099

[1] In January 1990, Pennzoil acquired 80% (on a fully diluted basis) of the common stock of Jiffy Lube. Reference is made to Note 10 of Notes to Consolidated Financial Statements. During 1991, pursuant to a tender offer announced in August and a cash merger effected in October, Pennzoil acquired all remaining outstanding Jiffy Lube common stock.

[2] In August 1991, Pennzoil announced its decision to retain Purolator, which had been reported as a discontinued operation since year-end 1989. Reference is made to Note 9 of Notes to Consolidated Financial Statements.

[3] These amounts primarily represent investment income earned and capital gains realized from the investment of the net proceeds from the $3.0 billion cash payment received by Pennzoil from Texaco in April 1988 in settlement of certain litigation.

[4] Revenues for the filtration products segment include intersegment sales, which are priced at market, of $32,532,000, $33,138,000 and $16,944,000 for 1991, 1990 and 1989, respectively. Substantially all other intersegment sales, which are priced at market, are primarily from the oil and gas segment to the motor oil and automotive products segment.

[5] Pennzoil recorded, during the third quarter of 1991, a provision against income from continuing operations of $108.0 million ($88.0 million after tax) to reflect losses due to asset impairment and other identified liabilities related to Purolator. Reference is made to Note 9 of Notes to Consolidated Financial Statements.

[6] In February 1990, Pennzoil acquired from the outside investors the 51.3% equity interest in PPI not already owned by Pennzoil. Reference is made to Note 10 of Notes to Consolidated Financial Statements.

[7] Includes interest capitalized of $10,447,000, $13,321,000 and $11,298,000 in 1991, 1990 and 1989, respectively.

[8] For 1991, capital expenditures for the franchise operations segment include $2,916,000 allocated to property, plant and equipment from the acquisition of all the issued and outstanding capital stock of American Oil Change Corporation ("AOCC") in July 1991. For 1990, capital expenditures for the oil and gas segment include $49,933,000 allocated to the oil and gas properties attributable to the outside investors' equity interests in PPI, which were acquired in February 1990, and capital expenditures for the franchise operations segment include $56,475,000 allocated to property, plant and equipment related to Pennzoil's acquisition of 80% (on a fully diluted basis) of the common stock of Jiffy Lube in January 1990.

Foreign Operations

AMDAHL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Major Customer, Geographic Area and Product Line Data

No single customer accounted for 10% or more of total revenues in 1991, 1990 or 1989.

A summary of the Company's operations by geographical area for the three years ended December 27, 1991, was as follows:

(In thousands)	United States	Canada	Europe	Pacific Basin & Other	Adjustments & Eliminations	Consolidated
1991						
Revenues:						
Customers	$1,006,495	$133,992	$447,730	$114,269	$ —	$1,702,486
Intercompany	270,076	2,839	87,679	—	(360,594)	—
Total revenues	$1,276,571	$136,831	$535,409	$114,269	$(360,594)	$1,702,486
Income (loss) from operations	$ (46,906)	$ 7,354	$ 15,094	$ 695	$ (8,387)	$ (32,150)
Interest income, net						39,188
Income before income taxes						$ 7,038
Identifiable assets	$1,384,115	$ 72,826	$671,390	$ 45,734	$(231,195)	$1,942,870
Corporate assets						392,694
Total assets						$2,335,564

(In thousands)	United States	Canada	Europe	Pacific Basin & Other	Adjustments & Eliminations	Consolidated
1990						
Revenues:						
Customers	$1,124,249	$142,874	$756,063	$135,569	$ —	$2,158,755
Intercompany	299,910	4,287	77,646	—	(381,843)	—
Total revenues	$1,424,159	$147,161	$833,709	$135,569	$(361,843)	$2,158,755
Income (loss) from operations	$ 33,698	$ (6,956)	$218,077	$ 10,086	$ 4,108	$ 259,013
Interest income, net						47,491
Income before income taxes						$ 306,504
Identifiable assets	$1,193,146	$ 73,331	$642,740	$ 68,898	$(196,455)	$1,781,660
Corporate assets						545,107
Total assets						$2,326,767

(In thousands)	United States	Canada	Europe	Pacific Basin & Other	Adjustments & Eliminations	Consolidated
1989						
Revenues:						
Customers	$1,076,550	$135,715	$710,387	$178,469	$ —	$2,101,121
Intercompany	414,630	7,753	47,814	—	(470,197)	—
Total revenues	$1,491,180	$143,468	$758,201	$178,469	$(470,197)	$2,101,121
Income (loss) from operations	$ 76,325	$ 9,640	$120,691	$ 10,960	$ (497)	$ 217,119
Interest income, net						38,053
Income before income taxes						$ 255,172
Identifiable assets	$1,183,326	$ 80,587	$520,796	$ 63,342	$(118,696)	$1,729,355
Corporate assets						504,311
Total assets						$2,233,666

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 (loss) 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.

Intercompany sales and transfers of manufacturing materials between areas are at prices which, in general, provide a profit after coverage of all manufacturing costs. Intercompany sales of finished systems are at prices intended to provide a profit for purchasing entities after coverage of marketing, support, and general and administrative costs.

Operating profit (loss) is revenue less related costs and direct and allocated operating expenses, excluding interest and, for all areas except the United States, the unallocated portion of corporate expenses. United States operating profit (loss) is net of corporate research and development and administrative expenses.

Corporate assets are those assets maintained for general purposes, principally cash and short-term investments.

The Company operates in the large-scale computer system and related storage and communications products segment of the data processing industry. Revenues for similar classes of products or services within this one business segment for the most recent three years are presented below:

(In millions)	1991	1990	1989
Processors	$ 980	$1,358	$1,457
Storage products	221	342	258
Communications products	65	68	72
Maintenance services	397	357	285
Software and education services	39	34	29
Total	$1,702	$2,159	$2,101

HARNISCHFEGER INDUSTRIES, INC. (OCT)

NOTES TO FINANCIAL STATEMENTS

(Dollar amounts in thousands unless indicated.)

NOTE 13—Segment Information

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

Papermaking Machinery and Systems (Beloit Corporation) produces and markets papermaking machinery and allied equipment for the pulp and paper industries. The Company's investment in Measurex Corporation and related equity income are included in this segment's identifiable assets and operating results.

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

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

The Systems Group (Harnischfeger Engineers, Inc. and Syscon Corporation) designs, engineers and integrates automated material handling systems for manufacturing, distributing and warehousing applications. In addition, the group provides systems development, systems integration and systems services primarily for the Department of Defense and other United States government agencies. Intersegment sales are not significant. Common operating plants have been allocated to the respective segments. Corporate assets for 1991 included principally cash, cash equivalents and administration facilities. Corporate assets in 1990 and 1989 also included the Company's investment in Century II.

Segments of Business by Industry	Total Sales	Operating Income	Depreciation and Amortization	Capital Expenditures	Identifiable Assets
1991					
Papermaking Machinery and Systems	$ 935,764	$ 88,460	$ 22,853	$ 28,232	$ 862,087
Mining Equipment	311,963	30,404	5,743	13,148	301,787
Material Handling Equipment	112,096	12,103	2,950	4,491	108,975
Systems Group	224,291	8,348	6,296	1,812	152,581
Total business segments	1,584,114	139,315	37,842	47,683	1,425,430
Corporate		(18,395)	1,378	1,232	81,452
Consolidated total	$1,584,114	$ 120,920	$ 39,220	$ 48,915	$1,506,882
1990					
Papermaking Machinery and Systems	$1,105,042	$ 98,347	$ 20,040	$ 43,111	$ 945,657
Mining Equipment	303,678	25,347	5,010	11,033	295,671
Material Handling Equipment	117,531	8,353	2,683	5,138	96,836
Systems Group	235,554	11,741	6,220	3,487	149,086
Total business segments	1,761,805	143,788	33,953	62,769	1,487,250
Corporate		(20,271)	1,368	1,073	89,239
Consolidated total	$1,761,805	$ 123,517	$ 35,321	$ 63,842	$1,576,489
1989					
Papermaking Machinery and Systems	$ 898,909	$ 86,227	$ 15,656	$ 33,908	$ 781,838
Mining Equipment	254,467	22,848	3,512	10,245	250,541
Material Handling Equipment	100,365	2,678	2,038	2,583	83,394
Systems Group	212,885	16,284	1,195	4,387	147,578
Total business segments	1,466,626	128,037	22,401	51,123	1,263,351
Corporate		(21,664)	1,551	507	106,541
Consolidated total	$1,466,626	$ 106,373	$ 23,952	$ 51,630	$1,369,892

Sales to agencies of the government of the United States approximated 9%, 8%, and 11% of net sales in 1991, 1990 and 1989, respectively. Over 65% of the Systems Group sales resulted from contracts with the United States Government in 1991.

Geographical Segment Information	Total Sales	Interarea Sales	Sales to Unaffiliated Customers	Operating Income	Identifiable Assets
1991					
United States	$1,125,246	$(109,747)	$1,015,499	$102,907	$ 957,483
Europe	426,580	(54,528)	372,052	20,267	306,912
Other Foreign	(237,091)	(40,528)	196,563	16,323	184,095
Interarea Eliminations	(204,803)	204,803	—	(182)	(23,060)
	$1,584,114	$ —	$1,584,114	$139,315	$1,425,430
1990					
United States	$1,292,268	$ (82,220)	$1,210,048	$107,211	$ 885,488
Europe	345,982	(24,458)	321,524	20,246	435,781
Other Foreign	258,545	(28,312)	230,233	16,693	198,156
Interarea Eliminations	(134,990)	134,990	—	(362)	(32,175)
	$1,761,805	$ —	$1,761,805	$143,788	$1,487,250
1989					
United States	$1,108,808	$ (85,693)	$1,023,115	$112,138	$ 841,151
Europe	248,304	(27,818)	220,486	15,367	305,437
Other Foreign	235,868	(12,843)	223,025	4,068	177,799
Interarea Eliminations	(126,354)	126,354	—	(3,536)	(61,036)
	$1,466,626	$ —	$1,446,626	$128,037	$1,263,351

Exports of U.S. produced products were approximately $178,000, $153,000 and $139,000 in 1991, 1990, and 1989, respectively.

THE COCA-COLA COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

19. Operations in Geographic Areas

Information about the Company's operations in different geographic areas at December 31, 1991, 1990 and 1989, and for the years then ended, is presented below (in millions):

1991	United States	Latin America	European Community	Northeast Europe/ Africa	Pacific and Canada	Corporate	Consolidated
Net operating revenues	$4,124.8	$1,103.2	$3,338.3	$613.6	$2,345.8	$ 45.9	$11,571.6
Operating income	560.2	404.6	767.3	204.1	777.3	(394.5)	2,319.0
Identifiable operating assets	2,160.9	814.6	2,558.0	423.5	987.3	1,124.1[3]	8,068.4
Equity income						40.0[1]	40.0
Investments (principally bottling companies)						2,154.0	2,154.0
Capital expenditures	184.8	105.5	330.6	61.3	52.3	57.2	791.7
Depreciation and amortization	111.3	23.3	65.8	9.7	14.5	36.8	261.4

1990	United States	Latin America	European Community	Northeast Europe/ Africa	Pacific and Canada	Corporate	Consolidated
Net operating revenues	$3,931.0	$ 813.0	$2,804.8	$562.8	$2,080.0	$ 44.8	$10,236.4
Operating income	440.4[2]	300.2	666.5	174.2	671.7	(301.4)	1,951.6
Identifiable operating assets	2,414.2	640.3	1,818.8	400.1	849.0	1,131.2[3]	7,253.6
Equity income						110.1	110.1
Investments (principally bottling companies)						2,024.6	2,024.6
Capital expenditures	204.0	59.7	203.5	38.8	22.0	65.0	593.0
Depreciation and amortization	115.6	18.0	54.5	7.6	15.5	32.7	243.9

1989	United States	Latin America	European Community	Northeast Europe/ Africa	Pacific and Canada	Corporate	Consolidated
Net operating revenues	$3,678.7	$ 646.2	$1,855.1	$425.2	$1,959.5	$ 57.6	$ 8,622.3
Operating income	468.2	226.7	540.6	147.3	612.8	(269.8)	1,725.8
Identifiable operating assets	2,476.0	515.4	1,342.8	328.8	652.7	1,036.4[3]	6,352.1
Equity income						75.5	75.5
Investments (principally bottling companies)						1,930.4	1,930.4
Capital expenditures	196.4	30.7	133.9	24.6	27.9	49.0	462.5
Depreciation and amortization	103.5	11.8	18.0	4.9	14.8	30.8	183.8

Intercompany transfers between geographic areas are not material.

Identifiable liabilities of operations outside the United States amounted to approximately $1.7 billion, $1.5 billion and $1.1 billion at December 31, 1991, 1990 and 1989, respectively.

[1] Reduced by $44 million related to restructuring charges recorded by CCE.

[2] Includes nonrecurring charges of $49 million.

[3] Corporate identifiable operating assets are composed principally of marketable securities and fixed assets.

NIKE, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12—Operations by geographic areas:
The Company operates predominantly in one industry segment, that being the design, production and marketing of athletic and casual footwear, apparel and accessories. During 1991, 1990 and 1989, sales to one major customer amounted to 17%, 19% and 16% of total sales, respectively. Information about the Company's operations in the United States and international markets is presented below. Inter-geographic revenues and assets have been eliminated to arrive at the consolidated amounts. Expenses and assets not identifiable with the operations of a specific geographic segment have been listed separately:

	Year Ended May 31,		
	1991	1990	1989
		(in thousands)	
Revenues from unrelated entities:			
United States	$2,141,461	$1,755,496	$1,362,148
Europe	664,747	334,275	241,380
Other international	197,402	145,473	107,275
	$3,003,610	$2,235,244	$1,710,803
Inter-geographic revenues:			
United States	$ 9,111	$ 4,765	$ 1,757
Europe	—	—	—
Other international	11,892	5,628	4,323
	$ 21,003	$ 10,393	$ 6,080
Total revenues:			
United States	$2,150,572	$1,760,261	$1,363,905
Europe	664,747	334,275	241,380
Other international	209,294	151,101	111,598
Less inter-geographic revenues	(21,003)	(10,393)	(6,080)
	$3,003,610	$2,235,244	$1,710,803
Operating income:			
United States	$ 325,257	$ 315,246	$ 230,156
Europe	134,069	55,098	35,376
Other international	51,745	42,880	30,173
Less corporate, interest and other income (expense) and eliminations	(49,325)	(19,866)	(25,058)
	$ 461,746	$ 393,358	$ 270,647
Assets:			
United States	$1,156,091	$ 786,775	$ 600,629
Europe	370,104	162,383	102,744
Other international	94,212	74,329	50,756
Total identifiable assets	1,620,407	1,023,487	754,129
Corporate cash and eliminations	88,023	71,065	71,281
Total assets	$1,708,430	$1,094,552	$ 825,410

Major Customers

SIMPSON INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I—Major Customers
The Company's operations, as briefly described on page 2 of this Annual Report, are conducted within one business segment. Sales to customers outside the United States are not material.

Net sales to major customers:
(in thousands)

	1991	1990	1989
General Motors Corporation	$75,300	$63,100	$66,600
Ford Motor Company	30,700	31,500	42,900
Chrysler Corporation	32,200	37,800	31,100
Consolidated Diesel Company	25,300	27,800	25,100

Aggregate receivables for these customers at December 31, 1991 and 1990 approximate the same percent of total receivables as aggregate sales to these customers bear to total sales.

SPARTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. (In Part): Segment Information
The Company's continuing operations have been classified into two segments: (1) Electronics principally includes sonobuoys which are antisubmarine warfare devices used by the U.S. Navy and other free world military establishments. It also includes micro-processor based systems, transducers, printed circuit boards, sensors, and electronic and electromechanical contract manufacturing for the telecommunications, electronics and other industries; (2) Automotive and industrial products include electric and air horns for passenger cars, trucks and boats, stamping and assemblies for a variety of passenger car and truck uses, other automotive parts and marine devices, and products for the telecommunication industry. Oil and gas operations are being reported under discontinued operations.

Total direct sales on prime contracts to United States Government agencies were $98,237,000 in 1991, $63,520,000 in 1990 and $42,384,000 in 1989, principally from the electronics segment. Total sales to General Motors Corporation were $21,392,000 in 1991, $22,095,000 in 1990 and $26,446,000 in 1989; and total sales to the Ford Motor Company were $18,226,000, $27,364,000 and $36,853,000 in 1991, 1990 and 1989, respectively, from the automotive and industrial products segment. Trade receivables of the automotive and industrial products segment, principally representing the three largest domestic automotive manufacturers, were approximately $9,234,000, $10,207,000 and $10,240,000 at June 30, 1991, 1990 and 1989, respectively. No other customer accounted for 10% or more of consolidated sales in 1991, 1990 or 1989.

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UNIVERSAL VOLTRONICS CORP. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Line of Business and Sales to Major Customers

The Company is engaged in one business segment: the design, manufacture, and sale of high-voltage power conversion systems and related equipment for defense, commercial, and medical applications as well as for energy research. These systems transform utility-supplied voltage and current into the high voltage or current required by the user.

Approximately 38% of the Company's revenues in the year ended December 28, 1991, were from three customers, accounting for 16%, 11% and 11% of total revenues. Approximately 36% of the Company's revenues in the six months ended December 29, 1990, were from two customers, accounting for 19% and 17% of total revenues. Approximately 49% of the Company's fiscal 1990 revenues were from two customers, accounting for 36% and 13% of total revenues. Approximately 34% of the Company's fiscal 1989 revenues were from two customers, accounting for 21% and 13% of total revenues.

Export revenues accounted for approximately 6%, 6%, 7%, and 15% of total revenues in the year ended December 28, 1991, the six months ended December 29, 1990, and fiscal 1990, and 1989, respectively.

Export Sales

AMETEK, INC. (DEC)

FINANCIAL INFORMATION BY GEOGRAPHIC AREA

(in thousands)	1991	1990	1989
Net sales			
United States	$614,890	$597,004	$551,425
Europe	98,378	61,429	34,195
Other foreign	1,831	2,312	2,224
Total (1)	$715,099	$660,745	$587,844
Operating profit			
United States	$ 81,531	$ 84,773	$ 84,185
Europe	6,855	3,416	4,369
Other foreign	223	150	160
	88,609	88,339	88,714
Corporate	(36,231)	(31,684)	(28,031)
Income before income taxes	$ 52,378	$ 56,655	$ 60,683
Identifiable assets (at December 31)			
United States	$337,171	$355,158	$369,684
Europe	121,170	103,866	31,820
Other foreign	1,236	1,087	1,408
	459,577	460,111	402,912
Corporate	152,896	155,059	160,401
Total	$612,473	$615,170	$563,313
United States export sales (Included in total United States sales above)			
Europe	$ 59,612	$ 57,362	$ 42,476
Canada	20,793	21,140	21,852
Asia	17,859	19,852	18,757
Other	13,371	13,078	12,511
Total	$111,635	$111,432	$ 95,596

(1) Sales between geographic areas are not significant.

CATERPILLAR INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Segment Information

A. Business Segments

• • • • •

B. Geographic Segments

• • • • •

C. Non-U.S. Sales

Sales outside the United States were 59% of consolidated sales for 1991 and 55% for 1990. This chart shows data on Caterpillar sales outside the United States based on dealer location.

Years ended December 31 *(Millions of dollars)*	1991	1990
Sales of U.S. manufactured product:		
Europe	$ 656	$ 714
Asia/Pacific	1,011	1,118
Africa/Middle East	781	630
Latin America	610	430
Canada	481	543
	3,539	3,435
Sales of non-U.S. manufactured product:		
Europe	1,124	1,335
Asia/Pacific	400	477
Africa/Middle East	367	292
Latin America	263	412
Canada	87	129
	2,241	2,645
Total sales outside the United States:		
Europe	1,780	2,049
Asia/Pacific	1,411	1,595
Africa/Middle East	1,148	922
Latin America	873	842
Canada	568	672
	$5,780	$6,080

ASARCO INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

13. (In Part): Business Segments

The Company operates principally in the nonferrous metals industry, involving mining, smelting, refining and selling of copper, silver, lead, zinc, gold, and molybdenum. The Company is also engaged in specialty chemicals for metals plating and electronics industries and in minerals comprising limestone, sand and gravel operations. Included in the caption Other are the Company's polyvinyl chloride pipe and asbestos-cement pipe business, its environmental services operations and its coal and asbestos operations which were sold in 1989. Foreign operations are conducted by affiliates in Australia, Asia, Europe and North America.

General corporate administrative expenses are allocated among the segments generally in proportion to their operating expenses. Exploration expenses are attributable to the metals segment, while research expenses are attributable to metals and specialty chemicals. Identifiable assets are those directly used in the operations of each segment. Corporate assets are principally cash and investments.

Export sales from the United States to unaffiliated customers were $246.3 million in 1991, $224.5 million in 1990 and $145.4 million in 1989.

• • • • •

TABLE 1-4: MONTH OF FISCAL YEAR END

	1991	**1990**	**1989**	**1988**
January	21	22	22	20
February	14	15	15	13
March	12	14	16	15
April	7	7	8	7
May	16	16	15	16
June	62	62	57	54
July	16	16	16	14
August	18	17	16	15
September	31	33	37	38
October	21	21	20	22
November	18	17	17	15
Subtotal	**236**	**240**	**239**	**229**
December	364	360	361	371
Total Companies	**600**	**600**	**600**	**600**

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

During 1991, seven companies changed the date of their fiscal year end. Examples of such changes and examples of fiscal year definitions follow.

Change in Date of Fiscal Year Ending

COCA-COLA ENTERPRISES INC.

Consolidated Balance Sheets

	December 31, 1991	December 28, 1990

Consolidated Statements of Income

	Fiscal Year		
	1991	1990	1989

Consolidated Statements of Cash Flows

	Fiscal Year		
	1991	1990	1989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Change in Fiscal Year End: The Company elected in December 1991 to change its fiscal year end from the period ending Friday nearest December 31 to a calendar year end. This change was effected in order to coincide the Company's year end with that of its major supplier and licensor, The Coca-Cola Company, in order to improve the Company's ability to measure and report marketing funds, concentrate purchases and case sales, and facilitate comparability with other bottlers.

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Coca-Cola Enterprises Inc.

We have audited the accompanying consolidated balance sheets of Coca-Cola Enterprises Inc. and subsidiaries as of December 31, 1991 and December 29, 1990, and the related consolidated statements of income, share-owners' equity, and cash flows for each of the three years in the period ended December 31, 1991. 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 mistatement. 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 Coca-Cola Enterprises Inc. and subsidiaries at December 31, 1991 and December 28, 1990, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

FEDDERS CORPORATION

Consolidated Balance Sheets

August 31, 1991 and December 31, 1990	1991	1990

Consolidated Statements of Operations

Eight Months Ended August 31, 1991 and Prior Years Ended December 31	1991	1990	1989	1988

Consolidated Statements of Cash Flows

Eight Months Ended August 31, 1991 and Prior Years Ended December 31	1991	1990	1989	1988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Change in fiscal year

In 1991, the Company changed to a fiscal year ending August 31, in order to conform financial reporting to the room air conditioner season. For comparative purposes only, the following table presents unaudited results of operations for the eight months ended August 31, 1990.

Unaudited *(000's omitted, except per share data)*	August 31, 1990
Net sales	$228,540
Gross profit	49,125
Income taxes	7,860
Net income	$ 12,761
Earnings per share	$ 0.69

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and
Stockholders of Fedders Corporation

We have audited the accompanying consolidated balance sheets of Fedders Corporation at August 31, 1991 and December 31, 1990, and the related consolidated statements of operations, cash flows and stockholders' equity for the eight months ended August 31, 1991 and 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 Fedders Corporation at August 31, 1991 and December 31, 1990, and the consolidated results of its operations and its cash flows for the eight months ended August 31, 1991 and for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

MATTEL, INC.

Consolidated Balance Sheets

	December 31, 1991	December 29, 1990

Consolidated Statements of Operations

	For the Year		
	1991	1990	1989

Consolidated Statements of Cash Flows

	For the Year		
	1991	1990	1989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounting Period—In September 1991, the Company changed its year for financial reporting purposes from a fiscal year ending on the last Saturday of December to a calendar year.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Mattel, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Mattel, Inc. and its subsidiaries at December 31, 1991 and December 29, 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 6 to the financial statements, the Company is a defendant in a lawsuit alleging infringement of certain patent rights. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability that may result from this litigation has been made in the accompanying financial statements.

MEDIA GENERAL, INC.

Consolidated Balance Sheets

December 29, 1991	December 31, 1990

Consolidated Statements of Operations

Fiscal Years Ended		
December 29, 1991	December 31, 1990	December 31, 1989

Consolidated Statements of Cash Flows

Fiscal Years Ended		
December 29, 1991	December 31, 1990	December 31, 1989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Principles of Consolidation

The accompanying financial statements include the accounts of the Company and subsidiaries more than 50% owned. All significant intercompany balances and transactions have been eliminated. Certain items in 1990 and 1989 have been reclassified to conform with the current year's presentation. The reclassifications have no effect on net income as previously reported.

Beginning in 1991, the Company prospectively changed its financial reporting year from a calendar year to a fiscal year consisting of 52 and 53 weeks ending on the last Sunday in December. Results for 1991 are for the 52 weeks ended December 29, 1991.

Cost in excess of net assets acquired through 1970 is not amortized unless there is evidence of diminution in value; such excess cost incurred after 1970 is being amortized by the straight-line method over periods not exceeding forty years. Net excess cost was reduced by $2.6 million in 1990 and by $9.7 million in 1989 as a result of the reclassification, to current assets, of the Company's investment in certain operations held for sale (note 2).

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. and subsidiaries as of December 29, 1991 and December 31, 1990, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three fiscal years in the period ended December 29, 1991. 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. and subsidiaries at December 29, 1991 and December 31, 1990, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended December 29, 1991, in conformity with generally accepted accounting principles.

TYCO LABORATORIES, INC.

Consolidated Balance Sheet

June 30, 1991	May 31, 1990

Consolidated Statement of Income

June 30, 1991	May 31, 1990	May 31, 1989

Consolidated Statement of Cash Flows

June 30, 1991	May 31, 1990	May 31, 1989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Fiscal Year—The Company changed its fiscal year end from May 31 to June 30 effective with the fiscal year ended June 30, 1991. The consolidated statements of income, of changes in shareholders' equity and of cash flows are presented for the year ended June 30, 1991, exclusive of June 1990 results, and for each of the two years in the period ended May 31, 1990.

The Company's results of operations for the month of June 1990 reflected net sales of $130.2 million, gross profit of $14.6 million, an income tax benefit of $3.5 million, net loss of $6.9 million and net loss per share of $0.17. During the month of June 1990, net cash of $23.7 million was provided by financing activities and net cash of $31.4 million and $4.8 million was used for operating and investing activities, respectively. The resulting $12.5 million net decrease in cash during the period reduced the $15.8 million of cash at the beginning of June to $3.3 million at the end of June.

REPORT OF INDEPENDENT ACCOUNTANTS

To The Board Of Directors And Shareholders
Of Tyco Laboratories, Inc.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Tyco Laboratories, Inc. and its subsidiaries at June 30, 1991 and May 31, 1990, and the results of their operations and their cash flows for the year ended June 30, 1991 and each of the two years in the period ended May 31, 1990, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Definition of Fiscal Year

ALBERTSON'S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Fiscal Year End

The Company's fiscal year ends on the Thursday nearest to January 31 in each year. Unless the context otherwise indicates, reference to a fiscal year of the Company refers to the calendar year in which such fiscal year commences.

GANNETT CO., INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of significant accounting policies

Fiscal year: The Company's fiscal year ends on the last Sunday of the calendar year. As a result, 1991 and 1990 operations encompass 52-week periods, while 1989 operations encompass a 53-week period.

HUNT MANUFACTURING CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fiscal Year:

The Company's fiscal year ends on the Sunday nearest the end of November. Fiscal year 1991 ended December 1, 1991; fiscal year 1990 ended December 2, 1990; and fiscal year 1989 ended December 3, 1989. Fiscal years 1991 and 1990 comprised 52 weeks and fiscal year 1989 comprised 53 weeks.

THE MAY DEPARTMENT STORES COMPANY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year. The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years 1991, 1990 and 1989 ended on February 1, 1992, February 2, 1991, and February 3, 1990, respectively. Fiscal years 1991 and 1990 included 52 weeks and fiscal year 1989 included 53 weeks. References to years relate to fiscal years rather than calendar years.

PALL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part):

Fiscal Year:

The Company's fiscal year ends on the Saturday closest to July 31, except that the Company's foreign subsidiaries are on a July 31 fiscal year. The years ended August 3, 1991 July 28, 1990 and July 29, 1989 comprise 53, 52 and 52 weeks, respectively.

THORN APPLE VALLEY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of significant accounting policies:

Fiscal Year:

The Company's fiscal year is reported on a 52/53-week period which ends on the last Friday in May. Fiscal year ended May 31, 1991 is a 53-week period, while fiscal years May 25, 1990 and May 26, 1989 are for 52-week periods.

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 (322 companies) or a statement showing changes in retained earnings (51 companies). 184 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 1991, 21 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

	1991	1990	1989	1988
To nearest dollar	51	55	56	55
To nearest thousand dollars:				
Omitting 000	357	360	365	367
Presenting 000	31	34	39	41
To nearest million dollars	161	151	140	137
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 without considering 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

	1991	1990	1989	1988
General reference only	374	382	385	367
General and direct references	222	210	210	226
Direct reference only	1	4	2	3
No reference to notes	3	4	3	4
Total Companies	**600**	**600**	**600**	**600**

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.

TABLE 1-7: DISCLOSURE OF ACCOUNTING POLICIES

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Consolidation policy	584	579	582	582
Depreciation methods	580	579	580	575
Inventory pricing	557	559	555	560
Property	489	484	472	482
Cash equivalents	464	446	398	351
Interperiod tax allocation	458	437	455	482
Earnings per share calculation	434	435	420	412
Amortization of intangibles	376	376	354	338
Translation of foreign currency	267	256	244	233
Employee benefits	157	161	162	190
Hedge contracts	139	132	48	N/C
Research and development costs	132	132	127	125
Fiscal years	117	112	99	96
Capitalization of interest	70	73	73	59

N/C—Not Compiled.

ALLIED SIGNAL INC. (DEC.)

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

Investments and long-term receivables are carried at the lower of cost or market, and in the case of affiliates over which significant influence is exercised, using the equity method of accounting.

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

Cost in excess of net assets of acquired companies is being amortized on a straight-line basis over 25- or 40-year periods. The cumulative amount of goodwill amortized at December 31, 1991, and December 31, 1990, is $256 and $224 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.

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

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 cost 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. At December 31, 1991, liabilities for environmental costs of $60 and $416 million were recorded in Accrued Liabilities and Other Liabilities respectively.

Interest rate swap, foreign currency forward exchange and foreign currency swap agreements are entered into to manage the Company's exposure to changes in interest and foreign currency rates.

- Changes in the amount to be received or paid under interest rate swap agreements are recognized in Interest and Other Financial Charges.
- Changes in the market value of foreign currency forward exchange and foreign currency swap contracts are recognized in Other Income (Expense) or Cumulative Foreign Exchange Translation Adjustment, as appropriate, when foreign currency exchange rates fluctuate. Such changes mitigate the impact of foreign exchange fluctuations on foreign currency denominated transactions, assets and liabilities.

Income taxes are based on pretax financial statement income with an appropriate deferred tax provision in accordance with Accounting Principles Board Opinion No. 11 to provide for the tax effect of timing differences between pretax financial statement income and taxable income per the tax return. Deferred income taxes have not been provided on approximately $75 million of undistributed earnings of foreign affiliated companies, which are considered to be permanently reinvested. Any U.S. taxes payable on foreign earnings which may be remitted, however, will be substantially offset by foreign tax credits.

COOPER INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Major Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries, except for certain insignificant subsidiaries, the investments in which are recorded under the cost method because of restrictions upon the transfer of earnings and other economic uncertainties. Investments of 50% or less in affiliated companies are accounted for on the equity method, unless significant economic or political considerations indicate that the cost method is appropriate.

Inventories

Inventories are carried at cost or, if lower, net realizable value. On the basis of current costs, 71% of inventories in 1991 and 73% in 1990 are carried on the last-in, first-out (LIFO) method. The remaining inventories are carried on the first-in, first-out (FIFO) method.

Plant and Equipment

Depreciation is provided over the estimated useful lives of the related assets using primarily the straight-line method. This method is applied to group asset accounts which in general have the following lives: buildings—10 to 40 years; machinery and equipment—3 to 18 years; and office furniture and equipment—5 to 10 years. No provision is made for depreciation of tooling, dies, patterns, and similar assets related to general operations, as replacement of these items is charged to expense.

Intangibles

Intangibles consist primarily of goodwill related to purchase acquisitions which, with minor exceptions, is being amortized over 40 years from their respective acquisition dates.

Income Taxes

Income tax expense includes U.S. and foreign income taxes, including U.S. Federal taxes on undistributed earnings of foreign subsidiaries to the extent such earnings are planned to be remitted. 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.

Environmental Remediation and Compliance

Environmental remediation costs are accrued, except to the extent costs can be capitalized, based on estimates of known environmental remediation exposures. Environmental compliance costs include maintenance and operating costs with respect to pollution control facilities, cost of ongoing monitoring programs and similar costs. Such costs are expensed as incurred. Capitalized environmental costs are depreciated generally utilizing a 15-year life.

Interest Rate Swap Agreements

The Company enters into interest rate swap agreements to effectively convert a portion of its floating-rate borrowings into fixed-rate obligations. The interest rate differential to be received or paid is recognized over the lives of the agreements as an adjustment to interest expense.

Other

For purposes of the statement of Consolidated Cash Flows, the Company considers all investments purchased with original maturities of three months or less to be cash equivalents.

See Management's Discussion and Financial Review for discussion of the future impact of new accounting standards for postretirement benefits other than pensions and income taxes.

FORD MOTOR COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1. 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 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. For purposes of Notes to Financial Statements, "Ford" or "the company" means Ford Motor Company and its majority-owned subsidiaries unless the context requires otherwise.

The financial statements reflect the sale of Ford New Holland, Inc. and related subsidiaries ("Ford New Holland") in 1991, the sale of Ford Aerospace Corporation ("Ford Aerospace") in 1990 and the sale of Rouge Steel Company ("Rouge Steel") in 1989. The financial statements also reflect the acquisitions of Associates First Capital Corporation ("The Associates") and Jaguar Limited ("Jaguar") in 1989. See Note 3 for further details regarding these transactions.

Foreign-Currency Translation. Assets and liabilities of foreign subsidiaries are translated at year-end exchange rates. The effects of these translation adjustments as well as gains and losses from certain hedges are reported in a separate component of stockholder's equity. Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved and translation adjustments in countries with highly inflationary economies or in which operations are directly and integrally linked to the company's U.S. operations are included in income.

Changes in foreign exchange rates decreased the net loss by $81 million (17¢ a share) in 1991, reduced net income by $3 million (1¢ a share) in 1990 and increased net income by $124 million (27¢ a share) in 1989. These amounts include net transaction and translation gains before taxes of $662 million in 1991, $935 million in 1990 and $1,244 million in 1989. These gains, however, were offset substantially in each year by the effects of exchange rate devaluations that occurred before inventories were sold.

Revenue Recognition—Automotive. Sales generally are recorded by the company when products are shipped to dealers. Provisions for approved sales incentive programs normally are recognized as sales deductions at the time of sale. Sales incentive programs approved subsequent to the time that related sales have been recorded are recognized when the programs are approved.

Revenue Recognition—Financial Services. All finance charges are recognized as income using the interest method. Certain loan origination costs are deferred and amortized over the lives of the related loans as a reduction of financing revenue. Agreements between Automotive operations and certain Financial Services operations provide for interest supplements to be paid by Automotive operations on certain retail receivable transactions. Financial Services operations recognize this revenue in income over the period that the related receivables are outstanding; these interest supplements are recorded as sales deductions by the Automotive segment at the time of the sale of the related vehicle.

Product Warranty Costs—Automotive. Anticipated costs related to product warranty are charged to income at the time of the sale of the products.

Research and Development Costs—Automotive. Research and development costs are expensed as incurred. Company-sponsored research and development expenses were $3,728 million in 1991, $3,558 million in 1990 and $3,167 million in 1989.

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.

Advertising and Sales Promotion. Advertising and sales promotion costs are expensed as incurred.

(Loss)/Income per Share of Common and Class B Stock. (Loss)/income per share of Common and Class B Stock is calculated by dividing (loss)/income attributable to Common and Class B Stock by the average number of shares of Common Stock and Class B Stock outstanding during the applicable period.

The company has outstanding securities, primarily the Series A Preferred Stock and certain convertible debt of subsidiary companies, which could be converted to Common Stock. Other securities, such as stock options, are considered to be common stock equivalents. The calculation of (loss)/income per share of Common and Class B Stock assuming full dilution takes into account the effect of these convertible securities and common stock equivalents when the effect would be dilutive. For the periods presented, the effect of these items was either antidilutive or not materially different from the (loss)/income per share of Common and Class B Stock presented in the financial statements.

Investments in Securities—Financial Services. Investments in debt securities are recorded at amortized cost because Financial Services operations have the ability to hold such securities until maturity and intend to hold them for the foreseeable future. However, if market conditions change, such securities may be sold prior to maturity. Marketable equity securities are recorded at market value. See Note 7 for additional information related to investments in securities.

Inventory Valuation—Automotive. Inventories are stated at the lower of cost or market. The cost of substantially all U.S. inventories is determined by the last-in, first-out ("LIFO") method. The cost of the remaining inventories is determined substantially by the first-in, first-out ("FIFO") method.

If FIFO were the only method of inventory accounting used by the company, inventories would have been $1,323 million and $1,331 million higher than reported at December 31, 1991 and 1990, respectively.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is being amortized on a straight-line method principally over 40 years. Total goodwill included in Automobile and Financial Services other assets at December 31, 1991 was $3 billion and $3.1 billion, respectively, and resulted principally from the acquisitions of Jaguar and The Associates.

Preferred Stockholders' Equity in Subsidiary Company. Preferred stockholders' equity in subsidiary company relates to the outstanding preferred stock of Ford Holdings, Inc. ("Ford Holdings"), a subsidiary of Ford, which was incorporated in 1989 for the principal purpose of acquiring, owning and managing certain Financial Services assets. All the outstanding common stock of Ford Holdings, representing 75% of the combined voting power of all classes of capital stock of Ford Holdings, is owned, directly or indirectly, by Ford. The balance of the capital stock and voting power, consisting of shares of Flexible Rate Auction Preferred Stock (Exchange), is held by nonaffiliated persons.

ITT CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

(Dollar amounts are in millions unless otherwise stated)

Accounting Policies

Consolidation Principles: The financial statements include the accounts of all majority-owned subsidiaries. All significant intercompany transactions have been eliminated. Certain 1990 and 1989 items have been reclassified to conform to the 1991 presentation.

Inventories: Inventories are generally valued at the lower of cost (first-in, first-out) or market. In manufacturing operations, a full absorption procedure is employed using standard cost techniques. Revenue from long-term contracts is recognized on the percentage-of-completion method. Expected losses on long-term contracts and potential losses from obsolete and slow-moving inventories are provided for in the current period.

Plant, Property and Equipment: Plant, property, and equipment, including capitalized interest applicable to major project expenditures, are valued at cost. The Corporation normally claims the maximum depreciation deduction allowable for tax purposes. In general, for financial reporting purposes, depreciation is provided on a straight-line basis over the useful economic lives of the assets involved. Accumulated depreciation was $3,245 and $2,984 at December 31, 1991 and 1990.

Insurance Operations: Policy acquisition costs, representing commissions, premium taxes and certain other underwriting costs of developing and implementing new insurance programs, are deferred and amortized over the periods benefited. Estimates of future revenues, including investment income, are compared with estimates of future costs, including amortization of policy acquisition costs, to determine if policies currently in force are expected to result in a net loss. No revenue deficiencies have been determined in the periods presented.

The liability for property and casualty claims (except for asbestos and pollution) includes amounts determined by claim adjusters on individual cases and estimates for unreported claims based on past experience. While asbestos and pollution liabilities are established for claims and legal defense costs, the ultimate liabilities cannot be reasonably estimated due to the unpredictability of notification and resolution, and therefore the liabilities established may have to be adjusted as additional information becomes available. The Corporation believes that the ultimate resolution of all its claims, including reinsurance effects, will not have a material adverse impact on its overall financial condition.

Certain liabilities for unpaid claims are discounted at interest rates between 3% and 13%, principally for disabled claimants, terminated reinsurance treaties and certain reinsurance contracts that fund loss runoffs for unrelated parties. These liabilities amounted to $836 and $705 as of December 31, 1991 and 1990. Unearned premiums are calculated principally by the application of monthly pro rata fractions for the unexpired terms of policies in force.

The liability for future life insurance payments, excluding investment and universal and life-type contracts, is computed by the net level premium method, based on estimated future investment yields, withdrawals, mortality and other assumptions made at the time the policies are issued.

The liability for investment and universal life-type contracts is stated at policyholder account values under the retrospective deposit method. Revenue on these contracts represents policyholder charges. The cost of acquiring new business is recognized over the term of the contracts in proportion to estimated gross profits.

Finance Operations: Revenues from finance receivables are recognized using the interest method, whereby finance charges, loan origination fees and direct loan origination costs are recognized over the life of the related loan to provide a constant effective yield. Because the insurance subsidiaries of the finance companies are integral parts of the finance operations, the accounts of those subsidiaries are included in finance revenues, operating costs and expenses, assets and liabilities. The reserve for credit losses is based on analysis of historical loss experience and other factors, and is considered adequate to cover incurred losses in the finance receivables portfolio.

Research and Development: ITT incurs significant costs each year for research, development and engineering programs expected to contribute substantial profits to future operations. Such costs are charged to income when incurred, excluding the amount recoverable under existing contracts.

Earnings Per Share: Primary earnings per share are based on the weighted average of common and common equivalent shares outstanding, which include Series K and N convertible preferred stock and stock options. With respect to options, it is assumed that proceeds received upon exercise will be used to acquire common stock of the Corporation. Net income applicable to primary earnings per share consists of reported net income less dividend requirements on preferred stock not considered common stock equivalents, net of the related tax benefits. Fully diluted earnings per share are based on the weighted average of common stock equivalents and assumes conversion of the Series O and ESOP Series convertible preferred stock. Net income applicable to fully diluted earnings per share consists of reported net income, less the amount, net of tax, the Corporation would be required to contribute to the ESOP if the ESOP Series preferred shares were converted into common stock.

TEXACO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements consist of the accounts of Texaco Inc. and subsidiary companies owned directly or indirectly more than 50 percent. Intercompany accounts and transactions are eliminated.

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

Cash Equivalents

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

Inventories

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

Investments and Advances

The equity method of accounting is used for investments in certain affiliates owned 50 percent or less, including corporate joint ventures and partnerships. Under this method, equity in the pre-tax income or losses of partnerships and in the net income or losses of corporate joint-venture companies is reflected currently in Texaco's revenues, rather than when realized through dividends or distributions. Investments in the entities accounted for on this method generally reflect Texaco's equity in their underlying net assets.

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

Properties, Plant and Equipment and Depreciation, Depletion and Amortization

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

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

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

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

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

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

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

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

Deferred Income Taxes

Deferred income taxes are determined utilizing a liability approach. This method gives consideration to the future tax consequences associated with differences between financial accounting and tax bases of assets and liabilities. These differences relate to items such as 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.

Net Income per Common Share

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

Accounting for Contingencies

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

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

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

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A—Summary of Significant Accounting Policies

Effective August 26, 1991, the Company reorganized under Chapter 11 of the United States Bankruptcy Code. See Note B below.

Basis of Presentation—The consolidated financial statements include the accounts of United Merchants and Manufacturers, Inc. ("UM&M" or the "Company") and its subsidiaries.

Goodwill—Goodwill arose from the excess of the cost of purchased businesses over the value of the net underlying assets and is being amortized by the straight-line method over 40 years.

In connection with the sale or termination of certain operations (see Note C below) during the year ended June 30, 1990, the Company wrote-off goodwill in the amount of $34.4 million. At June 30, 1990, goodwill was net of an amount of negative goodwill applicable to a subsidiary subsequently sold.

The goodwill included in the consolidated balance sheet as of June 30, 1991 is that of Victoria Creations, Inc., the Company's 83%-owned subsidiary.

Inventories—Inventories are stated at the lower of cost (average or first-in, first-out) or market values.

Property, Plant and Equipment—Property, plant and equipment are carried at cost. The provision for depreciation and amortization is generally computed using the straight-line method over the estimated useful lives of the assets. The annual provisions for depreciation and amortization have been computed principally using ranges of rates of 2% to 10% for buildings and improvements and 4% to 33⅓% for machinery and equipment.

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 1991 annual reports of the survey companies.

As indicated in Table 1-8, a limited number of survey companies chose to conform to the requirements of

TABLE 1-8: ACCOUNTING CHANGES

	Number of Companies			
	1991	1990	1989	1988
Pension costs:				
Actuarial assumptions	151	122	189	119
SFAS 87 adopted	1	19	57	82
Postretirement benefits	39	2	1	—
Income taxes:				
SFAS 96 adopted	16	16	31	98
SFAS 109 adopted	16	—	—	—
Inventories:				
Capitalization of costs formerly expensed	3	—	4	11
LIFO adopted	2	1	2	2
LIFO discontinued	3	3	2	7
Other	3	3	3	1
Depreciable lives	4	5	4	3
Depreciation method	5	3	3	1
Reporting entity	1	6	29	90
Insurance companies contracts	—	—	1	6
Loan originating fees	—	—	—	7
Other—described	17	13	16	20

Statement of Financial Accounting Standards No. 106 and *Statement of Financial Accounting Standards No. 109* prior to the effective dates of such pronouncements. Both *SFAS No. 106* and *SFAS No. 109*, which supersedes *SFAS No. 96*, are effective for fiscal years beginning after December 15, 1992. Thirty-seven companies adopting *SFAS No. 106* recognized the transition obligation immediately and 2 companies are amortizing the transition obligation over a 20 year period. Fourteen companies adopting *SFAS No. 109* reported the cumulative effect of the change and 2 companies restated financial statements for prior years.

Examples of accounting changes follow.

CHANGE IN ACCOUNTING ESTIMATES

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Capitalized Software Development Costs.
Capitalized software development costs are amortized to cost of product revenues over the estimated economic lives of the software products. In fiscal 1991, the company increased the maximum amortization period from two years to three years to coincide with the estimated economic lives of its software products, based on actual sales experience and product life expectancy. The effect of this change in estimate was a decrease in cost of product revenues and an increase in net income for fiscal 1991 of approximately $11.0 million ($.34 and $.30 per share on a primary and fully diluted basis, respectively).

Amortization of capitalized software costs for fiscal 1991 includes approximately $6.0 million related to the writedown of certain capitalized software costs to net realizable value. Unamortized software development costs were $32.4 million at September 28, 1991 and $21.0 million at September 29, 1990.

QUANTUM CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Property, Plant and Equipment

	December 31	
	1991	1990
Land and land improvements	$ 113.7	$ 112.5
Buildings	218.6	177.1
Machinery and equipment	2,440.1	2,399.2
Other	8.9	9.4
Construction in progress	172.6	206.8
	2,953.9	2,905.0
Less—accumulated depreciation	966.7	884.8
	$1,987.2	$2,020.2

Annual rates used in computing depreciation are as follows: Buildings, 2% to 6⅔%; machinery and equipment, 3⅓% to 20%.

In the first quarter of 1991, the Company extended the estimated remaining useful lives of certain plant machinery and equipment acquired from the Enron Corporation in November of 1986 at the Morris, Illinois, and Clinton, Iowa, plant facilities. Continuing upgrading and betterments, principally during the last two years, have made these facilities economically viable and competitive through the end of the nineties. This change in service lives, along with other minor changes, has been accounted for as a change in accounting estimate and resulted in a decrease in net loss of $19.3 million or 67 cents per common share 1991.

The Company capitalizes interest cost related to major construction projects. Interest cost capitalized was $23.3 million in 1991 and $60.5 million in 1990.

UNION CAMP CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Property and Depreciation
Plant and equipment is recorded at cost, less accumulated depreciation. Upon sale or retirement, the asset cost and related depreciation are removed from the balance sheet and the resulting gain or loss is included in income.

Depreciation is principally calculated on a straight-line basis with lives for buildings from 15 to 33 years and for machinery and equipment from 10 to 20 years. For major expansion projects, the company uses the units-of-production depreciation method until design level production is reasonably sustained. Accelerated depreciation methods are used for tax purposes.

In the first quarter of 1991, the company changed the estimated average useful lives used to compute depreciation for most of it pulp and paper mill equipment from 16 years to 20 years. The change better aligns the allocation of equipment cost with its expected use and results in useful lives more consistent with the predominant industry practice for this type of equipment. The effect of this change on income before tax was $51 million in 1991. The after tax effect of this change was $32 million or $.46 per share. The change does not affect cash flow.

The cost of company timber harvested is charged to income as timber is cut. The charge to income is the product of the volume of timber cut multiplied by annually developed unit cost rates which are based on the relationship of timber cost to the estimated volume of recoverable timber.

STONE CONTAINER CORPORATION (DEC)

NOTES TO 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 10%
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 $42.0 million and decreasing the net loss by $26.1 million, or $.42 per common share, in 1991 and reduced depreciation expense by $39.8 million and increased net income by $20.2 million, or $.34 per common share, in 1990.

CHANGE IN ACCOUNTING PRINCIPLES

Postretirement Benefits

BROWN GROUP, INC. (JAN)

Consolidated Earnings

Thousands, except per share	1992	1991	1990
Earnings From Continuing Operations Before Cumulative Effect of Accounting Changes	$ 15,695	$31,775	$30,827
Gain on disposal of discontinued operations, net of income taxes	—	—	3,000
Cumulative effect of changes in accounting for postretirement benefits (Note 2) and income taxes (Note 3)	(11,931)	—	—
Net Earnings	$ 3,764	$31,775	$33,827

Note 2 (In Part): Retirement and Other Benefit Plans

In fiscal 1991, the corporation adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." In applying this pronouncement, the corporation immediately recognized the Accumulated Postretirement Benefit Obligation as of the beginning of fiscal 1991 of $17,320,000 in the First Quarter of 1991 as a change in accounting principle. On an aftertax basis, this charge was $11,431,000 or $.67 per share. Previously reported First Quarter 1991 results have been restated to reflect adoption of SFAS No. 106. The impact on the Second and Third Quarters of 1991 was immaterial. The pro forma effect of retroactive application of the change on the financial statements for the years prior to 1991 has not been presented because the new method did not have a material effect on the earnings reported for those years.

Note 3 (In Part): Income Taxes

In fiscal 1991, the corporation adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109 requires the adjustment of previously deferred taxes for changes in tax rates under the liability method. The corporation chose to reflect the cumulative effect of adopting the pronouncement as a change in accounting principle at the beginning of fiscal 1991 with a charge to earnings of $500,000. Prior year's financial statements were not restated. This charge represents the writedown of net deferred tax assets and liabilities from tax rates in effect when they arose to current statutory tax rates. As required, previously reported First Quarter 1991 results have been restated to reflect this adjustment. The adoption of the new standard had no effect on the tax provision for 1991.

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Postretirement Benefits Other Than Pensions.

In fiscal 1991, the company adopted the provisions of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its postretirement benefits plan. The cost of postretirement medical benefits historically has been actuarially determined and accrued over the working lives of employees expected to receive benefits. As a result, the effect on the financial statements of the adoption of the provisions of this statement in the current fiscal year was not material and is not expected to be material in the future. Net postretirement benefit costs are generally funded as accrued, to the extent that current cost is deductible for U.S. Federal tax purposes. The net transition obligation for the plan is being amortized over 20 years.

Note 11 (In Part): Benefit Plans (In thousands)

In fiscal 1991, the company adopted the provisions of Statement of Financial Accounting Standards No. 106 ("SFAS 106"), "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its U.S. postretirement benefits plan. The plan provides certain medical and life insurance benefits for retired employees. Substantially all U.S. employees of the company may become eligible for these benefits if they remain employed until normal retirement age and fulfill other eligibility requirements

as specified by the plan. With the exception of certain participants who retired prior to 1986, the medical benefit plan requires monthly contributions by retired participants in amounts equal to insured equivalent costs less a fixed company contribution which is dependent on the participant's length of service and Medicare eligibility. Benefits are continued to dependents of eligible retiree participants for 39 weeks after the death of the retiree. The life insurance benefit plan is noncontributory. Funds contributed to the plan are invested primarily in common stocks and cash equivalent securities.

The components of net periodic postretirement benefit cost are as follows:

	YEAR ENDED SEPT. 28 1991
Service cost	$229
Interest on accumulated benefit obligation	551
Actual gain on plan assets	(353)
Deferral of net actuarial gains and amortization of transition obligation	426
Net periodic postretirement benefit cost	$853

Amounts expensed for postretirement benefits for periods prior to adoption of SFAS 106 were $749 in fiscal 1990 and $712 in fiscal 1989. For these periods, the cost of providing benefits for the company's retired participants is not separable from the cost of benefits for the company's active participants.

GENERAL ELECTRIC COMPANY

Statement of Earnings

For the years ended December 31 *(In millions)*	1991	1990	1989
Earnings before cumulative effect of change in accounting principle	$ 4,435	$4,303	$3,939
Cumulative effect to January 1, 1991, of change in accounting for postretirement benefits other than pensions (note 6)	(1,799)	—	—
Net earnings	$ 2,636	$4,303	$3,939

Note 6 (In Part): Pension and Retiree Insurance Benefits

GE and its affiliates sponsor a number of pension and retiree health and life insurance plans. Principal plans are discussed below; other plans are not significant individually or in the aggregate.

1991 accounting change. Statement of Financial Accounting Standards (SFAS) No. 106—"Employers' Accounting for Postretirement Benefits Other Than Pensions" was implemented using the immediate recognition transition option, effective as of January 1, 1991.

SFAS No. 106 requires recognition, during employees' service with the Company, of the cost of their retiree health and life insurance benefits. At January 1, 1991, the accumulated postretirement benefit obligation was $4,287 million; however, $1,577 million of this obligation had been provided through the fair market value of related trust assets ($1,037 million) and recorded liabilities ($540 million), thus resulting in a pretax adjustment (i.e., transition obligation) of $2,710 million. The effect on net earnings and share owners' equity was $1,799 million ($2.07 per share) after deferred tax benefit of $911 million. Aside from the one-time effect of the adjustment, adoption of SFAS No. 106 was not material to 1991 financial results.

Prior to 1991, GE health benefits for eligible retirees under age 65 and eligible dependents were generally included in costs as covered expenses were actually incurred. For eligible retirees and spouses over age 65, the present value of future health benefits was included in costs in the year the retiree became eligible for benefits. The present value of future life insurance benefits for each eligible retiree was included in costs in the year of retirement.

PHILIP MORRIS COMPANIES INC.

Consolidated Statements of Earnings

(in millions of dollars, except per share data)

for the years ended December 31,	1991	1990	1989
Earnings before cumulative effect of accounting change	$ 3,927	$3,540	$2,946
Cumulative effect of change in method of accounting for postretirement benefits other than pensions (net of income tax benefit of $572 million)	(921)		
Net earnings	$ 3,006	$3,540	$2,946

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Postretirement Benefits Other Than Pensions:

Effective January 1, 1991, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its U.S. retiree benefit plans. Under SFAS No. 106, the Company is required to accrue the estimated cost of retiree benefit payments, other than pensions, during employees' active service period. The Company previously expensed the cost of these benefits, which are principally health care, as claims were incurred.

The Company has elected to recognize this change in accounting on the immediate recognition basis. The cumulative effects as of January 1, 1991 of adopting SFAS No. 106 were a decrease in deferred taxes of $572 million, an increase in accrued postretirement health care costs of $1,493 million and a decrease in 1991 net earnings of $921 million ($.99 per share). Application of SFAS No, 106 during 1991 decreased earnings before cumulative effect of accounting change by $89 million ($.10 per share).

The Company expects to adopt SFAS No. 106 for its non-U.S. plans in 1995 and, based upon preliminary estimates, does not anticipate that the effects of adoption will be significant. Net postretirement health care cost and related disclosures for non-U.S. plans in 1991 and for all plans in 1990 and 1989 were determined under the provisions of the previous accounting principles.

SNAP-ON TOOLS CORPORATION (DEC)

Consolidated Statements of Earnings

(Amounts in thousands except share data) for fiscal years	1991	1990	1989
Earnings before cumulative effect of accounting change	$ 73,226	$100,760	$104,710
Cumulative effect of accounting change, net of $23.9 million of income taxes (Note 1c)	(38,949)	—	—
Net earnings	$ 34,277	$100,760	$104,710

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

C. Adoption of new accounting principle

The Company elected early adoption of the accounting provisions of the Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." This new standard requires that the expected cost of retiree health benefits be charged to expense during the years that the employees render service rather than the Company's past practice of recognizing these costs on a cash basis. As part of adopting the new standard, the Company recorded in the first quarter, a one-time, non-cash charge against earnings of $62.8 million before taxes and $38.9 million after taxes, or $.93 per share. This cumulative catchup adjustment as of January 1, 1991 represents the discounted present value of expected future retiree health benefits attributed to employees' service rendered prior to that date. Also, the new standard results in additional annual expense, which in 1991 totaled $4.0 million before taxes and $2.5 million after taxes, or $.06 per share.

Income Taxes

AMERICAN BRANDS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

In the fourth quarter of 1991, the Company changed its method of accounting for income taxes, from the deferral to the liability method, by electing early adoption of FAS Statement No. 96, "Accounting for Income Taxes." The standard was applied retroactively and previously reported results from 1981 have been restated. The Company subsequently adopted FAS Statement No. 109, which superseded FAS No. 96, and the adoption had no impact on the financial statements. This change in accounting decreased retained earnings at January 1, 1989 by $33.6 million. The (decrease) increase on previously reported net income for the years ended December 31, 1990 and 1989 was as follows:

(In millions, except per share amounts)	1990	1989
Net income	$(7.4)	$2.5
Earnings per Common share		
Primary	$(0.04)	$0.01
Fully diluted	$(0.04)	$0.01

NORTHROP CORPORATION

Consolidated Statements of Operations

Year ended December 31	1991	*In millions* 1990	1989
Income(loss) before cumulative effect of accounting principle changes	$ 268.2	$ 210.4	$ (80.5)
Cumulative effect on prior years of changes in accounting principles for			
Income taxes	20.3		
Retiree health care and life insurance benefits	(87.7)		
Net income (loss)	$ 200.8	$ 210.4	$ (80.5)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Accounting and Reporting Changes

Effective January 1, 1991, the company adopted FASB Statements No. 106–*Employers' Accounting for Postretirement Benefits Other than Pensions and* No. 109–*Accounting for Income Taxes.*

The new retiree benefits accounting disclosures for 1991 are shown on pages 59 through 63. The after-tax cumulative effect on prior years as of January 1, 1991 for this change in accounting for retiree medical and life insurance plans reduced first quarter earnings by $87.7 million ($1.86 per share) as reported on pages 44 and 66. The effect on Income(Loss) Before Cumulative Effect of Accounting Principle Changes for 1991 was a reduction of $22.1 million (47 cents per share). Prior year financial statements have not been restated. Until 1991 the company accrued costs for these benefits on a basis consistent with government pre-funding rules. Since these rules do not permit the recognition of projected medical cost inflation as an element of cost, the company had under-accrued (and was limited in funding its trust) as compared with the new standard's definition of cost which does require such recognition. As is the case with pension costs this new accounting for other retiree benefits will generate differences between amounts reported in the financial statements and those recorded under contract cost and tax accounting regulations. The treatment of those differences is described under the next heading. Due to the size of the obligation now reported in the company's Consolidated Statements of Financial Position separate captions for these type liabilities and Long-Term Debt are now shown. Prior year data has been reclassified to conform to this presentation.

The new standard of accounting for income taxes permitted the company to recognize the benefit of certain deferred tax assets that was prohibited under the previous standard, SFAS No. 96, which the company had adopted as an accounting change in 1988. The cumulative effect of restating the net deferred tax credit balance as of January 1, 1991, was to increase first quarter earnings by $20.3 million (43 cents per share) as reported on pages 44 and 66. The effect on Income(Loss) Before Cumulative Effect of Accounting Principle Changes for 1991 was a reduction of $4.2 million (9 cents per share). Prior year financial statements have not been restated.

CRYSTAL BRANDS, INC.

Consolidated Statements of Operations
(In Thousands of Dollars Except Share Data)

	Year Ended		
	Dec. 28, 1991	Dec. 29, 1990	Dec. 30, 1989
Income (loss) from continuing operations before cumulative effect of change in accounting principle	$(32,175)	$28,893	$27,393
Discontinued operations, net of income tax	—	—	(8,864)
Cumulative effect on prior years of change in accounting for income taxes	(39,219)	—	—
Net income (loss)	$(71,394)	$28,893	$18,529

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

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

H. *Cumulative Effect on Prior Years of Change in Accounting Principle*

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires a change from the deferred method to the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Under SFAS No. 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Under the deferred method, deferred taxes were recognized using the tax rate applicable to the year of the calculation and were not adjusted for subsequent changes in tax rates.

The Company elected to adopt SFAS No. 109 in 1991 and has reported the cumulative effect of the change in the method of accounting for income taxes as of the beginning of the 1991 fiscal year in the consolidated statement of operations.

Note 10 (In Part): income Taxes

As discussed in Note 1, Summary of Significant Accounting Policies, the Company adopted SFAS No. 109 as of the beginning of fiscal year 1991. The cumulative effect on prior years of this change in accounting principle increased 1991 net loss by $39,219, or $4.31 per share, and is reported separately in the consolidated statement of operations for the year ended December 28, 1991. In addition to the impact of the cumulative effect on prior years, the effect of adoption of SFAS No. 109 increased the net loss in 1991 by $672, or $0.07 per share. Prior years' financial statements have not been restated to apply the provisions of SFAS No. 109.

Inventories

SUN COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Inventories

Inventories of crude oil and refined products are valued at the lower of cost or market. The cost of such inventories is determined principally using the last-in, first-out method (LIFO). Effective January 1, 1991, Sun changed its method of accounting for the cost of crude oil and refined product inventories at Suncor Inc. (Suncor), the Company's Canadian subsidiary, from the first-in, first-out method (FIFO) to the LIFO method (Notes 6 and 7).

Materials, supplies and other inventories are valued principally at the lower of average cost or market.

6 (In Part): Changes in Accounting Principles

Effective January 1, 1991, Sun changed its method of accounting for the cost of crude oil and refined product inventories at Suncor from the FIFO method to the LIFO method. Sun believes that the use of the LIFO method better matches current costs with current revenues. The cumulative effect of this accounting change for years prior to 1991 is not determinable, nor are the pro forma effects of retroactive application of the LIFO method to prior years. This change decreased the 1991 net loss and net loss per share of common stock by $3 million and $.03, respectively.

Depreciation Method

HERCULES INCORPORATED (DEC)

Summary of Significant Accounting Policies

Property and Depreciation
Property, plant and equipment are stated at cost. The company changed to the straight-line method of depreciation, effective January 1, 1991, for newly acquired processing facilities and equipment. Assets acquired before the effective date of the change continue to be depreciated principally by accelerated methods. The company believes that straight-line depreciation provides for a better matching of costs and revenues over the lives of the assets. The change had no cumulative effect on prior years' earnings and the effect on 1991 net income was immaterial.

Maintenance, repairs, and minor renewals are charged to income; major renewals and betterments are capitalized. Upon normal retirement or replacement, the cost of property (less proceeds of sale or salvage) is charged to accumulated depreciation.

RAYCHEM CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Property, Plant and Equipment
Property, plant and equipment are carried at cost. Effective July 1, 1990, the company adopted the straight-line method depreciation for property, plant and equipment placed in service on or after that date. Fixed assets placed in service prior to fiscal 1991 continue to be depreciated using principally accelerated methods. Property, plant and equipment are depreciated over the estimated useful lives of the individual assets and, for leasehold improvements, over the terms of their respective leases, if shorter. The company changed its method of depreciation based on management's belief that the productivity of property, plant and equipment will not appreciably diminish in the early years of its useful life nor will it be subject to significant additional maintenance in the later years of its useful life. Additionally, the change to the straight-line method of depreciation was made to conform to predominant industry practice. Use of the straight-line method of depreciation on assets placed in service in 1991 versus accelerated methods resulted in a favorable effect in 1991 of $4.8 million on the pretax loss and $4.4 million, or $0.12 per share, on the net loss.

Reporting Period For Foreign Subsidiaries

ARMCO INC. (DEC)

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

9: Foreign Subsidiaries

Most of Armco's foreign subsidiaries are on a fiscal year ending October 31. The remainder are on a calendar year-end. The amounts presented here are for Armco's consolidated foreign subsidiaries, based on financial statements for fiscal years ending in 1991, 1990 and 1989.

	1991	1990	1989
Net sales	$369.5	$477.0	$423.9
Net income (loss)	(19.2)	12.2	41.9
Identifiable assets	248.0	363.1	314.6
Total liabilities	136.0	185.0	130.4
Net assets (representing Armco's equity)	$112.0	$178.1	$184.2

Included in the above amounts are the following related to Armco's South American operations for the years 1991, 1990 and 1989: Net sales of $265.8, $329.7 and $307.7; Net income (loss) of $(21.1), $8.6 and $33.1; and Identifiable assets of $171.0, $243.3 and $231.8.

Nonfinancing foreign currency losses recognized in Sundry other-net were $10.8 in 1991, $25.6 in 1990 and $13.6 in 1989, primarily related to Armco's operations in Brazil.

Foreign currency translation losses of $2.1 were realized in 1991 as a result of the special charges for the divestment of certain fabricating and processing businesses in South America (Note 8). These losses are not included in the foreign subsidiaries' amounts above.

During 1991, Armco changed its reporting period for foreign subsidiaries in the Worldwide Grinding Systems segment from a fiscal year ending October 31 to a calendar year-end (Note 8). The effect of this change was to increase Net sales $13.2 and increase the Net loss $0.4 for the 1991 amounts presented in the table above.

Successful Efforts Method Adopted

FREEPORT-MCMORAN INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Oil and gas exploration and development costs. During the fourth quarter of 1991, FTX changed from the full cost method to the successful efforts method of accounting for its oil and gas operations. Accordingly, the accompanying financial statements have been restated to reflect the new method. FTX has significantly reduced its oil and gas exploration efforts because of low oil and gas prices. In these circumstances, FTX concluded that the successful efforts method was more appropriate than the full cost method.

Under the successful efforts method, lease acquisition costs are capitalized. Exploratory drilling costs are capitalized pending determination of proved reserves, and other exploration costs are expensed. All development costs are capitalized. Provision for depreciation and amortization, including estimated future dismantlement and restoration costs, is determined on a field-by-field basis using the unit-of-production method. When properties are sold, the asset cost and related accumulated depreciation and amortization are eliminated, with any gain or loss reflected in income.

The change in accounting method increased 1991 net income by $96.9 million ($1.38 per primary and fully diluted share), taking into account a $108 million fourth-quarter 1991 after-tax charge to net income that would have otherwise been required under full cost accounting. The change decreased net income by $30.1 million ($.52 per primary and $.41 per fully diluted share) for 1990 and $31.5 million ($.52 per primary and $.40 per fully diluted share) for 1989. The accounting change reduced retained earnings as of January 1, 1989 by $221.1 million.

Valuation Of Pension Plan Assets

INLAND STEEL INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Retirement Benefits

In order to minimize significant year-to-year fluctuations in pension cost caused by financial market volatility, the Company changed, effective as of January 1, 1991, the method of accounting used for determination of the market-related value of plan assets from fair value to a calculated value that recognizes changes in fair value over a four-year period. The effect of this change on 1991 results of operations, including the cumulative effect of prior years, and the pro forma effects on results of operations for the periods presented were not material.

Warranty And Service Contracts

TANDY CORPORATION (JUN)

Consolidated Statements of Income

In thousands, except per share amounts.

	1991	1990	1989
Income before cumulative effect of change in accounting principle	$206,063	$290,347	$323,504
Cumulative effect on prior years of change in accounting for extended warranty and service contracts net of taxes of $5,471,000	(10,619)	—	—
Net income	$195,444	$290,347	$323,504

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Summary of Significant Accounting Policies

Change in Accounting Principle—Extended Warranty and Service Contracts: Tandy's retail operations offer extended warranty and service contracts on products sold. These contracts generally provide extended warranty coverage for periods of 12 to 48 months.

The FASB issued Technical Bulletin No. 90-1, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts" in December 1990. This bulletin requires revenues from sales of extended warranty and service contracts to be recognized ratably over the lives of the contracts. Costs directly related to sales of such contracts are to be deferred and charged to expense proportionately as the revenues are recognized.

During the fourth quarter of fiscal 1991, the Company elected to adopt this technical bulletin on a retroactive basis to the beginning of fiscal 1991 by restating the previously reported three quarters. The method of adoption includes the application of this accounting change to all existing contracts outstanding at July 1, 1990 and to all contracts entered into during the year. Prior to the adoption of this technical bulletin, the Company had recognized a portion of the extended warranty and service contract revenues immediately, deferred the remaining revenues which were recognized ratably over their contract lives and expensed associated costs as incurred.

The effect of this change for fiscal 1991 was to decrease income before the cumulative effect of the change in accounting by $3,708,000 ($.05 per share). The cumulative effect of the change on prior years, net of income taxes, was to decrease 1991 net income by $10,619,000 ($.14 per share).

The pro forma amounts presented below for fiscal 1990 and 1989 reflect the effect of retroactive application on revenues, net income and net income per share had the new method been in effect at the beginning of each period.

In thousands, except per share amounts	Year Ended June 30, 1990	1989
Net sales and operating revenues	$4,479,357	$4,169,008
Net income	$ 288,033	$ 322,416
Net income per share	$ 3.52	$ 3.63

Special Sales Incentive Programs

CHRYSLER CORPORATION

Consolidated Statement Of Earnings

(In Million Of Dollars)	Year Ended December 31 1991	1990	1989
EARNINGS (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	$ (583)	$ 68	$ 359
Cumulative effect of change in accounting principle (Note 1)	(257)	—	—
NET EARNINGS (LOSS)	$ (795)	$ 68	$ 359
Per Share Data:	(In Dollars Or Thousands Of Shares)		
Earnings (loss) from continuing operations before cumulative effect of change in accounting principle	$ (2.22)	$ 0.30	$ 1.39
Discontinued operations	—	—	0.16
Cumulative effect of change in accounting principle	(1.06)	—	—
NET EARNINGS (LOSS) PER SHARE	$ (3.28)	$ 0.30	$ 1.55
Average number of common and dilutive equivalent shares outstanding	242,561	223,657	232,335
Common stock dividends declared	$ 0.60	$ 1.20	$ 1.20
Pro forma amounts assuming the effect of the change in accounting principle is applied retroactively:			
Net earnings (loss)	$ (538)	$ 122	$ 262
Net earnings (loss) per share	$ (2.22)	$ 0.55	$ 1.13

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. In 1990 and 1989, the cost of special sales incentive programs was recognized when a retail sale was made. Effective January 1, 1991, the Company changed its method of accounting for the cost of special sales incentive programs to recognize the cost of such programs as sales reductions at the time a vehicle is sold to a dealer. The change in accounting principle was adopted in response to and is preferable given the increased frequency and significance of special sales incentive programs. The cumulative effect of the change in accounting principle at January 1, 1991, net of $159 million in applicable income taxes, increased the net loss by $257 million for the year ended December 31, 1991. The loss before the cumulative effect of change in accounting principle and the net loss for the year were incresed by $31 million, or $.13 per common share, due to this change in accounting principle.

Future Accounting Changes

ANHEUSER-BUSCH COMPANIES, INC. (DEC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future Impact of Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued two accounting pronouncements which will have a future impact on the company's financial statements. These accounting pronouncements are Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes," issued in February 1992, which amends Statement of Financial Accounting Standards No. 96 (FAS 96), "Accounting for Income Taxes" and Statement of Financial Accounting Standards No. 106 (FAS 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions." A brief description of these pronouncements and a discussion of the estimated adoption impact on the company's future financial statements follows:

Accounting For Income Taxes (FAS 109)

In December 1987, the FASB issued FAS 96 which requires the use of an asset and liability approach in accounting for the effects of income taxes that result from activities during the current and preceding years. Adoption of the Statement, originally required by 1989, has been delayed to 1993.

In February 1992, the FASB issued FAS 109 to amend FAS 96 to simplify the required calculations, change the criteria for recognition and measurement of deferred tax assets and change the methodology for recognizing the impact of prior tax-free purchase business combinations. Adoption of FAS 109, which is required by the first quarter of 1993, can be made by either restating previously issued financial statements or by recognizing a one time cumulative effect adjustment to net income.

Postretirement Benefits (FAS 106)

In December 1990, the FASB issued FAS 106. The standard requires recognition of postretirement benefits, including health care benefits, on an accrual basis. The company currently provides postretirement health care and life insurance benefits to certain retired employees who attain specified age and years-of-service requirements. The cost of such postretirement benefits is presently recognized on a claims-paid basis.

Adoption of the new standard is required by the first quarter of 1993 and permits the transitional obligation to be either recognized immediately, as the cumulative effect of an accounting change, or recognized on a delayed basis over the plan participants' future service periods (or 20 years, if longer).

Estimated Adoption Impact

The company plans to adopt FAS 109 and FAS 106 during the first quarter 1993 by recognizing a one-time cumulative effect adjustment which is estimated to impact net income as follows (in millions):

	1993 NET INCOME IMPACT RANGE INCREASE/(DECREASE)	
Accounting for Income Taxes (FAS 109)	$ 240 –	$ 260
Postretirement Benefits (FAS 106)	(250) –	(320)
Net Income Impact	$ (10) –	$ (60)

Assuming constant statutory tax rates, FAS 109 is not expected to have a significant ongoing financial impact on the company. Future statutory tax rate changes could alter the magnitude of the estimated impact.

FAS 106 will increase employee pretax health care benefits expense in the range of $30-$50 million in the year of adoption, with such additional expense increasing modestly in years subsequent to adoption as employees approach retirement. The company is currently in the process of evaluating its health care benefit plans and the actuarial assumptions used in measuring its postretirement benefit obligation under FAS 106. The company believes the results of the process may lessen the unfavorable earnings impact of FAS 106.

R.R. DONNELLEY & SONS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Prospective Accounting Changes

Income Taxes—In December 1987, the Financial Accounting Standards Board ("FASB") issued Statement No. 96 "Accounting for Income Taxes." This original standard introduced complex concepts and methods, many of which were highly controversial. As a result, the FASB delayed the effective date of adoption to reconsider several of the theories included in the original statement. Upon adoption (which is now anticipated for fiscal years beginning after December 15, 1992, although earlier adoption will be permissible), and under the provisions of the proposed new standard (Statement No. 109, expected to be issued in February 1992), the Company expects to increase net income for the cumulative effect of the accounting change in an amount ranging from $55 million to $85 million. Management estimates that the new accounting principle will not have a material impact on the Company's normal income tax provisions.

Other Post-Employment Benefits—In December 1990, the FASB issued a new standard on accounting for retirement benefits other than pensions. This new standard requires that the expected costs 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 January 1,1993, although earlier implementation is permitted. The Company may adopt the new standard prospectively or by a cumulative catch-up adjustment.

The Company has not decided when or how it will adopt the new standard. Furthermore, Management is currently studying various plan modifications and considering other appropriate methods to better manage these benefits and control the costs. These studies will result in changes to the retiree medical benefits plan which will affect active and retired employees at different times and in different ways. Under the most probable set of assumptions for the ultimate plan design, the Company will have an initial liability ranging from $130 million to $150 million (net of income tax benefits which would be available under the newly proposed income tax accounting standard and assuming a discount rate and a weighted average medical cost trend rate of 9% and 8%, respectively, both of which may differ from the rates used at the ultimate date of adoption). The initial liability can be recorded either prospectively or as a cumulative catch-up adjustment, depending on the ultimate method of adoption selected by the Company. Due to the complexity of the different plan design assumptions currently under evaluation and since the Company has not yet determined which method of adoption will ultimately be utilized, the projected impact on net income of the new accounting standard has not yet been quantified; however, management expects that annual post-employment benefits expense computed in accordance with the new standard will be greater than the annual cash payments. The accounting required by Statement No. 106 will have no effect on the Company's operating cash flows.

ETHYL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

24. Recently Issued Accounting Standards:
FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," was issued in December 1990 and requires adoption no later than fiscal years beginning after December 15, 1992. The new standard requires that companies use the accrual method of accounting to expense the estimated cost of providing postretirement health-care and other benefits over the years of each employee's active service. This accrual method will replace the pay-as-you-go method currently used by the Company whereby the actual costs of such benefits are expensed when paid. The Company is evaluating its various implementation options but currently plans to adopt the new standard as of January 1, 1993, by immediately recognizing the transition obligation (cumulative effect of the accounting change). The Company estimates that, if it were to adopt this standard at the beginning of 1993, it would record a one-time charge of approximately $50 million to $60 million before income taxes, or $32 million to $38 million net of income taxes. Beginning in 1993, adopting the new standard will result in an increase in ongoing annual expenses for postretirement benefits from approximately $3 million to approximately $6 million to $7.5 million. While the adoption of FASB Statement No. 106 will reduce net income, it will have no impact on cash flow.

FASB Statement No. 109, "Accounting for Income Taxes," was issued in February 1992 and requires adoption no later than fiscal years beginning after December 15, 1992. The Company is studying the new requirements, but currently plans to adopt the new standard as of January 1, 1993. The Company estimates that, upon adoption, its deferred income tax liability will decrease and net income will increase by approximately $25 million to $30 million. These amounts are based on current income tax rates and would be affected by any future changes in income tax rates in effect on the date of adoption. Net income in future years will be subject to increased fluctuations depending upon the frequency of tax rate changes.

FMC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Principal accounting policies

Accounting standards not adopted. Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," issued in February 1992, supersedes Statement No. 96 and requires companies to adopt a liability method of accounting for income taxes. Statement No. 109 is effective for fiscal years beginning after December 15, 1992 and retains many of the concepts embodied in Statement No. 96. Significant changes include the elimination of the Statement No. 96 scheduling requirements and relaxation of the criteria for recognition of deferred tax assets. The new statement permits either recognition of the cumulative effect in the year of adoption or restatement of prior years. The impact of the statement is not reasonably estimable at this time, and the company has not made a decision as to the date or method of adoption.

Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," was issued in December 1990, and is effective for fiscal years beginning after December 15, 1992, and for plans outside the U.S., after December 15, 1994. FMC provides retirement health care and life insurance benefits for certain retirees and generally recognizes the cost of health care benefits on a cash basis and life insurance benefits ratably over the employees' active working lives. Statement No. 106 requires the expected cost of providing postretirement benefits to be accrued during the years the employee renders the necessary service. The liability for benefits accrued at the date of adoption may be recognized immediately as a one-time charge to income or amortized over a 20-year period. Preliminary estimates indicate a liability at the date of adoption to be in the range of $150 million to $250 million. The company has not made a decision as to the date or method of adoption. Although this standard will affect reported earnings and liabilities, there will be no impact on cash flows.

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 nonhomogeneous operations. Consequently, with rare exception, the survey companies consolidate nonhomogeneous operations. Table 1-9 shows the nature of nonhomogeneous operations consolidated by the survey companies.

TABLE 1-9: NONHOMOGENEOUS OPERATIONS CONSOLIDATED

	Number of Companies			
	1991	1990	1989	1988
Credit	56	59	69	64
Insurance	31	36	33	34
Leasing	13	9	11	8
Banks	10	7	8	11
Real Estate	21	21	15	N/C

N/C—Not Compiled.

The financial statement formats used to present nonhomogeneous operation vary considerably. Of the 89 survey companies disclosing nonhomogeneous operations, 58 presented a classified balance sheet showing either certain or no accounts for nonhomogeneous operations, 12 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 7 presented a consolidating balance sheet.

Examples of consolidation practice disclosures follow.

Classified Balance Sheet

GERBER PRODUCTS COMPANY

Consolidated Statements of Financial Position

	March 31	
	1991	1990
	(Thousands of Dollars)	
Assets		
Current Assets		
Cash and cash equivalents	$ 99,195	$ 32,097
Short-term investments	29,892	19,941
Trade accounts receivable, less allowances (1991—$10,953; 1990—$8,245)	120,960	110,355
Inventories		
Finished products	116,465	101,140
Work-in-process	30,691	37,835
Raw materials and supplies	44,667	59,428
	191,823	198,403
Current assets of discontinued operations		2,574
Total Current Assets	441,870	363,370
Other Assets		
Investments held by insurance operations	66,794	57,325
Deferred policy acquisition costs	38,790	33,578
Prepaid pension costs	44,161	37,046
Miscellaneous other assets	31,891	22,405
Intangible assets, less accumulated amortization of $4,744		7,653
	181,636	158,007
Land, Buildings and Equipment		
Land	4,148	4,036
Buildings	89,133	88,670
Machinery and equiment	234,285	220,525
Construction in progress	21,502	19,278
Allowances for depreciation (deduct)	(145,238)	(140,714)
	203,830	191,795
Fixed assets of discontinued operations (net)		41,561
	203,830	233,356
	$827,336	$754,733

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all wholly owned subsidiaries. Insurance operations and a Costa Rican subsidiary are included on the basis of fiscal years ended December 31 and February 28, respectively. Upon consolidation, all intercompany accounts, transactions and profits are eliminated.

Note F—Insurance Operations

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

Statements of Financial Position

	December 31	
	1990	1989
Assets:	*(Thousands of Dollars)*	
Investments held by insurance operations, at cost:		
Long-term bonds	$ 57,363	$52,789
Other investments	9,431	4,536
	66,794	57,325
Deferred policy acquisition costs	38,790	33,578
Miscellaneous other assets	2,485	2,692
Land, buildings and equipment	323	304
	$108,392	$93,899
Liabilities:		
Trade accounts payable and accruals	$ 4,082	$ 3,980
Policy claims and reserves	10,884	7,343
Future policy benefits	55,674	47,486
Deferred income taxes	7,346	6,944
	77,986	65,753
Shareholder's equity	30,406	28,146
	$108,392	$93,899

The approximate market value of investments held by insurance operations was $64,699,000 at December 31, 1990 and $57,076,000 at December 31, 1989.

Statements of Operations

	Year Ended December 31		
	1990	1989	1988
	(Thousands of Dollars)		
Revenues	$53,635	$40,405	$27,253
Investment income	5,318	4,501	3,934
Total Income	58,953	44,906	31,187
Cost of services provided	34,964	26,090	16,424
Marketing, administrative and general expenses	19,074	15,342	11,953
Earnings before income taxes	4,915	3,474	2,810
Income taxes	1,676	1,193	958
Net Earnings of Insurance Operations	$ 3,239	$2,281	$ 1,852

Marketing, administrative and general expenses include deferred policy acquisition cost amortization of $7,521,000, $6,719,000 and $5,077,000 in calendar 1990, 1989, and 1988, respectively.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

Consolidated Statement of Financial Position

(Dollars in millions)	1991	1990
Assets		
Current Assets:		
Cash	$ 1,171	$ 1,189
Cash Equivalents	2,774	2,664
Marketable securities, at cost, which approximates market	1,206	698
Notes and accounts receivable—trade, net of allowances	15,391	15,306
Sales-type leases receivable	7,435	5,682
Other accounts receivable	1,491	1,656
Inventories	9,844	10,108
Prepaid expenses and other current assets	1,657	1,617
	40,969	38,920
Plants, Rental Machines and Other Property	55,678	53,659
Less: Accumulated depreciation	28,100	26,418
	27,578	27,241
Investments and Other Assets:		
Software, less accumulated amortization (1991, $6,950; 1990, $5,873)	4,483	4,009
Investments and sundry assets	19,443	17,308
	23,926	21,407
	$92,473	$87,568

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

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

Financing Subsidiaries—The primary focus of IBM's customer financing business is to provide financing support for IBM's products and services. This support is mainly provided through separate financing subsidiaries, but is also provided in some countries in which the company does not maintain a separate financing subsidiary. The schedule on page 37 depicts financial information for the company's financing subsidiaries of which IBM Credit Corporation accounts for more than 70 percent of the net earnings. These wholly owned subsidiaries are consolidated in the company's financial statements. Financing activity in countries in which the company does not have a financing subsidiary is not included in the following schedule.

(Dollars in millions)

At December 31:	1991	1990
Financing Subsidiaries: Financial Position		
Assets:		
Cash and cash equivalents	$ 789	$ 307
Receivables—net	3,741	3,421
Net investment in sales-type leases	13,309	9,702
Equipment under operating leases—net	2,220	2,082
Other	622	499
Total Assets	$20,681	$16,011
Liabilities and Stockholder's Equity:		
Short-term debt	$ 7,399	$ 4,743
Deferred taxes and accruals	1,359	1,355
Due to IBM and affiliates	2,510	2,641
Long-term debt	7,631	6,006
Stockholder's equity	1,782	1,266
Total Liabilities and Stockholder's Equity	$20,681	$16,011

(Dollars in millions)

For the year ended December 31:	1991	1990	1989
Financing Subsidiaries: Earnings			
Financing and other income	$2,361	$ 1,992	$ 1,332
Interest and other expenses	1,973	1,649	1,098
Provision for income taxes	144	112	75
Net earnings	$ 244	$ 231	$ 159

On September 30, 1991, IBM Japan acquired the remaining interest in Computer Systems Leasing, Ltd. (CSL), a finance company that leases IBM equipment to third-party users. CSL operates as a wholly owned subsidiary of IBM Japan. It has total assets of approximately $4 billion at December 31, 1991, which are primarily net investments in sales-type leases. These assets, consistent with the leasing business, are substantially financed by short-term and long-term, third-party debt. CSL is fully consolidated in the accompanying financial statements at December 31, 1991.

However, only the fourth quarter earnings of this subsidiary are included in the above statements, while the assets and liabilities reflect the total balances at December 31, 1991. The acquired equity of CSL is reflected in the consolidated statement of cash flows as an addition to investments, and not as a change to individual asset and liability categories.

In addition, the net earnings of the financing subsidiaries in 1991 were impacted by higher than normal provisions for receivable losses, reflecting the effects of weakening economic conditions on customers in certain countries.

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

PHILIP MORRIS COMPANIES INC.

Consolidated Balance Sheets

(in millions of dollars) at December 31,	1991	1990
Assets		
Consumer products		
Cash and cash equivalents	$ 126	$ 146
Receivables, net	4,121	4,101
Inventories:		
Leaf tobacco	2,912	2,458
Other raw materials	1,795	1,934
Finished product	2,738	2,761
	7,445	7,153
Other current assets	902	967
Total current assets	12,594	12,367
Property, plant and equipment, at cost:		
Land and land improvements	725	664
Buildings and building equipment	4,210	4,004
Machinery and equipment	9,114	8,480
Construction in progress	1,232	1,133
	15,281	14,281
Less accumulated depreciation	5,335	4,677
	9,946	9,604
Goodwill and other intangible assets		
(less accumulated amortization of $1,673 and $1,178)	18,624	19,037
Other assets	1,682	1,675
Total consumer products assets	42,846	42,683
Financial services and real estate		
Finance assets, net	3,847	3,220
Real estate held for development and sale	471	418
Other assets	220	248
Total financial services and real estate assets	4,538	3,886
TOTAL ASSETS	$47,384	$46,569

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of presentation:

The consolidated financial statements include all significant subsidiaries.

Balance sheet accounts are segregated by two broad types of business. Consumer products assets and liabilities are classified as either current or non-current, whereas financial services and real estate assets and liabilities are unclassified, in accordance with respective industry practices.

Certain prior years' amounts have been reclassified to conform with the current year's presentation.

Note 16. Financial Services and Real Estate Operations:

Philip Morris Capital Corporation ("PMCC") is a wholly-owned subsidiary of the Company. PMCC invests in third-party leveraged and direct finance leases and securities of third parties, primarily preferred stocks, and engages in various financing activities for customers and suppliers of the Company's subsidiaries. Additionally, PMCC is engaged through its wholly-owned subsidiary, Mission Viejo Company, in land planning, development and sales.

Pursuant to a support agreement, the Company has agreed to retain ownership of 100% of the voting stock of PMCC and make periodic payments to PMCC to the extent necessary to ensure that earnings available for fixed charges equal at least 1.25 times its fixed charges. No payments were required in 1991, 1990 or 1989.

Condensed balance sheet data at December 31 follows:

(in millions)	1991	1990
Assets		
Finance leases	$4,525	$3,526
Other investments	1,184	1,208
	5,709	4,734
Less unearned income and allowances	1,795	1,449
Finance assets, net	3,914	3,285
Real estate held for development and sale	471	418
Goodwill, net of accumulated amortization	38	39
Other assets	187	209
Total assets	$4,610	$3,951
Liabilities and stockholder's equity		
Short-term borrowings	$ 818	$ 724
Long-term debt	1,001	836
Deferred income taxes	1,743	1,382
Other liabilities	174	225
Stockholder's equity	874	784
Total liabilities and stockholder's equity	$4,610	$3,951

The amounts shown above include receivables and payables with the Company and its subsidiaries as follows:

(in millions)	1991	1990
Finance assets, net	$ 67	$ 65
Other assets	$ 5	
Long-term debt	$ 208	
Other liabilities		$ 5

These amounts were eliminated in the Company's consolidated balance sheets.

Finance leases consist of investments in transportation, power generation, and commercial equipment and facilities. Rentals receivable for leveraged leases represent unpaid rentals less principal and interest on third-party nonrecourse debt. Other investments consist primarily of preferred stock and real estate and commercial receivables.

Condensed income statement data follows for the years ended December 31,

(in millions)	1991	1990	1989
Revenues:			
Financial services	$269	$223	$186
Real estate	125	243	333
Total revenues	394	466	519
Expenses:			
Financial services	141	113	100
Real estate	83	153	244
Total expenses	224	266	344
Earnings before income taxes and cumulative effect of accounting change	170	200	175
Provision for income taxes	49	60	46
Earnings before cumulative effect of accounting change	121	140	129
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	(4)		
Net earnings	$117	$140	$129

WESTINGHOUSE ELECTRIC CORPORATION

Consolidated Balance Sheet

(in millions) At December 31	1991	1990
Assets		
Operations excluding WFSI:		
Cash	$ 355	$ 286
Marketable securities	204	790
Customer receivables	1,609	1,847
Inventories	1,343	1,249
Uncompleted contracts costs over related billings	397	473
Prepaid and other current assets	313	417
Total current assets	4,221	5,062
Plant and equipment	2,526	2,506
Intangible and other noncurrent assets	3,054	2,974
Total assets excluding WFSI	9,801	10,542
WFSI:		
Cash and cash equivalents	685	206
Marketable securities	452	241
Receivables held for investment, net	5,312	7,490
Assets held for sale or restructuring, net	2,248	2,356
Other assets	1,661	1,198
Total assets—WFSI	10,358	11,491
Total assets	$20,159	$22,033

NOTES TO FINANCIAL STATEMENTS

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

Consolidation

The consolidated financial statements include the accounts of Westinghouse Electric Corporation and its subsidiary companies after elimination of intercompany accounts and transactions. Investments in joint ventures and other companies in which the Corporation does not have control, generally less than 50% owned, but has the ability to exercise significant management influence over operating and financial policies, are accounted for by the equity method.

The consolidated financial statements and notes are presented in a format that groups data in two categories: (1) operations excluding Westinghouse Financial Services, Inc. and its subsidiaries (WFSI) and (2) WFSI. The largest WFSI subsidiaries are Westinghouse Credit Corporation (WCC), Westinghouse Savings Corporation (WSAV), and Westinghouse Communities, Inc. (WCI). For segment reporting (note 22), WCI is included in the Industries segment, WCI's reporting segment for management purposes.

Certain previously reported amounts have been reclassified to conform to the 1991 presentation.

Note 23: WFSI and Consolidated Subsidiaries

Intercompany transactions and balances between WFSI and Westinghouse Electric Corporation (WELCO) have not been eliminated in the following statements.

Condensed Consolidated Balance Sheet

(in millions)

At December 31	1991	1990
Cash and cash equivalents	$ 685	$ 206
Marketable securities	452	241
Receivables held for investment, net	5,312	7,490
Assets held for sale or restructuring, net	2,248	2,356
Other assets (a)	1,726	1,723
Total assets	$10,423	$12,016
Short-term debt	$ 3,299	$ 4,155
Long-term debt	4,016	5,160
Thrift deposits	672	689
Other liabilities (b)	879	441
Minority interest in equity of consolidated subsidiaries	152	152
Shareholders' equity	1,405	1,419
Total liabilities and shareholders' equity	$10,423	$12,016

(a) Other assets include a receivable from WELCO of $525 million at December 31, 1990, related to the support agreement.

(b) Other liabilities include a payable to WELCO at December 31, 1991, related to WELCO's retirement of a $299 million WFSI bank loan on December 23, 1991. At December 31, 1990 $114 million of the balance relates to the funding of WCI activities.

Condensed Consolidated Statement of Income

(in millions)

	1991	1990	1989
Earned income and other revenues	$ 1,322	$ 1,353	$1,197
Interest expense	(741)	(778)	(677)
Provision for losses, including valuation allowances	(1,815)	(1,139)	(119)
Other expenses	(311)	(205)	(197)
Income taxes	525	278	(52)
Minority interest in income of consolidated subsidiaries	(13)	(13)	—
Net income (loss)	$(1,033)	$ (504)	$ 152

Unclassified Balance Sheet

MCDONNELL DOUGLAS CORPORATION

Consolidated Balance Sheet

December 31 (Millions of dollars and shares)	1991	1990
Assets		
Cash and cash equivalents	$ 229	$ 226
Accounts receivable	780	883
Finance receivables and property on lease	2,621	3,527
Contracts in process and inventories	7,291	6,201
Property, plant and equipment	2,414	2,624
Other assets	1,506	1,504
Total Assets	$14,841	$14,965
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued expenses	$ 3,327	$ 2,818
Income taxes	1,273	1,000
Advances and billings in excess of related costs	2,087	2,049
Notes payable and long-term debt:		
Aerospace and other segments	2,386	2,970
Financial services segment	1,891	2,614
	10,964	11,451
Shareholders' Equity:		
Preferred Stock—none issued		
Common Stock—issued and outstanding: 1991, 38.4 shares; 1990, 38.3 shares	38	38
Additional capital	287	283
Retained earnings	3,538	3,168
Translation of foreign currency statements	14	25
	3,877	3,514
Total Liabilities and Shareholders' Equity	$14,841	$14,965

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except share data)

Accounting Policies (In Part)

Basis of Presentation. The consolidated financial statements include the accounts of McDonnell Douglas Corporation (MDC) and its subsidiaries including McDonnell Douglas Financial Services Corporation (MDFS), parent company of McDonnell Douglas Finance Corporation (MDFC). In consolidation, all significant intercompany balances and transactions are eliminated.

Investment in Financial Services Subsidiary

The condensed financial data presented below have been summarized from the audited consolidated financial statements of MDFS:

December 31	1991	1990
Assets		
Cash and cash equivalents	$ 188	113
Accounts with MDC	55	2
Notes and leases receivable—net	1,721	2,748
Investment in operating leases	407	493
Other assets	224	173
Total	$2,595	$3,529
Liabilities and Equity		
Accounts payable and accrued expenses	$ 129	$ 152
Income taxes	387	491
Notes payable and long-term debt	1,791	2,562
Shareholder's equity	288	324
Total	$2,595	$3,529

Years Ended December 31	1991	1990	1989
Earned income	$371	$464	$343
Costs and expenses	321	366	267
Net earnings	33	64	151
Dividends paid	67	30	113

The 1989 net earnings include the benefit of a cumulative effect of an accounting change of $100 million.

Consolidating Balance Sheet

TEMPLE-INLAND INC. (DEC)

Consolidating Balance Sheets

	PARENT COMPANY	FINANCIAL SERVICES	CONSOLIDATED
Assets		*(in thousands)*	
Cash	$ 15,805	$ 155,586	$ 171,391
Investments	—	4,471,940	4,471,940
Covered assets	—	563,154	563,154
Receivable from FSLIC	—	429,966	429,966
Loans receivable	—	1,202,624	1,202,624
Trade and other receivables	211,195	—	211,195
Inventories	223,827	269,126	492,953
Property and equipment	1,997,268	20,087	2,017,355
Other assets	104,860	412,053	507,879
Investment in affiliates	405,295	—	—
Total assets	$2,958,250	$7,524,536	$10,068,457

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Consolidation

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

The consolidated financial statements include the accounts of Temple-Inland Inc. (the "Company") and all subsidiaries in which the Company has more than a 50 percent equity ownership. Due to many uncertainties, the Company did not initially consolidate Guaranty and accounted for its investment using the cost method adjusted for any recovery. The Company consolidated Guaranty in its 1989 balance sheet and fully consolidated Guaranty beginning in 1990. See Note B on page 39. All material intercompany amounts and transactions have been eliminated.

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

CONAGRA, INC.

Consolidated Balance Sheets

May 26, 1991 and May 27, 1990
Dollars in millions except per share amount

	CONSOLIDATED		BASIC FOOD COMPANIES		FINANCE COMPANIES	
Assets	1991	1990	1991	1990	1991	1990
Current assets						
Cash	$ 92.1	$ 43.0	$ 86.0	$ 38.8	$ 6.1	$ 4.2
Cash equivalents	623.6	77.5	580.2	2.8	43.4	74.7
Receivables, less allowance for doubtful accounts of $41.1 and $32.8 (Note 3)	1,228.9	1,305.7	996.3	1,015.7	232.6	290.0
Margin deposits and segregated funds	250.8	212.9	—	—	250.8	212.9
Inventories (Note 4)						
Hedged commodities	520.2	586.8	520.2	586.8	—	—
Other	1,499.6	1,062.0	1,374.1	902.0	125.5	160.0
Total inventory	2,019.8	1,648.8	1,894.3	1,488.8	125.5	160.0
Prepaid expenses	127.7	59.8	116.6	53.4	11.1	6.4
Total current assets	4,342.9	3,347.7	3,673.4	2,599.5	669.5	748.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Consolidation and Financial Statement Presentation

The consolidated financial statements include non-homogeneous financial companies. In order to present more meaningful financial statements, management believes that the balance sheets, results of operations, and cash flows of the consolidated company should be further grouped and separately presented as follows:

Basic Food Companies: Except for the elimination of investment and equity in earnings of the Finance Companies, these financial statements include all consolidated operations on the same basis as reported prior to the adoption in fiscal 1989 of Statement of Financial Accounting Standards No. 94, "Consolidation of All Majority-Owned Subsidiaries."

Finance Companies: Primarily includes a commodity brokerage business, Geldermann, Inc., and a finance company, Monfort Finance Company. No parent company guarantees have been issued supporting borrowings of the Finance Companies.

Thus, the consolidated financial statements include the accounts of ConAgra, Inc. and all majority-owned subsidiaries, except certain foreign companies that are not material to the Company. All significant intercompany investments, accounts and transactions have been eliminated.

The investments in and the operating results of 50-percent-or-less-owned companies and the foreign companies referred to above are included in the financial statements on the basis of the equity method of accounting.

The accounts of two wholly owned subsidiaries, ConAgra Fertilizer Company and United Agri Products, Inc., have been consolidated on the basis of a year ending in February. Such fiscal period corresponds with those companies' natural business year.

Reporting Period For Foreign Subsidiaries

BMC INDUSTRIES, INC. (DEC)

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

1 (In Part): Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

The accounts and related disclosures of the Company's German subsidiary were included in the 1990 and 1989 consolidated financial statements on the basis of financial information for the twelve months ended November 30. In 1991, the German subsidiary changed its year-end from November to December. This resulted in the inclusion in 1991 of an extra month's net sales of $3,908. The impact on net earnings was immaterial.

Foreign exchange (gains) losses of ($229) in 1991, ($25) in 1990 and $447 in 1989 were included in other (income) expense in the accompanying financial statements.

CONTROL DATA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of all significant majority owned subsidiaries. Effective for 1991, the international subsidiaries of Control Data are reporting their financial results on a current rather than a month lag basis. The impact on the 1991 statements of operations and cash flows is not material.

Investments in other affiliated companies where Control Data has significant influence are accounted for by the equity method. The remaining investments are accounted for by the cost method. Marketable equity securities are carried at the lower of aggregate cost or market.

All material intercompany transactions have been eliminated from the consolidated financial statements.

Consolidation Includes All Subsidiaries

CONSOLIDATED PAPERS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries. Investments in companies in which ownership is at least 20%, but less than a majority of the voting stock, are accounted for using the equity method. The company operates in a single segment, which is paper and paper-related products. The company grants credit to customers with businesses throughout the United States. A substantial portion of the company's accounts receivable is with customers in the media and publishing industries. All receivables arising out of the normal course of business are uncollateralized. Sales to one customer, as a percent of net sales, amounted to 9% in 1991 and 1990, and 10% in 1989.

For purposes of the Statements of Cash Flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

E. I. DU PONT DE NEMOURS AND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Basis of Consolidation

The accounts of wholly owned and majority owned subsidiaries are included in the consolidated financial statements. Investments in affiliates owned 20 percent or more and corporate joint ventures are accounted for under the equity method. Investments in noncorporate joint ventures in the natural resource areas are consolidated on a pro rata basis. Other securities and investments are generally carried at cost.

LOCKHEED CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Consolidation

The consolidated financial statements for the years ended December 29, 1991, December 30, 1990, and December 31, 1989 include the accounts of wholly-owned and majority-owned subsidiaries. The accounts of Lockheed Finance Corporation (LFC), a wholly-owned finance company subsidiary, are included in the consolidated financial statements. LFC's assets, revenues, and earnings are immaterial and therefore not separately disclosed. Because LFC's business differs significantly from the rest of Lockheed's operations, LFC's results of operations are presented as a component of other income (deductions), net.

Certain reclassifications have been made to the 1990 and 1989 data to conform to the 1991 presentation.

STEWART & STEVENSON SERVICES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Principal Accounting Policies (In Part)

Consolidation

The consolidated financial statements include the accounts of Stewart & Stevenson Services, Inc. and all of its majority-owned subsidiaries. Investments in other partially owned companies and joint ventures in which ownership ranges from 20 to 50 percent are generally accounted for using the equity method, including the Company's investment in a 40 percent owned Saudi Arabia affiliate until its sale in Fiscal 1989 and an investment in a 49 percent diesel engine remanufacturing operation until its sale in Fiscal 1991. All significant intercompany accounts and transactions have been eliminated.

Certain Subsidiaries Not Consolidated

COOPER INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note One (In Part): Summary of Major Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries, except for certain insignficant subsidiaries, the investments in which are recorded under the cost method because of restrictions upon the transfer of earnings and other economic uncertainties. Investments of 50% or less in affiliated companies are accounted for on the equity method, unless significant economic or political considerations indicate that the cost method is appropriate.

Consolidation Includes Partnership

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"). Investments in which ownership interest ranges 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. Certain reclassifications have been made to conform prior years' data to the current presentation.

Consolidation Includes Less Than 50% Owned Companies

ALBERTO-CULVER COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include accounts of the company and its subsidiaries, including Cederroth International AB (See "Minority Interest" below). All significant intercompany accounts and transactions have been eliminated.

Minority Interest

Minority interest represents the minority stockholders' proportionate share of the equity of Cederroth International AB. At September 30, 1991, the company owned 23.7 percent of Cederroth's capital stock, representing 74 percent voting control.

STONE CONTAINER CORPORATION (DEC)

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 all subsidiaries that are more than 50 percent owned. Additionally, the Company's 30 percent owned affiliate, Cartomills, S.A. ("Cartomills") has been accounted for as a consolidated subsidiary effective October 31, 1990. All significant intercompany accounts and transactions have been eliminated. Investments in non-consolidated affiliated companies are primarily accounted for by the equity method.

Note 3 (In Part): Acquisitions

In October 1990, the Company acquired 30 percent of the common stock of Cartomills, a Belgian company that operates two corrugated container plants. The Company has an option to purchase the remaining common stock of Cartomills, subject to certain conditions, over the two to five years subsequent to the original acquisition. Additionally, the holders of the remaining 70 percent of the common stock have an option to require the Company to purchase such stock, subject to certain conditions, over the same period of time. Accordingly, Cartomills has been consolidated effective October 31, 1990.

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. That 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 1991 the survey companies reported 16 business combinations accounted for as a pooling of interests of which 9 such business combinations did not result in a restatement of prior year financial statements. Those companies not restating prior year financial statements for pooling of interests usually commented that the reason for not doing so was immateriality.

Examples of business combinations follow.

Pooling of Interests

MEDTRONIC, INC. (APR)

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

Note 2 (In Part): Acquisitions

On September 21, 1990, the company issued approximately 2,364,000 shares of its common stock for all of the outstanding common stock of Bio-Medicus, Inc. (Bio-Medicus), a manufacturer of centrifugal blood pumps used in open heart surgery and computer-based instruments and disposables used for the management of clotting factors during medical procedures. The merger has been accounted for as a pooling-of-interests and, accordingly, the company's consolidated financial statements have been restated for all periods prior to the acquisition to include the results of operations, financial positions, and cash flows of Bio-Medicus. Net sales and net earnings for the individual entities are as follows:

	Medtronic	Bio-Medicus	Adjustments	Combined
Three Months Ended July 31, 1990				
Net sales	$225,050	$ 7,887	$ 290	$233,227
Net earnings	28,759	1,364	157	30,280
Year Ended April 30, 1990				
Net sales	836,553	31,261	(1,896)	865,918
Net earnings	108,720	4,344	(190)	112,874
Year Ended April 30, 1989				
Net sales	741,699	25,730	(1,646)	765,783
Net earnings	97,429	3,284	(428)	100,285

Adjustments have been made to eliminate the impact of intercompany sales and the related profit in inventory, as well as Medtronic's minority investment in Bio-Medicus.

The consolidated financial statements for all years prior to the merger have been restated to include Bio-Medicus' results for the twelve months ended March 31. Effective May 1, 1990, Bio-Medicus' fiscal year-end has been changed from March 31 to April 30 to conform to Medtronic's fiscal year-end. Accordingly, Bio-Medicus' operations for the one month ended April 30, 1990, including net sales of $2,617 and a net loss of $438, have been excluded from combined results and have been reported as an adjustment to the May 1, 1990, consolidated retained earnings.

Merger expenses of $6,021 related to the merger with Bio-Medicus were charged to expense during fiscal year 1991. Expenses of $2,012 and $1,083 were charged during fiscal years 1990 and 1989, respectively, related to Bio-Medicus acquisition activity. The after-tax impact of these expenses on earnings per share was $0.15 in 1991, $0.07 in 1990, and $0.04 in 1989. Merger and acquisition expenses include investment banking fees, legal and accounting fees, severance and benefit-related costs, and other costs of consolidating.

TABLE 1-10: BUSINESS COMBINATIONS

	1991	1990	1989	1988
Poolings of Interests				
Prior year financial statements restated	7	4	9	8
Prior year financial statements not restated	9	6	9	6
Total	**16**	**10**	**18**	**14**
Purchase Method	**160**	**190**	**219**	**216**

Companies Under Common Control

LAFARGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisitions

On January 16, 1991 the Company acquired Missouri Portland Cement Company, Davenport Cement Company and certain related companies and assets (collectively, "Missouri Portland/Davenport") from Cementia Holding AG of Switzerland ("Cementia") and its Spanish subsidiary Asland, S.A. The assets of Missouri Portland/Davenport include three cement plants, 15 distribution terminals, more than thirty related ready-mix and aggregate operations and the assets of 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 has accounted 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. Accordingly, all financial data for periods from January 1, 1989 have been restated to include the results of Missouri Portland/Davenport.

The consolidated financial information does not contain any material adjustments to conform the accounting policies of Missouri Portland/Davenport to that of the Company. All intercompany transactions have been eliminated.

Net sales and net income (loss) of the separate companies for 1990 and 1989 were (in millions):

	Years Ended December 31	
	1990	1989
Net Sales		
Lafarge	$1,598.1	$1,497.2
Missouri Portland/Davenport	171.5	167.6
Combined	$1,769.6	$1,664.8
Net Income (Loss)		
Lafarge	$ 50.0	$ 100.0
Missouri Portland/Davenport	(7.1)	(1.5)
Combined	$ 42.9	$ 98.5

Purchases

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

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

2. Acquisitions

On November 1, 1991, the Company purchased all of the shares of Thomas Mercer Limited of St. Albans, United Kingdom for 150,000 shares of restricted Class A common stock, valued at $1,200 and cash of $232. Thomas Mercer is a manufacturer of a wide range of world-class metrology products, primarily gages and probes. The acquisition has been accounted for by the purchase method of accounting and the purchase price of $1,432 approximates the fair value of the net assets acquired. The operating results of this acquisition are included in the Company's consolidated results of operations from the date of acquisition.

The Company purchased the Industrial Metrology Technology Division and certain related marketing and sales assets of Wild Leitz GmbH headquartered in Wetzlar, West Germany, from Leica plc on June 29, 1990. 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. During 1991, the Company exercised its option to purchase the manufacturing plant (building and real estate) with a fair value of approximately $3,600 for a cash payment of approximately $1,900. The difference was recorded as a goodwill reduction.

The following unaudited pro forma summary presents the consolidated results of operations as if the acquisitions had occurred at the beginning of periods presented and do not purport to be indicative of what would have occurred had the acquisitions been made as of those dates or of results which may occur in the future.

	1991	1990
Net Sales	$180,400	$204,800
Net Loss	$ (5,300)	$ (19,500)
Net Loss per Common Share	$ (1.14)	$ (4.26)

CROWN CORK & SEAL COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B. Acquisitions

On December 29, 1989, the Company acquired all of the outstanding capital stock of Continental Can Canada, Inc. from CCL Industries in a business combination treated for financial reporting purposes as a purchase for approximately $204 million in cash and 2,536,331 shares of the Company's common stock valued at approximately $128 million. The cash portion was financed through bank borrowings of approximately $200 million.

On July 15, 1990, the Company acquired all of the outstanding stock of Continental Beverage Packaging, Inc. and Continental Technology, Inc. (Continental USA) from Continental Holdings, Inc. in a business combination treated for financial reporting purposes as a purchase for $200 million in cash and $136 million in a seller note. Additionally, the Company repaid working capital advances made to Continental USA by the seller in the amount of $159 million, financed through a seller note. The cash portion of the Continental USA acquisition was financed through bank and other borrowings of $200 million.

On May 16, 1991, the Company acquired all of the outstanding stock of Continental Can International Corporation, Inc. (Continental International) from Continental Can Europe, Inc. in a business combination treated for financial reporting purposes as a purchase for $125 million in cash of which $94 million was financed through bank borrowings. Additionally, the Company repaid working capital advances made to Continental International by the seller in the amount of $6 million. The non-financed portion of the Continental International acquisition was funded through cash from operations. Included in this acquisition were a wholly-owned subsidiary in Mexico, a majority-owned subsidiary in Hong Kong and minority interests in joint ventures in the Middle East, Asia and South America.

During 1991, the Company also acquired, in separate transactions with an aggregate cost of approximately $110 million, the stock of machinery operations in Florida and the Philadelphia area, the stock of a can manufacturer in Orlando, Florida, the assets of a beverage closure business in Virginia and the assets of a can manufacturer in Canada. The cost of these acquisitions was funded through the issuance of 156,600 shares of the Company's common stock valued at approximately $13 million and cash of approximately $97 million. The cash portion was financed through bank borrowings of approximately $85 million and cash from operations of approximately $12 million.

An excess purchase price of approximately $504 million has been determined, based upon the fair values of assets acquired and liabilities assumed with the acquisitions of Continental Canada, Continental USA and the preliminary estimates in the case of Continental International and other companies acquired during 1991. A final allocation of the purchase price will be determined during 1992 when appraisals and other studies, particularly relating to restructuring costs, are completed. The operating results of each acquisition is included in consolidated net income from the date of acquisition. Amortization of the excess purchase price is made over a period not to exceed forty years.

The following represents the unaudited pro forma results of operations as if the above noted business combinations had occurred at the beginning of the respective year in which the companies were acquired as well as at the beginning of the immediately preceding year:

(unaudited)

	1991	1990	1989
Net sales	$3,946.1	$3,955.4	$3,578.8
Income before taxes	197.2	162.8	130.2
Net income	119.3	99.3	84.1
Earnings per average common share	$4.12	$3.44	$2.91

The pro forma operating results include each company's results of operations for the indicated years with increased depreciation and amortization on property, plant and equipment along with other relevant adjustments to reflect fair market value. Interest expense on the acquisition borrowings has also been included.

The pro forma information given above does not purport to be indicative of the results that actually would have been obtained if the operations were combined during the periods presented, and is not intended to be a projection of future results or trends.

ECOLAB INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Transaction with Henkel KGaA

On July 11, 1991, the company and Henkel KGaA, Dusseldorf, Germany, (Henkel) completed the formation of Henkel-Ecolab, a joint venture of their respective European institutional and industrial cleaning and sanitizing businesses. In addition, the company acquired Henkel's cleaning and sanitizing businesses in 19 countries in the Asia Pacific and Latin America regions. In consideration for a 50 percent economic interest in the European joint venture and the outright purchase of Henkel's non-European operations, Ecolab contributed its European cleaning and sanitizing businesses to the joint venture, issued approximately 3.8 million common shares, and paid approximately $138 million in cash and other consideration, subject to adjustment.

In a related but separate transaction on the same date, the $110 million of Ecolab Series A Cumulative Convertible Preferred Stock held by Henkel was converted into approximately 3.67 million shares of Ecolab common stock.

Effective at year-end 1990, the company deconsolidated the assets and liabilities of its European subsidiaries in anticipation of their contribution to the joint venture. Ecolab Europe's 1991 operating income, prior to the formation of the joint venture, was included in selling, general and administrative expenses, and net interest expense and income taxes of Europe were included in their respective categories in the consolidated statement of income.

The company accounted for its acquisition of a 50 percent interest in the Henkel businesses contributed to the joint venture as a purchase and, accordingly, has recorded its interest in the earnings of such businesses on the equity method of accounting, commencing July 1, 1991, the effective date of acquisition. The company's acquisition of the Henkel businesses in the Asia Pacific and Latin America regions also was accounted for as a purchase; their results of operations were included in the consolidated statement of income commencing July 1, 1991.

The following unaudited pro forma results of continuing operations assume the transactions described above occurred as of the beginning of the respective years presented after giving effect to certain adjustments, including amortization of the excess of cost over underlying net assets, increased interest expense on acquisition debt and related income tax effects.

(thousands, except per share)	1991	1990
Net sales	$945,261	$911,175
Income from continuing operations	$ 56,433	$ 59,021
Income from continuing operations per common share	$ 1.81	$ 1.90
Average common shares outstanding	31,183	31,064

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

GREIF BROS. CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investment in Preferred Stock

In fiscal 1990, the Company had an investment in the preferred stock of Virginia Fibre Corporation and accounted for the investment on the cost basis. Effective August 1, 1991, the Company elected to exercise its right to convert certain of its preferred stock holdings to common stock of Virginia Fibre Corporation. This conversion resulted in the consolidation of Virginia Fibre with the Company effective August 1, 1991.

Note 2—Investment in Preferred Stock

At October 31, 1990, the Company had the following investments in Virginia Fibre Corporation:

	Shares	Amount (000)
Series A 5% Participating Preferred Stock	123,924	$ 2,694
Series B 5% Participating Convertible Preferred Stock	462,281	9,870
Series D Preferred Stock	50,000	1,000
		$13,564

Effective August 1, 1991, the Company exercised its conversion option on its 462,281 shares of Series B 5% Participating Convertible Preferred Stock and as a result is now the record holder of 1,849,124 shares (86.8%) of the voting stock of Virginia Fibre Corporation. The conversion was accounted for utilizing the purchase method of accounting and accordingly the consolidated results of Greif Bros. Corporation and Subsidiary Companies include the results of Virginia Fibre Corporation since the date of the conversion. Prior to the conversion, the Virginia Fibre Corporation's shareholders approved stock option plans primarily to existing shareholders covering shares with restrictions on saleability. Due to the terms of these options and the nature of the Company's investment, the Company expects to at least maintain its current percentage ownership of voting stock even assuming all options are fully granted and exercised.

Virginia Fibre Corporation is an integrated pulp and paper mill in Virginia that produces semi-chemical corrugated medium, which is one of the major components used in the manufacture of corrugated containers.

The unaudited pro-forma information which follows was prepared assuming that the conversion had taken place prior to November 1, 1989. In the preparation of the pro-forma financial information, various assumptions were made, thus the Company does not imply that the future results will be indicative of the following:

	1991	1990
Net Sales	$476,725,000	$500,994,000
Net Income	$ 24,700,000	$ 33,353,000
Net Income Per Share		
Class A	$1.88	$2.58
Class B	$2.14	$2.84

The Company received, prior to the conversion, and recognized as income in fiscal 1991 $5,104,640 in Preferred Stock cash dividends from Virginia Fibre Corporation ($2,846,580 in 1990 and $2,846,346 in 1989). The 1991 amount represented all of the Preferred Stock dividends that had been in arrears.

TANDEM COMPUTERS INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business combinations

On April 12, 1991, the Company acquired all of the outstanding capital stock of Applied Communications, Inc. (ACI), from its then parent company U S West, Inc., in a non-monetary exchange whereby the Company agreed to deliver standard computer systems (Equipment) and related consulting services to U S West, Inc., through April 30, 1995. ACI provides transaction processing software for the financial services industry and also offers applications and an enhanced services platform for the telecommunications industry. This transaction was valued at approximately $56 million, based on the estimated fair value of the Equipment to be subsequently delivered and recorded as revenue.

The acquisition, which was effective as of the close of business on March 31, 1991, has been recorded using the purchase method of accounting. Accordingly, the purchase price was allocated to assets and liabilities based on their estimated fair values as of the date of acquisition. The cost in excess of net assets acquired was approximately $15 million and is being amortized on a straight-line basis over five years. ACI's results of operations have been included in the Company's consolidated financial statements beginning April 1, 1991. ACI's operations are not material in relation to the Company's consolidated financial statements and pro forma financial information has therefore not been presented.

On April 6, 1990, the Company acquired all of the outstanding shares of Array Technology Corporation (Array) for $2.6 million. Array is a developer of storage subsystems based on redundant arrays of independent disks (RAID) technology.

TYLER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisition

On February 20, 1991, the Company completed the purchase of Forest City Auto Parts Company, a privately held retailer of automotive aftermarket parts and supplies. Forest City was acquired for approximately $26 million with additional payments of up to $6,600,000 over the next five years if certain profit objectives are achieved. The Company will pay $660,000 of this amount in the first quarter of 1992 for 1991 performance.

The acquisition has been accounted for as a purchase, and the net assets and results of operations are included in the Company's Consolidated Financial Statements beginning February 20, 1991. The purchase price has been allocated to the assets and liabilities of Forest City based on their estimated respective fair values. The purchase price and expenses associated with the acquisition exceeded the fair value of Forest City's net assets by approximately $20,106,000, of which $12,506,000 has been assigned to goodwill and $7,600,000 to noncompetition agreements.

The following unaudited pro forma information combines the consolidated results of operations of the Company and Forest City as if the acquisition had occurred on January 1, 1990, after giving effect to amortization of goodwill and noncompetition agreements and increased interest expense at approximately 9% on average longterm borrowings to finance the acquisition. The pro forma results of operations exclude compensation in excess of amounts payable after the acquisition. The pro forma information is not necessarily indicative of the results of operations which would have actually been obtained during such periods.

	1991	1990
Net sales	$274,117,000	$283,170,000
Income from continuing operations	1,028,000	4,610,000
Earnings per share from continuing operations	.05	.22

TABLE 1-11: CONTINGENCIES

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Loss Contingencies				
Litigation	361	391	379	371
Environmental	197	170	128	57
Possible tax assessments	69	62	52	66
Insurance	40	42	45	36
Government investigations	20	5	5	6
Other—described	62	43	37	31
Gain Contingencies				
Operating loss carryforward	179	152	157	176
Investment credit carryforward	67	97	85	117
Plaintiff litigation	34	39	29	31
Other—described	9	12	10	7

CONTINGENCIES

Statement of Financial Accounting Standards No. 5 defines a contingency as "an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur." Paragraphs 8–16 of *SFAS No. 5* set forth standards of financial accounting and reporting for loss contingencies. Paragraph 17 of *SFAS No. 5* states the accounting and reporting standards for gain contingencies. Table 1–11 lists various loss and gain contingencies. Commitments and financial instruments are listed in Tables 1–12 and 1–13, respectively.

Examples of contingency disclosures, except for tax carryforwards, follow. Examples of operating loss carryforwards are presented with the discussion of income tax expense.

LOSS CONTINGENCIES

Litigation

AMOCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Litigation

On January 24, 1992, the federal Court of Appeals in Chicago affirmed the liability decision against Amoco arising out of the stranding of the *Amoco Cadiz* in March 1978, and increased the rate of prejudgment interest payable on the principal amount of the damage awards. As a result of this decision, Amoco's 1991 net income was reduced by $47 million to accrue for the effect of the modified damage judgments expected to be entered by the District Court in March 1992. The Court of Appeals also affirmed the default judgment entered in favor of Amoco and the Republic of France against the shipbuilder of the *Amoco Cadiz.*

Also, the Internal Revenue Service (IRS) has challenged the application of certain foreign income taxes as credits against the corporation's U.S. taxes that otherwise would have been payable for the years 1980 through 1982. The IRS is expected to issue a statutory Notice of Deficiency prior to the end of March 1992 for additional taxes of approximately $500 million, plus interest, relating to those years. A similar amount of additional taxes is expected to be claimed for years 1983 through 1985 based upon the recently completed IRS audit. Any claims for years subsequent to 1985 would not be as significant as those for prior years. Amoco believes that the foreign income taxes have been reflected properly in its U.S. federal tax returns, and intends to contest the IRS claims. Amoco is confident that it will prevail in the litigation. Consequently, this dispute is not expected to have a material adverse effect on the consolidated financial position of the corporation.

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16: Legal Proceedings

The company is a defendant in a class action seeking $5 billion in damages allegedly resulting from the purported discharge of hazardous substances, including dioxin, from the company's Canton, North Carolina mill into the Pigeon River.

The company, Simpson Pasadena Paper Company and the Gulf Coast Waste Disposal Authority are defendants in an action by several individuals engaged in the fishing industry seeking injunctive relief and unspecified damages allegedly resulting from the purported discharge of dioxin into the Houston Ship Channel and Galveston Bay from the company's Sheldon, Texas mill and the company's former mill in Pasadena, Texas.

Weldwood of Canada Limited, the company's 85%-owned subsidiary, and fourteen other Canadian forest products companies are defendants in a purported class action that alleges a conspiracy to fix freight charges for, and to sell on a delivered price basis, Western Canadian softwood lumber, thereby allegedly artificially raising, fixing, maintaining or stabilizing prices in violation of United States antitrust laws. The action seeks injunctive relief and unspecified treble damages.

The company and Weldwood, respectively, are vigorously defending the actions described above.

The company also is involved in other legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, based upon the opinion of the company's General Counsel, management presently believes that the outcome of each such proceeding or claim which is pending or known to be threatened (including the actions described above), or all of them combined, will not have a material adverse effect on the company's consolidated financial position.

FEDERAL-MOGUL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L: Litigation

In September 1991, the Appeals Court for the Commonwealth of Massachusetts, reversed a 1988 trial court decision which had previously ordered the company to pay more than $32 million in compensatory damages and interest. Following the appellate decision in the company's favor, the plaintiff appealed to the Commonwealth's Supreme Judicial Court, whose determination is pending. The company is also involved in various other legal actions arising in the normal course of business. After taking into consideration legal counsel's evaluation of all such actions, management is of the opinion that their final resolution will not have a significant effect on the company's consolidated financial statements.

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Commitments and Contingencies

Current litigation

On March 8, 1983, the Company satisfied a portion of its funding obligation to the Keystone Master Pension Trust ("KMPT") through the contribution of certain income producing property with an appraised value of $9.7 million. On March 13, 1984, the Company contributed additional property to the KMPT valued at $5.3 million. The KMPT subsequently sold the real properties for approximately $15.5 million. On December 14, 1988, the IRS issued a Notice of Deficiency (the "Notice") proposing the imposition of excise taxes plus accrued interest against the Company under the "prohibited transaction" provisions of the Internal Revenue Code (the "Code") allegedly due with regard to these contributions of property. It is the position of the IRS that these contributions were prohibited sales transactions between the Company and the KMPT. On the basis of this theory, the Notice proposes to assess (i) first tier excise taxes in the amount of $482,773 with respect to each of the Company's taxable years ended June 30, 1983, 1985, 1986, 1987, 1988 and each fiscal year thereafter until the deficiency is corrected, and $749,600 with respect to the Company's taxable year ended June 30, 1984, (ii) second tier excise taxes in the amount of $9.7 million, and (iii) interest on the first tier excise taxes. On March 3, 1989, the Company filed a petition in the United States Tax Court contesting all of the excise taxes proposed in the Notice. On December 17, 1990 the Tax Court granted the Company's motion for summary judgment and entered its decision that there is no Federal excise tax deficiency due from the Company. On January 17, 1992, the Fifth Circuit Court of Appeals affirmed the Tax Court decision in this matter. The deadline for the IRS to file an appeal to the Supreme Court is April 15, 1992. The Fourth Circuit Court of Appeals recently decided in favor of the IRS in a similar case.

The Company is also engaged in various legal proceedings incidental to its normal business activities. In the opinion of the Company, none of such proceedings is material in relation to the Company's consolidated financial position.

THE LOUISIANA LAND AND EXPLORATION COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Contingencies

Texaco Litigation

On August 29, 1988, Texaco Inc. entered into a Consent Order with the United States Department of Energy (DOE) for the settlement of all alleged violations of DOE regulations involving Texaco's pricing of crude oil and refined products, including crude oil produced from properties in which the Company has interests. Texaco, thereafter, filed suit against the Company seeking recovery of $107.8 million plus interest, costs and attorneys' fees, as the Company's share of the DOE settlement. Certain issues arising under the suit were submitted to arbitration and, pursuant to the agreement of the parties, the suit was stayed pending the outcome of the arbitration proceedings.

The Company also initiated litigation against Texaco Inc., the lessee and operator of certain oil and gas properties owned by the Company, alleging violations of the royalty provisions contained in various agreements. The Company asserted that it was entitled to recover additional royalties from Texaco, plus interest thereon. As a consequence of Texaco's petition for relief under Chapter 11 of the United States Bankruptcy Code, those proceedings were assigned to the Federal District Court for the Middle District of Louisiana where they were consolidated with similar claims brought against Texaco by the State of Louisiana and the LaFourche Parish School Board.

On July 26, 1991, the Company entered into an agreement with Texaco which resolves all claims and issues in the aforementioned litigation and arbitration proceedings. The settlement involves no cash outlay by either Company, but it does involve a reduction of an immaterial amount of future payments to the Company by Texaco related to the Company's 8⅓% net profits interest, for which the Company has no cost basis, on a limited number of the Company's Louisiana properties.

In August, 1989, the State of Louisiana, in connection with its claims against Texaco in the Texaco bankruptcy proceedings, filed an Amended and Restated Objection, Amended and Restated Proof of Claim and Complaint naming, as class action defendants, all persons having overriding royalty, working or other mineral interests in State mineral leases held by Texaco. The State sought cancellation of certain interests in State mineral leases, including the interests of class members. The Company was a potential class member as a result of its ownership of royalty interests in State mineral leases subleased to Texaco and its ownership of overriding royalty and working interests in other State leases with Texaco. On January 30, 1992, the United States District Court for the Middle District of Louisiana denied the State's motion to certify a defendant class and denied the State's motion for summary judgment, which had sought a declaration that Texaco could not assume State mineral leases under bankruptcy law. An appeal has been filed by the State.

On January 10, 1992, the Company was served with a Second Amendment and Supplement to Amended and Restated Objection, Amended and Restated Proof of Claim and Complaint of the State of Louisiana, wherein the Company was added as a defendant in its capacity as a sublessor to Texaco. The State has asserted a monetary claim of $210.9 million in principal and $264.8 million in interest, plus penalties, damages equal to double the amount of royalties allegedly due, and attorneys' fees, against Texaco and the Company based on Texaco's alleged improper calculation of royalties on six State leases which Texaco has operated under subleases from the Company. The Company believes that the monetary amount of the State's claims is significantly overstated. The State further seeks cancellation of the State mineral leases subleased to Texaco based on Texaco's alleged conduct in operating those leases. Lease cancellation is an extraordinary remedy under Louisiana Law. The Company believes it has contractual and legal rights to obtain indemnity, reimbursement and damages from Texaco for any amounts claimed by the State or any other losses sustained as a result of the State's action. No provision has been made in the Company's financial statements with respect to the assertion against the Company of any claims in this litigation. In the opinion of Management, the ultimate resolution of these claims should not have a material adverse effect upon either results of operations, cash flows or financial position of the Company.

Other Litigation

The Company is subject to other legal proceedings, claims and liabilities, including environmental matters, 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.

MAGNETEK, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Commitments and Contingencies

Litigation

LMP Judgment Appeal and Indemnification Dispute

In connection with the February 1986 purchase by the Company of the stock of Universal Manufacturing Corporation ("Universal Manufacturing") from Farley Northwest Industries, Inc. (the predecessor to Fruit of the Loom, Inc., hereinafter collectively with such successor referred to as "FOL"), FOL agreed to indemnify the Company against, among other things, certain losses in excess of an after-tax aggregate of $1.4 million arising from two then-pending lawsuits relating to Universal Manufacturing's 1981 acquisition of substantially all the assets of Luminoptics Corporation ("LMP"). The trial of these lawsuits concluded on January 10, 1990 when the court entered judgment in favor of plaintiffs and against the Company and Universal Manufacturing in the amount of $25.8 million on the plaintiffs' claims in breach of contract, fraud, and other tortious conduct. The judgment consisted of $18.3 million in compensatory damages and $7.5 million in punitive damages. Judgment was entered in favor of the Company on the antitrust and wrongful termination claims. The Company has appealed the judgment and the respective plaintiffs have appealed the denial of the antitrust and wrongful termination claims. The Company has obtained

a stay of enforcement of the judgment pending appeal by posting a bond for the required 150% of the judgment amount. The judgment accrues interest from January 10, 1990 at 10% per annum.

In March 1988, a dispute arose between FOL and the Company when FOL asserted that its indemnity obligations as regards the above-described lawsuits terminated at the end of the two-year period (which had then just expired) after the acquisition of Universal Manufacturing by the Company. The Company believes, based upon information currently available, including the advice of legal counsel, that it is likely that the Company will prevail on its claim against FOL for indemnification against any loss or expense in excess of an after-tax aggregate of $1.4 million incurred in connection with the foregoing lawsuits. Legal and other costs incurred by the Company in connection with the LMP litigation have been billed to FOL pursuant to the indemnity provisions of the stock purchase agreement, a portion of which is included in other assets in the accompanying consolidated financial statements.

However, if such indemnification is not forthcoming, and the Company is not successful in the matters under appeal or in obtaining recovery from other potential sources, the ultimate resolution of this matter could have a material adverse effect on the Company's financial position and results of operations. No amounts related to the judgment are reflected in the Company's consolidated financial statements.

PITTWAY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10—Contingencies and Commitments

On May 10, 1989, a judgment was entered against Saddlebrook Resorts, Inc. ("Saddlebrook"), a former subsidiary of the Company, in a lawsuit which arose out of the development of Saddlebrook's resort and a portion of the adjoining residential properties owned and currently under development by the Company. The lawsuit alleged damage to plaintiffs' adjoining property caused by surface water effects from improvements to the properties. Damages of approximately $8 million were awarded to the plaintiffs and an injunction was entered requiring, among other things, that Saddlebrook work with local regulatory authorities to take corrective actions. Saddlebrook has made two motions for a new trial, based on separate grounds. One such motion was granted on December 18, 1990. Such grant was appealed by the plaintiffs. The other such motion was denied on February 28, 1991. Saddlebrook has appealed such denial. The appeals were consolidated, fully briefed and heard in February 1992. The parties are currently awaiting the Appellate Court's ruling on the appeals. An agreed order has been entered by the Court preserving the substance of the injunction pending final disposition of this matter. As part of its plan to comply with the agreed order, Saddlebrook filed applications with the regulatory agency to undertake various remediation efforts. Plaintiffs, however, filed petitions for administrative review of the applications, which administrative hearing was concluded in February 1992. An order is expected to be issued in April 1992 at which time the matter will be referred back for final agency action. The Company believes that the ultimate outcome of the aforementioned lawsuit will not have a material adverse effect on its financial statements. Until October 14, 1989, the Company and Saddlebrook disputed responsibility for ultimate liability and costs (including costs of corrective action). On that date, the Company and Saddlebrook entered into an agreement to split equally the costs of the defense of the litigation, the costs of the ultimate judgment and the costs of mandated remedial work. The agreement provides for the Company to make subordinated loans to Saddlebrook to enable Saddlebrook to pay its half of the costs of the latter two items. No loans have been made to date.

POTLATCH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Legal Proceedings

The company has agreed to settle a civil action brought against the company and other entities in June 1990 by the United States of America and the State of California to recover damages for alleged injuries to natural resources in certain coastal waters near Los Angeles, Calif. The proposed Consent Decree, which is subject to several conditions including approval by the court, provides that the company and one other settling defendant shall pay $12.0 million over a period of four years. If the proposed Consent Decree is approved by the court, the company will pay $9.5 million of this amount. The company has filed an action against its insurance carriers to recover the amount of the settlement or any other damages which may become payable to the plaintiffs.

THE QUAKER OATS COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Litigation

On December 18, 1990 Judge Prentice H. Marshall of the United States District Court for the Northern District of Illinois issued a memorandum opinion stating that the Court would enter judgment against the Company in favor of Sands, Taylor & Wood Co. The Court found that the use of the words "thirst aid" in advertising *Gatorade* thirst quencher infringed the Plaintiff's rights in the trademark THIRST-AID. On July 9, 1991 Judge Marshall entered a judgment of $42.6 million, composed of $31.4 million in principal, plus prejudgment interest of $10.6 million, and fees, expenses and costs of $0.6 million. The order enjoins use of the phrase "THIRST-AID" in connection with the advertising or sale of *Gatorade* thirst quencher in the United States. The Company and its subsidiary, Stokely-Van Camp, Inc., ceased use of the words "thirst aid" in December 1990. The Company on the advice of inside and outside counsel, strongly believes that it will prevail in an appeal of the judgment. Therefore, no provision for loss has been made in the accompanying financial statements.

The Company is not a party to any other pending legal proceedings which it believes will have a material adverse effect on its financial position or results of operations.

QUANTUM CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20: Contingencies

In September 1983, the Company sold its insurance subsidiary Elkhorn Re Insurance Company ("Elkhorn") to Delta Holdings, Inc., ("Delta") for $18.0 million. In May 1985, Delta commenced legal action against the Company seeking damages or a rescission of the sale. On April 10, 1990, the court rendered a decision against the Company granting rescission and ordered the Company to pay the plaintiff approximately $24.3 million plus interest, or an aggregate of approximately $38.3 million. On October 1, 1991, the trial court judgment was unanimously reversed by the appeal court, which held as a matter of law that the Company did not make any misrepresentations of material fact or breach any warranties in connection with the Elkhorn sale. On December 9, 1991, $38.3 million in funds which had been deposited in escrow to secure the trial court judgment (and approximately $3.0 million of accrued interest) were released to the Company.

Following the sale of Elkhorn (now renamed Delta America Re Insurance Company ("Delta Re"), suits by the Kentucky Insurance Commission, as Liquidator of Elkhorn; by certain retrocessionaires who were parties to reinsurance contracts with Delta Re prior to September 30, 1983; and by American Risk Management, Inc. (manager of Delta Re from October 1983 to May 1985) and certain of its officers, have been filed against the Company and its wholly-owned subsidiary DR Insurance Company ("DR"). These suits seek a variety of remedies, including damages in an unspecified amount for the liabilities insured by the retrocessionaires under the reinsurance contracts; and restoration of an alleged deficiency in the present net worth of Delta Re, the amount of which has not been specified by the Commissioner but could be material. On December 27, 1989, a judgment in favor of the Commission in the amount of approximately $20.0 million was entered against the Company, representing dividends that were allegedly improperly paid to the Company by Delta Re, together with interest from the dates of payment. The Company has moved to reconsider and vacate the judgment. As a result of the appeals court decision in the Delta Holdings action, management believes, after consulting with outside counsel, that the $20.0 million judgment will be vacated and the balance of the claims by the Commissioner, the retrocessionaires, and American Risk Management will not result in any material liability to the Company.

The Company has claims against others, and there are claims by others against it (including the Delta matter discussed above), in a variety of matters arising out of the conduct of the Company's business, including claims by federal and local authorities under various environmental protection and employee safety laws. The ultimate resolution of all such claims would not, in the opinion of management, have a material effect on the Company's financial position.

SPRINGS INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Other Matters:

Contingencies: In 1980, an action was filed in the United States District Court of South Carolina against Springs and other defendants, including the State of South Carolina and a number of other governmental entities. The plaintiff claims title to approximately 140,000 acres of land in York and Lancaster counties, South Carolina, including certain property owned by Springs. The court has dismissed from the action all Springs' property with the exception of a tract containing a distribution center; however, the plaintiffs have appealed that ruling by the court.

An action was filed against Springs in the United States District Court in Dallas, Texas, alleging that Springs, through the manufacture and sale of certain products, infringed upon certain of the plaintiff's trademark, copyright, and design patent rights. The court dismissed the copyright and trademark infringement claims and a jury returned a verdict in the Company's favor relating to the design patent claim. The plaintiff has appealed the trademark and design patent rulings. Springs continues to believe that it has meritorious defenses to all of the claims in the lawsuit.

Springs is involved in certain administrative proceedings alleging violations of environmental laws and regulations, including proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act. In connection with these proceedings, the Company has accrued an amount which represents management's best estimate of Springs' ultimate liability.

Springs is also involved in various other legal proceedings and claims incidental to its business. Springs is vigorously defending its position in all such proceedings.

In the opinion of management, based on the advice of counsel, the resolution of the above matters should not have a material adverse impact on the financial condition nor the future results of operations of Springs.

TANDY CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20—Litigation

There are various claims, lawsuits, disputes with third parties, investigations and pending actions involving allegations of negligence, product defects, discrimination, patent infringement, tax deficiencies and breach of contract against the Company and its subsidiaries incident to the operation of its business. The liability, if any, associated with these matters was not determinable at June 30, 1991. While certain of these matters involve substantial amounts, it is the opinion of management that their ultimate resolution will not have a materially adverse effect on Tandy's financial position or results of operations.

In June 1990 the Superior Court for the City and County of San Francisco, California entered summary adjudications against the Company in a class action suit filed in 1988 by Karl and Cathleen Czechowski vs Tandy Corporation seeking payment of unused vacation pay to all California employees terminated since October 1983, and related damages. Based on tentative settlement discussions, the Company included a charge of approximately $13,720,000 against its fiscal 1991 third quarter earnings. After a hearing, the court approved the settlement agreement on August 9, 1991. Tandy has not admitted to any liability or violation of law. Management believes the charge taken during the third quarter is adequate to cover the amounts payable under the terms of the court-approved settlement.

In July 1985, Pan American Electronics, Inc., a Radio Shack dealer in Mission, Texas, filed suit against the Company in the 92nd Judicial District Court in Hidalgo County, Texas. Plaintiff currently alleges breach of contract, violation of Texas Business Opportunities Act, tortious interference, and violation of Texas state antitrust laws. The Plaintiff is seeking an unspecified amount of damages. A trial has been set for calendar year 1992. Tandy is vigorously defending this action. Discovery has not been completed, and the Company's liability, if any, is not determinable at this time. It is the opinion of management that the ultimate resolution will not have a materially adverse effect on the Company's financial position.

UNISYS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Litigation

On September 6, 1991, the Company and the U.S. Government concluded a final global settlement of the "Ill Wind" investigation and certain other investigative and litigation matters. In the settlement agreement, the Company agreed to the following payments and concessions: (1) cash payments, exclusive of interest, totaling $54 million over a period of five years; (2) the forgoing of negotiated profits and fees, estimated at $46 million, on the North Warning System radar contract (the contract is scheduled to be completed in late 1994); and (3) contingency payments, not to exceed a total of $90 million, to be made through 1997, based upon the amount of asset sales and net income reported by the Company during such period.

Item (1) above had previously been accrued by the Company. No accrual is required by generally accepted accounting principles in respect of item (2) since the agreement reached is in effect a lowering of the contract revenue to be paid by the government. The payments for item (3) are contingent upon future events; therefore no accrual is required until the events occur.

There are various actions or claims which have been brought or asserted against the Company. After consultation with counsel, management does not consider such actions or claims to be material to the Company's consolidated financial position.

XEROX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Litigation

On June 20, 1991, an amended complaint was filed in an action pending in the 71st District Court of Harrison County, Texas, against Crum and Forster, Inc., and four of its insurance subsidiaries brought by Monsanto Company. The action was commenced in November 1989. The amended complaint alleged breach of the duty of good faith and fair dealing and violations of the Texas Insurance Code. Plaintiff sought approximately $16.4 million in actual damages plus interest and attorneys' fees, subject to trebling, and punitive damages of $300 million. Plaintiff also sought injunctive relief in the form of an order preventing the defendants from "continuing to harm Monsanto's interests" or from "profiting or receiving any benefits from their wrongful conduct." Trial of the case has been completed. In early 1992, a verdict was rendered against the Company. In response to special interrogatories the jury made damage findings as follows: (a) approximately $13.1 million, subject to trebling, in connection with claims-handling and alleged misrepresentation; (b) approximately $13.1 million, subject to trebling, in connection with certain claims litigation; (c) approximately $13.1 million for breach of the duty of good faith and fair dealing; and (d) $50 million for exemplary damages. Although the exact amount of the award will not be known until a judgment is entered, the Court has stated on the record that it will not stack Monsanto's actual damages when entering its judgment. Based upon that statement, it is not likely that any monetary judgment will exceed approximately $65 million. The issue of injunctive relief, if any, has not been presented to the Court. Crum and Forster, Inc., and its named subsidiaries continue to deny any wrongdoing, strongly disagree with the jury findings as being contrary to the evidence and Texas law, and will vigorously pursue an appeal.

Environmental Matters

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Environmental Costs.

The Corporation recorded a provision of $21,000,000 in 1990, for the estimated future cost of an environmental clean-up at its Wood-Ridge, New Jersey property. Other Current Liabilities includes $2,000,000 and $1,600,000 for the current portion of estimated clean-up expenditures at December 31, 1991 and December 31, 1990, respectively. The balance of spending anticipated to be incurred in future years is shown as a component of Other Liabilities

at December 31, and amounts to $17,936,000 and $19,302,000 for 1991 and 1990, respectively. The Corporation has also spent $719,000, $1,394,000 and $266,000 in 1991, 1990 and 1989, respectively, for engineering, evaluation and state-approved preliminary remediation related to the property.

The Corporation is subject to federal, state and local laws and regulations concerning the environment, and is currently participating in administrative or court proceedings involving a number of other sites under these laws, usually as a participant in an industry group of potentially responsible parties. Many of these proceedings are at a preliminary stage, and it is impossible to estimate with any certainty the total cost of remediation, the timing and extent of remedial actions which may be required by governmental authorities, and the amount of the liability, if any, of the Corporation alone or in relation to that of any other responsible parties. The Corporation also has been seeking to establish insurance coverage with respect to many of these matters. When it is possible to make a reasonable estimate of the Corporation's liability with respect to such a matter, a provision is made as appropriate. Actual cost to be incurred in future periods may vary from these estimates. Based on facts presently known to it, the Corporation does not believe that the outcome of any one of these proceedings will have a material adverse effect on its financial condition.

EATON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Environmental Matters

The Company continues to modify, on an ongoing, regular basis, certain of its processes which may have an environmental impact. The Company's efforts in this regard include the removal of many of its underground storage tanks and the reduction or elimination of certain chemicals and wastes in its operations. The Company is currently involved with a number of waste disposal sites in various states at which it has been named a potentially responsible party under the Federal Superfund law. Although this law might impose joint and several liability upon each party at any site, the extent of the Company's allocated financial contribution to the cleanup of these sites is expected to be limited based on the number of companies and the volumes of waste involved. At each site, a number of other large companies have also been named as potentially responsible parties and are expected to cooperate in the cleanup. The Company is also involved in remedial response and voluntary cleanup expenditures associated with environmental matters at a number of other sites including certain of its own plants. Although it is very difficult to quantify the potential impact of compliance with environmental protection laws, management believes that the ultimate aggregate cost to the Company of environmental remediation with regard to the Superfund sites and these other sites will not result in a material adverse effect on its future financial condition or results of operations.

FINA, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Contingencies

The Company is subject to extensive Federal, state, and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Although the level of future expenditures for environmental matters, including cleanup obligations, is impossible to determine with any degree of probability, it is management's opinion that such costs when finally determined will not have a material adverse effect on the consolidated financial position of the Company.

GEORGIA-PACIFIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingencies

The Corporation is a party to various legal proceedings incidental to its business and is subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which it operates. As is the case with other companies in similar industries, the Corporation faces exposure from actual or potential claims and legal proceedings involving environmental matters. The Corporation is self-insured for general liability claims up to $5 million per occurrence.

Approximately 159 suits including 8,209 plaintiffs are currently pending in State Court in Mississippi which primarily allege nuisance, trespass and infliction of emotional distress caused by the discharge of dioxin into the Leaf River from a pulp mill owned by a subsidiary of the Corporation. Two of these cases have been tried. In the first case, which was tried in October, 1990, the jury reached a verdict for the plaintiff and awarded damages for trespass of approximately $41 thousand and punitive damages of $1 million, but rejected claims of emotional distress based on fear of contracting cancer from dioxin. In the second case, which was tried in January 1992, the jury reached a verdict for two plaintiffs and awarded damages for nuisance of $10 thousand each and emotional distress of $90 thousand each, but found for the Corporation on the same claims asserted by a co-plaintiff. The jury also awarded $3 million in punitive damages. The first judgment has been appealed and the Corporation intends to appeal the second.

On January 23, 1992, the mill's primary insurance carrier took the position that these claims are not within its coverage. Suit has been filed against the mill's carriers seeking a declaratory judgment to the effect that such claims are within the policy provisions.

Although there can be no assurances as to the ultimate outcome, the Corporation, based on the opinions of counsel, believes that substantial grounds exist for reversal of the two judgments and that it has meritorious defenses to the remaining claims (the vast majority of which are principally for emotional distress as a result of consuming fish from the rivers).

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Commitments and Contingent Liabilities

Environmental Matters

On December 20, 1982, an area including the former Bunker Hill Company mine and smelter complex (the "Site") was placed on the Environmental Protection Agency's ("EPA") National Priorities List of hazardous waste sites under the authority of the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund Act"). By letter dated October 18, 1984, the EPA notified Gulf that it may be considered a responsible party under this Act and therefore potentially liable for both costs of remedial investigation and clean-up of the area affected by past operations of these facilities. EPA alleged that, as a result of such past operations, high levels of lead, zinc and other metals exist in the area which may present risks to human health and the environment.

EPA to date has notified at least fifteen other entities that also may be responsible parties and potentially liable ("PRP's"). EPA also has written to several other entities and individuals in connection with possible claims under the Superfund Act for conditions existing at the affected areas.

In May 1987, Gulf signed an administrative order on consent with EPA under the Superfund Act whereby Gulf, without admitting liability, has been conducting a remedial investigation and feasibility study ("RIFS") of the conditions in the unpopulated areas of the Site to determine various remedial alternatives and their costs. In 1989, 1990 and 1991, Gulf and other PRP's responded to and/or settled several additional EPA claims and administrative orders relating to response activities at the Site. Through December 31, 1991, Gulf has incurred costs of approximately $25 million related to the RIFS and certain response measures at the Site. In each settlement Gulf has retained its rights to seek contribution and indemnification from nonparticipating parties.

During the Summer and early Fall of 1990, the Company undertook analyses of various response programs which might address remaining concerns at the Site. On the basis of these analyses, the Company proposed in late 1990 to government authorities and other PRP's a settlement of claims associated with the Site on the basis of an integrated response action (often referred to as a "Master Plan"). The Company's proposal was generally well received and led to an agreement with a number of other PRP's to sponsor accelerated completion of the unpopulated area feasibility study. An initial draft of that study was submitted to EPA in July 1991. This study was favorably received and a final draft is currently being prepared.

Separate from the RIFS undertaken by Gulf and the accelerated feasibility study sponsored by the PRP's, the State of Idaho conducted a companion RIFS study of the populated areas of the Site. Based on that study and subsequent public comment in August 1991, EPA published a Record of Decision ("ROD") for the populated areas. This ROD was generally consistent with the "Master Plan" approach described by the Company.

After submission of the final draft of the non-populated RIFS, it will be followed by a period of public review and negotiations. EPA will publish a proposed plan and accept public comment on that plan. Thereafter, probably by mid-1992, EPA will publish a ROD for the non-populated areas of the Site, specifying the appropriate response activities to be undertaken at the Site. Such a determination then would allow for an overall settlement of related claims.

There can be no assurance that negotiations will result in an overall settlement of all claims. In the absence of such a settlement, EPA may assert claims or some additional administrative orders against Gulf and the other PRP's.

It is not known what the ultimate costs will be in connection with any clean-up of the Site, nor is it known whether, or how, any of such costs will be apportioned among the parties ultimately deemed responsible.

The Company provided in 1989 a charge of $29.5 million for its estimated liability related to the Site. Additional analyses have provided an opportunity to review further the estimates on which the original charge to earnings was based, and also to consider the Company's possible liability for its share of other response costs. Based upon these ongoing reviews, Management has determined that the range of estimates for the Company's net share of future response costs, before any recoveries from insurance carriers, at the Site is from approximately $33 million to approximately $60 million. Based in part on advice of counsel, Management has concluded that no particular estimate within this range is more probable of occurrence than any other estimate. Accordingly, there was a $15.2 million charge recorded in the fourth quarter of 1991 to increase the accrual for environmental matters to $33 million.

HUGHES SUPPLY, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Commitments and Contingencies

Environmental Clean-up Costs:

Federal, state and local laws and regulations govern the Company's operation of underground fuel storage tanks. Rather than incur additional costs to restore and upgrade tanks as required by regulations, management has opted to remove the existing tanks. The Company is in the process of removing these tanks and has identified certain tanks with leaks which will require remedial cleanups. The Company has accrued approximately $675,000 as an operating expense in fiscal year 1992 for the estimated future costs of these clean-up efforts. The remaining in-ground tanks are being monitored for leakage and the Company does not expect any additional material expenses in future years associated with fuel storage tanks.

MCKESSON CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Other Commitments and Contingent Liabilities

In addition to commitments and obligations in the ordinary course of business, the Company is subject to various claims, other pending and possible legal actions for products liability and other damages, investigations relating to governmental laws and regulations, and other matters arising out of the normal conduct of the Company's business.

Primarily as a result of the operation of its former chemical businesses, which were divested in fiscal 1987, the Company is involved in numerous matters pursuant to various environmental laws and regulations. The Company has received various claims and demands from governmental agencies relating to investigative and remedial actions purportedly required to address environmental conditions alleged to exist at eight (8) sites where the Company formerly conducted operations; and the Company, by administrative order or otherwise, has agreed to take certain actions at those sites. One such site, previously operated by the Company's chemical distribution unit, comprises a portion of a National Priorities List (i.e., "Superfund") site in Commerce City, Colorado which is the subject of a consent decree entered in fiscal 1991 whereby the site will be remediated by the successor of the former site operator and the Company at a total cost estimated by the United States Environmental Protection Agency ("EPA") to be approximately $6.9 million. Another such Superfund site is a closed wood treatment facility formerly operated by Mass Merchandisers, Inc. ("MMI") acquired by the Company in 1985. In fiscal 1991, MMI and the EPA agreed on the terms of a consent decree whereby MMI would remediate the site at a cost estimated by the EPA to be approximately $11 million, with an additional estimated contingent cost of approximately $4 million. It is anticipated that the United States Department of Justice will move for court approval of that consent decree after the expiration of the required public comment period. Under an indemnity and escrow agreement, up to 176,000 shares of the Company's common stock, otherwise deliverable to MMI's former shareholders, is available to compensate the Company for up to 40% of costs incurred by the Company, in excess of $2 million, in the investigation and cleanup of that site. In October 1990, the Company made a claim against the escrow for all of the escrow shares, but the escrow representatives have indicated that they may dispute a substantial portion of the Company's claim. Any such dispute will be resolved by arbitration.

In addition to the foregoing remedial actions, the Company has been designated as a potentially responsible party ("PRP") by the EPA under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (the "Superfund" law), for environmental assessment and cleanup costs as the result of the Company's alleged treatment or disposal of hazardous substances at twenty-five (25) Superfund sites. With respect to each of these sites, numerous other PRPs have similarly been designated and, while the current state of the law potentially imposes joint and several liability upon PRPs, as a practical matter costs of these sites are typically shared with other PRPs. In some cases the Company has an allocation or contribution agreement with other PRPs, and settlements and costs paid by the Company in Superfund matters to date have not been significant.

The potential costs to the Company related to all of these environmental matters are highly uncertain due to such factors as: the unknown magnitude of possible pollution and cleanup costs; the complexity and evolving nature of governmental laws and regulations and their interpretations; the timing, varying costs and effectiveness of alternative cleanup technologies; the determination of the Company's liability in proportion to other PRPs; and the extent, if any, to which costs are recoverable from insurance or other parties.

In view of the inherent difficulty in predicting the outcome of litigation and governmental proceedings, management cannot state what the eventual outcome of such litigation and proceedings will be. Although liabilities associated with the foregoing matters could be substantial, management believes, based on current knowledge, that the outcome of such litigation and proceedings will not have a material adverse effect on the Company's consolidated financial position.

As previously announced, in March 1991, CPC International Inc. and McKesson Corporation agreed to a settlement of the litigation brought by CPC in 1985 arising from the purchase by CPC of the C.F. Mueller Company from McKesson in fiscal 1984. The settlement, after taking into account existing reserves, other recoveries and related expenses, is reflected in the loss from discontinued operations in fiscal 1991.

SPECTRUM CONTROL, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Contingencies

The U.S. Environmental Protection Agency ("EPA") has included on its National Priorities List a 100 acre site located in Saegertown, Pennsylvania. A portion of this 100 acre site is owned by the Company. In connection with this matter, the Company and three other potentially responsible parties agreed to conduct a remedial investigation and feasibility study of the site. This study is designed to determine the extent of contamination at the site, identify various alternatives and recommended remedial action, if any. The Company currently estimates that its share of the costs of this study will be $200,000. At November 30, 1991 and 1990, a liability of $50,000 and $125,000, respectively, has been included in the Company's balance sheet in connection with the estimated remaining costs of this study. The Company's legal counsel has indicated that it is impossible at this time to make any determination as to whether any remedial action will be necessary or whether any additional costs will be incurred by the Company. The Company does not believe, based upon the information available at this time, that the ultimate outcome of this matter will have a material adverse effect on its consolidated financial position.

TRW INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies
The company is subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. In addition, the company is conducting a number of environmental investigations and remedial actions at current and former company locations and, along with other companies, has been named a potentially responsible party for certain waste disposal sites. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably to the company. The company has established accruals for matters that are probable and reasonably estimable including $121 million for environmental matters. Management believes that any liability that may ultimately result from the resolution of these matters in excess of amounts provided will not have a material adverse effect on the financial position of the company.

Further, product liability claims may be asserted in the future for events not currently known by management. Although the ultimate liability from these potential claims cannot be ascertained at December 31, 1991, management does not anticipate that any related settlement, after consideration of potential insurance recovery, would have a material adverse effect on the company's financial position.

WHEELING-PITTSBURGH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Commitments and Contingencies
Environmental Matters
The Company, as well as other steel companies, is subject to demanding environmental standards imposed by federal, state and local environmental laws and regulations. For 1991, 1990 and 1989 aggregate capital expenditures for environmental control projects totaled approximately $19.2 million, $30.0 million and $8.3 million, respectively. In addition to these capital costs, the Company has available separate escrow accounts, amounting in total to approximately $6.4 million for environmental clean up, enhancement projects and civil penalties. In 1991 the Company paid $6.0 million in civil penalties from the previously established cash escrow accounts to the U.S. EPA for violations of the Clean Water Act. Based upon the Company's prior capital expenditures, anticipated capital expenditures, consent agreements negotiated with federal and state agencies, cash escrows available for potential fines and penalties, and information available to the Company on pending judicial and administrative proceedings, the Company does not expect its environmental compliance costs, including the incurrence of any additional fines and penalties, if any, relating to the operation of its facilities, to have a material adverse effect on the financial condition or results of operations of the Company.

Possible Tax Assessments

DOVER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Contingencies
The Internal Revenue Service (IRS) has completed its examinations of the Company's federal income tax returns for the five years ended December 31, 1986, and has proposed certain adjustments which relate principally to the Company's allocation of purchase price to acquisitions made during those years. As a result, the IRS has proposed additional taxes aggregating $29,734,000 plus interest to date of payment. The Company is vigorously contesting these proposed assessments.

While it is not possible at this time to predict the outcome of these legal actions, in the opinion of management, after review with outside legal counsel, the disposition of the lawsuits and the other matters mentioned above will not have a material effect on financial position.

THE FAIRCHILD CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Income Taxes

During the third quarter of fiscal year 1990, the Internal Revenue Service (IRS) completed an examination of the 1983 and 1984 federal income tax returns for Rexnord Inc., which the Company acquired in 1987. Taxes on the adjustments originally proposed by the IRS, excluding interest, amount to approximately $33,000,000. In August 1991, the IRS reduced the adjustments and now proposes tax of approximately $17,000,000, excluding interest. The most significant adjustments involve the proper year for reporting income on long-term contracts and other timing issues. The Company intends to protest the proposed adjustments through the IRS appeals process. The Company believes these adjustments will be reduced through the appeals process and through carryback of net operating losses. In the opinion of management, adequate provision has been made for all income taxes and interest; any liability that may arise for prior periods, as a result of the proposed adjustments, will not have a material effect on the financial condition of the Company.

MEREDITH CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingent Liabilities

The Company has received federal income tax deficiency notices relative to its 1986 and 1987 tax years totalling approximately $18,000,000. The claimed deficiencies relate to the amortization of intangibles and other matters connected with the acquisition of *Ladies' Home Journal.* The Company is contesting these deficiencies in the United States Tax Court and believes its case has substantial merit. The Company does not expect that the resolution of this matter will have a material adverse effect on the Company's financial statements.

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

MOBIL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

17 (In Part): Commitments and Contingent Liabilities

The Internal Revenue Service (IRS) has challenged the pricing of Saudi Arabian crude oil by Mobil and the other Arabian American Oil Co. (Aramco) shareholder companies during the period 1979–1984. In January 1992, the IRS assessed a tax deficiency against Mobil of about $300 million on this so-called "Aramco Advantage" issue for tax years 1980 and 1981. Mobil intends to vigorously dispute the IRS's assertions in court. If the IRS were ultimately to prevail, tax deductible interest in the range of $1 billion would also be due. Final resolution of this case is several years away. Two other former Aramco shareholders are currently involved in litigation with the IRS on comparable issues.

Insurance Coverage

ABBOTT LABORATORIES (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9—Liability Insurance

The Company's liability insurance coverage (including product liability insurance coverage) for events occurring on and after January 1, 1986 is substantially less than insurance coverage for events occurring prior to that date. The reduction in insurance coverage results from a general decline in the availability of and a significant increase in the cost of liability insurance.

AMERICAN HOME PRODUCTS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Contingencies

In 1986, due to the lack of availability of traditional insurance coverage, the Company began to completely self-insure against product liability risk. In 1988, the Company obtained liability coverage in excess of certain self-insurance limits from various carriers; however, coverage remains substantially below pre-1986 levels.

COCA-COLA ENTERPRISES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingent Liabilities (In Part):

Under the Company's insurance programs, coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or contract. It is the policy of the Company to retain a significant portion of certain expected losses related primarily to workers' compensation, physical loss to property, business interruption resulting from such loss and comprehensive general, product, and vehicle liability. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims incurred. Such estimates utilize certain actuarial assumptions followed in the insurance industry. The Company has provided letters of credit aggregating approximately $81 million in connection with certain insurance programs.

IMO INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Contingencies

Subsequent to April 1, 1986, the Company is self-insured for a portion of its product liability and general liability exposure. Depending upon the nature of the product liability claim, the Company is self-insured for either the first $.5 million or $5 million. Provision for the present value of losses, which have not been material to date, is provided at the time of occurrence based on the Company's estimate of the eventual settlement costs.

Unasserted Claims

AEL INDUSTRIES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Contingencies

The Company is from time to time subject to claims arising from the conduct of its business with the U.S. Government. In October 1989, the Company became aware of a potential liability amounting to $1,600,000 arising from a review conducted by the Defense Contract Audit Agency. The potential liability relates to a contract pricing adjustment associated with a fixed-price contract modification awarded in 1985. In February 1990, the Company was served with a subpoena issued by the Inspector General of the Department of Defense which required the Company to produce documents pertaining to the same matter. At this time, management is unable to determine whether this matter is likely to result in any civil, criminal or administrative liability.

Subsequent to the acquisition of Cross Systems, Inc. (CSI), in August 1987, the Company became aware of certain irregularities at CSI with regard to cost accumulation and reporting procedures for long-term contracts with the U.S. Government. The Company voluntarily disclosed the irregularities, submitted a report of its investigation to the Department of Defense and made voluntary restitution in the amount of $280,000. Although the Government's investigation may not be complete, management believes that no criminal charges or administrative claims will be asserted by the Government and that additional civil liability, if any, is unlikely to be material in amount.

FANSTEEL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Other Liabilities and Contingent Liabilities

The Company's Metal Fabrications business segment has been notified of a possible claim by the federal government. No claim has been asserted and based on current facts, the Company is not able to estimate the probable outcome. Therefore, no provision has been made in the accompanying financial statements for this contingency. Management believes any adverse results would not be material to the Company's financial position.

MARION MERRELL DOW INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingent Liabilities

In January 1990, the Securities and Exchange Commission entered an order directing a private investigation to determine whether or not there were possible violations of Sections 10(b) and 14(e) of the Securities Exchange Act of 1934, and Rules 10b-5 and 14e-3 promulgated thereunder, during the period from at least May 1, 1988, continuing through July 17, 1989. The order pertains to possible purchases or sales of securities of Marion by persons and entities, including Marion and its employees, while in possession of material nonpublic information relating to a possible tender offer or other business combination involving Marion. The Company believes that the investigation is continuing.

UNITED TECHNOLOGIES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Commitments and Contingent Liabilities

In June 1989, Sikorsky Aircraft submitted to the U.S. Government a voluntary disclosure report describing the conditions which gave rise to a $75 million downward adjustment of progress payments in April 1988. Government representatives have been investigating the matter since that time. As a result, the Corporation believes it is probable that the U.S. Government will assert a claim for an amount in excess of the April 1988 progress payment adjustment. The Corporation has accrued an estimate of its liability for this matter based on available information, but it is unable to predict the timing of the claim and any resultant loss exposure in excess of amounts accrued.

Dealer Financing Arrangements

HARLEY-DAVIDSON, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Commitments and Contingencies

At December 31, 1991, the Motorcycles and Related Products segment (the Motorcycle segment) and the Transportation Vehicles segment (the Transportation segment) estimate that they were contingently liable under repurchase agreements for a maximum of $51 million and $35 million, respectively, to lending institutions that provide wholesale floor plan financing to their dealers. These agreements are customary in both the motorcycle and recreational vehicle industry. The Company's loss

exposure on repurchase is limited to the difference between the resale value of the vehicle and the amount required to be paid the lending institution at the time of repurchase.

The Motorcycle segment has a trade acceptance agreement with a finance company which expires on June 1, 1992, and is subject to annual renewal. Under the terms of the agreement, the Motorcycle segment receives cash from the finance company in the amount of 100% of certain eligible accounts receivable at the time of sale. On June 1, 1992, the Motorcycle segment is obligated to repurchase all unpaid balances from the finance company. At December 31, 1991, trade acceptances of $12.4 million were subject to this agreement.

The Company has not incurred any material losses from the foregoing repurchase agreements and currently anticipates no material losses.

LADD FURNITURE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Dealer Financing Arrangement

The Company has a cancelable financing arrangement whereby certain notes receivable from furniture dealers are assigned with recourse to a bank. The notes receivable are collateralized by inventories held by the furniture dealers. Upon cancellation of the financing arrangement, the bank retains the previously assigned notes receivable and, as such, the notes receivable and related obligations under the dealer financing arrangement are not recorded in the December 28, 1991 and December 29, 1990 consolidated balance sheets. The Company was contingently liable for approximately $16,509,000 of receivables transferred with recourse to the bank under the dealer financing arrangement at December 28, 1991. The Company maintains an $8,000,000 letter of credit agreement with the bank to fund any liabilities which might arise from the dealer financing program.

WINNEBAGO INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Contingent Liabilities and Commitments

It is customary practice for companies in the recreation vehicle industry to enter into repurchase agreements with lending institutions which have provided wholesale floor plan financing to dealers. Most dealers are financed on a "floor plan" basis under which a bank or finance company lends the dealer all, or substantially all, of the purchase price, collateralized by a lien upon, or title to, the merchandise purchased. Upon request of a lending institution financing a dealer's purchases of the Company's products, and after completion of a credit investigation of the dealer involved, the Company will execute a repurchase agreement. These agreements provide that, in the event of default by the dealer on his agreement to pay the lending institution, the Company will repurchase the financed merchandise. The agreements provide that the Company's liability will not exceed 100 percent of the dealer invoice and provide for periodic liability reductions based on the time since the original date of the invoice. In addition, all merchandise must be new and not previously sold or leased. The Company's contingent liability on all repurchase agreements was approximately $53,793,000 and $69,592,000 at August 31, 1991 and August 25, 1990, respectively. Included in these contingent liabilities are approximately $9,300,000 and $16,200,000, respectively of certain dealer receivables subject to recourse under a February 1, 1990 agreement with ITT. The agreement called for ITT to purchase certain WAC dealer floor plan receivables on a partial recourse basis and to provide financing to such dealers thereafter on a partial recourse basis. The Company had reserves of $1,168,000 and $1,265,000 at August 31, 1991 and August 25, 1990, respectively, for losses on repurchases and dealers subject to recourse provisions. Historically the Company's repurchases under these agreements have been immaterial. However, the level of repurchases did increase during the first half of fiscal 1991 due to the nation's economic conditions and the Gulf War crisis. The Company was able to resell most of these units within the fiscal year realizing a loss of approximately $1,000,000 compared to losses of approximately $200,000 during fiscal years 1990 and 1989.

Arbitration

HARSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments and Contingencies

Iran's Ministry of Defense has initiated arbitration procedures against the Company under the rules of the International Chamber of Commerce for damages allegedly resulting from breach of various contracts executed by the Company and the Ministry of Defense between 1970 and 1978. The contracts were terminated in 1978 and 1979 during the period of civil unrest in Iran that preceded the Iranian revolution. Iran has asserted a claim under one contract for repayment of a $7.5 million advance payment it made to the Company, plus interest at 12% through June 27, 1991 in the amount of $25.3 million, plus other unspecified damages under the other contracts. The Company intends to assert various defenses and also counterclaims against Iran for damages in excess of $7.5 million which it sustained as a result of Iran's breach of contract, plus interest. The Company's management and its counsel believe that it is unlikely Harsco will incur any material liability as a result of these claims.

NASHUA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Discontinued Operations: On April 2, 1990, the Company sold the international portion of its Office Systems and Supplies Group (Office Systems Group) to Gestetner Holdings plc (Gestetner) for approximately $202 million, including approximately $152 million in cash and the assumption of approximately $50 million of debt by Gestetner.

The results of operations of the Office Systems Group were treated as discontinued operations in the Company's 1989 consolidated financial statements. Accordingly, results of operations of this business have been reported separately as follows:

(In thousands)	1989
Net sales	$396,420
Income before income taxes	$ 6,166
Income taxes	3,648
Income from discontinued operations	$ 2,518

Interest expense related to indebtedness which was assumed by Gestetner has been charged to discontinued operations. Cash payments continue to be made for discontinued operations relating to taxes and other charges.

Gestetner has asserted objections under a provision of the Purchase Agreement providing for adjustment to the purchase price under certain circumstances. In October 1991, the Company initiated a legal action seeking, among other things, clarification as to the scope of the objections that Gestetner raised. Separately, Gestetner filed suit to have its objections arbitrated. Subsequent to December 31, 1991, both of these actions were resolved such that all of the outstanding objections will be submitted to arbitration. The outcome of arbitration is uncertain and, as a result, the Company has yet to recognize any earnings effect from the sale.

Contracts Terminated For Default

BARNES GROUP INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Contingency

In December, 1991, the Company was notified by the McDonnell Douglas Corporation that McDonnell Douglas was terminating for default an $8.2 million contract with the Company's Flameco division.

The Company believes it has legitimate defenses to the default claim and intends to seek payment for costs incurred on this contract prior to termination. As of December 31, 1991, the Company had net assets of $4.0 million related to the contract. In management's opinion, the ultimate resolution of this dispute will not have a material effect on the financial position of the Company.

MCDONNELL DOUGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contracts in Process and Inventories (In Part)

The Navy on January 7, 1991 notified MDC and General Dynamics Corporation (the Team) that it was terminating for default the Team's contract for development and initial production of the A-12 aircraft. On June 7, 1991, the Team filed a legal action to contest the Navy's default termination, assert its rights to convert the termination to one for "the convenience of the Government," and obtain payment for work done and costs incurred on the A-12 contract, but not paid to date. The Department of the Navy has agreed to defer repayment of $1.352 billion alleged to be due from the Team as a result of the termination for default of the A-12 program. That agreement will remain in force until the dispute as to the type of termination is resolved by litigation or negotiated settlement, subject to review by the U.S. Government on December 1, 1992, and annually thereafter.

At December 31, 1991, Contracts in Process and Inventories include approximately $368 million of recorded costs on the A-12 contract. In 1990, MDC established a provision of $350 million for loss on the contract. The amount of the provision is based on MDC's belief that the termination for default will be converted to a termination for convenience, that MDC or the Team will recover a minimum of $250 million in claims, that there is a range of reasonably possible results on termination for convenience and that it is prudent to provide for what MDC believes is the upper range of possible loss on termination for convenience, namely $350 million. In MDC's opinion, this loss provision continues to provide adequately for the reasonably possible reduction in value of A-12 net contracts in process and non-reimbursed supplier termination payments as of December 31, 1991, as a result of termination of the contract for the convenience of the Government. MDC has been provided with an opinion of outside counsel that the Government's termination of the contract for default is contrary to law and fact, that the default is excusable, that the rights and obligations of MDC are the same as if the termination had been issued for the convenience of the Government and that, subject to prevailing that the termination is properly one for the convenience of the Government, the probable recovery by MDC for the claims is not less than $250 million.

If, contrary to MDC's belief, the termination is not deemed to be for the convenience of the Government, it is estimated that an additional loss would be incurred which could amount to approximately $1 billion. MDC believes that the Department of Defense (DoD) will not make an aircraft reprocurement on terms and conditions which would give rise to Team liability for excess costs of reprocurement under a termination for default.

Commitments and Contingencies (In Part)

See Contracts in Process and Inventories, page 41, for discussion of certain risks on fixed price development contracts including the termination on January 7, 1991 by the Navy of a contract with MDC and General Dynamics Corporation for the development and initial production of the A-12 aircraft.

Obligations Related To Discontinued Businesses

NORTEK, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingencies

At December 31, 1991, the Company is contingently liable for obligations (approximately $8,950,000) under Industrial Revenue Bond agreements ("IRBS") related to facilities which were sold. In March 1992, the Company was notified that an event of default relating to the nonpayment of an approximate $400,000 semi-annual interest installment due February 1992, by a business obligated under approximately $6,600,000 of the $8,950,000 IRBS, had occurred. The Company has agreed to loan approximately $400,000 to such business to cure the event of default.

WHITTAKER CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Discontinued Operations

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 discontinued unit which, at the time of sale, had various Government contracts for high-energy density batteries. In connection with the sale, the buyer is to perform the work under such Government contracts, but the Company remains responsible for their performance. The buyer has indicated to the Company that the buyer is experiencing some financial difficulties that could adversely affect its ability to perform the work required under such contracts. The Company, at the present time, is unable to determine the impact, if any, of the foregoing on the Company.

Product Recall

WALBRO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Commitments and Contingencies

The manufacture of automotive components entails the risk that a customer or governmental authority may require the recall of one of the Company's products or a product in which one of the Company's products has been installed. The Company has taken and will continue to take all reasonable precautions to avoid the risk of exposure to a recall or warranty claim that would have a material effect on the financial position of the Company. The Company does not believe that any insurance is available to protect against potential product recall/warranty liability. The Company provides for warranty claims on its products on an ongoing basis.

In January 1992, the Company was notified that one of its customers had voluntarily initiated an owner notification program to recall vehicles due to a system that utilizes one of the Company's products. Management believes that the ultimate resolution of this issue will not have a material impact on the financial position of the Company.

Insurer Placed Under Control Of State

ADOLPH COORS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingencies

In July 1991, the Company became aware that Mutual Benefit Life Insurance Company (MBLIC) had been placed under the control of the State of New Jersey. The Company is a holder of several life insurance policies through MBLIC. The cash surrender value under these policies, net of outstanding loans, approximates $11,000,000. Policyholders have been notified that all claims, benefits and annuity payments will continue to be paid in full; however, at this time policyholders will not be able to redeem their policies for cash.

GAIN CONTINGENCIES

Plaintiff Litigation

DIBRELL BROTHERS, INCORPORATED (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J—Contingencies and Other Information

At June 30, 1990 and 1991 the Company had $6.4 million in trade accounts receivable arising from tobacco shipped to Iraq's State Enterprise for Tobacco and Cigarettes against letters of credit issued by a bank. The bank involved has withheld payment on the letters of credit. The Company has initiated legal action against the bank. The Company believes there will be a favorable resolution to this matter.

HONEYWELL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 21 (In Part): Contingencies

On February 7, 1992, a federal court jury found that Minolta Camera Co. infringed Honeywell's autofocus camera patents and awarded Honeywell $96.4 million in damages. Minolta will be required to pay post-judgment interest on the award and, in addition, may be required to pay prejudgment interest and legal fees. If Minolta appeals, the jury verdict or the amount of the damage award could be affected; therefore, Honeywell will not recognize an award in the financial statements until it is received.

ICOT CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Litigation

In an action pending in the United States District Court, Northern District of Texas, the Company is asserting claims against American Airlines ("American") for copyright infringement, unfair competition and unjust enrichment. The Company developed and owns certain software for a personal computer-based airline reservation system and alleges that American, having had access to the Company's code, developed a personal computer-based reservation system which infringes on the Company's copyrighted software. The Company seeks damages, including recovery of the Company's lost profits and American's profits earned from the infringing product, alleged to be in excess of $25 million and attorneys' fees.

American denies the Company's claims, seeks a declaration that it has not infringed the Company's copyrighted software and alleges that the Company infringed on American's SABRE trademarks and certain copyrighted software specifications owned by American. American seeks compensatory and punitive damages in unspecified amounts as well as injunctive relief and attorneys' fees.

The Company denies American's allegations and believes they are without merit.

INTERCO INCORPORATED (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

15 (In Part): Litigation

On January 24, 1991, the company filed an action in the United States District Court for the Eastern District of Missouri against Wasserstein, Perella & Co., Inc., its former investment banker and financial advisor. The complaint, seeking $89,500 in compensatory damages, plus prejudgment interest and punitive damages, charges Wasserstein, Perella & Co. with professional malpractice, negligent misrepresentation, breach of fiduciary duty, fraud and breach of contract in connection with its advice and services regarding the company's sale of Ethan Allen, Inc. Wasserstein, Perella & Co. has included in its answer to the complaint certain "unasserted counterclaims" for fees and expenses incurred by it in connection with the action and prior litigation.

On January 24, 1991, the company filed an action in the United States District Court for the Eastern District of Missouri against the Federal Insurance Company alleging that Federal failed to pay the total amount of the settlement and the legal fees, expenses and costs of defending and settling the shareholder class actions filed in fiscal 1989 against the company and its directors. In the suit, the company seeks no less than $15,500 in compensatory damages and prejudgment interest thereon, statutory penalties, punitive damages, attorneys' fees and costs.

OAK INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Commitments and Contingencies

Adec Litigation

The Company's Adec subsidiary was a supplier of energy management control systems ("EMCS") to United States military installations and other large commercial building complexes. During the latter part of 1983 and in early 1984, four of Adec's military contracts were terminated for default. The basis for each of these default terminations is an alleged failure to complete the contracts per the specifications within the time contractually allotted.

It is management's position, based upon advice from legal counsel, that the contract specifications on each of the military installation jobs (patterned on the Tri-Service specifications) are defective, and as a consequence, impracticable to meet within the time allowed using available technology. As such, management believes that each of the above-described default terminations is unjustified.

Adec has claims against the government in the U.S. Court of Claims for excess costs incurred at various sites in attempting to comply with the defective specifications. Adec is seeking relief pursuant to the "changes" and/or "termination for convenience" clauses of these contracts and claims alleging defective specifications. The court has allowed the government's motion for leave to amend its answer and file a counterclaim against Adec alleging fraud in the period prior to 1984. At the present time the Company is engaged in discovery concerning all of the claims as well as in negotiations with the Department of Justice regarding a favorable settlement of these matters.

Management believes that the ultimate outcome of this matter will not have an adverse effect on the Company's financial position or results of operations.

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Contingencies

The Company is involved in litigation and disputes which are normal to its business, including a Texas class action suit alleging violations of the Farm Labor Contractor Registration Act (FLCRA). In addition, the Company is involved in litigation related to the operations and sale of its former subsidiary, Norand Corporation.

On February 5, 1981, the Company initiated litigation against Holden Foundation Seeds, Inc. alleging that Holden had improperly obtained and used one of the Company's proprietary lines of corn breeding material. On October 30, 1987, a judgment was entered against Holden Foundation Seeds, Inc. on the issue of liability. On July 11, 1991, the Court held that the lost profit theory advanced by the Company was an acceptable method for determining damages. The Company is awaiting the Court's final order, including the amount of damages to be awarded, which, if any, may be material. Once the final order has been entered, both parties have the right to appeal.

Although the outcome of the above matters cannot be predicted with certainty, trial counsel for the Company and management do not believe that their disposition will have a materially adverse effect on the consolidated financial position of the Company.

Contingent Cash Payments Under Asset Sales Agreement

NATIONAL INTERGROUP, INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C (In Part): Discontinued Operations and Asset Dispositions

Other Discontinued Operations

In a series of asset sales to various parties during the third and fourth quarters of fiscal 1990, the Corporation sold the operating divisions and certain related technology of its National Aluminum Corporation (NAC) subsidiary engaged in the production of primary aluminum and the fabrication of a varied line of finished aluminum products by both rolling and extrusion processes. In exchange for these asset sales, the Corporation received gross cash proceeds of approximately $147.5 million and notes receivable of $3.9 million, and the buyers assumed $23.5 million of outstanding debt obligations. The Corporation recorded a net gain on the disposition of this business of $17.7 million, including a federal income tax provision of $8.9 million and a state tax provision of $4.0 million.

The asset sales agreement, with respect to the Corporation's sale of NAC's 54.5% interest in a primary aluminum smelter (the "Smelter"), provides for contingent cash payments. Under the Smelter sales agreement, the Corporation has the right to receive up to $60.0 million of contingent cash payments, payable annually over a maximum of ten years, based on a formula principally driven by the differential between the market price of aluminum and the cost of producing aluminum at the Smelter. These contingent payments will be recognized in income by the Corporation if and when received. In February 1991, the Corporation received a contingent payment of $3.8 million. The Corporation is also entitled to royalty payments with respect to the sale of certain technology, patents and rights of NAC under a twelve year arrangement which guarantees a minimum royalty for each of the first three years of $0.8 million.

Tax Refund Claim

CYPRUS MINERALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Income Taxes

Cyprus has an Alternative Minimum Tax Credit carryforward of $79 million which can be used in the future to offset tax in years when Cyprus pays regular tax.

Application of a recent tax case (Hill v. United States) has affected the depletion deduction for companies paying alternative minimum tax. In 1991 Cyprus saved approximately $42 million from refunds of 1990 tax and reduced 1991 estimated tax payments, reflecting the benefit of this case. In addition, Cyprus plans to amend its 1987 through 1989 tax returns to claim refunds of approximately $28 million including interest. No income statement benefit has been recognized pending the outcome of the government's appeal. However, Cyprus estimates that the total benefit could be approximately $75 million including the effect of the refund on SFAS No. 96 tax calculations.

COMMITMENTS

Paragraph 18 of *Statement of Financial Accounting Standards No. 5* requires the disclosure of commitments such as those for capital expenditures or an obligation to restrict dividends. Table 1-12 lists various commitments.

Examples of commitments listed in Table 1-12 follow.

TABLE 1-12: COMMITMENTS

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Dividend restrictions	386	388	384	386
Capital expenditures	86	86	78	82
Purchase agreements	78	81	64	69
Employment contracts	35	40	40	36
Additional payments in connection with an acquisition	24	32	27	33
Sale agreements	15	21	13	10
Other—described	62	58	43	37

Obligations to Maintain Working Capital Or Restrict Dividends

AM INTERNATIONAL, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

Note 3 (In Part): Borrowing Arrangements

The Company's various debt agreements contain certain restrictions on payment of dividends and capital stock repurchases and require maintenance of specified ratios and minimum net worth. The Company's 12% Senior Subordinated Debenture Indenture restricts the payment of dividends and the repurchase of capital stock, based on Dividend Availability as determined by a formula in the Indenture. The Company's current estimate of Dividend Availability at July 31, 1991 is $9,300. The Company's ability to pay future dividends is, among other things, contingent upon interim net income. Subsequent to July 31, 1991, the Company elected to suspend the quarterly dividend on its preferred stock to help avert any potential covenant violation in light of continuing unfavorable economic conditions in the domestic and international graphics markets served by the Company and expectations for weaker operating results in the first half of the 1992 fiscal year.

GENCORP INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Long-Term Debt and Credit Lines

In April 1988, the Company entered into an $800 million unsecured revolving credit facility (1988 Credit Agreement) maturing in April 1993. Unused revolving lines of credit under the 1988 Credit Agreement currently aggregate $271 million. The Company pays commitment fees of three-eighths of one percent on the unused balance. Interest rates are variable, primarily based on LIBOR, and are currently at an average annual rate of 5.75 percent. The Company has interest rate swap agreements covering a notional amount of $300 million, most of which expire in 1992. The semi-annual settlement rates for these agreements are calculated as a spread between a fixed annual rate of 9.35 percent and the six month floating LIBOR rate.

Long-term debt consists of the following:

(Dollars in millions)

At November 30	1991	1990
1988 Credit Agreement:		
Revolving loans expiring 1993	$250	$240
Unsecured Promissory Notes and Debentures:		
11⅞% maturing 1993, subordinated (face amount—$60)	59	58
12⅜% debentures maturing 1998-2003 subordinated (face amount—$43)	43	43
Other	4	5
Total debt	356	346
Less amounts due within one year	(1)	(1)
	$355	$345

Under the terms of the 1988 Credit Agreement, the Company is required to make mandatory prepayments from all after-tax cash proceeds resulting from the sale or other disposition of assets not in the ordinary course of business, as long as the amount of credit committed by the banks exceeds $500 million.

The 1988 Credit Agreement, as amended, contains various debt restrictions and provisions relating to distributions and cash dividends on common stock, maintenance of working capital, net worth, interest coverage ratios and balances. Under currently applicable provisions, the Company is required to maintain a current ratio of 1.4 to 1 at November 30, 1991 and thereafter (including up to $271 million at November 30, 1991 of unused available revolving credit commitments). At November 30, 1991, the current ratio, as defined in the 1988 Credit Agreement, was 1.9 to 1. In addition, consolidated shareholders' equity at November 30, 1991 cannot be less than $200 million increasing to $230 million at November 30, 1992. At November 30, 1991, the consolidated shareholders' equity was $213 million.

AMERADA HESS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Long-Term Debt

The Corporation's long-term debt agreements contain various restrictions and conditions, including the requirement to maintain a ratio of current assets to current liabilities of not less than 1 to 1. There are also limitations on total borrowings under the agreements. In addition, the cumulative amount of cash dividends and stock distributions (as defined) may not exceed consolidated net income (as defined) subsequent to December 31, 1990, plus $600,000,000. At December 31, 1991, the ratio of current assets to current liabilities was 1.3 to 1 and the Corporation had additional borrowing capacity for the construction or acquisition of assets of $765,000,000. Retained earnings free of restrictions at December 31, 1991 amounted to $636,000,000.

SMITHFIELD FOODS, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Debt

Debt Covenants

The Company's various debts agreements contain covenants regarding the maintenance of specified levels of working capital, and among other restrictions, limit additional borrowings, the acquisition, disposition and leasing of assets and provide for the consent of a lender for payments of dividends to stockholders. Additionally, existing loan covenants contain provisions which substantially limit the amount of funds available for transfer from the subsidiaries to Smithfield Foods, Inc. without the consent of certain lenders. During parts of fiscal 1991, the Company and certain subsidiaries were not in compliance with certain working capital and capital expenditures covenants in certain of their respective loan agreements.

These events of noncompliance were caused by large capital expenditures and substantially increased inventories and accounts receivable levels resulting from increased raw material costs and increased unit volumes. These events of noncompliance were waived by the lending institutions.

Capital Expenditures

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Commitments and Contingencies
In connection with plant expansion and improvement programs, the company had commitments for capital expenditures of approximatey $215.2 million at December 31, 1991.

R.R. DONNELLEY & SONS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)
Authorized expenditures on incomplete projects for the purchase of property, plant and equipment, as of December 31, 1991, totaled $188.6 million. Of this total, $39.4 million has been paid and an additional $67.4 million has been committed for payment upon completion of the contracts. The Company has a variety of commitments with suppliers for the purchase of paper and other materials for delivery in future years at prevailing market prices.

KNIGHT-RIDDER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Commitments and Contingencies
In 1989, the company began construction of a new production and distribution plant in Philadelphia. The nine-press plant is budgeted to cost $299.5 million and is scheduled to be fully operational in 1993. As of Dec. 29, 1991, the company had contractual commitments for capital expenditures of $292.2 million, of which $257.8 million has been paid from 1989 through 1991 and $34.4 million is due in 1992. The project has been financed internally, without incurring additional indebtedness. See Capital Spending Program on page 40 for further discussion.

CAPITAL SPENDING PROGRAM

The company's capital spending program includes normal replacements, productivity improvements, capacity increases, building construction, expansion and printing press equipment. Over the past three years, expenditures have totaled $534 million for these items.

Construction on the 693,000-square-foot production facility in Philadelphia began in 1989. The $299.5 million plant is expected to be completed in mid-1992 and fully operational in 1993. See Note J—Commitments and Contingencies on page 55 for further discussion.

Also included in capital expenditures is the nearly completed San Jose press project for $38.6 million and the completion of the Knight-Ridder Financial Phase II computer project for $11.1 million.

SAFEWAY INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (In Part): Commitments and Contingencies
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 $48.6 million at year-end 1991.

STONE CONTAINER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 (In Part): Commitments and Contingencies
At December 31, 1991, the Company, excluding Stone Savannah River and Seminole, had commitments outstanding for capital expenditures under purchase orders and contracts of approximately $32 million, of which approximately $31 million is expected to be spent in 1992. Stone Savannah River and Seminole had, at December 31, 1991, commitments outstanding for capital expenditures of approximately $27 million, most of which is expected to be spent in 1992.

Purchase Contracts

CAPITAL CITIES/ABC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Commitments
At December 31, 1991, the Company is committed to the purchase of broadcast rights for various feature films, sports and other programming aggregating approximately $2,835,000,000. The aggregate payments related to these commitments during the next five years are summarized as follows:

1992 — $1,275,957,000;
1993 — $ 787,304,000;
1994 — $ 441,114,000;
1995 — $ 214,150,000;
1996 — $ 81,258,000.

The Company anticipates 1992 capital expenditures for property, plant and equipment will approximate $120,000,000.

THE COASTAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Take-or-Pay Obligations

At December 31, 1991, the Company was committed to make future purchases under certain take-or-pay contracts with fixed, minimum or escalating price provisions. Based on contracts in effect at that date, and before considering reductions provided in the contracts or applicable law, such commitments are estimated to be $120 million, $85 million, $75 million, $45 million and $25 million for the years 1992-1996, respectively, and $25 million thereafter. Such commitments have also been adjusted for amounts which may be assigned or released or for the results of future litigation or negotiation with producers.

The Company has made provisions, which it believes are adequate, for payments to producers that may be required for settlement of take-or-pay claims and restructuring of future contractual commitments. In determining the net loss relating to such provisions, the Company has also made accruals for the estimated portion of such payments which would be recoverable pursuant to FERC approved settlements with customers.

ADOLPH COORS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingencies

In 1991, a subsidiary of the Company continued to participate in an agreement to purchase coal for another subsidiary's steam generation facility. The agreement runs for a five-year period beginning in 1990 and requires the purchase of a minimum of 330,000 tons of coal per contract year.

In 1991, a subsidiary of the Company continued to participate in an agreement, established in 1990, to purchase 5.4 billion aluminum can bodies over an indefinite period of time with no annual minimum purchase requirement. The contract may be terminated by either party pursuant to the occurrence of certain events.

GTI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Commitments and Contingencies

In connection with the acquisition of Valor in 1990 (see Note 2), 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. Under this agreement, beginning in July 1993 and each year thereafter through July 1995, the Company may exercise its right to purchase the remaining minority shares in percentage increments, as defined, with the price to be paid based upon a predetermined formula. 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.

GENERAL DYNAMICS CORPORATION (DEC)

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

M. Outsourcing of Information Technology Operations

In November 1991, the Company signed an agreement with Computer Sciences Corporation (CSC) for the sale of the information technology operations of the Company's Data Systems Division. Under a related agreement, CSC has the exclusive right to provide information technology services to the Company's aerospace and defense units for the next ten years. In addition, the agreement provides for minimum aggregate payments to CSC during the first three years of the service agreement in the following amounts: $270 in 1992, $270 in 1993 and $260 in 1994. After 1994, the service agreement provides for minimum aggregate payments to CSC equal to 90% of the Company's estimated annual usage of information technology services. As the Company has a significant continuing involvement in the use of the assets sold, the $51 gain (before tax) on the sale has been deferred and is being amortized on a straight-line basis over three years.

JLG INDUSTRIES, INC. (JUL)

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

Capital Stock

Stock redemption agreements between the company and two of its founders provide for the purchase of a portion of the common stock from their estates at market value upon death. The commitment under such arrangements, aggregating $5,317 at July 31, 1991, is funded by life insurance policies owned by the company.

THE PITTSTON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Commitments

At December 31, 1991, the Company had contractual commitments to purchase coal which is primarily used to blend with Company mined coal. Based on the contract provisions these commitments are currently estimated to aggregate approximately $271,000,000 and expire from 1992 through 1999 as follows:

	(In thousands)
1992	$ 62,600
1993	55,730
1994	43,918
1995	40,640
1996	33,405
Later years	34,707
	$271,000

Purchases under the contracts were $58,155,000 in 1991, $58,349,000 in 1990 and $46,026,000 in 1989.

REYNOLDS METALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In millions, except share amounts.)

Note B—Unincorporated Joint Ventures and Associated Companies

The Company has interests in unincorporated joint ventures which produce alumina and gold (Note A). It also has interests in foreign based associated companies which provide the Company with bauxite, alumina, primary aluminum, fabricated aluminum products and hydro-electric power. At December 31 the Company's investment in these activities consisted of the following:

	1991	1990	1989
Unincorporated Joint Ventures			
Current assets	$ 30.2	$ 24.8	$ 23.8
Current liabilities	(22.7)	(24.3)	(15.6)
Property, plant and equipment and other assets	622.7	623.4	614.9
Net investment	$630.2	$623.9	$623.1
Associated Companies			
Investments	$189.4	$171.2	$142.9
Advances	13.0	8.3	20.9
Net investment	$202.4	$179.5	$163.8

The Company has committed to pay its proportionate share of annual production charges (including debt service) relating to its interests in certain of these entities. These arrangements include minimum commitments of approximately $48 million annually through 1996 and additional amounts thereafter which together, at present value, aggregate $257 million at December 31, 1991, after excluding interest of $92 million and variable operating costs of the facilities. During 1991 the Company purchased approximately $230 million (1990—$170 million, 1989—$150 million) of raw materials under these arrangements.

SERVICE CORPORATION INTERNATIONAL (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Commitments and Contingencies

Purchase agreement commitment: In conjunction with the sale of the funeral supply business as discussed in Note 13, SCI has entered into an agreement to purchase at a minimum, an aggregate of $32,500,000 of caskets annually for five years from October 31, 1990, from the acquiring company. This agreement contains provisions to increase the minimum aggregate purchases for normal price increases and maintenance of product quality. During the year ended December 31, 1991 SCI purchased $35,149,000 of caskets under this agreement.

TENNECO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Commitments and Contingencies

Purchase Obligations

In connection with the financing commitments of certain joint ventures, Tenneco has entered into unconditional purchase obligations for products and services of $257 million ($170 million on a present value basis). Tenneco's annual obligations under these agreements are $27 million for each of the years 1992 and 1993, and $26 million for 1994, 1995 and 1996. Payments under such obligations, including additional purchases in excess of contractual obligations, were $35 million, $29 million and $34 million for the years 1991, 1990 and 1989, respectively. In addition, in connection with the Great Plains coal gasification project (Dakota Gasification Company), Tenneco has contracted to purchase 30% of the output of the plant's original design capacity for a remaining period of 18 years.

WESTERN DIGITAL CORPORATION (JUN)

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

7 (In Part): Commitments and Contingent Liabilities

Purchase Obligation

In September 1987, the Company entered into an agreement with AT&T to provide essentially all of the Company's externally procured digital CMOS (complementary metal oxide semiconductor) wafers. These wafers are necessary components for substantially all of the Company's products. Although the agreement has been modified in various ways since its execution, AT&T has served as the Company's major external supplier of CMOS wafers for the past several years. The Company purchased approximately $111,000, $88,000 and $63,000 of digital CMOS wafers from AT&T under this agreement in 1991, 1990 and 1989, respectively. The agreement provided, in the event of its termination, for a gradual wind down of production over a three-year period following termination.

In June 1991, the companies agreed to terminate the agreement, commenced the termination period as of July 1, 1991, and are in the early stages of the wind down of production. The Company's estimated obligations under this agreement over the next three years, based on the Company's intention of purchasing wafers at certain volume requirements are expected to exceed $125,000 in the aggregate. Since the projected volumes are lower than contractual required minimums, the Company and AT&T are negotiating appropriate price adjustments which may result in higher product costs. 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 certain of AT&T's advanced digital CMOS technology after termination of the agreement.

In connection with an August 1991 second source agreement with AT&T, the Company received a $10,000 credit against outstanding payables to AT&T. The Company has the option at any time until December 31, 1991 to terminate AT&T's second source license by reversing the credit, provided the Company continues to be current with the agreed terms on its payables to AT&T. It is the Company's current intention to exercise this option which would require the payment of $10,000 to AT&T by December 31, 1991.

Employment Contracts

EKCO GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Commitments and Contingencies

Employment contracts

The Company has employment agreements with its executive officers and certain other management personnel. These agreements generally continue until terminated by the executive or the Company and provide for salary continuation for a specified number of months under certain circumstances. Certain of the agreements provide the employees with certain additional rights after a Change of Control (as defined) of the Company occurs. The Company has agreed to secure a portion of the Company's obligations under certain of these agreements with letters of credit. The agreements include a covenant against competition with the Company extending for a period of time after termination for any reason. As of December 29, 1991, if all of the employees under contract were to be terminated by the Company without good cause (as defined) under these contracts, the Company's liability would be approximately $4.2 million ($5.2 million following a Change of Control).

HUNT MANUFACTURING CO. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingencies

Contingencies:

The Company has employment/severance (change in control) agreements with its officers, as well as a severance policy covering Company employees generally. Under such agreements and policy, severance payments and benefits would become payable in the event of specified terminations of employment following a change in control (as defined) of the Company. In the event of a change in control of the Company and subsequent termination of all employees, the maximum contingent severance liability would have been approximately $12.7 million at December 1, 1991.

ORION PICTURES CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments and Contingencies

The Company and certain of its subsidiaries have employment contracts with various officers with remaining terms ranging generally from one to three years at amounts approximating their current levels of compensation. The Company's remaining aggregate commitment at February 28, 1991 under such contracts is approximately $20,000,000.

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies and Commitments (In Part)

Since fiscal 1972, the Company has had employment agreements with its principal officers. Such agreements, which have been revised from time to time, provide for minimum salary levels, adjusted annually for cost-of-living changes, as well as for incentive bonuses which are payable if specified management goals are attained. The aggregate commitment for future salaries at August 3, 1991, excluding bonuses, was approximately $15,600,000.

RYMER FOODS INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Commitments and Contingencies

The Company has employment agreements with certain corporate officers. The agreements are generally three to seven years in length and provide for minimum salary levels, as adjusted for cost of living changes. These agreements may include incentive bonuses based upon specified management goals. The aggregate commitment for future salaries, excluding bonuses, as of October 26, 1991 was approximately $3.3 million.

TULTEX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Employment Continuity Agreements

The company has entered into employment continuity agreements with certain of its executives which provide for the payments to these executives of amounts up to three times their annual compensation plus continuation of certain benefits, if there is a change in control in the company (as defined) and a termination of their employment. The maximum contingent liability, at December 28, 1991, under these agreements was approximately $4,551,000.

THE UNITED STATES SHOE CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Commitments and Contingencies

Contingencies

The company has entered into severance compensation agreements with certain of its executives. Such agreements provide for the payment over a two year period to these executives of amounts up to three times their average annual compensation plus continuation of certain benefits, if a change in control (as defined) is followed within two years by a termination (as defined) of employment. The maximum contingent liability of the company pursuant to all such agreements is approximately $13.0 million at February 1, 1992.

Additional Payments Related to Acquisitions

HUNT MANUFACTURING CO. (NOV)

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

2 (In Part): 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 Specialities 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 $8.4 million at December 1, 1991) 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. This 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 financial information assumes the acquisition occurred at the beginning of each of the fiscal years presented. This information 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

LEGGETT & PLATT, INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B-Acquisitions

During 1991, the Company acquired the assets of two small companies that primarily manufacture bedding and furniture components for the home furnishings industry. The purchase price of these acquisitions was $9,971,000. Assuming these acquisitions had occurred at the beginning of the year, they would not have had a material impact on sales, earnings or earnings per share amounts.

The Company acquired the outstanding stock of three companies and also acquired certain assets and assumed certain liabilities of four others during 1990. The purchase price of these acquired businesses was $48,511,000 in cash and 237,932 shares of the Company's common stock valued at $6,900,000. These businesses manufacture and distribute a variety of products, primarily, brass, white iron, wood and other beds, automated quilting and cutting machinery, and foam and wire products for furniture and bedding, and the automotive industry.

During 1989, the Company acquired certain assets and assumed certain liabilities of three businesses, acquired the outstanding stock of another company and purchased a 50% interest in a fifth company. The purchase price of these acquired businesses was $36,177,000 in cash and 361,541 shares of the Company's common stock valued at $7,759,000. These businesses primarily manufacture and distribute components for the home furnishings industry and produce aluminum ingots.

The above acquisitions have been accounted for as purchases, and, where applicable, the excess of the total acquisition cost over the fair value of the net assets acquired is being amortized by the straight-line method over forty years. The results of operations of these companies since the dates of acquisition have been included in the consolidated financial statements.

The purchase prices reported above represent the initial amounts of cash and common stock of the Company issued at the time of the acquisitions. Some of the agreements also contain provisions for additional payments if certain minimum earnings requirements are met. These provisions expire during 1992 and 1993. Amounts earned under the terms of the agreements are recorded as increases in the excess of the total acquisition cost over the fair value of the net assets acquired. Such additional payments during 1991 totaled $3,750,000.

UNC INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisitions

During 1990 and 1989, the Company acquired the entities described below, which were accounted for by the purchase method of accounting. The results of operations of the acquired companies are included in the Company's statement of earnings for the period in which they were owned by the Company.

On October 1, 1990 the Company acquired substantially all of the operating assets, certain liabilities and process technology of Chemical Dynamics Incorporated ("CDI") for $3.5 million which was funded through borrowings under the Company's revolving credit and term loan agreement. CDI is a provider of fabrication and chemical processing of structural details for major airframe and engine manufacturers. Under the terms of the purchase agreement, the Company may be required to make additional payments beginning in 1993, of up to $1.5 million, contingent upon CDI achieving certain profit levels during the three year period ending September 30, 1993. The excess of the purchase price over the estimated fair value of the tangible and identifiable intangible net assets acquired is being amortized over a period of twenty years using the straight-line method. Any future amounts earned under the terms of this agreement will be recorded as additional cost in excess of net assets of acquired companies.

Effective May 1, 1989 the Company acquired substantially all of the assets and assumed certain liabilities of seven related operating companies comprising the TSS Group (collectively the "TSS Group"). The TSS Group of companies provides aircraft accessory overhaul and repair services to a broad range of customers. The services are performed on aircraft components such as hydraulics, pneumatics, electro-mechanical, electrical, landing gear and propellers and is currently operated as the Company's Accessory Overhaul Group. The initial acquisition price consisted of $19.2 million in cash and the Company elected to retire $4.5 million of bank indebtedness of the TSS Group. The Company is also obligated to pay $5.2 million in 10% promissory notes with principal payable in lump sum in June 1994 and $3.5 million in non-interest bearing notes payable in five equal annual installments which began in June 1990. The non-interest bearing notes totalled $1.7 million at December 31, 1991 and have been discounted at a rate of 10.6%. Principal and interest payments on these notes totalled $2.4 million through the end of 1991. Contingent upon the TSS Group achieving certain combined sales and profitability goals during a five year period ending in 1994, the Company may be required to pay up to an additional $18.7 million of which $7.4 million has been paid through the end of 1991. Any amounts earned under the terms of this agreement are recorded as additional cost in excess of net assets of acquired companies. The initial purchase price was funded through borrowings under the Company's revolving credit and term loan agreement. The excess of the purchase price over the estimated fair value of the tangible and identifiable intangible net assets acquired is being amortized over a period of forty years using the straight-line method. Certain members of management at the TSS Group are owners of companies that provide sales, consulting and leasing services to the Company. Payments to these companies for services rendered amounted to approximately $1.0 million, $1.1 million and $0.6 million in 1991, 1990 and 1989, respectively.

Under the terms of the earn-out provisions of an agreement related to a previous acquisition, the Company paid $1.0 million in 1991, which was recorded as additional cost in excess of net assets of acquired companies.

Sales Agreements

GEORGIA GULF CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Significant Customer and Export Sales

On December 31, 1984, the Company entered into a ten-year contract to supply, subject to certain limitations, substantial percentages of Georgia-Pacific Corporation's requirements for certain chemicals at market prices. Certain portions of the contract have been extended. The sales to Georgia-Pacific Corporation under the agreement for the years ended December 31, 1991, 1990 and 1989 amounted to approximately 15 percent, 16 percent and 14 percent of net sales, respectively. Receivables outstanding from these sales were $11,077,000, $15,988,000 and $11,613,000 at December 31, 1991, 1990 and 1989, respectively.

Net sales of the Company included export sales of approximately 17 percent, 11 percent and 12 percent for the years ended December 31, 1991, 1990 and 1989, respectively.

Investment Grant

COURIER CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

H. Courier International Relocation

In September 1990, the Company adopted a plan to relocate its international manufacturing operation in Tiptree, England and fiscal 1990 results include an associated restructuring charge of $2.1 million. As part of this restructuring, the Company sold certain assets used in the production of mass market paperbacks in November 1990, although production activities continued through January 1991. Net proceeds of approximately $2.8 million were received from this sale during fiscal 1991. In connection with this transaction, the Company purchased the remaining 20% ownership in Courier International, Ltd. for approximately $375,000.

In January 1991, the Company completed negotiations on a twenty-year lease for a new facility in East Kilbride, Scotland, a suburb of Glasgow. The operation began moving in late March 1991 while manufacturing continued

to operate in Tiptree; the relocation to Scotland was completed in June 1991, with manufacturing operations in the new facility commencing start up. In addition, in January 1991, the Scottish Development Authority approved a grant to Courier of approximately $1,250,000 over three years based on achieving annual targeted employment levels and capital investments. The Company met the first-year targeted commitments for capital and employment by the end of fiscal 1991 and thus was eligible for the first-year grant of approximately $600,000, which was utilized to offset start-up costs of the new facility. Proceeds of the first-year grant of $600,000 are expected to be received in early fiscal 1992 and are included in "other current assets" in the accompanying September 28, 1991 balance sheet.

Joint Operating Agreement

IMC FERTILIZER GROUP, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Commitments

The Company participated in a consortium that won bids in March 1988 on 11 federal off-shore sulphur leases in the Gulf of Mexico. In January 1989, a major sulphur discovery at Main Pass Block 299 was announced. Development of this sulphur deposit is presently under way with production scheduled to begin in early calendar 1992. At June 30, 1991, the Company had spent $89.2 million, excluding capitalized interest, on this project.

In connection with these leases, the Company is committed through a joint venture agreement with Freeport and Felmont Oil Corporation to contribute its share of costs incurred in exploration and development of Main Pass Block 299 and six remaining unexplored sulphur leases. The Company has delivered to Freeport Collateral Mortgage Notes totaling $353.3 million which will become effective only if the Company fails to meets its obligations under the Joint Operating Agreement covering each remaining lease.

In addition, the Company is committed through a Joint Operating Agreement with Freeport and Felmont Oil Corporation to contribute its share of costs to build offshore mining facilities to extract oil and natural gas deposits which were also discovered at Main Pass Block 299. Construction of these facilities is presently under way with production scheduled to begin in late calendar 1991. At June 30, 1991, the Company had spent $49.1 million, excluding capitalized interest, on this project and has a lien and security interest in place with Freeport covering its remaining obligations of approximately $18 million.

FINANCIAL INSTRUMENTS

Effective for fiscal years ending after June 15, 1990, *Statement of Financial Accounting Standards No. 105* sets forth disclosure requirements for financial instruments with off-balance sheet risk or concentration of credit risk. Table 1-13 lists the various financial instruments disclosed in the 1991 financial statements of the survey companies.

Examples of financial instruments and concentrations of credit risk disclosures follow.

TABLE 1-13: FINANCIAL INSTRUMENTS

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Hedge contracts:				
Foreign currency	201	192	52	40
Interest rate	185	142	93	90
Commodity	34	33	33	28
Guarantees:				
Debt	119	110	99	122
Lease payments	39	34	33	31
Support agreements	30	34	19	23
Other	47	35	24	24
Letters of credit	164	98	82	86
Sale of receivables with recourse	73	76	68	85

Interest Rate Swaps

CONSTAR INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Indebtedness

At December 31, 1991, the Company had outstanding intermediate-term reverse interest rate swap agreements. Under the agreements, the Company receives a fixed rate of 6.79% on $20 million and pays a floating rate based on LIBOR, as determined in 6-month intervals. The transaction effectively changes a portion of the Company's interest rate exposure from a fixed-rate to a floating-rate basis.

THE DIAL CORP (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

H (In Part): Long-Term Debt

At December 31, 1991, Dial had the following interest rate swap agreements in effect:

	Year Entered	Year of Completion	Notional Amount	Cash Proceeds Received
(000) omitted)				
Counter swapped fixing the future net payments against cash proceeds received at a discount rate of:				
7.1%	1991	1996	$200,000	$25,000
10.2%	1988	1995	167,600	58,611
10.4%	1987	1992-1994	100,000	34,329
Used to effectively fix future rates of floating rate obligations at an interest rate of:				
6.5%	1991	1996	100,000	
9.0%	1988	1993(1)	100,000	
9.9%	1988	1994	40,000	3,200

(1) Extendable to 1995 at counter party's option.

The interest rate swap agreements have been entered into with major financial institutions which are expected to fully perform under the terms of the agreements thereby further mitigating the risk from the transactions.

Cash consideration received on the swaps is amortized as an offset to expense from future net swap payments (included in the Statement of Consolidated Income under the caption, "Corporate expense and other items, net") over the life of the related swap. The unamortized balance of such consideration is included in the Consolidated Balance Sheet under the caption, "Other deferred items and insurance reserves."

WALT DISNEY COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular dollars in millions, except per share amounts)

1 (In Part): Description of the Business and Summary of Significant Accounting Policies

Hedging Contracts

In the normal course of business, the company employs a variety of off-balance-sheet financial instruments to reduce its exposure to fluctuations in interest and foreign currency exchange rates, including interest rate swap agreements and foreign currency forward exchange contracts and options. The Company designates interest rate swaps as hedges of investments and debt, and accrues the differential to be paid or received under the agreements as interest rates change over the life of the contracts. Gains and losses arising from foreign currency forward exchange contracts and options offset gains and losses resulting from the underlying hedged transactions.

The Company continually monitors its positions with, and the credit quality of, the major international financial institutions which are counterparties to its off-balance-sheet financial instruments, and does not anticipate nonperformance by the counterparties.

At September 30, 1991, the Company had approximately $1.9 billion (notional amount) of foreign currency hedge contracts outstanding, consisting principally of option strategies providing for the sale of foreign currencies. The contracts reflect the selective hedging of French franc, German mark, Japanese yen and other foreign currency exposures over a multi-year horizon, extending up to six years.

5 (In Part): Borrowings

	Effective Interest Rate	Fiscal Year Maturity	1991	1990
Subordinated notes[a]	6.2%	2005	$1,091.9	$ 980.0
Medium term notes[b]	5.4	1992–1995	500.0	—
Commercial paper[c]	5.7	1992	128.9	230.0
Securities sold under agreements to repurchase[d]	11.2	1992	127.3	—
Unsecured loans[e]	13.0	1998-1999	101.8	104.5
Swiss franc bonds[f]	6.1	1997	64.7	64.7
ECU notes[f,g]	6.5	1995	49.9	62.4
Euroyen notes	6.6	1996	49.5	49.5
ECU notes[f,h]	7.1	1994	43.2	48.6
Other	9.8		56.6	44.9
	6.7%		$2,213.8	$1,584.6

[a] During 1990, the Company issued $2.3 billion zero coupon subordinated notes which resulted in gross proceeds of $965 million. Holders may redeem the notes at their option for the issuance price plus accrued interest at the end of five and ten years, and upon a change in control of the Company, as defined, or at any time exchange the notes for the U.S. dollar equivalent of 19.651 shares of Euro Disney S.C.A. which is listed on the Paris Bourse. The Company has the right to call the notes at their issuance price plus accrued interest after two years. The Company has designated a portion of its Euro Disney S.C.A. shares as a hedge offsetting the contingent liability that may arise due to the exchangeability of the notes.

[b] The Company has executed interest rate swap agreements to convert all medium term notes to commercial paper-based floating rate instruments. The effect of these swaps has been reflected in the effective interest rate.

[c] The Company has available through 1992 an unsecured revolving line of bank credit of up to $375 million for general corporate purposes, including the support of commercial paper borrowings. The Company has the option to borrow at various interest rates not to exceed LIBOR plus ¼%.

[d] Securities sold under agreements to repurchase are collateralized by certain marketable securities.

[e] Principal is due in varying annual installments.

[f] Foreign currency swaps effectively converted $158 million of foreign debt issuances to Japanese yen or dollar obligations. The effect of these swaps has been reflected in the effective interest rate. The Company hedges the obligations converted to yen borrowings with a portion of its yen royalty receipts.

[g] Principal is payable in annual installments of $12.5 million.

[h] Principal is payable in annual installments of $5.4 million with the balance due at maturity.

RALSTON PURINA COMPANY (SEP)

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

Summary of Accounting Policies (In Part)

Financial Instruments

The Company enters into interest rate swap and cap agreements in the management of interest rate exposure. The differential to be paid or received is normally accrued as interest rates change and is recognized over the life of the agreements. In addition, in order to hedge foreign currency exposures on firm commitments, the Company regularly enters into forward foreign currency contracts. Gains and losses resulting from these instruments are recognized in the same period as the underlying hedged transaction.

Commitments and Contingencies (In Part)

Other Contingencies

In June 1987, the Company entered into a five-year $300.0 notional amount interest rate swap transaction to fix the rate of interest earned on the Company's cash and marketable securities position. In lieu of periodic fixed rate payments, the Company elected to receive a single cash payment of $103.7 representing the present value of the total fixed rate payments to be received over the term. The unamortized balance of this payment is included in Other Liabilities as a deferred credit. The Company in turn makes quarterly variable interest rate payments based on the London Interbank Offering Rate (LIBOR). In a separate transaction, the Company purchased an 8% interest rate cap on $200.0 notional amount to reduce its exposure to significant increases in the floating rate. In addition, the Company had outstanding, at September 30, 1991, other interest rate swap agreements effectively converting French franc, Australian dollar and Swiss franc variable rate debt having an equivalent U.S. dollar value of $93.1 into fixed rate debt. These agreements mature between fiscal 1995 and 1996 and result in a weighted average fixed interest rate of 9.95%.

At September 30, 1991, the Company had forward foreign exchange contracts to purchase or sell the equivalent of $180.0 of foreign currency principally denominated in European, Canadian and Asian currencies. The contracts generally range from one month to one year and are for the purpose of hedging balance sheet and operating income currency exposures.

The counterparties to interest rate swap and cap agreements and forward foreign currency contracts consist of a number of major international financial institutions. 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. While nonperformance by these counterparties exposes the Company to potential credit losses, such losses are not anticipated due to the control features mentioned.

At September 30, 1991, the Company had third party guarantees outstanding in the aggregate amount of approximately $34.0. The 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 1991, the Company sold, on average, accounts receivable totaling $53.3 each month. At September 30, 1991, $12.7 of transferred receivables were outstanding and subject to recourse provisions.

At September 30, 1991, the Company's primary concentration of credit risk related to approximately $56.0 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.

RHONE-POULENC RORER INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note One (In Part): Accounting Policies

Foreign Exchange Contracts and Hedging Instruments

The Company enters into foreign exchange contracts to hedge exposures related to foreign currency transactions. Gains and losses are recognized in the same period in which gains or losses from the transaction being hedged are recognized. Gains and losses arising from foreign exchange contracts which are designated as, and are effective as, economic hedges of the Company's net foreign investments are recorded as translation adjustments. The Company is also party to various instruments to hedge specific interest rate risks. These instruments are marked to market and gains or losses are recognized in the appropriate period to match the recording of interest expense for the hedged item.

Note Nine (In Part): Debt

At December 31, 1991, the Company was party to a variable interest rate swap agreement for approximately $40.0 million principal amount of its German mark long-term debt, maturing in 1993. As of December 31, 1991, the Company was also party to certain interest rate cap and floor agreements which fixed within various ranges the interest rates on approximately $391.0 million principal amount of debt. Approximately $193.0 million was denominated in French francs and $198.0 million was denominated in German marks. These agreements mature in the second quarter of 1992. As a result of these instruments, interest rates on the outstanding floating rate debt were fixed within the ranges of 9.0 percent to 10.5 percent for borrowings in French francs and 8.5 percent to 9.0 percent for borrowings in German marks.

Note Eighteen. Off-Balance Sheet Risk & Concentrations of Credit Risk

Off-Balance Sheet Risk

The Company enters into foreign exchange contracts to hedge foreign currency transactions. It does not engage in speculation. The Company's foreign exchange contracts protect the Company from risk due to exchange rate movements because gains and losses on these contracts offset losses and gains on the transactions being hedged. At December 31, 1991, the Company was party to forward exchange sale and purchase contracts of $174.0 million and $200.0 million, respectively, of which $85.0 million and $170.0 million, respectively, are with RP. In addition, the Company had $208.0 million of foreign currency swaps outstanding at December 31, 1991.

The Company is party to various interest rate contracts used to hedge interest rate risk. These contracts protect the Company from risk due to interest rate movements because gains and losses generated are offset by lower or higher interest expense on the underlying debt. At December 31, 1991, the Company had approximately $460.0 million of interest rate contracts outstanding in U.S. dollars, French francs and German marks. Of such amount, $391.0 million are contracts with RP.

The Company is exposed to credit loss in the event of nonperformance by the counterparties to these agreements. However, the Company does not anticipate nonperformance by the counterparties.

Concentrations of Credit Risk

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of trade receivables and temporary cash investments.

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 a large customer base and its geographic dispersion.

Interest Rate Collars

AVERY DENNISON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Financial Instruments

The Company enters into forward exchange contracts to hedge foreign currency receivables, payables, loans and commitments that arise primarily as a result of its operations outside the United States. As of December 31, 1991, the Company had $151.1 million (both long and short positions) in forward contracts outstanding, substantially all of which were denominated in European currencies. In general, the maturities of the contracts coincide with the underlying exposure positions they are intended to hedge. Of the total contracts outstanding, 87 percent have maturities within 12 months. The remainder have maturities ranging from one to six years.

During 1990, the Company entered into four five-year interest rate swap agreements for an aggregate total of $100 million on which it will pay a weighted average rate of 9 percent. The Company will receive interest based on LIBOR (the weighted average rate at year end was 4.7 percent).

During 1989, the Company entered into five agreements with three domestic banks which effectively set interest rate limits on $100 million of the Company's short-term borrowings. These interest rate collars, which were effective June 1989, limit the interest rate on $35 million to a range of 7 to 11 percent for five years; on $50 million to a range of 7 to 11 percent for three years; and on $15 million to a range of 6.5 to 10.5 percent for three years.

The counterparties to interest rate swaps, interest rate collars, and forward exchange contracts consist of a large number of major international financial institutions. The Company centrally monitors its positions and the financial strength of its counterparties. While the Company may be exposed to losses in the event of nonperformance by these counterparties, it does not anticipate losses, owing to the control procedures in place.

Interest Rate Futures Contracts

FIELDCREST CANNON, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Interest rate futures contracts and cap agreements—The Company has a program to reduce its exposure to changes in the cost of its variable rate borrowings by the use of interest futures contracts and interest rate cap agreements. These instruments are designated as hedges, and gains and losses related to changes in their value are deferred and amortized as a charge or credit to interest expense during the hedge period.

Note 5 (In Part): Debt

The Company has a program to reduce its exposure to changes in the cost of its variable rate borrowings by the use of interest futures contracts and interest rate cap agreements. During December 1990 and the first quarter of 1991, the Company sold a series of 90-day eurodollar futures contracts covering a total notional principal amount of $125 million. These contracts effectively change the Company's interest rate exposure on $125 million of revolving bank term debt to a fixed rate through 1993 of approximately 7.8% plus the applicable margin described above. The margin is currently 2.25% under the amended agreement.

Foreign Currency Swaps

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.

Foreign Currency Translation. The value of the U.S. dollar rises and falls day to day on foreign currency exchanges. Since the company does business in many foreign countries, these fluctuations affect the company's financial position and results of operations.

Generally, foreign subsidiaries translate their assets and liabilities into U.S. dollars at current exchange rates—that is, the rates in effect at the end of the fiscal period. The gains or losses that result from this process are shown in the cumulative translation adjustments account in the shareholders' equity section of the balance sheet.

The revenue and expense accounts of foreign subsidiaries are translated into U.S. dollars at the average exchange rates that prevailed during the period. Therefore, the U.S. dollar value of these items on the income statement fluctuates from period to period depending on the value of the dollar against foreign currencies.

Some transactions of the company and its subsidiaries are made in currencies different from their own. Gains and losses from these transactions are included in income as they occur. Certain transactions, such as long-term debt in the same currency of a foreign subsidiary as well as foreign exchange contracts, are sometimes used to hedge or protect the value of the investments in certain foreign subsidiaries. Gains and losses from these hedges are not included in the income statement but are shown in the cumulative translation adjustments account. Additionally, foreign exchange contracts and foreign currency options are sometimes used to hedge firm commitments and certain anticipated export sales transactions. Gains and losses resulting from these agreements are deferred and reflected as adjustments of the related foreign currency transactions.

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 month 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. At 30 September 1991 and 1990, outstanding interest rate hedge agreements totaled $221.4 million and $98.4 million, respectively. These agreements mature through 1994 and result in fixed interest rates received ranging from 7.7% to 10.5%.

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 1991 and 1990, interest rate hedge and currency swap agreements were outstanding with a total principal amount of $34.2 million and $50.4 million, respectively. These agreements mature through 1995 and result in fixed interest rates paid ranging from 7.2% to 7.6%.

Counterparties to interest rate hedge agreements and interest rate and currency swap contracts are major financial institutions. Management believes the risk of incurring losses related to credit risk is remote and any losses would be immaterial.

3. Currency Exchange Rate Hedge Agreements

The company, in management of its exposure to fluctuations in foreign currency exchange rates, has entered into a variety of currency swaps, options and foreign exchange contracts. These agreements generally involve the exchange of one currency for a second currency at some future date. Counterparties to these agreements are major international financial institutions. The risk of loss associated with these agreements and management's position regarding possible exposure is comparable to that for interest rate hedge agreements and interest rate and currency swap contracts as discussed in Note 2.

As of 30 September 1991 and 1990, the U.S. dollar equivalent of foreign currency contracts and currency swaps including offsetting positions approximated $360.4 million and $282.7 million, respectively. These agreements mature through 1996.

The company is, also, party to option contracts which, if exercised, involve the purchase or sale of foreign currency at a fixed exchange rate for a specified period of time. As of 30 September 1991 and 1990, the company had outstanding option contracts totaling $186.0 million and $87.5 million, respectively. These agreements mature through 1996.

SARA LEE CORPORATION (JUN)

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

Commitments and Contingencies (In Part)

The corporation enters into interest rate swap agreements in the management of interest rate exposure. The differential to be paid or received on these agreements is accrued as interest rates change and is recognized over the lives of the respective agreements. The terms of swap agreements which effectively converted variable-rate debt into fixed-rate debt at the respective year-end were as follows:

	1991	1990
Aggregate notional principal	$284,341	$279,960
Weighted average interest rate	9.9%	9.9%
Weighted average maturity in years	1.25	2.25

The corporation also utilizes forward exchange contracts and currency swaps to hedge currency exposure of its net investments in foreign operations and intercompany loans. The corporation had forward exchange contracts ranging from one to four years to purchase or sell the equivalent of $1,187,063 at June 29, 1991, and $956,940 at June 30, 1990 of foreign currency denominated principally in European currencies. The terms of the currency swaps which effectively converted U.S. dollar- and Swiss franc-denominated debt into Dutch guilder- and French franc-denominated debt at the respective year-end were as follows:

	1991	1990
Aggregate notional principal	$913,016	$606,880
Weighted average interest rate	8.3%	7.2%
Weighted average maturity in years	2.25	3.75

The counterparties to interest rate swaps, currency swaps and forward exchange contracts consist of a large number of major international financial institutions. The corporation continually monitors its positions and the credit ratings of its counterparties, and, by policy, limits the amount of agreements or contracts it enters into with any one party. While the corporation may be exposed to credit losses in the event of nonperformance by these counterparties, it does not anticipate losses, due to the control procedures mentioned.

UNION CARBIDE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Financial Instruments—Financial instruments are used to hedge financial risk caused by fluctuating currency and interest rates. The amounts to be paid or received on interest-rate swap agreements accrue and are recognized over the lives of the agreements.

Premiums and discounts on forward exchange contracts are amortized over the lives of the contracts. Foreign currency gains and losses are recognized currently as other income or other expense.

In addition, the Corporation may enter into unmatched interest rate swaps as a means of offsetting earnings fluctuations due to cyclical business conditions. These transactions are marked to market and the results recognized currently as other income or other expense.

5. *Financial Instruments*

Off-Balance Sheet Hedging Activities—Union Carbide uses various off-balance sheet financial instruments to manage exposure to general economic and specific financial market risk caused by currency, interest rate and business cycle fluctuations. At Dec. 31, 1991, market risk was not expected to have a material adverse effect on the consolidated financial position of the Corporation.

The notional amount of Union Carbide's interest rate swap agreements for continuing operations was $325 million at Dec. 31, 1991 ($825 million at Dec. 31, 1990). Under the agreements, Union Carbide either makes payments to or receives payments from counterparties based on floating rate indices, and either receives or makes payments based on a fixed rate U.S. Treasury security. The agreements have a remaining average life of 2.9 years at Dec. 31, 1991 (two years at Dec. 31, 1990), and approximately 66 percent of the swaps were offsetting (approximately eight percent for 1990).

Union Carbide uses these agreements to hedge its debt portfolio and to offset fluctuations in earnings caused by changes in the business cycle. All of the $325 million outstanding agreements at Dec. 31, 1991, were hedges of the debt portfolio, converting a portion of the total debt portfolio from floating to fixed rate liabilities ($275 million at Dec. 31, 1990). Exposure to market risk results whenever the floating rate indices fall below the fixed rate. At Dec. 31, 1990, swaps with a notional amount of $550 million were used to offset earnings fluctuations. Under these agreements, Union Carbide made floating rate payments and received fixed rate payments. Exposure to market risk for these agreements results whenever the floating rate indices rise above the fixed rate.

Forward Rate Agreements (FRA's) are used to hedge variable interest rate exposure on borrowings. There were no FRA's outstanding at Dec. 31, 1991 ($133 million at Dec. 31, 1990). FRA's usually mature within a six-month period.

Union Carbide enters into foreign currency swaps to hedge various multicurrency working capital financings in Europe. At year-end 1991, $82 million of such swaps were outstanding ($148 million at Dec. 31, 1990), with an average life of 1.4 years for both periods. Under these agreements, Union Carbide exchanges either U.S. dollars or a foreign currency with its counterparties and contracts to service the agreement in that currency—effectively redenominating its debt. At year-end 1991, approximately 78 percent of the swaps were offsetting (approximately 60 percent for 1990).

The amount of forward foreign exchange contracts, used by Union Carbide as hedging protection against foreign currency exposure, was $514 million at Dec. 31, 1991 ($568 million at Dec. 31, 1990). Market risk arises from fluctuation of currency rates during the period that transactions are outstanding.

Sales of Accounts Receivable—Union Carbide sold certain receivables with recourse to various banks for proceeds of $157 million in 1991 ($304 million in 1990 and $472 million in 1989). At Dec. 31, 1991, approximately $35 million remains uncollected ($26 million in 1990) and is included in contingent obligations (see Note 22).

Forward Exchange Contracts

BAUSCH & LOMB INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Accounting Policies (In Part)

Foreign Currency Translation—Assets and liabilities of certain non-U.S. 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. Gains and losses on forward contracts designated as hedges of foreign intercompany investments of a long-term nature are also included in this component of shareholders' equity. Translation adjustments relating to non-U.S. subsidiaries which use the U.S. dollar as their functional currency are included in net earnings, along with all transaction gains and losses for the period.

Forward Foreign Exchange Contracts—The company enters into forward foreign exchange contracts to minimize the short-term impact of foreign currency fluctuations on the asset and liability positions of foreign subsidiaries. The gains or losses on these contracts are included in income in the period in which the exchange rates change. The cash flows related to these gains and losses are classified in the Statement of Cash Flows as part of cash flows from operating activities. Gains and losses on contracts which hedge specific foreign currency denominated commitments are deferred and recognized in the period in which the transaction is completed.

Off-Balance-Sheet Risk and Concentrations of Credit Risk

In March 1990, the FASB issued SFAS No. 105, "Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk." The pronouncement requires disclosure of information about financial instruments for which risk could exceed amounts reflected in the financial statements and information about significant geographic, business, or other concentrations of credit risk for all financial instruments.

Off-Balance-Sheet Risk

Foreign Exchange Instruments—The company enters into forward exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with its committed exposures. The company does not engage in speculation. The effect of this practice is to minimize on a rolling basis the impact of foreign exchange rate movements on the company's operating results. 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. As of December 28, 1991 and December 29, 1990, the company had approximately $429,000,000 and $372,000,000, respectively, of foreign exchange contracts outstanding, primarily denominated in Irish pounds. The forward exchange contracts generally have varying maturities with none exceeding 36 months. The company makes net settlements of U.S. dollars for foreign currencies at maturity, at rates agreed to at inception of the contracts.

Interest Rate Instruments—The company enters into interest rate swap agreements to exchange fixed and variable rate interest payment obligations without the exchange of the underlying principal amounts in order to manage interest rate exposures in a manner consistent with the company's policy. These agreements have been used to adjust interest on certain fixed rate borrowings to the company's commercial paper borrowing rate. Net payments or receipts under the agreements are recorded as adjustments to interest expense.

Concentrations of 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 financial institutions and 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 different businesses and geographic areas.

As of December 28, 1991 and December 29, 1990, the company had no significant concentrations of credit risk.

BRIGGS & STRATTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Guarantees and Commitments:

The Company has forward foreign currency exchange contracts to purchase 3.8 billion Japanese yen for $26,910,000 through June of 1992. These contracts are used to hedge the commitments to purchase engines from the Company's Japanese joint venture. The Company and its German subsidiary have forward currency contracts to exchange 27.7 million German deutschemarks for $15,335,000 through January of 1992. These contracts are used in the transfer of funds for shipments to be made during that time.

CLARK EQUIPMENT COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies (In Part)

The Company occasionally enters into forward exchange contracts to protect margins on anticipated future sales denominated in foreign currencies. Settlement dates on executed contracts are generally not more than 18 months in advance of the original execution date. At December 31, 1991, forward exchange contracts of approximately $39.3 million were outstanding. Maximum risk of loss on these contracts is limited to the amount of the difference between the spot rate at the date of contract delivery and the contracted rate. The Company expects that future sales revenue will generate sufficient foreign currency to meet these commitments.

DIGITAL EQUIPMENT CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Translation of Foreign Currencies—For foreign operations, the U.S. dollar is the functional currency. Monetary assets and liabilities of foreign subsidiaries are translated into U.S. dollars at current exchange rates. Nonmonetary assets such as inventories and property, plant and equipment are translated at historical rates. Income and expense items are translated at average exchange rates prevailing during the year, except that inventories and depreciation charged to operations are translated at historical rates. Exchange gains and losses arising from translation are included in current income.

The Company enters into forward exchange contracts to delay the short term impact of foreign currency fluctuations on operations and the asset and liability positions of foreign subsidiaries. The gains or losses on these contracts are included in income when the operating revenues and expenses are recognized and, for assets and liabilities, in the period in which the exchange rates change. The cash flows related to these gains and losses are classified in the statement of cash flows, as part of cash flows from operating activities.

Note L—Off-Balance-Sheet Risk and Concentration of Credit Risk

Off-Balance-Sheet Risk—The Company enters into forward foreign exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with its committed exposures. It does not engage in 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. As of June 29, 1991 and June 30, 1990, the Company had $2.7 billion and $2.5 billion,

respectively, of net foreign exchange contracts outstanding, substantially all of which were in European currencies. The foreign exchange contracts generally have maturities which do not exceed six months. See Note A for information on the Company's accounting policy on foreign exchange contract gains and losses.

Concentrations of 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 qualified 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 June 29, 1991, the Company had no significant concentrations of credit risk.

IMCERA GROUP INC. (JUN)

NOTES TO FINANCIAL STATEMENTS

Note R (In Part): Commitments

The Company periodically uses foreign exchange forward contracts and swaps to hedge inventory purchase commitments, debt denominated in a foreign currency, and interest rate exposures. Gains and losses on hedge contracts are reported as a component of the related transaction. At June 30, 1991, forward exchange contracts with an aggregate contract value of $57.0 million were outstanding. The difference in the value of the contracts and the June 30, 1991, market value was not material.

MCDERMOTT INTERNATIONAL, INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Forward Exchange Contracts

McDermott International enters into forward exchange contracts primarily as hedges relating to identifiable currency positions. These financial instruments are designed to minimize exposure and reduce risk from exchange rate fluctuations in the regular course of business. Gains and losses on forward exchange contracts which hedge exposures on firm foreign currency commitments are deferred and recognized as adjustments to the bases of those assets. Gains and losses on forward exchange contracts which hedge foreign currency assets or liabilities are recognized in income as incurred. Such amounts effectively offset gains and losses on the foreign currency assets or liabilities that are hedged.

At March 31, 1991, McDermott International had forward exchange contracts to purchase $157,180,000 in foreign currencies (primarily Deutschmarks and French Francs), and to sell $150,931,000 in foreign currencies (primarily British Pounds, Malay Ringgits and Dutch Guilders), at varying maturities, most of which occur during fiscal year 1992.

PHILLIPS PETROLEUM COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8—Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

Off-Balance Sheet Risk

The company has entered into forward exchange contracts to hedge some of its foreign currency exposures. 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 company uses such contracts to hedge exposure to changes in foreign currency exchange rates associated with certain assets and obligations denominated in foreign currency. Gains and losses on these contracts are recognized concurrently with the transaction gains and losses from the associated exposures. At December 31, 1991, the company had outstanding forward exchange contracts, maturing at various dates in 1992 to purchase $151 million (principally Japanese yen) and to sell $419 million (principally Norwegian kroner) of various foreign currencies. At December 31, 1990, the company had no significant off-balance sheet risk. The company's risk that counterparties to these contracts may be unable to perform is minimized by limiting the counterparties to major international banks and financial institutions. The company does not expect any losses as a result of counterparty default.

Concentrations of Credit Risk

The company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables.

The company's cash equivalents are in high quality securities placed with major international banks and financial institutions. The investment policy limits the company's exposure to concentrations of credit risk.

The company's trade receivables result primarily from its petroleum and chemicals operations and reflect a broad customer base, both nationally and internationally. Also, the company routinely assesses the financial strength of its customers. As a consequence, concentrations of credit risk are limited.

Currency Options

EXXON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Interest Rate Swap and Currency Exchange Contracts
At December 31, 1991, the company had various interest rate swap, currency options and currency exchange contracts outstanding with financial institutions of high credit standing. Interest rate swap agreements and currency options, maturing 1992-1999, had aggregate notional principal amounts of $586 million and $750 million, respectively, at year-end 1991. The differential arising from these agreements is reflected in net income. Currency exchange contracts, maturing 1992-2002, totaled $1,187 million at year-end 1991. The market value gains or losses arising from currency exchange contracts offset foreign exchange gains or losses on the underlying hedged assets and liabilities. The company's exposure to credit and currency risks in these contracts is limited to interest and currency rate movements and is considered to be negligible.

MERCK & CO., INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

2. Financial Instruments and Related Disclosures
The Company hedges certain portions of its exposure to foreign currency fluctuations in revenues and net foreign investments through the use of options and forward exchange contracts. Gains and losses arising from the use of such instruments are recorded in the income statement concurrently with gains and losses arising from the underlying hedged attribute. At December 31, 1991 and 1990, the Company had forward exchange contracts and written currency options, generally having maturities of less than two years, to exchange foreign currencies for U.S. dollars in the amount of $850.1 million and $1,326.6 million, respectively. Net unrealized gains/losses from hedging anticipated transactions were not material at December 31, 1991.

The Company grants credit terms in the normal course of business to its customers. Customers for human health products include drug wholesalers and retailers, hospitals, clinics, governmental agencies, managed healthcare providers such as health maintenance organizations and other institutions. Customers for the Company's animal health/crop protection products include veterinarians, distributors, wholesalers, retailers, feed manufacturers, veterinary suppliers and laboratories. Concentrations of credit risk with respect to these trade receivables are considered minimal due to the Company's diverse customer base. As part of its ongoing control procedures, the Company monitors the credit worthiness of its customers. Bad debts have been minimal. The Company does not normally require collateral or other security to support credit sales.

OUTBOARD MARINE CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Translation of U.S. Subsidiary Financial Statements
The financial statements of non-U.S. subsidiaries are translated to U.S. dollars substantially as follows: all assets and liabilities at year-end exchange rates; sales and expenses at average rates; stockholders' investment at historical exchange rates. Gains and losses from translating non-U.S. subsidiaries' financial statements are recorded directly in stockholders' investment. The Statement of Consolidated Earnings for 1991, 1990 and 1989 includes foreign exchange losses of $4.2 million, $2.6 million and $.1 million, respectively, which resulted primarily from commercial transactions and forward exchange contracts.

In order to limit fluctuations in future foreign currency denominated receipts, the company entered into a number of currency hedging transactions. As of September 30, 1991, the company had sold foreign currency call options totaling $78.6 million denominated in the following currencies: 20.3 million Australian dollars and 2,282 million Belgium francs. These options are hedges against intercompany cash flows. The company also entered into foreign currency forward exchange contracts totaling $38.9 million at September 30, 1991 denominated in the following currencies: 11.1 million Australian dollars and 1,096 million Belgium francs. These forward exchange contracts are hedges against firm commitments. Options and contracts mature on dates through September 29, 1992. Gains or losses are deferred until the period in which the related transaction occur.

THE UPJOHN COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollar amounts in thousands, except per-share data

A (In Part): Summary of Significant Accounting Policies
Foreign Exchange Forward and Option Contracts—The Company enters into a number of foreign exchange forward and option contracts to manage exposure to currency rate fluctuations. At the time of recording, these exchange agreements, generally qualify for accounting as designated hedges. The realized and unrealized gains and losses on these contracts are deferred and included as a component of the related transaction. Any contracts that do not qualify as hedges for accounting purposes are marked to market with the resulting gains and losses recognized in other income or expense.

K. Financial Instruments and Concentrations of Credit Risk
Financial Instruments—The company enters into foreign exchange forward and option contracts to manage exposure to currency fluctuations. These agreements generally qualify as designated hedges of obligations and accounts receivable or payable in foreign currencies. At December 31, 1991, the company had outstanding foreign exchange forward and foreign currency option contracts

totaling $190,100 including amounts which hedge the acquisition of the German pharmaceutical firm, Sanorania OHG, to be completed in 1992. Maturities, which are consistent with the settlement dates of items being hedged, extend through September 30, 1992.

The counterparties to these contracts consist of a limited number of major international financial institutions. The company does not expect any losses from credit exposure due to review and control procedures established by corporate policy.

Concentrations of Credit Risk—The company invests excess cash in deposits with major banks throughout the world and in high quality short-term liquid money instruments. Such investments are made only in instruments issued or enhanced by high quality financial institutions (investment grade or better). Amounts invested in a single institution are limited to minimize risk. The company has not incurred losses related to these investments.

The company sells a broad range of products to a diverse group of customers operating in the health care and agricultural industries throughout the world. These industries generally are not significantly affected by changes in economic or other factors. In the U.S., the company makes substantial sales to relatively few large wholesale customers. Credit limits, ongoing credit evaluation and account monitoring procedures are utilized to minimize the risk of loss. Collateral is generally not required.

Commodity Hedges

REYNOLDS METALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Financial instruments

The Company utilizes forward contracts, futures contracts, option contracts and swap agreements related to certain of its business activities. Gains and losses on these contracts are recognized or accrued as a component of the related transactions. The contractual amounts stated below are outstanding as of 1991 and are indicative of the levels of involvement by the Company and are not indicative of gains or losses. The Company is exposed to certain losses in the event of non-performance by the other parties to these agreements, but the Company does not anticipate non-performance by the counterparties.

The Company manages a portion of its exposures to fluctuations in aluminum, gold and raw material prices and production costs with short- and long-term strategies after giving consideration to market conditions, contractual agreements, anticipated sale and purchase transactions and other factors affecting the Company's risk profile. To hedge prices on a short-term basis, the Company had $194 million aluminum contracts and $49 million of gold contracts that fix the price for a small portion of anticipated sales in 1992. Certain of the aluminum contracts are protected from significant upward movements in aluminum prices with option contracts. To hedge cost on a long-term basis, the Company had $200 million of aluminum contracts that fix a portion of the variable costs of certain fixed-price aluminum sales commitments which run from 1992 to 1995 and $75 million of natural gas contracts that fix the variable price of natural gas supply agreements which run from 1992 to 1994. Certain aluminum sales and raw material acquisitions in foreign markets are hedged with foreign currency contracts ($116 million, maturing in 1992 and 1994).

The Company manages its exposure to interest rate fluctuations after giving consideration to market conditions and levels of variable-rate and fixed-rate debt outstanding. The Company had $225 million of long-term agreements (1 to 3 years) and $365 million of short-term agreements (principally 1 to 6 months) which fix the interest rate on certain variable-rate debt. Due to the significant issuances of fixed-rate debt and repayments of variable-rate debt in 1991, the Company entered into $300 million of three-year interest rate agreements in early 1992 which convert a portion of fixed-rate debt to variable rate.

A. O. SMITH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Futures contracts

The company enters into futures contracts to hedge certain raw material purchases, principally copper and aluminum, with the objective of minimizing cost risk due to market fluctuations. Any gains or losses from hedging transactions are included as part of the inventory cost. The company maintains standby letters of credit ($2 million at December 31, 1991) for obligations under the futures contracts.

VALERO ENERGY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Futures Contracts

The Company, from time to time, enters into futures contracts to hedge against a portion of the price risk associated with price declines from holding inventories of feedstocks and refined products. Changes in the market value of futures contracts are accounted for as additions to or reductions in inventory. Gains and losses resulting from changes in the market value of futures contracts are recognized when the related inventory is sold. The Company also enters into futures contracts that are not specific hedges and gains or losses resulting from changes in the market value of these types of futures contracts are recognized in income currently.

Financial Guarantees

ARMCO INC. (DEC)

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

11 (In Part): Commitments and Contingencies

In 1990, Armco, through a wholly-owned subsidiary, entered into a 50%-owned joint venture partnership with Acerinox, S.A. of Spain to build and operate a new chrome nickel stainless steel finishing plant in Carrollton, Kentucky. During 1991, the joint venture, North American Stainless (NAS), entered into construction loan agreements for a total of $140.0 with two lending institutions, and the partners signed agreements guaranteeing completion of the facility in connection with the loans. As guarantors, each partner agreed to certain other provisions, including the maintenance of a minimum tangible net worth of each partner through the construction period. At December 31, 1991, Armco's tangible net worth as defined was $554.1 compared to the minimum tangible net worth of $480.0. At December 31, 1991, NAS had borrowed $58.0 under the agreement. The facility is scheduled for completion in the third quarter of 1992.

ASHLAND OIL, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Leases and Other Commitments

Other Commitments

Ashland is contingently liable under guarantees of certain debt and lease obligations of Ashland, Coal, Inc., an unconsolidated affiliate. At September 30, 1991, such obligations have a present value of approximately $21,000,000. Ashland is also contingently liable for up to $20,000,000 of borrowings under a revolving credit agreement of AECOM Technology Corporation, an unconsolidated affiliate. At September 30, 1991, borrowings of $1,617,000 were outstanding under this agreement.

FLUOR CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

Contingencies and Commitments

The company is contingently liable for commitments and performance guarantees arising in the ordinary course of business. Claims arising from engineering and construction contracts have been made against the company by clients, and the company has made certain claims against clients for costs incurred in excess of the current contract provisions. The company's natural resource operations are affected by federal, state and local laws and regulations regarding environmental protection. In the opinion of management, currently identified matters will not have a material adverse effect on the company's consolidated financial position or results of operations.

Financial guarantees, made in the ordinary course of business on behalf of clients and others in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. Most arrangements require the borrower to pledge collateral in the form of property, plant and equipment which is deemed adequate to recover amounts the company might be required to pay. At October 31, 1991, the company had financial guarantees for clients and certain other unrelated third parties totaling $69 million.

W.R. GRACE & CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
$ millions

Note 10 (In Part): Long-Term Debt and Guarantees

Grace has guaranteed certain lease obligations of previously divested businesses. The leases, some of which extend to 2015, have minimum future lease payments aggregating $226.2, including $82.5 relating to Channel Home Centers, Inc. (Channel), a company formerly owned by Grace that filed for protection under Chapter 11 of the Federal Bankruptcy Code in January 1991. As part of the bankruptcy, Channel rejected leases with minimum future lease payments of $58.1, for which Grace is currently liable. Of the rejected leases, minimum future lease payments of $48.0 have been subleased to others at rates equal to or above the rates paid by Grace. Grace continues to attempt to sublease the remaining properties and believes that its ultimate exposure is not material.

INGERSOLL-RAND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Commitments and Contingencies

In the normal course of business, the company has issued several direct and indirect guarantees, including performance letters of credit, totalling approximately $23,500,000 at December 31, 1991. Management believes these guarantees will not adversely affect the consolidated financial statements.

OGDEN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22 (In Part): Commitments and Contingent Liabilities

Ogden continues as a contingent guarantor of surety bonds and letters of credit of International Terminal Operating Co. Inc. of up to $18,000,000 and of up to $39,000,000 of Avondale Industries, Inc., borrowings, redeemable at the bondholders' option from 1993 through 2011, and certain performance bonds that were outstanding at September 1985. In addition, Ogden may be required to purchase Avondale preferred stock upon the occurrence of certain events.

ORYX ENERGY COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Commitments and Contingent Liabilities

The Company is a guarantor of certain debt of an unaffiliated third party totaling $126 million at December 31, 1991, which matures at various dates through 2002. In addition, the Company is contingently liable under a contract which guarantees debt of an unaffiliated third party, totaling $9 million at December 31, 1991, which matures in 1993. Management believes that losses, if any, from these guarantees would not be significant.

SPX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Commitments and Contingent Liabilities

As part of an agreement with Riken Corporation which also holds a 49% interest in Sealed Power Technologies Limited Partnership (North America), the Company has agreed that, beginning January 1, 1995, should the partnership default on its indebtedness and such default can be cured by a capital contribution, then each partner shall be obligated to contribute to the partnership one-half of the amount necessary to cure such default up to a maximum contribution by each partner of $10 million.

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 and interest rates. These financial instruments include financial guarantees, forward interest rate contracts, 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 affiliates and unaffiliated entities to third parties. These guarantees are issued primarily to support borrowing arrangements, and are scheduled to expire, subject to extension, during 1992.

Forward exchange contracts and forward interest rate contracts are contracts for delivery or purchase of foreign currencies and U.S. Treasury bonds, respectively, at specified future dates. At December 31, 1991, the Company had forward exchange contracts maturing during 1992 to sell the equivalent of $80.9 million and to purchase the equivalent of $17.2 million in foreign currency and had forward interest rate contracts maturing during 1992 to sell $100 million of U.S. Treasury bonds.

The Company's exposure for financial guarantees is represented by the contractual amount of these guarantees. For forward exchange and interest rate contracts, the contract amounts do not represent exposure to credit loss but represent currency exposure and interest rate exposure, respectively, 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 for financial guarantees at December 31, 1991, were both $6.9 million.

TEXACO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Contingent Liabilities and Commitments

Commitments

Texaco Inc. and certain of its subsidiary companies have entered into certain long-term agreements wherein they have committed either to ship through associated pipeline companies and an offshore oil port, or to refine at associated refining companies a sufficient volume of crude oil or products to enable these associated companies to meet a specified portion of their individual debt obligations, or, in lieu thereof, to advance sufficient funds to enable these associated companies to meet these obligations. The company's maximum exposure to loss was $367 million and $518 million at December 31, 1991 and 1990, respectively. However, based on Texaco's right of counterclaim against other third parties in the event of nonperformance, Texaco's net exposure was approximately $328 million and $341 million at December 31, 1991 and 1990, respectively, No loss is anticipated by reason of such obligations.

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 $60,000,000 to $65,000,000 each. Through December 31, 1991, the Company contributed to the ventures approximately $53,714,000; Indica contributed a nearly equal pro rata amount. All equity contributions are expected to be made by December 31, 1992. Two of the jointly-owned companies have entered into term loan agreements to fund up to $103,613,000 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.

Other commitments of the Company include the purchase of property, plant and equipment approximating $8,864,000 at December 31, 1991.

THE WILLIAMS COMPANIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

11 (In Part): Other Financial Information

Williams is a participant in numerous transactions and arrangements that involve financial instruments and have off-balance-sheet risk of accounting loss. Williams sold, with limited recourse, certain receivables and received proceeds of $191 million, $154 million and $141 million in 1991, 1990 and 1989, respectively. The aggregate limit under these facilities was $180 million and $145 million at December 31, 1991 and 1990, respectively. At December 31, 1991 and 1990, $180 million and $100 million, respectively, of such receivables had been sold. Based on amounts outstanding at December 31, 1991, the maximum contractual credit loss under these arrangements is approximately $41 million, but the likelihood of a loss is remote.

In connection with discontinued operations and the related disposition of certain assets in 1987, Williams guaranteed certain lease rentals sufficient for the purchaser to meet a portion of debt service. At December 31, 1991, the maximum possible loss under this arrangement is approximately $27 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 $13 million. After consideration of amounts accrued, Williams believes the likelihood of a material loss from these guarantees is remote.

Williams has issued other guarantees and letters of credit with off-balance-sheet risk, which total approximately $17 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.

Letters of Credit

AEL INDUSTRIES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Line of Credit and Letters of Credit

At February 22, 1991, standby letters of credit of approximately $14,900,000 have been issued under an agreement, expiring September 30, 1991, which is being maintained as security for performance and advances received on long-term contracts, and as security for debt service payments under industrial revenue bond loan agreements. The agreement provides a maximum commitment for letters of credit of $25,000,000 and requires an annual commitment fee of $31,250.

ACCLAIM ENTERTAINMENT, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 (In Part): Commitments and Contingencies

At August 31, 1991, the Company had outstanding letters of credit aggregating approximately $16,100,000 for the purchase of merchandise. In addition, outstanding letters of credit are collateralized by substantially all of the Company's assets, excluding real estate. The Company currently has a $13,000,000 trade finance facility with another bank, pursuant to which $5,000,000 is available for short-term advances to the Company. The Company's subsidiaries had independent facilities totalling approximately $18,000,000 with various banks at August 31, 1991.

Trade accounts payable include $8,844,974 and $13,986,241 at August 31, 1991 and 1990, respectively, which were collateralized under outstanding letters of credit.

ATLANTIC RICHFIELD COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20. Financial Instruments with Off-Balance-Sheet Risk

At December 31, 1991, the Company had letters of credit outstanding totaling $288 million, of which approximately $100 million guarantee obligations carried on the balance sheet.

At December 31, 1991, the Company had outstanding numerous foreign currency forward contracts and foreign cross-currency forward contracts and foreign currency swaps, maturing at various dates. In the aggregate, these transactions require the exchange of $20 million for 35 million Deutsche marks, $7 million for 1 billion yen and $37 million for 202 million French francs.

Approximately $500 million of the Company's long-term debt is denominated in foreign currencies. To reduce exposure to foreign currency fluctuations, the Company has entered into a swap agreement on an 18 billion yen debt issue due in 1996 which fixes the principal balance at $102 million with an effective rate of 8.14 percent.

The counterparties to these transactions are major international financial institutions; the Company does not anticipate nonperformance by the counterparties.

BLOUNT, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingent Liabilities

The Company's contingencies include normal liabilities for performance and completion of construction contracts. At February 28, 1991, the Company had outstanding bank letters of credit in the approximate amount of $24.8 million issued principally in connection with various construction contracts for which it is contingently liable to the issuing banks in the event payment is demanded by the holder.

Approximately $6.8 million of the letters of credit represent the Company's portion of the letters of guarantee issued by a construction joint venture in which the Company has a 45% interest and are collateralized by joint venture cash and subcontractor guarantees representing the Company's 45% share of joint venture collateral as well as all future cash proceeds from the construction contract. Additionally, letters of credit in the amount of $15 million were issued in connection with an unsuccessful bid on a construction project and will be ultimately returned by the holder.

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments and Contingencies

Other matters. At September 30, 1991, the Company had $203 million in open letters of credit, of which the most significant relate to landfill operating performance obligations and guarantees related to landfill closure and post-closure required in obtaining operating permits for landfills. Certain of the obligations guaranteed by these instruments are carried on the balance sheet. The Company also guarantees approximately $39 million of indebtedness related to its unconsolidated affiliate in Spain.

COLLINS INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Notes Payable

The Company has a $10,000,000 revolving credit agreement, including letters of credit, with a bank which may be renewed annually in March upon bank approval. The loan is collateralized by all Company assets, other than those subject to lease financing and other loan agreements. The interest rate on this loan is 3/4% over the bank's prime rate (8.75% at October 31, 1991).

The agreement provides for the issuance of letters of credit by the bank on the Company's behalf. At October 31, 1991, $800,995 of such letters of credit were outstanding. The amount available under this agreement at October 31, 1991 was $3,549,005.

The Company's wholly owned subsidiary, Wheeled Coach Industries, Inc., has a financing and term loan agreement with a bank under which it may borrow up to $11,200,000 in the form of a term loan and a revolving loan, subject to certain conditions as discussed below. Loans under the agreement are collateralized by all the receivables, inventories, equipment and real property of Wheeled Coach and have been guaranteed by the Company. The interest rate on all such loans is 1.0% over the bank's prime rate (9.0% at October 31, 1991).

The agreement also provides that the bank will issue letters of credit on Wheeled Coach's behalf. At October 31, 1991, $50,000 of such letters of credit were outstanding.

The amount of the Wheeled Coach revolving loan cannot exceed $7,700,000 less the amount of credit available under the letters of credit and unpaid reimbursement obligations with respect to letters of credit discussed above and the amount by which the total of the term loan exceeds $3,650,000. The amount of unused revolving line of credit at October 31, 1991 was $3,955,500.

Under the terms of the aforementioned loan agreements, insofar as they pertain to accounting matters, the Company is required to maintain certain financial ratios and other financial conditions. The agreements do not allow the Company to incur certain additional indebtedness, make certain investments, advances or loans, limits substantial asset sales and consolidations and mergers. They also limit the Company's annual capital expenditures. The Company was in compliance with all requirements at October 31, 1991.

9 (In Part): Commitments and Contingencies:

Letters of Credit

The company has outstanding letters of credit in the amount of $850,995 as more fully described in Note 2.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

As of December 31, 1991, the Company had outstanding documentary letters of credit in the principal amount of $16,511,000 in connection with certain crude oil and petroleum product purchase agreements and outstanding irrevocable standby letters of credit in the principal amount of $12,046,000 for other normal operations. Unused commitments totaling $101,443,000 were available for future borrowings and issuance of letters of credit at December 31, 1991. The Company pays an annual commitment fee on the unused portion of the credit line.

E-SYSTEMS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K (In Part): Commitments and Contingencies

In the normal course of its business activities, the Company is required under certain contracts to provide letters of credit which may be drawn down in the event the Company fails to perform under the contracts. At December 31, 1991, letters of credit outstanding amounted to $22,702,000.

LOCKHEED CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments and Contingencies

The Company has entered into standby letter of credit agreements and other arrangements with financial institutions relating to the guarantee of future performance principally on certain foreign government contracts. At December 29, 1991, the company was contingently liable on outstanding letters of credit, guarantees, and other arrangements aggregating approximately $280 million.

PACCAR INC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (thousands of dollars)

N (In Part): Commitments and Contingencies

At December 31, 1991, PACCAR had standby letters of credit outstanding totalling $35,015, which guarantee various insurance and financing activities.

SAFEWAY INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C (In Part): Financing

Letters of Credit

The Company had letters of credit of $313.2 million outstanding at year-end 1991 of which $121.2 million were issued under the Bank Credit Agreement. The letters of credit are maintained primarily to back the Company's self-insurance program and to support performance, payment, deposit or surety obligations of the Company. The Company pays commitment fees ranging from 0.75% to 0.875% on the outstanding portion of the letters of credit.

THE UNITED STATES SHOE CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Notes Payable and Long-Term Debt

The company also has letter of credit facilities to support the purchase of inventories. At February 1, 1992, the company had letter of credit facilities of $65 million, of which $51.5 million in letter of credit commitments were outstanding. Subsequent to yearend, the company entered into an additional letter of credit facility in the amount of $45 million to support the inventory purchasing activities of its newly acquired Hong Kong buying office.

UNITED STATES SURGICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Long-Term Debt

In 1991, the Company increased its available borrowings under its revolving credit and term loan agreements with eleven banks to $465,000,000 from $255,000,000. The agreements provide revolving credit commitments of $450,000,000 through September 1994 which is convertible at the Company's option to an amortizing term loan payable in 12 quarterly installments commencing October 1994 and $15,000,000 through June 18, 1993 which is convertible at the Company's option to an amortizing term loan payable in seven semi-annual installments commencing June 1993. During 1991, the Company had issued on its behalf irrevocable standby letters of credit in the amount of $48,000,000 (see Note I) which reduce available borrowings under the revolving credit and term loan agreements.

Note I (In Part): Commitments and Contingencies

The Company is committed to enter into an operating lease for production facilities, the terms of which have not been finalized. In connection with this commitment, during 1991, the Company had issued on its behalf irrevocable standby letters of credit in the amount of $45,000,000. Upon execution of the lease, the letters of credit will be cancelled.

Receivables Sold With Recourse

CUMMINS ENGINE COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Guarantees, Commitments and Contingent Liabilities: In connection with the disposition of certain products and operations in 1989, the company sold substantially all of the loan and lease portfolios of Cummins Financial, Inc. Under the terms of the sale, the purchaser has recourse to Cummins should certain amounts of the loans or leases prove to be uncollectible. The anticipated loss on the maximum recourse amount of $57.2 million at December 31, 1991 was not material and has been provided for in the consolidated financial statements.

At December 31, 1991, the company was a party to interest rate swap agreements, maturing through 1994 and having an aggregate notional amount of $12.0 million. The company also had $88.3 million of foreign exchange contracts outstanding at December 31, 1991. The foreign exchange contracts mature primarily during 1992 and were denominated primarily in U.K. pounds sterling and European currencies. Exclusive of the ESOP obligation, the aggregate value of the company's guarantees, contingencies and commitments under outstanding letters of credit approximated $79 million at December 31, 1991.

THE TORO COMPANY (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Commitments and Contingent Liabilities

Certain receivables have been sold to financial institutions. Under these arrangements, the company acts as agent for collections and was contingently liable for $10,030,000 at July 31, 1991, and $8,826,000 at July 31, 1990. The company is also contingently liable to repurchase $9,658,000 at July 31, 1991, and $10,038,000 at July 31, 1990, of inventory under dealer floor plan arrangements. Additionally, debts, primarily of distributors, aggregating $491,000 at July 31, 1991 and $570,000 at July 31, 1990, have been guaranteed by the company.

In addition, the company had $6,709,000 and $3,543,000 at July 31, 1991 and 1990, respectively, in outstanding letters of credit to be used for the purchase of foreign sourced inventory.

At July 31, 1991, the company had contracts maturing at various dates to purchase $6,551,000 in foreign currency (910,000,000 yen) and to sell $193,000 in foreign currency (1,262,000 Danish krone) at the spot rate on the maturity dates.

Commitments To Extend Credit

MOTOROLA, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments and Contingencies

The Company had $695 million of forward foreign exchange contracts outstanding as of December 31, 1991. Management believes that these forward contracts should not subject the Company to undue risk due to foreign exchange movements because gains and losses on these contracts should offset losses and gains on the assets, liabilities and transactions being hedged.

Commitments to extend or guarantee financing and recourse obligations under receivable sale arrangements aggregated $518 million as of December 31, 1991. Commitments to extend or guarantee financing include commitments for customer financing and for the financing of non-consolidated affiliates. Customer financing commitments require the customer to meet certain conditions established in the financing arrangements. As of December 31, 1991, customers had not met the conditions on half the commitments. Commitments represent the maximum amounts available under these arrangements and may not be completely utilized.

As of December 31, 1991, the Company had no significant concentrations of credit risk.

The Company records costs associated with any environmental matters when they become probable and reasonably estimable. The amount of such charges to earnings was $18 million in 1991.

The company is a defendant in various suits and is subject to various claims which arise in the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the business or financial position of the Company.

SERVICE CORPORATION INTERNATIONAL (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Financial instruments with off-balance-sheet risk: Provident Services, Inc. (Provident), a subsidiary of SCI, 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, which are virtually all independent funeral homes and cemeteries. These financial instruments include arrangements to extend credit through various loan commitments. These commitments of $30,470,000 at December 31, 1991, ($28,316,000 at December 31, 1990) are available to the customer as long as there is no violation of any condition established in the contract. Provident evaluates each customer's credit worthiness on a case-by-case basis and the amount loaned and collateral obtained, if any, is determined by this evaluation.

WHIRLPOOL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Contingencies

The Company is involved in various legal actions arising in the normal course of business. Management, after taking into consideration legal counsel's evaluation of such actions, is of the opinion that the outcome of these matters will not have a material adverse effect on the financial position of the Company.

The Company is a party to certain financial instruments with off-balance-sheet-risk primarily to meet the financing needs of its financial services customers. These financial instruments are entered into in the normal course of business and consist of lending commitments, standby letters of credit and financial guarantees. The Company's exposure to credit loss in the event of nonperformance by the debtors is the contractual amount of the financial instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Collateral or other security is generally required to support financial instruments with off-balance-sheet credit risk.

At December 31, 1991 outstanding lending commitments were $95 million and standby letters of credit, repurchase agreements and financial guarantees totaled $94 million.

Concentrations of Credit Risk

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Concentration of Credit Risk: Financial instruments which potentially subject the Company to a concentration of credit risk principally consist of cash and of short-term investments and trade receivables. The Company sells its principal products to a large number of customers in many different industries and geographies. As of December 31, 1991, approximately 13% of the recorded trade receivables were concentrated (with eight customers) in the soft drink industry. To reduce credit risk, the Company performs ongoing credit evaluations of its customers' financial conditions and does not generally require collateral.

The Company and AFC invest temporary cash in money market securities in various banks, commercial paper of industrial and other companies with high credit ratings and securities backed by the United States government. One investment, representing approximately 20% of the recorded balance, is a time deposit security maintained in a single bank institution. The investments typically mature within ninety days.

ARDEN GROUP, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Accounting Policies:

Cash and Cash Equivalents

The Statements of Cash Flows classify changes in cash or cash equivalents (short-term, highly liquid investments readily convertible into cash with a maturity of three months or less) according to operating, investing or financing activities. At December 28, 1991, the Company had bank deposits including short-term investments in excess of Federally insured limits by approximately $9,400,000.

BROWN GROUP, INC. (JAN)

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 1, 1992, $35,000,000 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. At February 1, 1992, the corporation's receivables from these highly leveraged customers totaled approximately $16,000,000 compared to $20,000,000 at February 2, 1991. 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.

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C (In Part): Credit Arrangements

The Company does not have significant off-balance-sheet risk from financial instruments. It enters into foreign exchange contracts as hedges of trade receivables and payables denominated in currencies other than the functional currency. Effects of changes in currency rates are therefore minimized and hedges are accounting for as part of the underlying transaction.

The Company maintains both corporate and divisional credit departments. Limits are set for customers and countries. Letters of credit issued or confirmed through sound financial institutions are obtained to further ensure prompt payment in accordance with terms of sale; generally, collateral is not required.

In the normal course of its marketing activities, the Company transacts business with substantially all sectors of the metals industry. Customers are internationally dispersed, cover the spectrum of manufacturing and distribution, deal with various types and grades of metal, and have a variety of end markets in which they sell. The Company's finance subsidiary routinely loans and advances funds up to specified loan limits. At August 31, 1991, no single advance aggregated more than $10,000,000. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed inherent in the Company's accounts receivable.

EAGLE-PICHER INDUSTRIES, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B (In Part): Significant Accounting Policies

Concentrations of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards No. 105, consist primarily of trade accounts receivable.

The Company's customer base includes virtually every significant automotive manufacturer and their first tier suppliers 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 November 30, 1991.

KELLOGG COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11. Financial instruments and credit risk concentration

The Company enters into foreign exchange contracts as a hedge against the adverse impacts of fluctuations of foreign currency denominated receivables, payables, and other commitments. Foreign exchange contracts generally have maturities of six months or less and are entered into with major international financial institutions. The Company's risk in these transactions is the cost of replacing, at current market rates, these contracts in the event of default by the institutions. Management believes that the risk of such losses is remote. At December 31, 1991 and 1990, the Company had no significant amounts outstanding in foreign exchange contracts.

Financial instruments which potentially subject the Company to concentrations of credit risk are primarily cash and temporary investments and accounts receivable. The Company places its investments in highly rated financial institutions and investment grade short-term debt instruments, and limits the amount of credit exposure to any one entity. Concentrations of credit risk with respect to the receivables are limited due to the large number of customers, generally short payment terms, and their dispersion across geographic areas.

NATIONAL SEMICONDUCTOR CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Concentrations of Credit Risk. The Company sells its products to distributors and original equipment manufacturers involved in a variety of industries including computers and peripherals, automotive and telecommunications. National performs continuing credit evaluations of its customers and generally does not require collateral; however in certain circumstances the Company may require letters of credit from its customers. Historically, the Company has not experienced significant losses related to receivables from individual customers or groups of customers in any particular industry or geographic area.

National maintains its excess cash balances in various currencies and a variety of financial instruments such as certificates of deposit, commercial paper and bankers' acceptances. The Company has not experienced any material losses in these transactions nor in any of the short term investment instruments it has used for excess cash balances.

SEARS, ROEBUCK AND CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. 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, 1991, 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	$9,187.9
Texas	4,579.6
Florida	3,957.6
Illinois	3,238.8
New York	3,035.3

In addition, the Company had $923.5 million of high-yield securities at Dec. 31, 1991, carried at amortized cost, with a market value of $850.9 million.

The Company conducts various securities trading and brokerage activities serving 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 clients' 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.

SYNTEX CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Financial Instruments with Off-Balance-Sheet Risk

To reduce its exposure to fluctuations in interest rates and foreign currencies, the company is party to financial instruments with off-balance-sheet risk. These financial instruments include interest rate and currency swaps, forward interest rate agreements and foreign exchange contracts.

The company is exposed to credit loss in the event of nonperformance by the counterparties to these instruments. However, the company does not anticipate nonperformance by the counterparties. The company controls credit risk associated with these financial instruments through credit approvals, limits and monitoring procedures. The company does not require collateral or other security to support these financial instruments. For further discussion of credit risk associated with the company's currency exchange agreements on its Euroyen notes, see Note 6.

The contract amounts of these instruments reflect the extent of involvement the company has by type of financial instrument. As of July 31, 1991, 1990 and 1989, these amounts were as follows:

($ in millions)	1991	1990	1989
Foreign exchange contracts	$104.0	$ 89.0	$ 82.9
Interest rate swaps on investments	100.0	100.0	100.0
Interest and currency rate swaps on debt	110.0	110.0	110.0
Forward interest rate agreements	50.00	—	—

The contract amounts do not represent exposure to credit loss. At July 31, 1991, the company had foreign exchange contracts which expired through August 29, 1991.

6 (In Part): Long-Term Debt

In fiscal 1986, Syntex (U.S.A.) Inc., a wholly owned subsidiary of the company, issued 6.625 percent fixed-rate Euroyen notes due in 1993 in the amount of 20 billion yen. Principal and interest payments due in yen are covered by currency exchange agreements that fix the exchange rate over the term of the notes and effectively result in a $100.0 million liability. At July 31, 1991, the company was exposed to credit risk to the extent of the difference between the current value of 20 billion yen ($144.9 million) and $100.0 million. However, the company does not anticipate nonperformance by the counterparties. In addition, related interest rate swap agreements effectively result in a variable rate of interest for the term of the notes.

CALMAT CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents: Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less. The Company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the FDIC insurance limit.

LIZ CLAIBORNE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments, contingencies and other matters

In the normal course of business, the Company extends credit, on open account, to its retail store customers, after a credit analysis based on a number of financial and other criteria. In recent years, a number of corporate groups which include certain of the Company's largest department store customers have been involved in highly leveraged financial transactions and certain of these customers have filed for protection under Chapter 11 of the Federal Bankruptcy Code. In 1991, three corporate groups of department store customers accounted for 16%, 10% and 10%, respectively, of net sales. In 1990, three corporate groups of department store customers accounted for 15%, 11% and 10%, respectively, of net sales. In 1989, three corporate groups of department store customers accounted for 15%, 12% and 11%, respectively, of net sales. The Company does not believe that this concentration of sales and credit risks represent a material risk of loss with respect to its financial position as of December 28, 1991.

CLARCOR INC. (NOV)

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

A (In Part): Accounting Policies

Concentrations of Credit

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. 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 industries. As of November 30, 1991, the Company had a repurchase agreement with a financial institution for $4,154.

PEERLESS MFG. CO. (JUN)

NOTES TO FINANCIAL STATEMENTS

Note C—Concentrations of Credit Risk

A significant portion of the Company's sales are to customers whose activities are related to the oil and gas industry, including some who are located in foreign countries (see Note I). The Company generally extends credit to these customers and, therefore, collection of receivables is affected by the oil and gas industry economy. Also, with respect to foreign sales, collection may be more difficult in the event of a default.

However, the Company closely monitors extensions of credit and has never experienced significant credit losses. Also most foreign sales are made to large, well-established companies. The Company generally requires collateral or guarantees on foreign sales to smaller companies.

The Company invests excess cash in low risk liquid instruments. No losses have been experienced on such investments.

Note I—Segment Reporting

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

Sales to a single customer exceeding 10% of total sales were approximately $2,500,000 and $4,650,000 in 1991 and 1990, respectively.

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

	1991	1990	1989
Western Europe	$ 449,000	$ 98,000	$288,000
North America (excluding U.S.A.)	1,240,000	1,000,000	697,000
South America	1,219,000	5,326,000	380,000
Middle East	821,000	345,000	2,434,000
Far East	5,293,000	1,545,000	562,000
Total export sales	$9,022,000	$8,314,000	$4,361,000

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 1-14 lists the subsequent events disclosed in the 1991 financial statements of the survey companies.

Examples of subsequent event disclosures follow:

Debt Incurred, Reduced Or Refinanced

FIRST BRANDS CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Subsequent Event—Increased Credit Facility

In July, 1991, the Company obtained a commitment from the agent bank under its revolving credit agreement which will permit it to increase its credit facility from $150 million to $200 million, change its terms to permit $65 million in additional purchases of the Company's subordinated debt and withdraw all collateral from the facility, making it secured.

The Company has reached agreement, subject to consent from its bank group and major equipment lessors, to repurchase an additional $15 million of its 13¼% Subordinated Notes in fiscal 1992 bringing the total repurchased to $40 million. Other purchases of subordinated debt would be in the form of open market purchases or a call of the Company's 12½% Senior Subordinated Debentures due 1998.

The changes in the revolving credit agreement are expected to be finalized by September 30, 1991.

TABLE 1-14: SUBSEQUENT EVENTS

	Number of Companies			
	1991	1990	1989	1988
Debt incurred, reduced or refinanced	95	66	47	59
Litigation	43	43	28	28
Business combinations pending or effected	43	36	44	56
Discontinued operations	36	23	44	48
Capital stock issued or purchased	23	9	12	22
Stock splits or dividends	23	15	9	14
Stock purchase rights	5	6	10	16
Employee benefit plans	17	25	19	26
Other—described	54	61	55	52

GENERAL HOST CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Long-Term Debt

On February 28, 1992 the Company completed public offerings for $70 million of Senior Notes due 2002 and $60 million of Convertible Subordinated Notes due 2002. The Senior Notes, issued at par, bear interest at 11½%. The Convertible Subordinated Notes, issued at par, bear interest at 8% and are convertible into common stock of the Company at a conversion price of $10.374 per share, subject to adjustments in certain events. In conjunction with the offerings the Company granted the Underwriter options to purchase up to an additional $10,500,000 of the Senior Notes and $9,000,000 of the Convertible Subordinated Notes, of which options for $8,000,000 of the Senior Notes and $5,000,000 of the Convertible Subordinated Notes were exercised. The net proceeeds (including exercised options) of approximately $137,726,000 after deducting fees and expenses will be used for the retirement of approximately $38 million of the 11⅞% Senior Subordinated Notes due 1993, expansion of the Company's Frank's Nursery & Crafts chain and other general corporate purposes. In connection with the retirement of the 11⅞% Notes, the Company wrote-off the related original issue discount and unamortized debt expenses in the 1991 fiscal year resulting in an extraordinary loss of $860,000 after income tax benefit.

The following table sets forth the condensed consolidated financial position of the Company and its subsidiaries as of January 26, 1992, and as adjusted to give pro forma effect to the net proceeds from the sale of the 8% Convertible Subordinated Notes and the 11½% Senior Notes and the application of approximately $38 million of the proceeds to retire the Company's 11⅞% Senior Subordinated Notes:

	January 26, 1992	
(in thousands)	Actual	As Adjusted
Cash and cash equivalent	$ 61,570	$161,675
Total assets	$435,304	$540,684
Current portion of long-term debt	$ 5,681	$ 5,681
Long-term debt:		
Senior debt	$110,094	$188,094
Subordinated debt less original issue discount	$ 50,268	$ 77,648
Total shareholders' equity	$155,389	$155,389

THE KROGER CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All dollar amounts are in thousands except per share amounts.

Subsequent Events

On January 21, 1992 the Company entered into a restated Credit Agreement. The terms of the agreement were retroactive to December 28, 1991 and therefore have been reflected within these financial statements. In connection with the restated Credit Agreement, the Company cancelled $615,000 of interest rate swaps and allowed, without replacement, another $400,000 of interest rate swaps to expire on January 29, 1992. The Company expects to incur an extraordinary loss in the first quarter 1992 of approximately $15,000, net of income tax credit, related to the write-off of deferred financing costs associated with its previous credit agreement and the cancellation of related interest rate swaps.

LEGGETT & PLATT, INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

M-Subsequent Event

On February 24, 1992, the Company announced that it was calling for redemption of all its 6½% convertible subordinated debentures due April 1, 2006. On March 31, 1992, any of these debentures outstanding will be redeemed by the Company at 103.25% of the principal amount, plus accrued and unpaid interest to the redemption date. The principal amount outstanding at December 31, 1991 was $39,995,000. The debentures are convertible into shares of the Company's common stock at a conversion price of $37.50 per share at any time prior to the close of business on March 31, 1992.

If the Company had called for redemption of the debentures on January 1, 1989 and if all the debentures had been converted to common stock, primary earnings per share for the years ended December 31, 1991, 1990 and 1989 would have been $2.18, $1.66 and $2.58, respectively.

THE PENN TRAFFIC COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Subsequent Event:

On February 18, 1992, the Company issued $125,000,000 of 10¼% Senior Notes due February 15, 2002. The Notes are unsecured obligations of the Company. The net proceeds of the offering of the notes are being used to repay certain outstanding indebtness of the Company and for general corporate purposes. To date, Penn Traffic has used such proceeds to repurchase $43.6 million of the 12¾% Subordinated Notes of Penn Traffic due 1997, $47.6 million of the 13½% Subordinated Notes of Penn Traffic due 1998, $3.0 million of the 12¾% Senior Notes of Big Bear due 1997, 62,000 shares of Redeemable Convertible Preferred Stock of Big Bear and SBHC's remaining common equity interest in Big Bear. In addition, the Company has called for redemption on May 1, 1992, the remaining $7.5 million of the 12¾% Subordinated Notes of Penn Traffic. In March 1992, the Company agreed to forego $55,200 of dividends on the 120,000 shares of Redeemable Convertible Preferred Stock of Big Bear paid on March 16, 1992 in exchange for 2,208 shares of common stock of Big Bear and acquired 131,840 shares of common stock of Big Bear in exchange for its $3,000,000 aggregate principal amount of Big Bear's 12¾% Senior Notes due 1997. After giving effect to these transactions, Penn Traffic owns approximately 96.8% of the outstanding common stock of Big Bear.

STONE CONTAINER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Subsequent Events

On February 20, 1992 the Company sold $115 million principal amount of 6¾ percent Convertible Subordinated Debentures due February 15, 2007 (the "Debentures") and 4,600,000 shares, at $25.00 per share, of $1.75 Series E Cumulative Convertible Exchangeable Preferred Stock (the "Preferred Stock"). The net proceeds from the sale of the Debentures will be used to fully prepay the $59.5 million sinking fund obligation due June 1, 1992, including accrued interest due thereon, and to prepay $47.5 million of the $59.5 million sinking fund obligation due June 1, 1993, including accrued interest due thereon, on the Company's $350 million 13-5/8 percent subordinated notes. The net proceeds from the sale of the Preferred Stock were used to partially prepay the March 31, 1993 semi-annual term loan principal payment under the Credit Agreement (see Note 10).

WALBRO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Subsequent Event.

Subsequent to December 31, 1991, the holders of $5.6 million principal amount of the Company's 8% Convertible Subordinated Notes converted such notes into approximately 345,000 shares of the Company's common stock. If this conversion had taken place in the beginning of 1991, earnings per common share would have been reduced by $.01 per share for the year ended December 31, 1991.

Business Combinations

AMERICAN HOME PRODUCTS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Subsequent Event

On January 16, 1992, pursuant to an Agreement and Plan of Merger (the Merger Agreement) dated September 19, 1991, the Company acquired a majority interest in Genetics Institute, Inc. (G.I.), a biopharmaceutical company engaged in the discovery, development and licensing of therapeutic products, principally in the hematology and oncology areas. Under the terms of the Merger Agreement, the Company acquired approximately 40 percent of G.I.'s outstanding common stock for $50 per share in cash and approximately 9.5 million newly issued shares of G.I. common stock for $300 million. The total consideration paid by the Company for the approximate 60 percent interest in G.I. was $666 million. The Company has the option to acquire the remaining shares of G.I. from the public shareholders over a five-year period ending December 31, 1996 at prices ranging from $50 per share through March 31, 1992, escalating by approximately $1.84 per quarter, to $85 per share through December 31, 1996. G.I. continues as a publicly traded company, with the Company having representation on the G.I. board of directors.

The acquisition is not reflected in the accompanying financial statements as of December 31, 1991. Unaudited pro forma financial statements which would reflect the acquisition have not been included herein as they do not differ significantly from the consolidated financial statements as presented. The purchase price exceeded the net tangible assets acquired by approximately $365,000,000. The Company will undertake a study in 1992 to allocate this amount to the assets and technology acquired. Upon completion of the study, which we anticipate to occur in the fourth quarter of 1992, the portion allocated to acquired research, which will likely be significant, will be expensed.

COLGATE-PALMOLIVE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in Millions Except Per Share Amounts

16. Subsequent Events

On February 13, 1992, the Company agreed to acquire The Mennen Company (Mennen) for $670 payable approximately 80% in Colgate common stock and 20% in cash. The acquisition includes Mennen's personal care products business with 1991 sales of approximately $450 and several businesses currently held for sale (1991 sales of these discontinued operations were approximately $100). Total assets to be acquired are approximately $350. The transaction is subject to customary closing conditions, including normal government approval, and is expected to be completed during the first half of 1992.

GENESCO INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Subsequent Event

On April 3, 1992, the Company announced that it had reached an agreement in principal to acquire for approximately $29 million substantially all of the assets and assume certain liabilities of Mitre Sports U.K. The transaction is subject to certain conditions including negotiation of definitive agreements and completion of financial arrangements by the Company. Mitre Sports U.K. is a leading manufacturer and marketer of soccer and rugby balls and soccer, rugby and cricket footwear, primarily in the United Kingdom. Its sales for the fiscal year ended December 31, 1991, were approximately $25.6 million. Completion of the transaction is expected in late April, 1992.

NEWELL CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent Event

On February 14, 1992, a subsidiary of the Company completed its merger with Sanford Corporation ("Sanford"), which became a wholly-owned subsidiary of the Company. Sanford designs, manufactures and markets marking and writing instruments, plastic desk accessories and file storage boxes, and other office and school supplies. The Company issued 13.9 million shares of common stock for all the outstanding common stock of Sanford. This represents an exchange ratio of .93 shares of Company stock for each share of Sanford stock. This transaction will be accounted for as a pooling of interests.

Pro forma unaudited results of operations assuming the merger has occurred on January 1, 1989 are as follows:

	1991	1990	1989
(In thousands)			
Net sales	$1,266,785	$1,211,241	$1,252,950
Net income	135,637	125,502	106,367
Primary and fully diluted earnings per share	1.78	1.68	1.43

THE STANLEY WORKS (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE Q-Subsequent Event

In January 1992, the company acquired LaBounty Manufacturing, Inc., a manufacturer of large hydraulic tools. The transaction, which will be accounted for as a pooling of interests, was effected through the exchange of 660,635 shares of Common Stock of the company for all the issued and outstanding shares of LaBounty. The operations of LaBounty are not material to the company's consolidated operations.

THOMAS & BETTS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Subsequent Events

On January 2, 1992, the Corporation acquired FL Industries Holdings, Inc. (FLIH), operating as American Electric, for consideration of $436.8 million. This consideration consisted of $89.6 million (1,564,434 shares) of newly issued common stock, $17.1 million in cash and $330.1 million to retire certain long-term debt of FLIH. A revolving credit facility was established and used to finance part of the purchase price. Additional funds were provided by the January 1992 sale and partial lease-back of the Corporation's principal executive office facility.

This acquisition will be accounted for using the purchase method of accounting. The following table presents, on a pro forma basis, a condensed consolidated balance sheet at December 31, 1991, giving effect to the acquisition as if it had occured on that date.

In thousands (Unaudited)	Pro forma December 31, 1991
Current assets	$ 455,000
Net property, plant and equipment	315,000
Intangible assets—net	325,000
Other assets	30,000
	$1,125,000
Current liabilities	235,000
Long-term debt	410,000
Other long-term liabilities	25,000
Shareholders' equity	455,000
	$1,125,000

The Corporation's consolidated statement of earnings will not include the revenues and expenses of FLIH until the year 1992. The following pro forma results, however, were developed assuming FLIH had been acquired on January 1, 1991:

In thousands (except per share data) (Unaudited)	Pro forma Year ended December 31, 1991
Net sales	$1,023,000
Net earnings	$ 28,000[1]
Net earnings per share	$ 1.51[1]

[1] Net earnings were significantly impacted by $17 million ($.89 per share) of charges taken by FLIH to restructure operations and provide for claims related to businesses sold.

This unaudited pro forma sales and earnings information is not necessarily indicative of the combined results that would have occurred had the acquisition taken place on January 1, 1991, nor are they necessarily indicative of results that may occur in the future.

In connection with the acquisition, the Corporation expects to incur charges with respect to the integration of its businesses. Additionally, the Corporation intends to evaluate the businesses acquired in order to determine whether the future divestiture of any such businesses would be desirable. On December 19, 1991, the Corporation entered into a $450 million five-year revolving term credit facility, part of which was used to finance the acquisition of FLIH. This credit facility includes covenants, among which are limitations on the amount of future indebtedness and the maintenance of certain financial ratios. Dividends are permitted to continue at the current rate or to be increased, provided that the dividend payout does not exceed 50 percent of earnings.

In January 1992, the Corporation completed the sale of $125 million of 12-year debt securities through a public offering. The net proceeds from the sale of these securities was used to reduce bank debt incurred to finance the acquisition. As a result of this $125 million financing and the voluntary reduction of an additional $25 million, the credit facility was reduced to $300 million.

TULTEX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16—Subsequent Event

On January 31, 1992, the company completed the acquisition of assets, certain liabilities, contracts and licenses of Logo 7, Inc., a major producer and marketer of licensed sports apparel, for a purchase price of approximately $60 million, consisting of $15 million (stated value) of a new series of Cumulative Convertible Preferred Stock, $7.50 Series B and $45 million cash. The $45 million cash was obtained with a 17-month interim loan from two banks which can be prepaid without penalty. The company will be pursuing permanent financing in this interim period. Logo 7, which was a Subchapter S corporation, reported audited net sales of $74 million and earnings before taxes of $5 million for fiscal year 1990, and had total stockholders' equity of $19 million at December 29, 1990. Logo 7 estimates $91 million of net sales and $6 million in earnings before taxes for the fiscal year ended December 31, 1991. The company recorded sales to Logo 7 of $13 million in 1991 and $17 million in 1990.

VISHAY INTERTECHNOLOGY INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Subsequent Events

On February 14, 1992, Vishay consummated an agreement with Sprague Technologies, Inc. ("Sprague") to acquire from Sprague the assets of its worldwide tantalum capacitor and U.S. thick film resistor network businesses, including all of the outstanding shares of four foreign subsidiaries. Under the terms of the agreement, Vishay paid Sprague $120,000,000 in cash, subject to adjustment, transferred to Sprague certain real property and assumed certain liabilities relating to the businesses. Vishay and Sprague also entered into certain ancillary agreements.

The purchase price was funded from a $125,000,000 term loan facility made available to Vishay under the Revolving Credit and Term Loan Agreement described in Note 6 to the financial statements.

A preliminary pro forma unaudited balance sheet, which appears on pages 14 and 15, has been prepared by Vishay's management based on the historical financial statements of Vishay and the businesses acquired from Sprague. The objective of this unaudited pro forma information is to show what the significant effects on the historical financial information might have been assuming the transaction occurred at December 31, 1991. In preparing the pro forma unaudited balance sheet, adjustments were made to the historical financial statements to reflect (a) the preliminary fair values of assets acquired ($159,382,000) and liabilities assumed ($35,776,000), (b) acquisition costs incurred ($3,600,000), (c) the transfer by Vishay to Sprague of real property with a fair value of $4,772,000, (d) accrued restructuring expenses ($15,000,000), (e) additional borrowings to finance the acquisition ($125,000,000), and (f) goodwill arising from the acquisition ($19,766,000).

The Company's preliminary pro forma unaudited results of operations for the year ended December 31, 1991, assuming acquisition of the Sprague businesses and related bank borrowings as of the beginning of the year, are as follows (in thousands, except per share amount):

	Pro Forma Year Ended December 31, 1991
Net sales	$679,133
Net earnings	19,152
Earnings per share	$ 1.27

Adjustments made in arriving at preliminary pro forma unaudited results of operations include additional interest expense of $6,725,000 of $125,000,000 of additional borrowings at 5.38%, related income tax adjustments, and amortization ($494,000) of goodwill ($19,766,000) over 40 years. An increase or decrease of ½% in the interest rate

would decrease or increase pro forma net earnings and earnings per share by approximately $412,500 and $.027, respectively.

The unaudited pro forma results are not necessarily indicative of the results that would have been attained had the Sprague businesses been acquired at the beginning of the period, or of results which may occur in the future. The pro forma financial information above should be read in conjunction with the related historical financial information.

On February 18, 1992, Vishay entered into an option agreement with Roederstein GmbH, a closely held German corporation, pursuant to which Vishay purchased an option to acquire from Roederstein for book value the assets of its "Reisista" division, which manufactures various types of resistors. Vishay paid Roederstein 2,815,000 Deutsche Marks ("DM") ($1,709,000) for the option, which is exercisable on or before February 28, 1994. Vishay entered into an agreement under which it purchased 19% of the total share capital of Roederstein for DM 950,000 ($577,000), agreed to pay certain amounts to two former shareholders of Roederstein, and agreed to indemnify certain former and current shareholders for certain claims not to exceed DM 500,000 ($304,000). Vishay also purchased an option to acquire the remainder of Roederstein on or before February 28, 1994. For this option, Vishay agreed to pay DM 42,500 ($26,000) per month to Roederstein's remaining shareholder and an additional DM 500,000 ($304,000) if Vishay decides to extend the option beyond February 28, 1993. Under this option agreement, Vishay also agreed that if it decided not to exercise the option it would pay Roederstein's shareholder the difference between DM 4,050,000 ($2,459,000) and the amount actually received by the shareholder for the remaining 81% interest. Vishay has assured a lender of the payment of current interest (DM 2,000,000; $1,214,000) on Roederstein's debt through April 30, 1992. The effects of the foregoing transactions are not material to Vishay's financial condition or results of operations.

Litigation

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Subsequent Events

On February 28, 1992, the Company entered into an agreement to resolve all claims, arising out of the Agreement and Plan of Merger, with Silvershoe Acquisition Corporation (Silvershoe). The settlement provides for the Company to remit $500,000 and to issue a Stock Purchase Option agreement to Silvershoe. Under the terms of the Stock Purchase Option, Silvershoe in entitled to purchase from the Company, an aggregate of 100,000 shares of the Company's Common Stock, at the price of $1.00 per share, subject to various restrictions, exercisable for a period of three years subsequent to February 28, 1992. In consideration of the settlement agreement, the litigation was dismissed. For the year ended January 3, 1992, the Company has recorded a non-recurring provision of $737,500, less applicable income tax benefit.

MOSINEE PAPER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15—Subsequent Events

On February 18, 1992, the U.S. District Court for the Eastern District of Wisconsin found for the company in its patent infringement suit against James River Corporation. The Court found that certain roll towel dispensers distributed by James River had infringed certain claims of U.S. Patent No. 4,165,138 issued to the company relating to a transfer mechanism within a paper towel dispenser cabinet and ordered James River to pay the company the sum of $3,677,000 in royalties, plus interest to be determined by the court which the company believes will exceed $1,000,000. As with any initial judgement, the appeal process is available to James River, and therefore no effect has been reflected in the financial statements.

On March 4, 1992, the company arranged to convert $10 million of short-term bank commitments with a participating bank to a line of credit maturing on February 28, 1993. Further information on this line of credit is located at Note 9 to the financial statements, "Long-Term Debt."

WANG LABORATORIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—Subsequent Event

On August 14, 1991, a U.S. Federal District Court found two Company patents on single in-line memory modules (SIMM) valid that Toshiba Corporation and NEC Corporation have been selling infringing products throughout the United States. The Company's patents, which run through 2004, cover the SIMM structure, a widely-used memory device in IBM-compatible personal computers and peripheral devices.

The jury determined that Toshiba and NEC must pay the Company a royalty for their past infringement of between 2.75% and 4% of sales of infringing products between January 1, 1990 and June 30, 1991. During that period, Toshiba and NEC sold approximately $120 million of infringing products. Treble damages may be awarded regarding the infringement by NEC.

The Company has sent notices of infringement to 14 other SIMM manufacturers and expects to license its SIMM patents to computer and electronics companies worldwide.

Discontinued Operations

KERR GLASS MANUFACTURING CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—(In Part): Discontinued Operations

On February 28, 1992, the Company sold its commercial glass container business to Ball Corporation (Ball) for a cash payment of approximately $68,000,000. The Company's glass container manufacturing facilities located in Plainfield, Illinois, and Sand Springs, Oklahoma were purchased by Ball. The Company's other two glass container facilities located in Santa Ana, California and Dunkirk, Indiana were leased to Ball with options to purchase. The Company sold to Ball the machinery, equipment and inventory associated with the Commercial Glass Container Business.

The sale resulted in a pre-tax loss of $4,859,000 ($2,982,000 after-tax or $0.81 per common share), which is included in accrued expenses in the accompanying Consolidated Balance Sheets. This loss includes both a gain on the sale of assets and accruals for other estimated costs to be incurred in connection with the sale. The Company used the proceeds from the sale to repay all debt outstanding under the Company's Bank Credit Agreement and the ESOP I and II Term Loans of approximately $68,000,000.

The results of the Commercial Glass Container Business, previously included in the Glass and Metal Products segment, have been reported separately as discontinued operations in the Consolidated Statements of Earnings (Loss). Prior year consolidated financial statements have been restated to present the Commercial Glass Container Business as a discontinued operation. Summarized results of the Commercial Glass Container Business are as follows:

Years Ended December 31,	1991	1990	1989
	(in thousands)		
Net sales	$148,211	$152,861	$140,066
Costs and expenses	140,470	146,877	133,625
Allocated interest expense	4,764	5,726	5,872
Earnings before income taxes	2,977	258	569
Provision for income taxes	1,314	100	219
Earnings from discontinued operations	1,663	158	350
Loss on sale of Commercial Glass Container Business	(2,982)	—	—
Cumulative effect of change in accounting related to discontinued operations	886	—	—
Total earnings (loss) related to discontinued operations	$ (433)	$ 158	$ 350

THE DIAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Spin-Off and Distribution Agreement

At a special meeting of shareholders on March 3, 1992, shareholders of The Dial Corp ("Dial") approved the spin-off to Dial shareholders of GFC Financial Corporation ("GFC Financial"), which comprises Dial's former commercial lending and mortgage insurance subsidiaries. As a result of the spin-off, the holders of common stock of Dial received a Distribution (the "Distribution") of one share of common stock of GFC Financial for every two shares of Dial common stock.

Accordingly, Dial and GFC Financial have become independent companies with separate, independent Boards of Directors and management. Dial continues to operate its Consumer Products, Services and Transportation Manufacturing and Service Parts businesses. As a result, the consolidated financial statements have been retroactively restated to present GFC Financial as a discontinued operation.

The following summarizes certain selected financial data of GFC Financial for the three years ended December 31, 1991:

	1991	1990	1989
(000 omitted)			
Revenues	$ 258,156	$ 269,640	$ 255,388
Income from continuing operations before restructuring and other charges	30,258	29,558	28,464
Net income (loss)	(52,471)	29,558	28,464
Total assets	2,403,757	2,393,309	2,138,413
Long-term debt	1,706,470	1,510,675	1,337,596

In connection with the spin-off of GFC Financial to Dial's shareholders, special charges to earnings were made in the fourth quarter of 1991 to cover restructuring of certain operations, provisions against Latin American and other finance company loans, certain tax and other costs and provisions primarily related to previously sold/discontinued

businesses and estimated spin-off transaction costs. In addition, Greyhound Lines, Inc. which was sold in 1987 and filed for bankruptcy on June 4, 1990 as the result of a work stoppage and strike-related violence, emerged from bankruptcy in late 1991, resulting in a partial reversal of a provision taken in 1990. See Note D for further information.

The restructuring and other charges recorded in the fourth quarter of 1991 are summarized below:

	Pretax Charge (Credit)	Tax Provision (Benefit)	Net
(000 omitted)			
Continuing operations:			
Writedown of assets and provisions for losses:			
Services	$ 40,000	$(14,029)	$ 25,971
Transportation Manufacturing and Service Parts	40,000	(13,600)	26,400
Corporate provisions for losses	10,000	(3,400)	6,600
Tax provisions related to prior years		8,300	8,300
Transaction costs	14,000		14,000
Total continuing operations	104,000	(22,729)	81,271
Discontinued operations:			
Writeoff of remaining investment and provisions for losses related to discontinued reinsurance subsidiaries	60,733	(29,265)	31,468
Reverse excess prior year provision for losses resulting from bankruptcy of Greyhound Lines, Inc.	(43,436)	14,768	(28,668)
Provisions for insurance and benefits related to other discontinued businesses	20,000	(6,800)	13,200
Writedown of assets, provisions for losses and transaction costs of GFC Financial	78,624	4,105	82,729
Total discontinued operations	115,921	(17,192)	98,729
	$219,921	$(39,921)	$180,000

The Pro Forma Consolidated Balance Sheet (unaudited) as of December 31, 1991 is based on the historical Consolidated Balance Sheet of The Dial Corp and subsidiaries as adjusted to reflect the pro forma effects of the Distribution as if the Distribution had been consummated on that date. The Pro Forma Consolidated Balance Sheet does not purport to present the financial position of Dial as if the Distribution had actually been consummated as of the date indicated. The pro forma adjustments, which do not require adjustment to the Statement of Consolidated Income include: (a) the partial settlement of the amount due from GFC Financial by payment of cash obtained from the proceeds of additional long-term debt; (b) the partial settlement of the amount due from GFC Financial by a capital contribution to GFC Financial; (c) the purchase by Dial of redeemable preferred stock of Greyhound Financial Corporation, GFC Financial's commercial lending subsidiary, for cash obtained from the proceeds of additional long-term debt; and, (d) the Distribution of GFC Financial to Dial shareholders.

Pursuant to the Distribution, GFC Financial and Dial entered into several agreements including a Distribution Agreement, Tax Sharing Agreement, Sublease Agreement, Interim Services Agreement and Trademark Assignment and Agreement.

MURPHY OIL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Discontinued Operations—On January 30, 1992, the Company concluded the sale of its contract drilling business segment for approximately $372,000,000 in cash and in the first quarter of 1992 will report a net gain of approximately $20,000,000 from disposal of these operations. As a result of the sale, activities of contract drilling operations have been accounted for as discontinued operations. These results are presented as net amounts in the Consolidated Statements of Income, with prior periods restated to conform to the current presentation. Selected operating results for these operations are presented in the following table:

(Thousands of dollars)	1991	1990	1989
Revenues	$189,051	147,491	101,450
Income tax provisions	$ 2,885	1,143	557
Loss from operations—net of minority interest	$ (1,550)	(14,778)	(32,232)

Net assets of discontinued contract drilling operations, which are presented as a net amount in the Consolidated Balance Sheets at December 31, 1991 and 1990, were as follows:

(Thousands of dollars)	1991	1990
Current assets	$ 9,052	5,221
Property and equipment—net	331,673	328,567
Other noncurrent assets	7,415	2,530
Noncurrent liabilities	(10,564)	(10,276)
Net assets	$337,576	326,042

Sale of Assets

AMERICAN STORES COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events (unaudited)

In April 1992, the Company sold 74 Jewel Osco combination stores in Texas, Florida, Oklahoma and Arkansas to Albertson's Inc. The cash proceeds, net of retained liabilities and taxes, were approximately $325 million. These stores had sales of approximately $1.45 billion and a pre-LIFO operating loss of $18 million in 1991. These operations are expected to operate at a loss in the first quarter of 1992. The Company expects to use the proceeds from the sale to reduce debt which will reduce interest expense in the future.

In April 1992, the Company issued $250 million of 9 1/8% Notes due 2002. The proceeds were used to repay a portion of the indebtness under the Company's principal bank credit agreement.

WESTERN DIGITAL CORPORATION (JUN)

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

13. Subsequent Event

On October 16, 1991, the Company sold its LAN business for a total sales price of approximately $33,000 which consisted of a $28,000 cash payment and a $5,000 subordinated note receivable. The sale included fixed assets and technology rights. The Company's LAN product lines contributed approximately $115,000 to consolidated revenue in 1991.

Capital Stock Issued Or Redeemed

BAXTER INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

On February 17, 1992, the board of directors approved the redemption, on April 1, 1992, of the company's adjustable rate preferred stock at a redemption price of $50 per share together with the regular quarterly dividend of 78.75 cents per share.

CHRYSLER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 22. Subsequent Event

On February 20, 1992, the Company issued 1,725,000 shares of a new Series A Convertible Preferred Stock (Convertible Preferred Stock), represented by 17,250,000 depositary shares (each representing 1/10 of a share of Convertible Preferred Stock), in a private offering to institutional investors for net cash proceeds of $836 million. The Convertible Preferred Stock has a liquidation preference of $500.00 per share (equivalent to $50.00 per depositary share). The annual dividend rate for each share of Convertible Preferred Stock is $46.25 (equivalent to $4.625 for each depositary share). The Convertible Preferred Stock is convertible after May 19, 1992, unless previously redeemed, at a rate (subject to adjustment in certain events) of 27.78 shares of common stock for each share of Convertible Preferred Stock, which is equivalent to a conversion price of $18.00 per share of common stock (2.778 shares of common stock for each depositary share). The Convertible Preferred Stock and the depositary shares are not redeemable prior to January 22, 1997. Thereafter, the Company may, at its option, redeem the Convertible Preferred Stock (and thereby the depositary shares), in whole or in part, at $523.13 per share of Convertible Preferred Stock (equivalent to $52.313 per depositary share) for the period ended December 31, 1997, and declining ratably annually to $500.00 per share of Convertible Preferred Stock (equivalent to $50.00 per depositary share) after December 31, 2001, plus in each case accrued and unpaid dividends.

OLIN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

In January 1992, the company sold 2.76 million shares of its $1 par value Series A Conversion Preferred Stock (Series A Stock) generating net proceeds of $111 million, which were used to reduce outstanding bank loans. Dividends on the Series A Stock are cumulative at an annual rate of $3.64 per share. On the mandatory conversion date (March 1, 1995) each outstanding Series A Stock will convert automatically into one share of the company's common stock (subject to adjustment in certain events) and the right to receive an amount of cash equal to all accrued and unpaid dividends thereon. Automatic conversion of the outstanding Series A Stock will also occur upon certain mergers or consolidations of the company or in connection with certain other events. In addition, the company has the option to call the Series A Stock, in whole or in part, for redemption prior to maturity at a predetermined call price (payable in common stock of the company) plus an amount of cash equal to all accrued and unpaid dividends on the Series A Stock.

THE TJX COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J. Subsequent Events

The Company entered into an agreement under which it has issued 250,000 shares of 8% cumulative convertible preferred stock (the "preferred stock") in a private offering. The preferred stock has a stated value of $100 per share and is convertible into common stock at a price of $21.00 per share.

The net proceeds of this offering will be applied towards the defeasance of the Company's 8 1/8% promissory notes due May 1, 1993 which would result in an extraordinary after-tax charge of approximately $1.1 million.

The following shows the cash position and capitalization of the Company at January 25, 1992 and as adjusted to give effect to the issuance of 250,000 shares of the convertible preferred stock and defeasance of the Company's 8 1/8% promissory notes:

	In Thousands	
	Actual 1/25/92	As Adjusted 1/25/92
Cash and cash equivalents	$ 67,294	$ 39,737
Long-term debt:		
Real estate mortgages & equipment notes	$ 62,638	$ 62,638
General corporate debt	174,953	125,000
Subordinated debt	69,794	69,794
Total long-term debt	307,385	257,432
Shareholders' equity		
Preferred stock, stated value	—	25,000
Common stock, par value	69,803	69,803
Additional paid-in capital	228,856	228,031
Retained earnings (deficit)	(38,142)	(39,241)
Total shareholders' equity	260,517	283,593
Total long-term capitalization	$567,902	$541,025

Stock Splits

CUSTOMEDIX CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16—Subsequent Events

(a) The Board of Directors has approved a proposal to amend the Certificate of Incorporation to decrease the number of authorized shares of common stock from 39,000,000 shares to 3,900,000 shares and to effect a one-for-ten reverse split of common stock whereby each ten shares of common stock will be exchanged for one share of common stock. The Amendment will have no effect on the par value of the common stock. Fractional shares resulting from the reverse split will be settled in cash. This matter is subject to the stockholders' approval.

(b) In August 1991, the Company agreed, in principle, to a sale/leaseback arrangement with a bank under which it may sell up to the lesser of $2,700,000 or the value, as defined under the arrangement, of a specified weight of a certain metal and subsequently lease back this metal from the bank, as needed. The Company anticipates that most of the proceeds from this arrangement will be used to retire certain long-term debt.

DEAN FOODS COMPANY (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

On July 25, 1991, the Board of Directors authorized a three-for-two stock split, effected in the form of a stock dividend, payable to shareholders of record on August 16, 1991. Accordingly, all per share and stock option data have been restated to reflect the split. In connection with the split, common stock will be credited and capital in excess of par value and retained earnings will be charged for the aggregate par value of the shares that will be issued in the Company's first quarter of fiscal 1992.

EG&G, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Subsequent Event

On January 22, 1992, the Board of Directors declared a stock split, payable May 8, 1992, in the form of a dividend of one additional share of the Company's common stock for each share owned by stockholders of record at the close of business on April 17, 1992. The dividend will be accounted for as a 2-for-1 stock split and par value will remain at $1 per share. Pro forma earnings per share, giving retroactive effect to the 2-for-1 stock split, are presented below.

	1991	1990	1989
Pro forma earnings per share	$1.45	$1.30	$1.20

Financial information contained elsewhere in this report has not been adjusted to reflect the impact of the common stock split.

KMART CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B—Subsequent Event

On March 24, 1992, the Board of Directors approved a two-for-one split of the company's common stock to be distributed on June 5, 1992 to holders of record on May 14, 1992. All references to common per-share data have been adjusted to give effect to the stock split. The mandatory conversion factor and Kmart's criteria for redemption of the Depositary Shares have been adjusted to reflect the common stock split declared March 24, 1992.

Stock Purchase Rights

MATTEL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Subsequent Events

In February 1992, the Company concluded its merger with International Games, Inc. ("IGI"), a creator, manufacturer and marketer of proprietary family and educational card and board games, including "Uno" and "Skip-Bo." The merger, to be accounted for as a pooling-of-interests, was consummated by exchanging all the outstanding shares of IGI voting capital stock for 867,737 shares of Mattel common stock and 864,293 shares of Mattel voting convertible preferred stock valued at $58.5 million. Revenues, results of operations, assets and liabilities of IGI are not significant in relation to the Company.

In February 1992, the Board of Directors approved the extension of the Preference Share Purchase Rights Plan. The rights, effective February 7, 1992, were issued in a dividend distribution of one nonvoting preference share purchase right for each share of common stock outstanding as of the distribution date. No value has been assigned to these rights. The rights may be exercised to purchase shares of a new series of $.01 par value junior participating preference stock upon the occurrence of certain events, including the purchase of 20% or more of the Company's common stock by a person or group of affiliated or associated persons. The rights expire in February 2002 and may be redeemed by the Company for one cent each at any time prior to the tenth day following a change in control or their expiration.

Employee Benefits

HARMON INDUSTRIES (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments

Employee Benefits

In January 1992, the Company issued 110,000 shares of common stock to the ESOP, representing a portion of the 1991 contribution to the plan. The Company valued such shares at the closing bid price for the common stock as of the issue date of $4.625.

TEMPLE-INLAND INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (In Part): Stock Option and Purchase Plans

On February 7, 1992, options to purchase 188,744 shares of stock at a price of $54.19 per share were granted and 23,820 shares were awarded under the Incentive Stock Plan.

Formation Of Jointly Owned Companies

FINA, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent Event

On February 17, 1992, the Company confirmed it was engaged in negotiations related to establishing a joint venture with Arabian Petroleum Company, whose major shareholder after formation will be Delta International, a Saudi Arabian company. The purpose of the joint venture would be to own the Company's downstream assets, which include two refineries, marketing, transportation, and other related assets. The Company would be the operator. Negotiations, which have been underway for some time, are proceeding on various items, including a crude supply contract with the Saudi Arabian Oil Company (Saudi Aramco), Saudi Arabia's national oil company. At this time, it is premature to say when conclusion of the negotiations can be anticipated.

CORNING INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Subsequent Events

On January 2, 1992, Corning entered into an alliance with Vitro, S.A., a major Mexican industrial group, by transferring 49% of its consumer-housewares businesses to Vitro, S.A., in exchange for 49% of Vitro, S.A.'s, consumer-products businesses and approximately $137 million in cash. This transaction will result in a modest gain in the first quarter of 1992.

The new alliance will consist of two joint ventures. The U.S.-based venture, Corning Vitro Corporation, will continue to serve Corning's worldwide markets and will be led by Corning management. Corning will own 51% of this venture and will continue to consolidate its financial statements. The second venture, Vitro Corning Corporation, will be based in Mexico and will be led by Vitro, S.A., management. Corning will own 49% of this venture and will account for its investment under the equity method.

During the first quarter 1992, Corning reinvested approximately $100 million of the Corning Vitro transaction proceeds in the Laboratory Services segment. This investment primarily included the acquisition of the U.S. clinical-laboratory operations of MDS Health Care Ltd. and an additional investment in Unilab Corporation, which increased Corning's ownership to slightly more than 50%. As a result, Corning will begin consolidating Unilab's results into its financial statements in the first quarter of 1992.

On January 31, 1992, Corning completed its previously announced plan to sell an additional equity interest in Corning Japan K.K. A gain of approximately $9 million (before-tax and after-tax) will be recognized on the transaction in the first quarter of 1992.

MEREDITH CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Subsequent Event

On September 4, 1991, the Company and New Heritage Associates announced an agreement in principle to form a partnership for investing in and managing U.S. cable television systems. Meredith Cable, Inc., a newly formed wholly-owned subsidiary of the Company, will contribute $100 million to the partnership. New Heritage Associates will contribute $4 million. It is expected that the partnership will borrow an additional $200 to $300 million to invest in cable television systems. The operation will be managed by New Heritage Associates, a partnership composed of former senior officers of Heritage Communications Inc. (HCI), a cable television company. HCI was purchased in 1987 by Tele-Communications Inc.; however, HCI management continued to manage systems with approximately 1 million subscribers until December 1990. New Heritage Associates is headquartered in Des Moines, Iowa.

UNIVAR CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Subsequent Events

On December 21, 1990, the Corporation announced that it and Pakhoed Holding N.V. had entered into negotiations with Beijer Industries A.B. of Stockholm, Sweden, regarding the potential acquisition of the Industrial Distribution Group of Beijer Industries A.B. On April 4, 1991, the Corporation announced that an agreement in principle had been reached whereby a new holding company, Univar Europe, would be formed through the combined investment by the Corporation, Pakhoed Holding N.V., and Beijer Industries A.B. to execute the purchase of the Beijer Industrial Distribution Group for a total purchase price of approximately $54 million. The Corporation's share of the ownership of Univar Europe and therefore its portion of the purchase price will be 51%. Closing of the purchase of the Beijer Industrial Distribution Group will be delayed until receipt of approval of the transaction by the Swedish government.

The Corporation also announced, on April 4, 1991, that it would fund the Univar Europe transaction through the sale of 1,900,000 new shares of common stock of the Corporation to The Dow Chemical Company for a total cash consideration of approximately $30 million, making Dow an owner of approximately 9.5% of the Corporation's shares to be outstanding.

On April 10, 1991, the Corporation acquired the distribution assets of Mathieu Corporation and related subsidiaries for a purchase price of $9,754,000. In connection with the acquisition, the Corporation received assets with an estimated value of $12,205,000 and assumed liabilities totaling approximately $2,451,000.

Financing Plan

THE INTERLAKE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Subsequent Event

Recessionary conditions over the last two years have significantly and adversely affected the Company's financial condition. As a result, the Company is presently pursuing a financing plan which is designed to enhance the strategic, operating and financial flexibility of the Company by fixing the interest rate paid and extending the maturity of a significant portion of the Company's indebtedness, increasing the equity base of the Company and amending the terms of its existing Credit Agreement. Under the financing plan, as approved by the Board of Directors of the Company, the Company proposes to raise at least $75,000,000 of equity capital through the issuance of common stock in a public offering and the private placement of convertible preferred stock and to issue $200,000,000 of new senior subordinated debentures in a public offering. In addition, the Company proposes to amend the terms of the existing Credit Agreement with senior lenders to extend certain term loan maturities and to revise financial covenants and other matters. Proceeds of the securities offerings are expected to be used to retire the Company's $200,000,000 of increasing rate notes, to repay certain revolving loans under the Credit Agreement, for general corporate purposes and to pay related fees and expenses. The Company and institutional investors have executed a definitive agreement for the purchase of $35,000,000 of convertible preferred stock and substantially all of the senior lenders have agreed in principle to the proposed terms of amendments to the Credit Agreement, but required formal agreements between the Company and all of the senior lenders have not been executed. A managing underwriter for a proposed firm underwriting of the public debt and equity offerings has been selected. Registration statements relating to the public offerings are expected to be filed in the near future. Generally, each element of the financing plan is contingent upon the successful completion of each other element and upon the satisfaction of other conditions. In addition, certain aspects of the financing plan will be subject to the approval of the Company's shareholders.

Cash Dividend

MET-PRO CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Subsequent Event

On February 21, 1992, the Board of Directors declared a $.25 per share annual cash dividend which is payable on May 1, 1992 to stockholders of record on April 17, 1992. The dividend will be paid on all outstanding shares.

Public Offerings Of Subsidiary Stock

OCCIDENTAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Subsequent Event
On February 19, 1992, Occidental entered into an agreement with a syndicate of Canadian underwriters to sell 12 million shares of its holdings in CanadianOxy. The sale will be in the form of a secondary public offering on an installment payment basis, at a price of $25.75 (Cdn) ($21.40 U.S.) per share. The initial payment will be $11.75 (Cdn) with the balance of $14.00 (Cdn) due on or before December 31, 1992. The sale is expected to close in the first quarter of 1992 and generate net cash proceeds of approximately $241 million (U.S.). After the sale, Occidental's ownership interest in CanadianOxy will be approximately 30 percent.

PHILLIPS PETROLEUM COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15—Subsequent Event
On February 14, 1992, the newly organized GPM Gas Corporation (GPM), a wholly owned subsidiary of Phillips, filed a Registration Statement on Form S-1 covering an initial public offering of up to 51 percent of the subsidiary's common stock. The offering is proposed to be a combination primary and secondary offering by GPM and by Phillips. GPM has indicated its intent to apply the proceeds of the primary portion of the offering to pay debt owed to Phillips. Thus, Phillips will receive the benefit of the entire proceeds of the offering.

GPM conducts substantially all of Phillips' gas gathering, processing and residue gas marketing business. GPM has interests in 21 gas processing plants and associated gathering systems located in Oklahoma, Texas, New Mexico and Wyoming.

The operations conducted by GPM had revenues of approximately $1,093 million in 1991, including $698 million resulting from sales to Phillips and its affiliates. Gas plants and gathering systems owned by GPM had a historical net book value of approximately $676 million at December 31, 1991. Operating results of the business are included in the Gas and Gas Liquids operating group of the company's Petroleum segment. The Gas and Gas Liquids operating group has other activities, including the Kenai, Alaska, liquefied natural gas operations, which are not a part of GPM.

In the event that after the transaction, the company owns less than 50 percent of GPM, it plans to account for its investment in GPM using the equity method.

Return Of Foreclosed Property

SCOPE INDUSTRIES (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Sale of Real Property
In June 1990, the Company sold property located in California that was originally used in its business but has been surplus to its operations for several years. In exchange for the real property, the Company received a $1,600,000 note collateralized by the property. Principal and interest payments on the note were to be received in installments during the fiscal year ended June 30, 1991. No payment on the note was received, and the Company commenced foreclosure proceedings to regain title to the property. In August 1991 the property's ownership and title returned to the Company. No gain or loss has been recognized on this transaction.

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 1991, 177 survey companies disclosed related party transactions. Examples of related party disclosures follow.

Transactions Between Company and Officers/Directors

THORN APPLE VALLEY, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Notes payable, officer, and other related party transactions:
The notes payable, officer, are due on demand, with interest payable monthly at approximately 1% below the prime rate. Interest expense on the notes payable, officer, amounted to approximately $120,000, $307,000 and $336,000 for the years ended 1991, 1990 and 1989, respectively.

The Company leased its sales division office building and a building used for storage and maintenance purposes from entities controlled by certain officers/shareholders of the Company. During 1991, 1990 and 1989, the Company paid rent of approximately $93,000, $98,000 and $43,000, respectively, for the use of these locations.

The Company maintains inventory at a freezer warehouse which is 70% owned by an officer/director of the Company. Storage and handling expenses to this freezer warehouse amounted to approximately $492,000, $882,000 and $793,000 for the years ended 1991, 1990 and 1989, respectively. Additionally, the Company rents a portion of the freezer warehouse for use as a distribution center. Currently, the Company is operating under a three-year lease agreement which expires in January 1994. Freezer warehouse rent expense amounted to $625,000, $375,000 and $215,000 for the years ended 1991, 1990 and 1989, respectively.

TYSON FOODS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Transactions with Related Parties

Through May 1991, the company provided services to a company controlled by the Chairman of the Board of Tyson in a manner similar to that provided to the limited partnership discussed in Note 8. Additionally, the company has sold supplies and services to this company during 1991 of $21.8 million and $27.5 million in 1990. Lease payments from this company which commenced in 1990 were $1.7 million in 1991 and $1.9 million in 1990. In June 1991, Tyson acquired this company by the issuance of 100,000 shares of Class A stock in a purchase transaction valued at $2,225,000. The pro forma effect on prior periods was not significant.

The company has operating leases for farms, equipment and other facilities with the Chairman of the Board of the company and certain members of his family, as well as a trust controlled by him, for rentals of $5.1 million in 1991, $2.3 million in 1990 and $3.6 million in 1989. Other facilities, including a cold storage distribution facility, are also leased from other officers and directors and the company's profit sharing plan aggregating $5.2 million in 1991, $3.4 million in 1990 and $3.9 million in 1989. In 1991, a new office facility was sold to the profit sharing plan for $4.2 million. The cold storage distribution facility was sold by the company to its profit sharing plan for $6.0 million in March 1989.

Certain officers and directors are engaged in poultry and swine growout operations with the company whereby these individuals purchase animals, feed, housing and other items to raise the animals to market weight. The total value of these transactions amounted to $10.4 million in 1991, $17.0 million in 1990 and $16.4 million in 1989.

Transactions Between Company and Investees

ASHLAND OIL, INC. (SEP)

NOTES TO FINANCIAL STATEMENTS

Note B (In Part): Acquisitions and Divestitures

Also during 1991, Arch Mineral Corporation purchased a land trust holding title to coal lands in which Ashland held a 50% beneficial interest. Arch Mineral previously leased these lands and paid royalties to the owners of the land trust. This transaction will have no significant effect on future results as the loss of royalty income to Ashland will be offset by the decrease in royalty expense for Arch Mineral. No gain or loss was recorded with respect to the sale of the land trust interest between related parties. Also in 1991, Arch Mineral paid a special dividend to reduce excess liquidity. Total cash proceeds to Ashland from these two transactions amounted to $47,801,000 and are included in proceeds from sale or restructuring of operations in the statements of consolidated cash flows.

BADGER METER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Three. Transactions with Affiliated Company

In December 1988, the company sold 85% of its investment in Medidores Azteca, S.A. (Azteca), a previously wholly owned Mexican subsidiary, for a note receivable of $425,000. The note is payable in periodic installments including interest with the balance due by December 31, 1993. The balances due at December 31, 1991 and 1990 were $266,000 and $303,000, respectively. The company's 15% investment ($75,000) and the long-term portion of the note receivable are included in other assets in the accompanying consolidated balance sheets.

During 1990, the company loaned the majority shareholders of Azteca $150,000 to purchase the corporation which owned the Azteca manufacturing facility (total purchase price $450,000). The company holds a ten year note requiring monthly payments secured by the shares of such corporation. The balances due at December 31, 1991 and 1990, were $139,000 and $147,000, respectively, and are included in other assets in the accompanying consolidated balance sheets.

During 1991, 1990 and 1989, the company sold approximately $1,138,000, $1,865,000 and $423,000 of goods to Azteca. Trade receivables from Azteca at December 31, 1991 and 1990, were $870,000 and $1,104,000 respectively.

In early January of 1992, the company received payments of approximately $350,000 for trade receivables and $25,000 on the note receivable and building loan.

Transactions Between Company and Major Stockholders

COCA-COLA ENTERPRISES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Related Party Transactions: The Company and The Coca-Cola Company have entered into several transactions and agreements related to their respective businesses. Several significant transactions and agreements entered into between the Company and The Coca-Cola Company are disclosed in the accompanying financial statements and related notes. In addition, the following represent other material transactions between the Company and The Coca-Cola Company during 1991, 1990, and 1989:

Merger: The Coca-Cola Company had an approximate 20% ownership interest in Johnston. As a result of the merger, The Coca-Cola Company received 49,892 shares of the Company's common stock and $81.2 million in cash, reducing The Coca-Cola Company's ownership from approximately 49% to approximately 43.8% of the outstanding common stock of the merged Company.

Share Repurchase: In December 1990, the Company completed a 25 million share repurchase program. During 1990 and 1989, the Company repurchased an aggregate of 7 million shares from The Coca-Cola Company at an aggregate purchase price of approximately $109.3 million. The price paid for shares repurchased from The Coca-Cola Company on a per share basis approximated the average price paid for shares repurchased during the year from the Company's public share owners.

Product Ingredient Purchases: In the ordinary course of business, the Company purchases sweeteners, soft drink syrups, and concentrates from The Coca-Cola Company. The Company paid The Coca-Cola Company approximately $948.7 million, $919.6 million, and $922.1 million for sweetener, syrup, and concentrate purchases during 1991, 1990, and 1989, respectively.

Fountain Syrup and Package Product Sales: Certain of the Company's operations sell fountain syrup to The Coca-Cola Company and deliver on behalf of The Coca-Cola Company such syrup to certain major or national accounts of The Coca-Cola Company. In addition, the Company sells bottle/can products to The Coca-Cola Company at prices that equate to amounts charged by the Company to its major customers. During 1991, 1990, and 1989, The Coca-Cola Company paid the Company approximately $137.8 million, $132.5 million, and $157.7 million, respectively, for fountain syrups, bottle/can products, and delivery and billing services.

Antiturst Indemnity Agreement: During 1991, 1990, and 1989, The Coca-Cola Company paid the Company approximately $0.5 million, $4.8 million, and $6.6 million, respectively, pursuant to an agreement which indemnifies the Company for certain costs, settlements, and fines arising out of alleged antitrust violations which occurred prior to the acquisition of certain bottlers by the Company.

Marketing Support Arrangements: The Coca-Cola Company engages in a variety of marketing programs, local media advertising, and other similar arrangements to promote the sale of products of The Coca-Cola Company in territories operated by the Company. For 1991, 1990, and 1989, total direct marketing support provided to the Company or on behalf of the Company by The Coca-Cola Company was approximately $198.7 million, $186.3 million, and $184.6 million, respectively. In addition, the Company paid an additional $44.7 million, $43 million, and $41.8 million in 1991, 1990, and 1989, respectively, for local media and marketing program expense pursuant to a cooperative advertising arrangement with The Coca-Cola Company.

HARNISCHFEGER INDUSTRIES, INC. (OCT)

NOTES TO FINANCIAL STATEMENTS
(Dollar amounts in thousands)

Note 12—Transactions With Affiliated Companies

On October 31, 1986, a 20% equity interest in Beloit was sold to Mitsubishi Heavy Industries, Ltd. ("Mitsubishi") for $60,000 in cash and certain license agreements with Mitsubishi were modified. In connection with that transaction, Mitsubishi entered into certain agreements that provided it with the right to designate one of Beloit's five directors. Pursuant to the agreements there are certain restrictions on the transfer of Beloit stock and, in the event of change in control of the Company, Mitsubishi has the right to sell its 20% interest back to the Company for the greater of $60,000 or the book value of its equity interest.

In 1990, the Company entered into an agreement to acquire up to a 20% interest in Measurex Corporation. As part of the agreement, Measurex Corporation elected a nominee selected by the Company to its Board of Directors. There were no significant transactions with Measurex in 1991 and 1990.

Transactions with Mitsubishi for the years ending October 31 were as follows:

1991	
Sales	$ 1,032
Purchases	14,076
Receivables	3,488
License Income	7,851
1990	
Sales	$ 5,602
Purchases	31,542
Receivables	6,843
License Income	8,160
1989	
Sales	$ 2,176
Purchases	1,130
Receivables	4,280
License Income	7,477

The Company believes that its transactions with these affiliated companies were competitive with alternate sources of supply for each party involved.

LAFARGE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Related Party Transactions
The Company is a participant in a cost sharing arrangement with Lafarge Coppée for technical, research and management assistance. The net expenses accrued for these services were $5.4 million, $4.4 million, and $4.9 million during 1991, 1990, and 1989, respectively. In addition, the Company purchases various products from Lafarge Coppée. Such purchases totaled $27.5 million, $35.1 million and $10.2 million during 1991, 1990, and 1989, respectively. All transactions with Lafarge Coppée were conducted on an arms-length basis.

Lafarge Coppée reinvested a portion of dividends it was entitled to receive on the Company's Common Shares held during 1991 and 1990. These reinvestments totalled $9.2 million and $2.7 million, respectively. No reinvestments were made by Lafarge Coppée in 1989. In addition, $15 million of the Company's seven percent Convertible Debentures and held by Lafarge Coppée.

Transaction With Employees Benefit Trust

THE SHERWIN-WILLIAMS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Dollars Unless Otherwise Indicated)

Note 8—(In Part): Long-Term Debt
Under a credit agreement with The Sherwin-Williams Company Salaried Employees' Retirement Trust, the Company may borrow up to the lesser of $65,000 or 25% of the assets of the trust until October 9, 1992. Revolving credit amounts outstanding can be converted into five-year term, ten-year term or six-year installment loans at any time. In May 1991, the Company prepaid a $12,500 five-year term and a $12,500 ten-year term borrowing under this credit agreement.

Common Shareholders

HURCO COMPANIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Related Party Transactions
The Company and Air Express International (AEI) are related parties because a common group of shareholders hold a substantial ownership interest in both companies. AEI ships inventory parts to and from the Company. The cost of these freight services amounted to $26,000, $208,000 and $1,840,000 for the years ended October 31, 1991, 1990 and 1989, respectively.

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

	1991	1990	1989	1988
Balance Sheet	559	559	557	559
Statement of Financial Position	36	35	37	32
Statement of Financial Condition	5	6	6	9
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 (12 companies in 1991) or a balance sheet classified as to industrial operations but showing assets and liabilities of nonhomogeneous operations as segregated amounts (12 companies in 1991). 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

	1991	1990	1989	1988
Report form	412	406	404	392
Account form	187	192	195	205
Financial position form	1	2	1	3
Total Companies	**600**	**600**	**600**	**600**

CASH

Table 2-3 lists the balance sheet captions used by the survey companies to describe cash. Prior to 1988 the balance sheet caption used most frequently was *Cash*. Examples of balance sheet captions for cash follow.

ANALOGIC CORPORATION (JUL)

	1991	1990
	(000 omitted)	
Current Assets:		
Cash (including time deposits of approximately $22,965 in 1991 and $7,402 in 1990)	$ 23,132	$ 10,004
Marketable securities, at cost which approximates market	59,060	67,185
Accounts and notes receivable, net of allowance for doubtful accounts (1991, $446; 1990, $1,043)	26,039	28,823
Accounts receivable; affiliate	781	534
Inventories	33,659	33,176
Prepaid expenses and other current assets	2,589	1,805
Total current assets	145,260	141,527

TABLE 2-3: CASH—BALANCE SHEET CAPTIONS

	1991	1990	1989	1988
Cash	96	123	134	160
Cash and cash equivalents	391	361	336	305
Cash and equivalents	34	30	22	
Cash includes certificates of deposit or time deposits	10	10	10	14
Cash combined with marketable securities	66	73	93	116
No amount for cash	3	3	5	5
Total Companies	**600**	**600**	**600**	**600**

AVON PRODUCTS INC. (DEC)

	1991	1990
	(In millions)	
Current Assets		
Cash, including cash equivalents of $72.2 and $321.0	$116.4	$380.2
Accounts receivable (less allowance for doubtful accounts of $30.8 and $21.2)	303.2	294.9
Inventories	365.5	377.5
Prepaid expenses and other	110.5	121.5
Total current assets	895.6	1,174.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash and Equivalents

Cash and equivalents include highly liquid debt instruments with an original maturity of three months or less which consist of time deposits of a number of large commercial banks in the U.S. and abroad. In accordance with Avon's policy, the maximum amount placed in any one bank is limited, in order to reduce credit risk. Avon does not believe it is exposed to any significant credit risk on cash and equivalents. Cash equivalents are stated at cost plus accrued interest, which approximates market value.

BOWNE & CO., INC. (OCT)

	1991	1990
Current Assets:		
Cash and cash equivalents	$ 30,846,000	$26,182,000
Marketable securities		3,478,000
Trade accounts receivable, less allowance for doubtful accounts $4,080,000 (1991) and $4,197,000 (1990)	65,385,000	48,995,000
Inventories	14,192,000	11,597,000
Prepaid expenses and sundry receivables	2,753,000	2,433,000
Total current assets	113,176,000	92,685,000

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 $20,753,000 (1991) and $18,480,000 (1990) include certificates of deposit, commercial paper and money market accounts, substantially all of which have maturities of three months or less.

CALMAT CO (DEC)

	1991	1990
	(Amounts in thousands)	
Current Assets:		
Cash and cash equivalents	$12,061	$ 3,326
Trade accounts and notes receivable, less allowance for discounts and doubtful accounts ($3,240 in 1991 and $3,047 in 1990)	59,325	70,287
Inventories	5,093	5,633
Prepaid expenses and other	12,779	13,269
Installment notes receivable	2,801	2,326
Total current assets	92,059	94,841

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents: Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less. The Company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the FDIC insurance limit.

COMPAQ COMPUTER CORPORATION (DEC)

	1991	1990
	(in thousands)	
Current Assets:		
Cash and short-term investments	$ 452,174	$ 434,700
Accounts receivable, less allowance of $18,265,000 and $14,249,000	624,376	626,548
Inventories	436,824	543,630
Prepaid expenses and other current assets	269,203	83,054
Total current assets	1,782,577	1,687,932

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Short-Term Investments:

The Company held the following short-term investments:

	December 31, 1991	December 31, 1990
	(in thousands)	
Money market instruments	$321,527	$383,621
Commercial paper	120,010	21,300
	$441,537	$404,921

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.

FANSTEEL INC. (DEC)

	1991	1990
Current Assets:		
Cash and cash equivalents (including securities purchased under agreement to resell of $15,200,000 in 1991 and $20,300,000 in 1990)	$15,417,493	$21,679,129
Accounts receivable, less allowance of $324,000 in 1991 and 1990	16,911,553	22,837,221
Income tax refunds receivable	7,624,000	—
Inventories		
Raw materials and supplies	4,330,685	6,589,726
Work-in-process	19,522,221	30,716,920
Finished goods	5,916,401	6,758,026
	29,769,307	44,064,672
Less:		
Progress billings	3,649,313	8,667,505
Allowance to state certain inventories at LIFO cost	12,195,673	12,454,108
Total inventories	13,924,321	22,943,059
Prepaid expenses (including deferred income taxes)	4,439,982	3,516,125
Total current assets	58,317,349	70,975,534

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

The Company considers all investments purchased with a maturity of three months or less to be cash equivalents. On December 31, 1991 and 1990, the Company purchased $15,200,000 and $20,300,000, respectively, of U.S. Government securities under agreements to resell on January 2, 1992 and 1991, respectively. Due to the short-term nature of the agreements, the Company did not take possession of the securities which were instead held in the Company's safekeeping accounts at the banks.

KNIGHT-RIDDER, INC. (DEC)

	1991	1990
	(In thousands of dollars)	
CURRENT ASSETS:		
Cash, including short-term cash investments of $9,409 in 1991 and $20,144 in 1990	$ 26,244	$ 26,166
Accounts receivable, net of allowances of $12,305 in 1991 and $11,747 in 1990	247,593	262,003
Inventories	42,557	49,574
Other current assets	53,851	51,200
Total current assets	370,245	388,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

"Cash and short-term cash investments" includes currency and checks on hand, demand deposits at commercial banks, overnight repurchase agreements of government securities and investment grade commercial paper with maturities of fewer than 90 days.

LYONDELL PETROCHEMICAL COMPANY (DEC)

	1991	1990
	(Millions of Dollars)	
Current Assets:		
Cash and cash equivalents	$206	$127
Short-term investments	101	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Significant Accounting Policies

Cash, Cash Equivalents and Short-Term Investments

Cash equivalents consist of highly liquid debt instruments such as certificates of deposit, commercial paper and money market accounts purchased with an original maturity date of three months or less. Short-term investments consist of similar investments maturing in more than three months from purchase. The Company's policy is to invest cash in conservative, highly rated instruments and limit the amount of credit exposure to any one institution. Cash equivalents and short-term investments are stated at cost which approximates market value.

The Company has no requirements for compensating balances in a specific amount at a specific point in time. The Company does maintain compensating balances for some of its banking services and products. Such balances are maintained on an average basis and are solely at the Company's discretion, so that effectively on any given date, none of the Company's cash is restricted.

RAWSON-KOENIG, INC. (DEC)

	1991	1990
Current Assets:		
Cash and cash equivalents	$ 297,952	$ 115,205
Accounts receivable, trade (net of allowance for doubtful accounts of $30,000 in 1991 and 1990)	817,464	1,053,463
Inventories	3,095,602	3,287,123
Prepayments and other	106,455	78,846
Total current assets	4,317,473	4,534,637

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers any highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

MARKETABLE SECURITIES IN CURRENT ASSETS

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.

Chapter 3, paragraph 9, of *Accounting Research Bulletin No. 43* requires that marketable securities, other than those within the scope of *SFAS No. 12*, be carried at cost unless "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." Paragraph 9 also states that the market value of marketable securities carried at cost should be disclosed.

Table 2-4 shows the valuation bases at which marketable securities are included in the balance sheet. Examples of marketable security presentations follow.

TABLE 2-4: MARKETABLE SECURITIES—VALUATION BASES

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Cost				
Approximates market	156	164	175	194
No reference to market	7	6	12	11
Market value disclosed	5	6	4	4
Lower of cost or market	30	42	42	40
Market value	—	2	2	1

Cost Which Approximates Market

AMERICAN CYANAMID COMPANY (DEC)

	1991	1990
	(Millions of dollars)	
Current Assets:		
Cash and cash equivalents	$ 337.0	$ 347.9
Marketable securities and time deposits, at cost (approximates market)	82.9	80.5
Accounts receivable, less allowance for doubtful accounts of $38.2 in 1991 and $37.7 in 1990	1,072.0	1,178.7
Inventories	801.1	855.3
Total current assets	2,293.0	2,462.4

GENERAL DYNAMICS CORPORATION (DEC)

	1991	1990
	(Dollars in millions)	
Current Assets:		
Cash and equivalents	$513	$109
Marketable securities	307	—
	820	109

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

A (In Part): Summary of Significant Accounting Policies

Marketable Securities. Marketable securities consist of tax-exempt municipal bonds of $143, money market preferred stock of $114, and direct obligations of the U.S. Government and its agencies of $50. Marketable securities are stated at cost, which approximates market value.

MEREDITH CORPORATION (JUN)

	1991	1990
	(in thousands)	
Current Assets:		
Cash and cash equivalents	$104,517	$ 4,535
Marketable securities (Note 2)	23,633	—
Accounts receivable	104,074	98,935
Less allowances for doubtful accounts and returns	(19,598)	(16,362)
Net receivables	84,476	82,573
Inventories	54,692	65,184
Supplies and prepayments	18,538	24,635
Film rental costs	23,314	24,211
Total current assets	309,170	201,138

Note 2. Marketable Securities

Marketable securities are carried at cost. As of June 30, 1991, these securities consist of municipal bonds with a market value of $23,560,000.

SCHLUMBERGER LIMITED (DEC)

	1991	1990
	(Stated in thousands)	
Current Assets:		
Cash	$ 38,980	$ 47,851
Short-term investments	1,426,620	1,276,508
Receivables less allowance for doubtful accounts (1991—$36,020; 1990—$47,732)	1,402,933	1,259,127
Inventories	596,644	570,598
Other current assets	100,368	92,451
	3,565,545	3,246,535

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Short-Term Investments

Short-term investments are stated at cost plus accrued interest, which approximates market, and comprise primarily Eurodollar certificates of deposit, Eurodollar commercial paper and Euronotes, denominated in U.S. dollars.

For purposes of the Consolidated Statement of Cash Flows, the Company does not consider short-term investments to be cash equivalents as they generally have original maturities in excess of three months.

THE STANDARD REGISTER COMPANY (DEC)

	1991	1990
	(Dollars in thousands)	
Current Assets:		
Cash	$ 4,092	$ 3,470
Temporary cash investments, at cost which approximates market	57,588	37,955
Accounts receivable, less allowance for losses of $3,164 and $3,497, respectively	124,198	140,051
Inventories	92,926	95,064
Deferred federal income tax	9,688	9,434
Prepaid expense	4,262	3,325
Total current assets	$292,754	$289,299

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.

SUN MICROSYSTEMS, INC. (JUN)

	1991	1990
	(In thousands)	
Current Assets:		
Cash and cash equivalents	$ 773,198	$ 393,563
Short-term investments	61,150	—
Accounts receivable, net of allowances of $58,985 in 1991 and $54,931 in 1990	514,455	523,316
Inventories	223,916	204,833
Prepaid income taxes	111,145	96,180
Other current assets	117,133	79,476
Total current assets	1,800,997	1,297,368

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash equivalents and short-term investments

Cash equivalents consist primarily of highly liquid investments with insignificant interest rate risk and original maturities of three months or less at date of acquisition. Similar investments with original maturities beyond three months are considered short-term investments and are carried at cost, which approximates market value.

WINN-DIXIE STORES INC. (JUN)

	1991	1990
	Amounts in thousands	
Current Assets:		
Cash and cash equivalents	$ 7,231	$ 7,317
Short-term investments	95,290	190,809
	102,521	198,126
Trade and other receivables, less allowance for doubtful items of $912,000 ($731,000 in 1990)	98,780	68,819
Associate stock loans	10,294	831
Merchandise inventories at lower of cost or market less LIFO allowance of $217,477,000 ($208,104,000 in 1990)	924,333	848,403
Prepaid expenses	66,693	52,521
Total current assets	1,202,621	1,168,700

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(c) Cash and Cash Equivalents: Cash equivalents consist of highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents are stated at cost plus accrued interest, which approximates market.

(d) Short-Term Investments: Short-term investments consist of highly liquid investments with a maturity of more than three months when purchased. The Company uses these short-term investments in its cash management program. Short-term investments are stated at cost plus accrued interest, which approximates market.

Lower Of Cost Or Market

COMMERCIAL METALS COMPANY (AUG)

	1991	1990
	(in thousands)	
Current Assets:		
Cash and temporary investments	$ 33,215	$ 38,638
Accounts receivable (less allowance for collection losses of $2,100 and $2,415)	118,611	129,086
Financial services loans and advances	58,814	27,834
Inventories	93,922	82,219
Other	14,271	11,419
Total current assets	318,833	289,196

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Cash Flows

For purposes of the statements of cash flows, the Company considers investments that are short-term (generally with original maturities of three months or less) and highly liquid to be cash equivalents. Temporary investments include highly liquid instruments with longer original maturity dates. Cash and cash equivalents and temporary investments at August 31 were as follows (in thousands):

	1991	1990	1989
Cash and cash equivalents	$11,662	$ 9,301	$19,127
Temporary investments (at lower of cost or market)	21,553	29,337	46,462
	$33,215	$38,638	$65,589

CURTISS-WRIGHT CORPORATION (DEC)

	1991	1990
	(In thousands)	
Current Assets:		
Cash and cash equivalents	$ 3,441	$14,299
Short-term investments	47,500	134
Receivables, net	32,687	36,565
Inventories	28,980	35,574
Other current assets	1,658	6,572
Total current assets	114,266	93,144

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Short-Term Investments.

Short-term investments consist of marketable equity and non-equity securities carried at the aggregate of lower of cost or market value. Net realized gains and losses are determined on the specific identification cost basis. The net change in the investment valuation allowance used in the determination of net earnings is the result of changes in the difference between aggregate cost and market values of items still held as marketable securities at December 31 of the respective periods.

	1991		1990	
(In thousands)	Cost	Market	Cost	Market
Marketable securities	$47,500	$47,521	$199	$134

Investment Income consists of:

(In thousands)	1991	1990	1989
Net realized gains (losses) on the sale of marketable securities	$1,289	$(15,442)	$ 14,854
Interest income	815	5,142	5,949
Dividend income	259	1,547	1,883
Net change in investment valuation allowance used in the determination of net earnings	65	12,254	(11,788)
Total investment income	$2,428	$ 3,501	$ 10,898

THE WALT DISNEY COMPANY (SEP)

	1991	1990
	(In millions)	
Assets:		
Cash and cash equivalents	$886.1	$819.8
Marketable securities	782.4	588.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Cash, Cash Equivalents and Marketable Securities

At September 30, 1991, the cost and market value of marketable equity securities were $103.6 million and $107.7 million, respectively. At September 30, 1990, the cost and market value of marketable equity securities were $168.2 million and $177.5 million, respectively. For both 1991 and 1990, cost approximates market value for marketable securities other than marketable equity securities.

Interest rate swap agreements related to certain foreign currency denominated investments converted $120 million of fixed rate securities to variable rate investments. At September 30, 1991, the Company received interest at the three-month LIBOR rate and paid interest at a weighted average fixed rate of 11.87%. The agreements expire in approximately seven years.

The Company entered into interest rate swap agreements expiring in three to five years, which effectively converted $600 million of variable rate investment securities to fixed rate instruments. Under these swap agreements, the Company received interest on the $600 million notional amount at a weighted average fixed rate of 8.3% and paid interest at the one-month commercial paper rate at September 30, 1991.

THE FAIRCHILD CORPORATION (JUN)

	1991	1990
	(In thousands)	
Current Assets:		
Cash and cash equivalents (of which $41,280 is restricted in 1991)	$135,121	$ 3,619
Short-term investments (of which $4,000 is restricted in 1991)	35,825	52,090
Accounts receivable—trade, less allowances of $2,054 and $4,243	76,607	112,876
Inventories:		
Finished goods	50,926	183,613
Work-in-process	41,598	39,782
Raw materials	14,669	25,014
	107,193	248,409
Prepaid expenses and other current assets	31,849	22,368
Total current assets	386,595	439,362

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Investments

Short-term investments consist of commercial paper, corporate obligations, common stock and equivalents, and dividends and interest receivable. Long-term investments consist of limited partnerships and certain preferred and common stocks. Investments, in the aggregate, are stated at the lower of cost or market. The following table presents a summary of investments held by the Company.

	June 30, 1991		June 30, 1990	
Name of Issuer or Title of Each Issue	Market Value	Cost	Market Value	Cost
(In thousands)				
SHORT-TERM				
Commercial paper, dividends and interest receivable (a)	$ 29	$ 29	$ 7,386	$ 7,386
Corporate obligations	—	—	2,680	2,650
State and municipal bonds	4,045	4,045	—	—
Common stock and equivalents:				
Para-Partners, L.P. (b)	—	—	4,942	4,942
Bidermann Industries USA, Inc.	19,927	19,927	16,125	16,125
Common stock	6,291	11,580	7,809	13,723
Other investments	5,533	4,533	13,148	12,264
	$35,825	$40,114	$52,090	$57,090
LONG-TERM				
Limited partnerships:				
Angelo, Gordon & Co., L.P. (c)	$18,619	$18,619	$18,504	$18,504
SC-BI Partners L.P. (d)	7,509	7,509	3,800	3,800
Common stock	—	—	6,314	6,314
Preferred stock	1,600	1,600	2,528	2,528
Other investments	1,233	1,233	1,033	1,033
	$28,961	$28,961	$32,179	$32,179

(a) Includes $1,125,000 of interest receivable at June 30, 1990.

(b) Para-Partners was liquidated during the fiscal year. During fiscal 1991, the Company realized a loss of $425,000 on this investment.

(c) Angelo, Gordon & Co., L.P. is a privately placed limited partnership that invests principally in merger arbitrage, special situations, bankruptcies, and various leveraged convertible hedges in the United States and other international markets. These various investments may involve significant risks. The Company can elect a return of these funds in December 1992.

(d) In September 1991, the Company invested another $3,000,000 in the partnership. SC-BI Partners L.P. invests in merger arbitrage and may involve significant risks. The Company can force the partnership to dissolve in March 1992.

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. Investment income is summarized as follows:

Year Ended June 30,	1991	1990	1989
(In thousands)			
Dividend income	$ 603	$ 1,110	$ 1,146
Net realized gains	725	16,858	32,811
Temporary valuation adjustment	711	(5,000)	1,132
Investment income—net	$2,039	$12,968	$35,089

Subsequent to June 30, 1991, the Company experienced a decline in the carrying value of certain marketable securities aggregating approximately $3,000,000.

CURRENT RECEIVABLES

Table 2-5 summarizes both the descriptive titles used in the balance sheet to describe trade receivables and the types 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

	1991	1990	1989	1988
Trade Receivable Captions				
Accounts receivable	234	232	239	224
Receivables	151	158	149	153
Trade accounts receivable	135	124	103	128
Accounts and notes receivable	80	86	109	95
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables				
Tax refund claims	64	56	50	50
Contracts	56	54	56	54
Investees	30	28	25	26
Finance	24	25	28	12
Installment notes or accounts	7	6	7	8
Employees	6	8	10	6
Sale of assets	5	1	8	6

RECEIVABLES OTHER THAN TRADE RECEIVABLES

Income Tax Refund Claims

FRUIT OF THE LOOM, INC. (DEC)

	1991	1990
	(In thousands of dollars)	
Current Assets		
Cash and cash equivalents (including restricted cash)	$ 31,400	$ 59,600
Notes and accounts receivable (less allowance for possible losses of $14,200,000 and $10,200,000, respectively)	198,300	139,800
Income taxes and interest receivable	59,900	—
Inventories		
Finished goods	241,300	309,700
Work in process	70,300	71,600
Materials and supplies	20,300	26,200
Other	34,800	22,300
Total current assets	656,300	629,200

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

The IRS previously asserted income tax deficiencies, excluding statutory interest which accrues from the date the tax was due until payment, for Fruit of the Loom of approximately $93,000,000 for the years 1978–1980 and $15,400,000 for the years 1981–1983. Fruit of the Loom had protested the IRS's asserted tax deficiencies for these six years with respect to a number of issues and also had raised certain affirmative tax issues that bear on these years. Settlement agreements now have been reached with the IRS Appeals Office with respect to all the 1978–1980 and 1981–1983 protested and affirmative issues. Based on these agreements Fruit of the Loom expects to make no payments of tax or interest to settle all six years. The settlements reached with the IRS Appeals Office and the computations of tax are subject to further IRS administrative processing and the settlements for four of the six years are also subject to review by the Joint Committee on Taxation of the United States Congress.

In an unrelated matter, the IRS declined to seek United States Supreme Court review of a decision by the U.S. Court of Appeals for the Third Circuit which reversed a lower court ruling and directed the lower court to order a refund to Fruit of the Loom of approximately $10,500,000 in federal income taxes collected from a predecessor of Fruit of the Loom, plus $49,400,000 in interest. Fruit of the Loom received the full refund of approximately $60,000,000 in March 1992.

Contracts

CONTROL DATA CORPORATION (DEC)

	1991	1990
	(Dollars in millions)	
Current Assets		
Cash and equivalents	$210,9	$242,7
Marketable securities	—	108.3
Trade and other receivables		
Trade, less allowance of $14.3 and $13.2	221.4	206.0
Unbilled	82.3	103.5
Other	60.0	79.7
Total	363.7	389.2
Inventories		
Finished goods	55.5	42.4
Work in process	55.9	47.2
Raw materials and purchased parts	70.4	92.4
Total	181.8	182.0
Other current assets	35.5	28.7
Total current assets	791.9	950.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Revenue Recognition

Sales of computer systems and equipment are recognized upon shipment, installation or acceptance, depending on the particular product and contract terms. On certain long-term contracts the percentage of completion method is used. The costs and estimated earnings in excess of billings on contracts under the percentage of completion method are reported as unbilled accounts receivable. Revenue from rental and maintenance contracts is recognized over the period of the agreement. Services revenue is recognized when the services are performed and billable.

DOVER CORPORATION (DEC)

	1991	1990
Current Assets		
Cash and cash equivalents	$81,772,713	$108,882,416
Marketable securities (at cost, which approximates market)	45,590,131	43,510,291
Receivables (less allowance for doubtful accounts of $9,746,200 in 1991 and $8,249,536 in 1990)	367,956,222	389,336,920
Inventories	227,326,567	246,259,604
Prepaid expenses	33,721,966	26,723,708
Total current assets	756,367,599	814,712,939

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Accounts Receivable:

Accounts receivable include retainage which has been billed, but which is not due pursuant to retainage provisions in elevator construction contracts until completion of performance and acceptance by the customer. This retainage aggregated $26,120,000 at December 31, 1991, $32,678,000 at December 31, 1990, and $33,554,000 at December 31, 1989. Substantially all retained balances are collectible within one year.

HERCULES INCORPORATED (DEC)

	1991	1990
	(Dollars in thousands)	
Current Assets		
Cash and cash equivalents	$ 178,618	$ 224,695
Accounts receivable (Note 13)		
Trade	656,743	654,182
Other	71,027	239,506
	727,000	893,688
Less allowance for doubtful accounts	7,732	7,242
Total Accounts Receivable	720,038	886,446
Inventories		
Finished products	259,494	239,678
Materials, supplies and work in process	252,912	249,042
Total Inventories	512,406	488,720
Total Current Assets	1,411,062	1,599,861

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands)

13. Accounts Receivable

Trade accounts receivable include amounts under long-term contracts and subcontracts (principally with the U.S. Government or U.S. Government contractors) of $296,861 at December 31, 1991 and $296,314 at December 31, 1990, net of progress payments of $347,953 and $289,975, respectively. Included in these amounts are unbilled accounts receivable (work in progress) of $191,591 and $210,704, respectively, representing recoverable costs and accrued profits which will be billed in accordance with contract terms and delivery schedules. Receivables which will not be collected within one year are $131,176 at December 31, 1991 and $52,551 at December 31, 1990. Amounts included in accounts receivable representing retainages under contracts and amounts subject to further negotiations are not significant.

Long-term U.S. Government contracts and subcontracts are subject to termination by the Government; however, in these circumstances an equitable settlement of work performed is negotiated unless in the unlikely event it is determined to be a termination for default. Additionally, certain contracts are subject to renegotiation.

Accounts receivable "other" at December 31, 1990 includes $133,856 for third party financing transactions entered into by an export sales subsidiary.

Receivables From Investees/Affiliates

CLARK EQUIPMENT COMPANY (DEC)

	1991	1990
	(Amounts in thousands)	
Current Assets		
Cash, cash equivalents, and short-term investments	$183,296	$ 70,300
Accounts and notes receivable, less allowances of $8.7 million and $7.3 million, respectively	116,769	134,330
Accounts receivable from associated companies	2,731	2,566
Refundable income taxes	7,400	7,882
Inventories	184,023	221,188
Investment in discontinued operations	9,111	9,578
Prepaid income taxes	4,200	7,117
Other current assets	12,880	14,962
Total current assets	520,410	467,923

DRESSER INDUSTRIES, INC. (OCT)

	1991	1990
	(In Millions)	
Current Assets		
Cash and cash equivalents	$ 284.9	$ 360.9
Notes and accounts receivable		
Public	695.9	771.5
Unconsolidated affiliates	19.3	19.0
	715.2	790.5
Less allowance for doubtful receivables	25.9	29.3
	689.3	761.2
Inventories		
Finished products and work in process	430.4	428.9
Raw materials and supplies	83.4	97.5
	513.8	526.4
Deferred income taxes	95.0	79.9
Prepaid expenses	25.4	28.5
Total current assets	1,608.4	1,756.9

Finance Receivables

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

	1991	1990
	(Dollars in millions)	
Current Assets:		
Cash	$ 1,171	$ 1,189
Cash equivalents	2,774	2,664
Marketable securities, at cost, which approximates market	1,206	698
Notes and accounts receivable—trade, net of allowances	15,391	15,306
Sales-type leases receivable	7,435	5,682
Other accounts receivable	1,491	1,656
Inventories	9,844	10,108
Prepaid expenses and other current assets	1,657	1,617
	40,969	38,920

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investments and Sundry Assets (In Part):

	At December 31:	
(Dollars in millions)	1991	1990
Net investment in sales-type leases*	$21,405	$16,914
Less: current portion (net)	7,435	5,682
	13,970	11,232

*These leases relate to IBM equipment and are for terms generally ranging from three to five years. Net investment in sales-type leases includes unguaranteed residual values of approximately $1,470 million and $1,350 million at December 31, 1991 and 1990, and is reflected net of unearned income at these dates of approximately $4,300 million and $3,600 million, respectively. Scheduled maturities of minimum lease payments outstanding at December 31, 1991, expressed as a percentage of the total, are approximately as follows: 1992, 38 percent; 1993, 29 percent; 1994, 20 percent; 1995, 10 percent; 1996 and after, 3 percent.

WHIRLPOOL CORPORATION (DEC)

	1991	1990
	(millions of dollars)	
CURRENT ASSETS		
Cash and equivalents	$ 42	$ 78
Trade receivables, less allowances of $47 in 1991 and $41 in 1990	846	943
Financing receivables and leases, less allowances	1,190	943
Inventories	698	801
Prepaid expenses and other	111	110
Deferred income taxes	33	25
TOTAL CURRENT ASSETS	2,920	2,900

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Financing Receivables and Leases

December 31 (millions of dollars)	1991	1990
Financing receivables	$1,663	$1,312
Leveraged leases	112	57
Direct financing leases	113	183
Other operating leases	159	76
	2,047	1,628
Unearned income	(128)	(106)
Estimated residual value	129	67
Allowances for doubtful accounts	(30)	(18)
Total financing receivables and leases	2,018	1,571
Less current portion	1,190	943
Long-term portion	$ 828	$ 628

Deferred income tax liabilities relating to leveraged and direct financing leases were $95 million at December 31, 1991 and $85 million at December 31, 1990.

Financing receivables and leases at December 31, 1991 include $350 million due from household appliance and electronics dealers and $388 million resulting from aerospace financing transactions. These amounts are generally secured by the assets financed. Financing receivables and leases also include $402 million of commercial receivables which generally consist of receivables from companies with high debt to equity ratios as a result of buyouts, acquisitions, or recapitalization transactions. The borrowers in this portfolio generally are middle-market companies located throughout the U.S. Non-earning finance receivables totaled $55 million at December 31, 1991.

Financing receivables and minimum lease payments receivable at December 31, 1991 mature contractually as follows:

(millions of dollars)	Financing Receivables	Leveraged and Direct Financing Leases	Other
1992	$1,190	$ 44	$ 22
1993	153	37	21
1994	88	21	20
1995	85	19	20
1996	41	14	20
Thereafter	106	84	34
	$1,663	$219	$137

Installment Receivables

DEERE & COMPANY (OCT)

(In millions of dollars) **ASSETS**	1991	1990
Cash and cash equivalents	$ 278.5	$ 185.4
Marketable securities carried at cost	856.6	801.0
Receivables from unconsolidated subsidiaries and affiliates	17.8	3.0
Dealer accounts and notes receivable—net	2,966.6	3,099.9
Credit receivables—net	4,745.6	3,895,8
Other receivables	108.9	141.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Credit Receivables

Credit receivables at October 31 consisted of the following in millions of dollars:

	1991	1990
Retail notes:		
John Deere equipment:		
Agricultural	$3,216	$2,402
Industrial	591	594
Lawn and grounds care	237	256
Non-Deere equipment	1,545	1,401
Total	5,589	4,653
Revolving charge accounts	240	199
Financing leases	207	237
Wholesale notes	91	81
Total credit receivables	6,127	5,170
Less:		
Unearned finance income:		
Deere notes	652	560
Non-Deere notes	621	612
Financing leases	27	31
Total	1,300	1,203
Allowance for doubtful receivables	81	71
Credit receivables—net	$4,746	$3,896

Credit receivables have significant concentrations of credit risk in the agricultural, industrial, lawn and grounds care, and recreational (non-Deere equipment) business sectors. At October 31, 1991 and 1990, the portions of credit receivables related to the agricultural equipment business were 60 percent and 56 percent, those related to the industrial equipment business were 12 percent and 14 percent, those related to the lawn and grounds care equipment business were seven percent and eight percent, and those related to the recreational equipment business were 21 percent and 22 percent, respectively. On a geographic basis, there is not a disproportionate concentration of credit risk in any area. The company retains as collateral a security interest in the equipment associated with retail notes and leases.

Credit receivable installments, including unearned finance income, at October 31, are scheduled as follows in millions of dollars:

	1991	1990
Due in months:		
0-12	$1,961	$1,637
13-24	1,381	1,176
25-36	1,006	833
37-48	675	522
49-60	385	320
Thereafter	719	682
Total	$6,127	$5,170

The maximum maturities for retail notes are generally six years for agricultural equipment, five years for industrial equipment, six years for lawn and grounds care equipment and 15 years for non-Deere equipment. The maximum term for financing leases is five years, while the maximum maturity for wholesale notes is 12 months.

The company's United States credit subsidiary, John Deere Capital Corporation, and certain foreign subsidiaries sold retail notes to other financial institutions and received proceeds at the time of sale of $6 million in 1991, $590 million in 1990 and $294 million in 1989. At October 31, 1991 and 1990, the net unpaid balances of retail notes previously sold were $247 million and $534 million, respectively. The company is subject to a limited repurchase obligation which had a maximum exposure of $26 million and $62 million at October 31, 1991 and 1990, respectively. The retail notes sold are collateralized by security agreements on the related machinery sold to the customers. There is a minimal amount of credit and market risk due to monthly adjustments to the sale price of retail notes. There is no anticipated credit risk related to nonperformance by the counterparties.

The allowance for doubtful credit receivables represented 1.68 percent and 1.80 percent of credit receivables outstanding at October 31, 1991 and 1990, respectively. In addition, at October 31, 1991 and 1990, the company's credit subsidiaries had $115 million and $107 million, respectively, of deposits withheld from dealers and merchants available for potential credit losses. An analysis of the allowance for doubtful credit receivables follows in millions of dollars:

	1991	1990	1989
Balance, beginning of the year	$ 71	$ 58	$ 47
Provision charged to operations	68	50	27
Amounts written off	(58)	(37)	(20)
Transfers			4
Balance, end of the year	$ 81	$ 71	$ 58

Allowances for doubtful credit receivables are maintained in amounts considered appropriate in relation to the receivables and leases outstanding based on estimated collectibility and collection experience. The significantly

higher provisions and write-offs in 1991 and 1990 resulted from an increase in credit receivables and leases financed and higher write-offs of uncollectible receivables and leases, particularly non-Deere related notes. The total "Provision for doubtful receivables" is included in the "Statement of Consolidated Cash Flows" on pages 32 and 33.

LUFKIN INDUSTRIES, INC. (DEC)

	1991	1990
	(Thousands of dollars)	
Current assets:		
Cash	$ 170	$ 1,498
Temporary investments	5,367	16,138
Accounts receivable, less allowances of $225	36,975	22,732
Installment notes, less allowances of $650	26,462	36,575
Inventories	23,680	17,153
Total current assets	$92,654	$94,096

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Part): Summary of Major Accounting Policies

Installment Notes: Installment notes due after one year which equaled $16,404,000 at December 31, 1991 and $23,115,000 at December 31, 1990 are included in current assets.

Sale of Assets

AM INTERNATIONAL, INC. (JUL)

	1991	1990
	(Dollars in thousands)	
Current assets:		
Cash and cash equivalents	$ 20,553	$ 50,125
Receivable from divestiture	52,500	—
Accounts receivable, net	134,108	162,197
Inventories, net	132,553	171,143
Prepaid expenses and other assets	10,517	13,129
Total current assets	$350,231	$396,594

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

Note 8 (In Part): Unusual Items

On July 31, 1991, the Company sold certain assets and liabilities of its Bruning operations to Océ-van der Griten N.V. Under the terms of the agreement, the net assets of the Bruning operations in the United States, Canada and New Zealand were sold for $52,500 in cash. The sale proceeds were received on August 15, 1991. Revenues of the divested Bruning operations were $105,900, $127,000 and $129,800 in 1991, 1990 and 1989, respectively. The gain on the sale was $19,550, net of sale-related allowances of $10,200. In addition, a provision was recorded in the fourth quarter of $14,200 for further restructurings of the remaining core businesses and other items. These actions primarily include additional reductions in the workforce and consolidations of facilities.

AMERON, INC. (NOV)

	1991	1990
Current Assets		
Cash and cash equivalents	$ 13,536,000	$ 5,383,000
Receivables, less allowance of $4,838,000 in 1991 and $3,923,000 in 1990	83,079,000	89,638,000
Receivable due from building sale	21,000,000	—
Inventories	70,534,000	75,924,000
Deferred income tax benefits	8,607,000	8,607,000
Prepaid expenses and other	5,979,000	4,980,000
Total current assets	$202,735,000	$184,532,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Sale of Assets

In the fourth quarter of 1991, the Company sold, under the threat of condemnation, its corporate headquarters facility for $21 million. The net pretax gain from the sale was $15,054,000.

In the third quarter of 1989, the Company sold assets of its Steel Wire Division for $7,600,000. The net pretax gain from the sale was $1,500,000.

THE MEAD CORPORATION (DEC)

	1991	1990
	(All dollar amounts in millions)	
Current assets:		
Cash and cash equivalents	$ 24.6	$ 21.1
Accounts receivable, less allowance for doubtful accounts of $27.9 in 1991 and $24.0 in 1990	533.3	528.9
Receivable from sale of business (collected in January 1992) (Note K)	45.0	
Inventories	454.6	394.6
Prepaid Expenses	35.4	37.4
Total current assets	1,092.9	982.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

K—Other Revenues—Net

(All dollar amounts in millions)

Year Ended December 31	1991	1990	1989
Investment income	$ 2.9	$ 6.7	$15.8
Gain on sale of business	44.1		23.1
Other	17.5	17.0	18.5
	$64.5	$23.7	$57.4

The gains on sales of businesses resulted from the sales of wholly-owned subsidiaries. Realized after-tax gains were $26.4 million in 1991 ($.45 per share) and $15.5 million in 1989 ($.23 per share). Net assets and results of operations of these subsidiaries were not material.

Current Portion Of Long-Term Receivables

ANACOMP, INC. (SEP)

	1991	1990
	(Dollars in thousands)	
Current assets:		
Cash and cash equivalents	$ 19,811	$ 11,577
Accounts and notes receivable, less allowances for doubtful accounts of $8,619 and $8,734, respectively	122,939	124,799
Current portion of long-term receivables	5,343	5,204
Inventories	65,931	79,159
Net assets held for disposition	21,223	27,330
Prepaid expenses and other	6,975	9,537
Total current assets	242,222	257,606

Insurance Claim

BELLWETHER EXPLORATION COMPANY (JUN)

	1991	1990
Current assets:		
Cash and cash equivalents	$203,134	$545,066
Insurance claim receivable (Note 5)	909,693	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Insurance Claim Receivable

In August 1990 the Company successfully recompleted the Ledet #4, Melodia Field, Lafourche Parish, Louisiana; however, a leak led to an underground blowout which resulted in collapsed casing. The Company's third attempt to drill a sidetrack hold around the collapsed casing has been successful. A claim was filed with the Company's insurance carrier on November 8, 1990 under its well control insurance policy, which covers underground as well as above ground blowouts. This well was successfully recompleted in February 1991 and production recommenced on February 22. The Company had incurred costs of $2,300,000 to recomplete this well, of which $1,800,000 was deemed to be recoverable under the insurance policy. Through June 30, 1991 $890,000 had been received from the insurance carriers and the remainder was received in August 1991.

Related Party

DESIGNCRAFT INDUSTRIES, INC. (FEB)

	1991	1990
Current assets:		
Cash	$ 222,250	$ 129,060
Accounts receivable—net of allowance of $303,000 and $306,000 for possible losses	1,640,317	2,377,321
Receivable from related party (Note 2)	221,912	205,314
Inventories (Note 1)	—	1,125,512
Restricted cash	759,234	1,459,091
Prepaid expenses and other current assets	250,732	630,944
Assets held for sale	5,477,457	—
Total current assets	$8,571,902	$5,927,242

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Related Party Transactions

The Company leases property and has advanced funds to companies owned by the Chairman of the Board who is also the principal stockholder of the Company. At February 28, 1991 and 1990, the Company had advanced $221,912 and $205,314, respectively. Such advances are repayable January 23, 1992 plus interest at 9½% per annum.

The Company leased approximately $606,000 of machinery and equipment during fiscal 1991 from a corporation owned by the Chairman of the Board. The transaction was accounted for as a capital lease and such equipment was included in assets held for sale as of February 28, 1991 (See Note 8). On April 22, 1991, concurrent with the sale of substantially all the assets of a subsidiary, the capitalized lease obligation was paid. Neither the related corporation nor the Company realized a gain or loss on this transaction.

Litigation Settlement

UNC INCORPORATED (DEC)

	1991	1990
	(Dollars in thousands)	
Current assets		
Cash and short-term investments	$ 1,240	$ 3,444
Accounts receivable, less allowance for doubtful accounts of $6,949 and $3,200, respectively	72,476	69,477
Receivable from litigation settlement	67,500	—
Unbilled costs and accrued profits on contracts in progress	13,519	7,347
Inventories	89,840	89,369
Other	12,199	18,692
Total current assets	256,774	188,329

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Discontinued Operations and Related Litigation Settlements

In December 1991, a subsidiary of the Company entered into an agreement with the U.S. Government to settle claims against the U.S. Government for the taking of uranium mining leases in 1978 by the Secretary of the Interior. The total amount of the settlement was $67.5 million which was recorded as a receivable from litigation settlement at December 31, 1991, and subsequently received by the Company in January 1992. This settlement, net of related costs, is reflected above as a net gain on litigation settlement related to the minerals business.

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1991	1990	1989	1988
Receivables sold to finance subsidiaries	9	13	27	46
Receivables sold to independent entities	67	67	48	47
Receivables used as collateral	48	55	39	44
Total References	**124**	**135**	**114**	**137**
Reference to receivable financing	120	131	97	134
No reference to receivable financing	480	469	503	466
Total Companies	**600**	**600**	**600**	**600**

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that the 1991 annual reports of 120 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 1-13.

Receivables Sold

GEORGIA-PACIFIC CORPORATION (DEC)

	1991	1990
	(Millions)	
Current assets		
Cash	$ 48	$ 58
Receivables, less allowances of $36 and $39	228	409
Inventories		
Raw materials	329	379
Finished goods	779	760
Supplies	284	238
LIFO allowance	(164)	(168)
Total inventories	1,228	1,209
Other current assets	58	90
Total current assets	1,562	1,766

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Receivables

The Corporation has a large, diversified customer base.

As of December 31, 1991 and 1990, the Corporation had sold fractional ownership interests in a defined pool of trade accounts receivable for $800 million and $850 million, respectively. The net cash proceeds are reported as operating cash flow in the accompanying statements of cash flows. The sold accounts receivable are reflected as a reduction of receivables in the accompanying balance sheets. Under the agreement, which expires in June 1994, the maximum amount of the purchasers' investment is currently $800 million and is subject to change based on the level of eligible receivables and restrictions on concentrations of receivables. 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. A portion of the cost of the accounts receivable sale program is based on the purchasers' level of investment and borrowing costs. Additionally, the Corporation pays fees based on its senior debt ratings. The total cost of the program, which was $59 million and $48 million for 1991 and 1990, respectively, is included in selling, general and administrative expense in the accompanying statements of income.

HONEYWELL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS
($ millions)

Note 7—Receivables

Receivables have been reduced by an allowance for doubtful accounts as follows:

	1991	1990
Receivables, current	$26.3	$24.9
Long-term receivables	1.7	1.4

Receivables include approximately $27.1 in 1991 and $36.7 in 1990 billed to customers but not paid pursuant to retainage provisions in construction contracts. These balances are due upon completion of the contracts, generally within one year.

Unbilled receivables related to long-term contracts amount to $206.7 in 1991 and $191.1 in 1990 and are generally billable and collectible within one year.

Long-term, interest-bearing notes receivable from the sale of assets have been reduced by valuation allowances of $7.9 in 1991 and $5.5 in 1990 to an amount that approximates realizable value.

In September 1990, Honeywell entered into a five-year agreement whereby it can sell an undivided interest in a designated pool of trade accounts receivable on an ongoing basis. The maximum allowable amount of receivables to be sold, initially set at $100.0, was reduced to $75.0 in November 1991. As collections reduce accounts receivable balances included in the pool, Honeywell may sell participating interests in new receivables to bring the amount sold up to the $75.0 maximum. The uncollected balance of receivables sold amounted to $65.0 and $100.0 at December 31, 1991 and 1990, respectively, and averaged $81.0 and $100.0 during those respective years. The discount recorded on sale of receivables is included in selling, general and administrative expenses in the income statement and amounted to $5.3 in 1991 and $2.8 in 1990. Honeywell retains collection and administrative responsibilities on the participating interests sold as agent for the purchaser.

IMC FERTILIZER GROUP, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions except as otherwise indicated)

Note 5. Current Receivables, Net

	1991	1990
Trade accounts	$100.4	$ 91.7
Non-trade receivables	24.3	15.4
	124.7	107.1
Less:		
Allowances	1.9	2.2
Receivable interest sold	50.0	50.0
	$ 72.8	$ 54.9

In 1990, the Company entered into a five-year agreement with a financial institution whereby the Company sold an undivided interest in designated receivables up to a maximum of $50 million, on an ongoing basis, subject to limited recourse provisions. Related costs, charged to interest earned and other non-operating income, totaled $4.1 and $1.9 million in 1991 and 1990, respectively. Proceeds from the sale of receivable interests were used to reduce outstanding borrowings under the Company's revolving credit agreement.

THE PITTSTON COMPANY (DEC)

	1991	1990
	(In thousands)	
Current assets:		
Cash and cash equivalents	$ 41,054	23,268
Short-term investments	18,548	16,945
Accounts receivable:		
Trade (Note 2)	243,327	245,397
Other	18,337	18,337
	261,664	263,734
Less estimated amount uncollectible	15,984	18,830
	245,680	244,904
Inventories:		
Coal	26,913	30,474
Other	11,630	12,246
	38,543	42,720
Prepaid expenses	21,573	23,723
Deferred income taxes	33,342	—
Total current assets	398,740	351,560

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Accounts Receivable—Trade

In 1991, the Company entered into agreement with two financial institutions whereby it has the right to sell certain coal receivables, with recourse, to those institutions from time to time until June 30, 1992. The maximum amount of outstanding receivables that may be owned by the financial institutions is $25,000,000 in the aggregate. The Company sold total coal receivables for approximately $2,776,000 in 1991 under these agreements.

In 1985, the Company entered into an agreement whereby it had the right to sell certain coal receivables, with limited recourse, to a financial institution from time to time until December 31, 1991. The maximum amount of outstanding receivables that could be owned by the financial institution was $35,000,000. The Company sold total coal receivables of approximately $10,706,000 in 1991 and $7,155,000 in 1989 under this agreement. No receivables were sold in 1990.

As of December 31, 1991 and 1990, there were no receivables sold which remained to be collected.

ROHR INDUSTRIES, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounts Receivable (In Part)

The company has an agreement with a financial institution whereby the company can sell on an ongoing basis and without recourse up to $120 million of an undivided interest in designated receivables and receivable equivalents. At July 31, 1991 and 1990, the company had sold an aggregate of $120 million and $100 million, respectively, in receivables under this agreement. In addition, at July 31, 1990, an aggregate of $20 million of receivable equivalents had been sold and reported as a reduction to net inventories. An undivided interest in new invoices is sold daily to maintain the participation interest at $120 million. Under the agreement, the company also acts as an agent for the purchaser by performing record keeping and collection functions on the participation interest sold. The costs associated with the sale, which approximate the purchaser's cost of issuing commercial paper plus ½ of 1 percent, were $9.2 million and $9.8 million in fiscal 1991 and 1990, respectively, and have been reflected as a reduction in sales value.

SCOTT PAPER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Receivables

(Millions)	Dec. 28 1991	Dec. 29 1990
Customer receivables	$574.2	$737.5
Allowance for discounts and doubtful items	(28.2)	(35.1)
	546.0	702.4
Other receivables	123.9	126.7
	$669.9	$829.1

During the third quarter of 1991, the Company entered into an agreement to sell a percentage ownership interest in a defined pool of the Company's customer receivables. Under terms of the agreement, the Company has retained substantially the same risk of credit loss as if the receivables had not been sold. Proceeds from the sale during the third quarter, which were used to reduce outstanding commercial paper, were $100 million. Generally, collections on receivables are automatically reinvested in new receivables unless either party terminates the agreement. The proceeds are reported as operating cash flows in the Company's statement of cash flows and a reduction of receivables in the Company's balance sheet. The Company pays fees based on the purchaser's level of investment and borrowing costs. During 1991, the Company recorded $2.1 million of these fees as other costs and expenses from operations.

WESTERN DIGITAL CORPORATION (JUN)

	1991	1990
	(in thousands)	
Current assets:		
Cash and cash equivalents of $18,114 in 1991 and $15,763 in 1990	$ 36,061	$ 39,288
Accounts receivable, less allowance of $5,474 in 1991 and $3,063 in 1990 (Note 3)	140,481	155,020
Inventories	174,469	172,182
Prepaid expenses	2,669	21,240
Total current assets	353,680	387,730

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands)

3. Sale of Accounts Receivable

In August 1988, the Company entered into a three-year agreement with a bank whereby the Company agreed to sell undivided fractional interests in designated pools of domestic trade receivables. In November 1991, this agreement, in an amount not to exceed $42,500, was extended through July 1, 1993. In order to maintain a constant balance in the designated pools of trade receivables sold, the Company sells participating interests in new receivables as existing receivables are collected. The Company also had a similar agreement with a financial institution to sell certain European trade receivables in an amount not to exceed $20,000. This agreement expired in March 1991 at which time the outstanding balance was repaid. Under the terms of the agreement, the Company is obligated to pay fees which approximate the purchasers' cost of issuing a like amount of commercial paper plus certain administrative costs. The amount of such fees is included in selling, general and administrative expense and was $4,139, $5,449 and $4,269 for 1991, 1990 and 1989, respectively. The agreement contains certain covenants requiring the maintenance of various financial ratios. If these covenants are not met or if an event of default under the secured committed credit facility were to occur, the bank could be entitled to terminate this agreement and liquidate the assets held thereunder. The Company is contingently liable for the collection of a percentage of the receivables sold; however, management believes that the allowance for doubtful accounts will be adequate and no additional liabilities will be incurred. During 1991 and 1990, proceeds of approximately $1,300 and $22,000 were received upon sale of receivables and as of June 30, 1991 and 1990, approximately $40,000 and $58,000, respectively, in receivables were outstanding under the agreements and are therefore not reflected in the accounts receivable balance. The agreement required periodic reductions in the amount of trade receivables which may be sold of $2,000 in April 1992, $2,000 in July 1992, $3,000 in January 1993 and $3,000 in April 1993. Any trade receivables sold in excess of the revised maximum amount must be repaid at the time that the new amount of trade receivables which may be sold goes into effect. In addition, a portion of proceeds received from the sale of selected Company assets will be used as a permanent reduction of the amount available under the agreement.

Receivables Used As Collateral

BETHLEHEM STEEL CORPORATION (DEC)

	1991	1990
	(Dollars in millions)	
Current Assets:		
Cash and cash equivalents	$ 83.8	$ 273.5
Receivables, less allowances of $18.1 and $19.2 (Note F)	413.7	451.1
Inventories	453.4	468.3
Other current assets	6.9	10.3
Total Current Assets	957.8	1,203.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F (In Part): Long-Term Debt

Under the 1987 revolving credit agreement, the Company may borrow a total of $500 million subject to collateral coverage requirements. On March 15, 1992, the maximum loan amount under this credit agreement will be reduced to $469 million and will continue to be reduced by $31 million on a quarterly basis over a four-year period. Accounts receivable and inventories are pledged as collateral for any borrowings and letters of credit under this credit agreement and for certain other debt obligations to participating banks. Borrowings outstanding at December 31, 1991 were $50 million and incur interest based on the prime rate, certificate of deposit rates or LIBOR. The Company pays a quarter of 1% per annum facility fee on the available credit and an eighth of 1% per annum commitment fee on the unused available credit.

TEMTEX INDUSTRIES, INC. (AUG)

	1991	1990
	(in thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$ 590	$ 679
Accounts receivable—Note D:		
Trade receivables, less allowance for doubtful accounts: 1991—$299,000 and 1990—$358,000	3,023	3,066
Other	341	36
Inventories	5,524	6,551
Prepaid expenses	149	389
TOTAL CURRENT ASSETS	9,627	10,721

Note D (In Part): 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. The note bears interest at an annual rate of 2.5% over a specified bank's prime commercial interest 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, 1991, $3,538,443 was outstanding.

Long-term obligations are summarized as follows:

	1991	1992
	(in thousands)	
Long-term obligations:		
Term bank loan, due in monthly installments of $45,000 through 1993	$ 825	$1,365
Term bank loan, due in quarterly installments of $68,000 through 1996	1,435	1,708
Capitalized lease obligations, with interest at 9.3% to 15.7%—Note G	1,437	1,481
Equipment notes with interest at 9.8% to 12.3%, due in monthly installments ending in 1997	178	—
	3,875	4,554
Less current maturities	936	904
	$2,939	$3,650

Annual maturities of long-term obligations for each of the five succeeding fiscal years are $936,000, $671,000, $376,000, $368,000, and $369,000.

At August 31, 1991, substantially all inventories, property, plant and equipment, and accounts receivable are pledged as collateral.

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

	1991	1990	1989	1988
Allowance for doubtful accounts	273	269	281	287
Allowance	157	150	145	145
Allowance for losses	24	23	26	26
Allowance for uncollectible accounts	9	11	13	11
Reserve	14	13	12	12
Reserve for doubtful accounts	6	7	7	9
Other caption titles	26	24	17	18
	509	497	501	508
Receivables show net	12	19	14	10
No reference to doubtful accounts	79	84	85	82
Total Companies	**600**	**600**	**600**	**600**

INVENTORIES

Chapter 4 of *ARB No. 43* states that the "primary basis of accounting for inventories is cost..." but "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. 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."

Seventy-three 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 2-9 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.

Examples of disclosure and reporting practices for inventories follow.

TABLE 2-8: INVENTORY COST DETERMINATION

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Methods				
First-in first-out (fifo)	421	411	401	396
Last-in first-out (lifo)	361	366	366	379
Average cost	200	195	200	213
Other	50	44	48	50
Use of LIFO				
All inventories	23	20	26	20
50% or more of inventories	186	186	191	207
Less than 50% of inventories	95	92	99	90
Not determinable	57	68	50	62
Companies Using LIFO	**361**	**366**	**366**	**379**

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1991		1990	
	No.	**%***	**No.**	**%***
Foods:				
Meat products	3	50	3	50
Dairy products	1	50	1	50
Canning	2	50	2	50
Packaged and bulk	8	53	9	60
Baking	1	33	1	50
Sugar, confections	3	100	3	100
Beverages	7	100	7	100
Tobacco products	3	60	3	60
Textiles	16	70	16	69
Paper products	20	95	20	95
Printing, publishing	12	63	12	60
Chemicals	26	79	26	81
Drugs, cosmetics	15	58	15	58
Petroleum	26	87	26	87
Rubber products	7	88	7	88
Shoes—manufacturing, merchandising	5	62	6	75
Building:				
Cement	2	40	3	60
Roofing, wallboard	6	86	6	86
Heating, plumbing	1	25	—	—
Other	12	67	11	65
Steel and iron	15	75	14	74
Metal—nonferrous	10	59	10	59
Metal fabricating	17	85	17	85
Machinery, equipment and supplies	26	74	27	77
Electrical equipment, appliances	8	42	9	43
Electronic equipment	8	22	8	22
Business equipment and supplies	5	20	5	23
Containers	5	71	5	71
Autos and trucks (including parts, accessories)	18	69	18	70
Aircraft and equipment, aerospace	3	25	4	33
Railway equipment, shipbuilding	1	25	1	20
Controls, instruments, medical equipment, watches and clocks	13	50	13	52
Merchandising:				
Department stores	3	100	4	100
Mail order stores, variety stores	2	100	2	100
Grocery stores	12	92	12	92
Other	5	62	5	62
Motion pictures, broadcasting	—	—	—	—
Widely diversified, or not otherwise classified	34	43	35	44
Total Companies	**361**	**60**	**366**	**61**

*Percent of total number of companies for each industrial classification included in the survey.

FIFO

AULT INCORPORATED (MAY)

	1991	1990
Current Assets		
Cash and cash equivalents	$ 75,926	$ 883,176
Trade receivables, less allowance for doubtful accounts 1991 $21,000; 1990 $12,000	3,506,556	3,134,390
Inventories (Note 2)	2,890,871	2,212,657
Prepaid and other expenses	486,490	245,019
Total current assets	$6,959,843	$6,475,242

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market.

Note 2. Inventories

The components of inventory at June 2, 1991, and May 27, 1990, are as follows:

	1991	1990
Raw materials	$2,162,746	$1,700,712
Work in process	91,947	27,333
Finished goods	636,178	484,612
	$2,890,871	$2,212,657

The inventory amounts at June 2, 1991, are presented net of a $110,000 inventory valuation allowance. No allowance was established for the year ended May 27, 1990.

CULBRO CORPORATION (NOV)

	1991	1990
	(dollars in thousands)	
Current Assets		
Cash and cash equivalents	$ 12,233	$ 2,524
Receivables, less allowance of $2,416 (1990—$2,515)	35,366	62,466
Inventories	98,132	123,750
Other current assets	5,517	5,423
Total current assets	$151,248	$194,163

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories

Inventories are stated at the lower of cost or market. The first-in, first-out (FIFO) or average cost method is used to determine the cost of inventories, except in the Eli Witt distribution business which uses substantially the last-in, first-out (LIFO) method. Eli Witt's inventories consist mainly of cigarettes, tobacco, confectionery, grocery and paper products. The Corporation believes that the LIFO method results in a better matching of the costs and revenues of Eli Witt.

Raw materials include tobacco in process of aging and landscape nursery stock, a substantial amount of which will not be used or sold within one year. It is the practice in these industries to include such inventories in current assets. Raw materials also include tobacco in bond which is subject to customs duties payable upon withdrawal from bond. Following industry practice, the Corporation does not include such duties in inventories until paid.

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

Note 5 (In Part): Supplementary Financial Statement Information

Inventories

Inventories consist of:

	Nov. 30, 1991	Dec. 1, 1990
Raw materials and supplies	$62,872	$ 63,524
Work-in-process	4,180	3,938
Finished goods	31,080	56,288
	$98,132	$123,750

The cost of Eli Witt's inventories at LIFO was $20,752 and $37,435 at November 30, 1991 and December 1, 1990, respectively. On a FIFO basis, the cost of the inventories would have been $34,418 and $60,996, respectively. Cost of sales on a FIFO basis would have been higher by $9,895 in 1991, and lower by $3,035 in 1990.

At November 30, 1991 and December 1, 1990, Eli Witt's cigarette inventory quantities were less than at the end of the respective previous years, which resulted in liquidations of LIFO inventory quantities carried at lower costs. The effect in 1991 and 1990 was to increase pretax income by $17,045 and $5,225, respectively. The aforementioned supplemental information is presented for comparative purposes.

HOMASOTE COMPANY (DEC)

CURRENT ASSETS:	1991	1990
Cash and cash equivalents	$ 694,060	$ 622,831
Accounts receivable (net of allowance for doubtful accounts of $26,000 and $148,000 in 1991 and 1990, respectively)	1,637,893	2,195,882
Inventories (notes 2 and 9)	3,918,638	3,755,997
Refundable income taxes	312,288	169,313
Prepaid expenses and other current assets	305,154	281,699
Total Current Assets	$6,868,033	$7,025,722

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventory Valuation: Inventories are valued at the lower of cost or market (net realizable value), determined on the first-in, first-out basis.

Note 2—Inventories:

The following are the major classes of inventories as of December 31:

	1991	1990
Finished goods	$2,786,528	$2,661,014
Work in process	130,000	130,000
Raw materials	1,002,110	964,983
	$3,918,638	$3,755,997

Inventories include the cost of materials, direct labor and manufacturing overhead.

Note 9—Operations:

An officer of the Company is also a director of a raw material supplier of Homasote. The amount of raw material purchased from this supplier was $269,000 in 1989. There were no raw materials purchased from this supplier in 1991 or 1990.

ROWE FURNITURE CORPORATION (NOV)

	1991	1990
	($ thousands)	
Current Assets		
Cash	$ 2,085	$ 890
Marketable securities	302	334
Accounts receivable (net of allowance for losses of $150,000 in 1991 and $140,000 in 1990)	7,920	10,642
Refundable income taxes	365	404
Inventories (Note 1)		
Finished goods	1,734	1,493
Work in process	1,488	1,682
Raw materials and supplies	3,061	3,401
	6,283	6,576
Prepaid expenses	862	667
Total current assets	17,817	19,513

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories—Inventories are valued at the lower of cost (first-in, first-out) or market.

VF CORPORATION (DEC)

	1991	1990
	In thousands	
Current Assets		
Cash and equivalents	$ 162,292	$ 62,015
Accounts receivable, less allowances of $22,412 in 1991 and $15,179 in 1990	333,073	301,032
Inventories	537,027	436,657
Deferred income taxes	20,245	13,011
Other current assets	18,472	11,534
Total current assets	1,071,109	824,249

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Inventories are stated at the lower of cost or market. Inventories stated on the last-in, first-out basis represent 35% of total 1991 and 1990 inventories. Remaining inventories are valued using the first-in, first-out method.

Note C—Inventories

In thousands	1991	1990
Finished products	$321,744	$272,246
Work in process	87,338	73,912
Materials and supplies	127,945	90,499
	$537,027	$436,657

The current cost of inventories stated on the last-in, first-out method is not significantly different from their value determined under the first-in, first-out method.

LIFO

AMERICAN GREETINGS CORPORATION (FEB)

	1991	1990
	Thousands of dollars	
Current Assets		
Cash and equivalents	$ 80,533	$122,669
Trade accounts receivable, less allowances for sales return of $45,480 ($45,960 in 1990) and for doubtful accounts of $10,372 ($5,511 in 1990)	293,432	254,285
Inventories:		
Raw material	60,344	51,075
Work in process	37,400	42,139
Finished products	235,984	208,918
	333,728	302,132
Less LIFO allowance	85,945	85,226
	247,783	216,906
Display material and factory supplies	29,847	25,408
Total inventories	277,630	242,314
Deferred income taxes	54,540	51,315
Prepaid expenses and other	32,251	10,362
Total current assets	$738,386	$680,945

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Inventories:

Finished products, work in process and raw material inventories are carried at cost, principally last-in, first-out (LIFO), not in excess of market. Display material and factory supplies are carried at average cost.

CONSOLIDATED PAPERS, INC. (DEC)

	1991	1990
	(Dollars in thousands)	
Current Assets		
Cash and cash equivalents	$ 6,618	$ 12,104
Accounts and notes receivable, net of allowances of $4,255 in 1991 and $4,302 in 1990	56,672	65,937
Inventories		
Finished and partly finished products	38,412	31,788
Raw materials	28,774	28,158
Stores supplies	25,786	18,828
	92,972	78,774
Prepaid expenses	5,999	6,067
Total current assets	162,261	162,882

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

Inventories—Inventories accounted for using the last-in, first-out (LIFO) cost method (approximately 66% in 1991, 70% in 1990 and 65% in 1989) are stated at amounts which do not exceed market. If the first-in, first-out (FIFO) method of accounting for inventories had been used by the company, inventories would have been higher than that reported at December 31, 1991, 1990 and 1989, by $10,739,000, $14,526,000 and $15,758,000, respectively. The remaining inventories are stated at the lower of cost or market using the FIFO method, except for stores supplies and certain manufacturing supplies which are accounted for on a moving average cost basis.

FEDERAL PAPER BOARD COMPANY, INC. (DEC)

	1991	1990
	(In thousands)	
CURRENT ASSETS:		
Cash, including short-term investments of $159 in 1990	$ 517	$ 1,001
Accounts and notes receivable, less allowance for doubtful accounts of $2,272 in 1991 and $2,063 in 1990	87,911	158,305
Inventories:		
Paper, Paperboard and Pulp	121,293	91,668
Wood Products	9,807	7,525
Converting Operations	51,694	64,415
Total inventories	182,794	163,608
Other current assets	20,110	31,405
TOTAL CURRENT ASSETS	291,332	354,319

NOTES TO FINANCIAL STATEMENTS

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

Inventories

Inventories are valued at the lower of cost or market. Inventory costs include all direct manufacturing costs and applied overhead. Finished goods, work in process and raw materials for the Bleached Paperboard, Pulp, Wood Products and Converting facilities are determined on a last-in, first-out (LIFO) basis. Inventories for the Recycled Paperboard and Paper facilities are determined on a first-in, first-out (FIFO) basis. Supply inventories are determined on an average cost basis.

Note Three (In Part): Supplemental Balance Sheet Information

Inventories

The Company used the LIFO method of valuing its inventories for approximately 66% of total inventories at December 29, 1990. It is not practical to present inventories allocated among finished goods, work in process and raw materials because of the methods used for computing such LIFO inventories.

Net income for 1991, 1990 and 1989 was $2.6 million higher, $.5 million lower, and $2.6 million lower, respectively, as a result of using the LIFO method as compared to using the FIFO method. Earnings per share assuming full dilution were $.06 higher, $.01 lower, and $.06 lower, respectively. If the FIFO method of inventory valuation was used, inventories would have been $8.5 million higher at December 28, 1991 and $14.7 million higher at December 29, 1990.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

	1991	1990
	(Dollars in millions)	
Current Assets:		
Cash and cash equivalents	$ 163.4	$ 220.3
Short term securities	71.7	56.4
Accounts and notes receivable (Note 5)	1,315.0	1,495.2
Inventories (Note 6)	1,312.7	1,346.0
Prepaid expenses	255.9	206.3
Total Current Assets	3,118.7	3,324.2

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Inventory Pricing

Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for a significant portion of domestic inventories and the first-in, first-out (FIFO) method or average cost method for other inventories.

Note 6. Inventories

(In millions)	1991	1990
Raw materials and supplies	$ 232.0	$ 234.5
Work in process	58.1	67.5
Finished product	1,022.6	1,044.0
	$1,312.7	$1,346.0

The cost of inventories using the last-in, first-out (LIFO) method (approximately 35.0% of consolidated inventories in 1991 and 38.4% in 1990) was less than the approximate current cost of inventories by $301.9 million at December 31, 1991 and $335.4 million at December 31, 1990.

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

	1991		1990	
	(Dollars in thousands)			
CURRENT ASSETS:				
Cash and cash equivalents		$129,096		$118,821
Marketable securities and other short-term investments		71,502		72,603
Accounts receivable	$38,522		$27,471	
Less allowance for doubtful accounts	450	38,072	450	27,021
Inventories:				
Finished goods	11,938		6,844	
Work in process	1,167		920	
Raw materials	5,812		6,422	
Supplies	1,011	19,928	937	15,123
Prepaid expenses		130		134
Total current assets		258,728		233,702

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

4. Inventories: Inventories are stated at the lower of cost or market with cost being determined principally on the last-in, first-out (LIFO) method.

WEYERHAEUSER COMPANY (DEC)

	1991	1990
	Dollar amounts in thousands	
Current assets:		
Cash and short-term investments, including interest-bearing time deposits $161,483 and $100,501	$ 84,806	$ 5,256
Receivables, less allowances $10,274 and $9,422	650,438	692,445
Inventories (Note 8)	635,764	669,787
Prepaid expenses	178,177	134,280
Total current assets	1,549,185	1,501,768

NOTES TO FINANCIAL STATEMENTS

(Dollar amounts in thousands except per-share figures.)

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

Inventories

Inventories are stated at the lower of cost or market. Cost includes labor, materials and production overhead. The last-in, first-out (LIFO) method is used to cost the majority of domestic raw materials, in process and finished goods inventories; either the first-in, first-out (FIFO) or average cost method is used to cost all other inventories. Had the FIFO method been used to cost all inventories, the amounts at which product inventories are stated would have been $200,616 and $225,170 greater at December 29, 1991, and December 30, 1990, respectively.

The company has acquired companies in transactions accounted for as tax-free exchanges for federal income tax purposes. For financial reporting purposes, a new basis of accounting for the acquired companies' LIFO inventories was established. Under "purchase accounting," the acquired companies' LIFO inventories are greater than those reportable for federal income tax purposes by $1,600 at December 29, 1991, December 30, 1990, and December 31, 1989. The effect upon income was to increase cost of goods by $0 for the years 1991 and 1990 and $167 for the year 1989.

Note 8: Inventories

Inventories consist of the following:

	Dec. 29, 1991	Dec. 30, 1990
Logs and chips	$ 71,186	$ 66,683
Lumber, plywood and panels	76,710	89,447
Pulp, newsprint and paper	80,095	103,120
Containerboard, paperboard and containers	70,997	72,426
Other products	86,914	99,769
Materials and supplies	249,862	238,342
	$635,764	$669,787

Average Cost

BAKER HUGHES INCORPORATED (SEP)

	1991	1990
	(In thousands of dollars)	
Current Assets:		
Cash and short-term investments, at cost, which approximates market value	$ 51,709	$ 124,585
Receivables—less allowance for doubtful accounts: 1991, $33,446; 1990, $35,220	606,130	551,258
Inventories:		
Finished goods	442,864	389,303
Work in process	80,069	78,933
Raw materials	113,024	125,502
Total inventories	635,957	593,738
Prepaid expenses and other current assets	63,880	36,416
Total current assets	1,357,676	1,305,997

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies:
Inventories: Inventories are stated primarily at the lower of average cost or market.

WESTMORELAND COAL COMPANY (DEC)

	1991	1990
	(in thousands)	
Current assets:		
Cash and cash equivalents	$ 13,849	$43,442
Receivables:		
Coal sales	69,874	55,624
Notes	1,411	1,706
Other	5,880	4,350
	77,165	61,680
Less allowance for doubtful accounts	1,170	1,296
	75,995	60,384
Inventories:		
Coal	19,563	15,285
Mine supplies	7,492	7,506
	27,055	22,791
Other current assets	1,048	1,065
Total current assets	117,947	127,682

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventory Valuation—Inventories are stated at the lower of average cost or market.

Production Cost

TALLEY INDUSTRIES, INC. (DEC)

	1991	1990
Assets		
Cash and cash equivalents	$ 47,031,000	$ 12,038,000
Accounts receivable, net of allowance for doubtful accounts of $881,000 in 1991 and $760,000 in 1990	69,674,000	79,760,000
Inventories	76,862,000	79,039,000
Deferred income taxes	8,460,000	11,213,000
Prepaid expenses	7,024,000	4,986,000
Net assets of discontinued operations	—	41,895,000
Total current assets	209,051,000	228,931,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method for substantially all commercial inventories. Costs accumulated under government contracts are stated at actual cost, net of progress payments, not in excess of estimated realizable value.

Inventories

Inventories are summarized as follows:

(balances in thousands)	1991	1990
Raw material and supplies	$13,288	$12,921
Work-in-process	9,108	11,886
Finished goods	29,175	34,881
Inventories substantially applicable to fixed-price government contracts in process, reduced by progress payments of $15,359,000 and $9,278,000 in 1991 and 1990, respectively	25,291	19,351
	$76,862	$79,039

Market

CONAGRA, INC. (MAY)

	1991	1990
	Dollars in millions	
Current assets		
Cash	$ 92.1	$ 43.0
Cash equivalents	623.6	77.5
Receivables, less allowance for doubtful accounts of $41.1 and $32.8	1,228.9	1,305.7
Margin deposits and segregated funds	250.8	212.9
Inventories (Note 4)		
Hedged commodities	520.2	586.8
Other	1,499.6	1,062.0
Total inventory	2,019.8	1,648.8
Prepaid expenses	127.7	59.8
Total current assets	4,342.9	3,347.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Columnar dollar amounts in millions

1 (In Part): Summary of Significant Accounting Policies

Inventories

Grain, flour and major feed ingredient inventories are hedged to the extent practicable and are generally stated at market including adjustment to market of open contracts for purchases and sales. Short-term interest expense incurred to finance hedged inventories is included in cost of sales in order to properly reflect gross margins on hedged transactions. Except for certain food products and livestock inventories which are stated at the lower of last-in, first-out (LIFO) cost of market, inventories not hedged are priced at the lower of average cost or market.

4. Inventories

The major classes of inventories are as follows:

	1991	1990
BASIC FOOD COMPANIES		
Hedged commodities	$ 520.2	$ 586.8
Food products	738.6	435.7
Agricultural chemicals, fertilizer and feed	186.9	201.1
Retail merchandise	118.8	99.9
Other, principally ingredients and supplies	329.8	165.3
	1,894.3	1,488.8
FINANCE COMPANIES		
Livestock	125.5	160.0
	$2,019.8	$1,648.8

The cost of certain food products and livestock inventories stated under the last-in, first-out (LIFO) method is $187.4 million and $203.3 million at May 26, 1991 and May 27, 1990, respectively. Had these inventories been stated at lower of principally first-in, first-out (FIFO) costs or market, they would have been $67.0 million and $64.5 million greater than reported at May 26, 1991 and May 27, 1990, respectively.

Product Financing Arrangement

FIELDCREST CANNON, INC. (DEC)

	1991	1990
Current Assets	*Dollars in thousands*	
Cash	$ 9,338	$ 13,132
Accounts receivable less allowances of $15,174 in 1991 and $14,540 in 1990, principally trade	193,725	195,384
Inventories (note 2)	234,559	210,622
Prepaid income taxes	21,503	20,608
Other prepaid expenses and current assets	9,274	3,570
Total current assets	468,399	443,316

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Tabular amounts in thousands except per share

Note 1 (In Part): Significant accounting policies

Inventories—Inventories are valued at the lower of cost, determined principally on a last-in, first-out basis, or market.

Note 2: Inventories

Inventories are valued at the lower of cost or market and consisted of the following at December 31:

	1991	1990
Finished goods	$105,968	$113,190
Work in progress	76,364	60,657
Raw materials and supplies	52,227	36,775
Total	$234,559	$210,622

Approximately 78% of the inventories at year-end 1991 and 83% at year-end 1990 were valued on the last-in, first-out method (LIFO). If the first-in, first-out method of accounting had been used, inventories would have been greater by approximately $51 million and $56 million at December 31, 1991 and 1990, respectively. The LIFO allowance decreased $5.4 million in 1991 and increased $2.7 million in 1990. In 1991, reductions in LIFO inventory qualities had the effect of increasing net income by approximately $.5 million, or $.05 per share.

The Company has entered into a product financing arrangement with a vendor for the purchase of $17.4 million of cotton and wool. Accordingly, this inventory and related short-term debt have been included in the *Consolidated Statement of Financial Position* at December 31, 1991. The vendor has also made commitments, on the Company's behalf, to purchase additional amounts of these raw materials for delivery in 1992.

Note 5 (In Part): Debt

Short-term debt at December 31 was as follows:

	1991	1990
Revolving bank term debt	$165,564	$ —
Product financing arrangement	17,445	—
Total short-term debt	$183,009	$ —

The average interest rate on the product financing arrangement was 6.9% on December 31, 1991. The cotton and wool vendor, whose major customer is the Company, has a $25 million bank credit facility for the purpose of financing the purchase or raw cotton and wool. This borrowing is secured by the raw materials and the Company's purchase commitments. The Company is obligated to pay the vendor under this product financing arrangement upon its receipt of the raw materials.

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			
	1991	**1990**	**1989**	**1988**
Prepaid expenses	184	181	193	195
Prepaid expenses and other current assets	137	141	131	132
Prepaid expenses and deferred taxes	11	12	16	11
Prepaid expenses and advances	7	7	7	5
Prepaid expenses and other receivables	7	5	11	10
Employee benefits	5	7	9	11
Other captions indicating prepaid expenses	11	13	17	9

ACCLAIM ENTERTAINMENT, INC. (AUG)

	1991	1990
Current Assets		
Cash	$ 5,627,119	$ 5,196,678
Accounts receivable—net	30,738,565	12,381,846
Due from MCA	—	1,636,362
Inventories	6,087,921	25,027,222
Prepaid expenses (Note 4)	7,708,915	10,617,817
Advance payments to suppliers	4,032,528	764,272
Other current assets	2,262,735	3,960,520
Total Current Assets	56,457,783	59,584,717

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Prepaid Expenses

Prepaid expenses are comprised of the following:

	August 31, 1991	1990
Prepaid advertising costs (A)	$3,908,619	$ 5,440,642
Royalty advances (B)	3,046,417	4,719,541
Other prepaid expenses	753,879	457,634
	$7,708,915	$10,617,817

(A) Included in prepaid advertising costs are non monetary transactions arising from Software traded by the Company for advertising time. These transactions were recorded when the Software was traded at the fair value of the Software and for the fair value of the advertising time.

(B) On March 23, 1990, the Company entered into an agreement with WMS Industries, Inc. ("WMS") for the right of first option for a two year term expiring in March 1992, to acquire an exclusive right to create games based on coin-operated video arcade games released by WMS and its affiliates in exchange for 144,578 shares of the common stock of the Company together with a put option on such shares. On October 24, 1990, WMS exercised its put option on such shares and the Company redeemed such shares for a price of $1,500,000.

On June 28, 1991, the Company entered into a second option agreement with WMS under substantially the same terms and conditions to continue the exclusive right of first option until March 21, 1995. The total option fee for the second agreement is $2,000,000, payable in installments commencing September 1991 until March 1993. All payments with respect to these agreements are recoupable against future royalties in excess of minimum nonrefundable advances made in respect of games licensed under the terms of these agreements.

BMC INDUSTRIES, INC. (DEC)

	1991	1990
	(in thousands)	
Current Assets		
Cash and cash equivalents	$12,202	$ 1,938
Trade accounts and notes receivables, less allowances of $1,849 and $1,856	21,474	22,574
Inventories	29,823	42,147
Other current assets	6,814	7,239
Total Current Assets	70,313	73,898

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands)

4 (In Part): Other Assets and Other Liabilities

The following is a summary of other current assets at December 31:

	1991	1990
Molds used to produce plastic lenses	$4,628	$4,194
Prepaid expenses under equipment contract	489	490
Prepaid insurance	483	476
Deposits	38	662
Other prepaid expenses	1,176	1,417
Total other current assets	$6,814	$7,239

THE LTV CORPORATION (DEC)

	1991	1990
	(in millions)	
Current Assets		
Cash and cash equivalents	$1,168.2	$1,082.1
Receivables, less allowances for doubtful accounts of $23.9 in 1991 and $24.6 in 1990	540.2	606.1
Inventories:		
Products	590.6	589.6
Contracts in progress, less progress payments received of $585.1 in 1991 and $596.4 in 1990	399.1	464.1
Materials, purchased parts and supplies	400.0	389.6
Total	1,389.7	1,443.3
Less—Amount to reduce certain inventories to LIFO value	(180.1)	(170.9)
Total inventories	1,209.6	1,272.4
Prepaid expenses and deposits	115.1	44.1
Total Current Assets	3,033.1	3,004.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Current Assets (In Part)

Prepaid Expenses and Deposits

Prepaid expenses and deposits at December 31, 1991 primarily consist of prepaid medical expenses in a Voluntary Employees' Beneficiary Association ("VEBA") Trust. The VEBA Trust was established to prefund insurance benefits to be paid to active and retired employees who are covered under the USWA Agreement. Of the $160 million funded to the VEBA Trust, $78.5 million was recorded as a prepaid expense, $11.5 million reduced the current liability for active employees' medical costs and $70 million was recorded as a reduction to the postemployment benefits liability. See "Employee Compensation and Benefits" note. Prepaid expenses and deposits at December 31, 1990 primarily consisted of insurance deposits and prepaid expenses.

STANHOME INC. (DEC)

	1991	1990
CURRENT ASSETS:		
Cash (including interest bearing demand deposits)	$23,987,841	$27,485,055
Certificates of deposit and time deposits	5,393,568	8,338,488
Marketable securities, at cost (which approximates market value)	22,839,408	16,003,682
Notes and accounts receivable, net	105,712,988	88,600,238
Inventories	114,925,639	111,560,471
Prepaid advertising	16,369,324	16,161,283
Other prepaid expenses	4,422,005	3,241,234
Total current assets	293,650,773	271,390,451

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisition:

In May 1989, the Company acquired 100% of the capital stock of The Hamilton Group Limited, Inc. ("Hamilton"), a U.S. based direct response marketer of collectibles. The acquisition was accounted for as a purchase with the cumulative purchase price amounting to $21,300,000 including related acquisition costs. The excess of acquisition costs over the net book value acquired was recorded as goodwill. Additional contingent cash payments will be made after April 30, 1994 based on March 1, 1989 through December 31, 1993 levels of Hamilton pre-tax income. The acquisition cost and value assigned to goodwill will increase for any contingent payments made. At December 31, 1991, the net goodwill balance was $18,328,000.

Hamilton's prepaid expenses principally include advertising that is amortized over the life of product programs which is generally less than one year.

The Company's consolidated financial statements for 1989 reflect the acquisition and the operating results of Hamilton since May 1989.

UNITED FOODS, INC. (FEB)

	1991	1990
CURRENT ASSETS		
Cash and cash equivalents	$1,367,000	$1,103,000
Accounts and notes receivable, less allowance of $212,000 and $286,000 for possible losses	16,320,000	15,108,000
Inventories	54,363,000	40,159,000
Prepaid expenses and miscellaneous (Note 2)	3,047,000	2,536,000
TOTAL CURRENT ASSETS	75,097,000	58,906,000

Note 2. Prepaid Expenses and Miscellaneous

The Company incurs certain costs in connection with expanding its market position in the United States. These costs, referred to in the industry as "slotting," are deferred and amortized over a twelve-month period. Approximately $779,000 and $637,000 of deferred slotting costs are included in prepaid expenses at February 28, 1991 and 1990, respectively.

TABLE 2-11: OTHER CURRENT ASSET CAPTIONS

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Nature of Asset				
Deferred income taxes	192	178	168	143
Property held for sale	35	47	52	49
Unbilled costs	24	27	29	28
Advances or deposits	10	9	9	7
Other—identified	35	29	28	35

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

HUGHES SUPPLY, INC. (JAN)

	1992	1991
	(dollars in thousands)	
Current Assets:		
Cash and cash equivalents	$ 5,552	$ 3,181
Accounts receivable, less allowance for losses of $2,513 and $2,381	65,818	63,158
Inventories	83,369	87,935
Deferred income taxes	5,348	3,357
Other current assets	4,687	6,578
Total current assets	164,774	164,209

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes:

Effective January 26, 1991, the Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Accordingly, the Company has changed its method of accounting for income taxes from the deferred method used in prior years to the method prescribed by SFAS No. 109. Under SFAS No. 109, deferred income taxes are recognized for the tax consequences in future years of differences betweeen the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities. Prior years' financial statements have not been restated for the accounting change (see Note 4).

Note 4 (In Part): Income Taxes:

In fiscal year 1992, the Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Under the provisions of SFAS No. 109, the Company elected not to restate prior years and has determined that the cumulative effect of implementation was immaterial. Consequently, such results of operations for fiscal year 1992 have not been restated. The current year effect of the change was to decrease the net loss by approximately $450,000 ($.11 per share).

The components of the net deferred tax asset recognized in the accompanying balance sheet are as follows at January 31, 1992 (in thousands):

Deferred tax asset	$5,523
Valuation allowance	(175)
	$5,348

The types of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts that give rise to a significant portion of the deferred tax liability and deferred tax asset and their approximate tax effects are as follows at January 31, 1992 (in thousands):

	Temporary Difference	Tax Effect
Depreciation	$ (780)	$ (296)
Capital leases	1,727	656
Allowance for doubtful accounts	2,332	886
Inventory (net)	2,918	1,108
Accrued vacation	1,082	411
Environmental clean up costs	589	224
Other accrued expenses	3,350	1,272
	$11,218	$4,261

The remaining portion of the deferred tax asset results primarily from deferred compensation which is not deductible for tax purposes until paid and the write-down of fixed assets not deductible for tax purposes until disposed.

NORTHROP CORPORATION (DEC)

	1991	1990
	$ in millions	
Current assets:		
Cash and cash equivalents	$ 203.1	$172.9
Accounts receivable	860.0	844.3
Inventoried costs	693.3	720.9
Deferred state income taxes	28.0	
Prepaid expenses	22.3	46.9
Total current assets	1,806.7	1,785.0
Property, plant and equipment at cost:		
Land and land improvements	116.5	105.9
Buildings	702.8	714.8
Machinery and other equipment	1,990.1	1,925.9
Leasehold improvements	65.3	63.7
	2,874.7	2,810.3
Accumulated depreciation and amortization	(1,698.0)	(1,571.0)
	1,176.7	1,239.3
Other assets:		
Prepaid pension cost and intangible pension asset	98.1	65.4
Deferred state income taxes	12.5	
Investments in and advances to affiliates and sundry assets	33.8	4.5
	144.4	69.9
	$3,127.8	$3,094.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

Deferred income taxes arise because of differences in the treatment of income and expense items for financial reporting and income tax purposes. Effective January 1, 1991, the company adopted FASB Statement No. 109. Details of this change in accounting are disclosed on page 51. The effects of the new tax accounting relate to state and local income taxes, which are included in administrative general expenses.

The approximate effect of temporary differences and carryforwards that gave rise to deferred tax balances at December 31, 1991, were as follows:

$ in millions

	Temporary Differences		Tax Carry-	
	Deductible	Taxable	Forwards	Total
Recognition of income on contracts reported on different methods for tax purposes than for financial reporting	$ 7.6	$		$ 7.6
Retiree benefit plans expense(income)	16.3	(7.1)		9.2
Administrative and general expenses costed for tax purposes		(6.3)		(6.3)
Provision for estimated expenses	26.3			26.3
Other	3.7			3.7
Net deferred tax assets	$ 53.9	$ (13.4)		$ 40.5
Recognition of income on contracts reported on different methods for tax purposes than for financial reporting	$	$771.5	$	$771.5
Excess tax over book depreciation		93.0		93.0
Retiree benefit plans (expense)income	(75.8)	33.1		(42.7)
Administrative and general expenses costed for tax purposes		19.4		19.4
Provision for estimated expenses	(116.3)			(116.3)
Other	(17.4)			(17.4)
Tax operating and capital loss carryforwards			(151.2)	(151.2)
Tax credit carryforwards			(149.7)	(149.7)
Alternative minimum tax (AMT) credit carryforward			(20.6)	(20.6)
Net deferred tax liabilities	$(209.5)	$917.0	$(321.5)	$386.0
Gross deferred tax (assets)liabilities	$(263.4)	$930.4	$(321.5)	

The tax carryforward benefits will be used in the periods that net deferred tax liabilities mature. The expiration dates for these tax carryforward benefits are: tax operating and capital loss carryforwards—$76.6 million in 2002 and $74.6 million in 2004, and tax credit carryforwards in various amounts over the years 1992 through 2005. The AMT can be carried forward indefinitely.

Property Held For Sale

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

	1991	1990
	(dollars in thousands)	
Current Assets:		
Cash and cash equivalents	$ 8,347	$ 7,306
Accounts receivable, net of allowances for doubtful accounts of $1,407 and $1,059	47,395	60,528
Inventories	67,632	81,611
Net assets of discontinued operations	1,912	—
Prepaid expenses and other current assets	2,698	1,232
Total current assets	127,984	150,677

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands)

3 (In Part): Discontinued Operations

On March 27, 1991, Brown & Sharpe Manufacturing Company ("B&S") announced its decision to withdraw from the business of manufacturing and distributing machine tools, but to continue to provide repair parts, tools, service, and reconditioning for its machine tool products.

In conjunction with this decision, the Company sold its 50% joint venture interest in Brown & Sharpe Grinding Machines, Inc. and certain related inventory for $1,000 cash and $1,000 of deferred payment. The Company also sold its European distribution business and net assets for about $8,800 cash. The remaining net assets of discontinued operations consist of inventory of $1,816, accounts receivable of $1,660, and accrued expenses of $1,564. The disposition is expected to be completed in 1992 and is not expected to result in a loss.

DYNAMICS CORPORATION OF AMERICA (DEC)

	1991	1990
	(dollar amounts in thousands)	
Current Assets:		
Cash and cash equivalents	$ 6,561	$ 1,353
Marketable securities, at lower of cost or market (cost $1,702 and $3,503)	141	2,211
Accounts receivable, less allowances of $606 and $638	17,249	19,514
Inventories	20,505	23,710
Other current assets	1,525	2,117
Current assets of discontinued operation—Note 3	1,173	3,399
Deferred income taxes	6,265	4,497
Total Current Assets	53,419	56,801

Note 3: Discontinued Operation—Fermont Division

The Company determined to discontinue operations at its Fermont Division, a manufacturer of electrical power systems for government and commercial markets, effective as of September 30, 1991, and put the assets and business up for sale. Fermont's sales for the years ended December 31, 1991, 1990 and 1989 were $5,257,000, $11,107,000 and $10,064,000, respectively. In conjunction with the discontinuance, the Company recorded a provision for disposition of $5,600,000 for costs estimated to be incurred prior to Fermont's disposition, including $3,629,000 for operating losses during the phaseout period. The provision for disposition in the Consolidated Statements of Operations was reduced by $1,600,000 before taxes for the favorable settlement of a court action involving a contract for the sale of 60 KW engine generator sets to the Government.

The Company will fulfill all contract obligations of Fermont, including its obligations under its contract with the U.S. Government to supply 3 KW engine generator sets, currently scheduled to be completed in 1993, unless a buyer for the business assumes performance of its contracts. The Company is preparing and will be filing a claim for several million dollars against the Government for delay damages and added costs of obtaining first article approval of the prototype 3 KW genset arising out of the improper conduct of first article testing by the Government and other related matters. No amounts are included in the provision for disposition for a recovery on the claim or for Government claims or counterclaims, if any.

Purchase commitments aggregating $1,900,000 at December 31, 1991, entered into in connection with the 3 KW contract, are denominated in Italian Lira.

Current assets of the discontinued operation consist primarily of accounts receivable and inventories. Accounts payable and accrued expenses and sundry liabilities include $952,000 and $3,276,000 at December 31, 1991 and 1990, respectively, related to the division's operations.

ROBERTSON-CECO CORPORATION (DEC)

	1991	1990
	(in thousands)	
Current assets		
Cash and cash equivalents	$ 8,748	$ 12,269
Accounts and notes receivable, less allowance for doubtful accounts: 1991, $3,582; 1990, $4,282	103,432	168,006
Income tax refunds receivable	1,000	9,965
Inventories	36,663	83,494
Net assets held for sale	143,812	—
Other current assets	6,128	11,016
Total current assets	299,783	284,750

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Acquisitions and Divestitures

On February 3, 1992, the Company sold its Door Business, acquired as part of the Combination discussed above, and certain of its domestic building products and construction businesses (the "Businesses") for $135,000,000 (the "Disposition"). The Businesses include the operations of the Ceco Door Products, the Ceco Entry Systems and Ceco/Windsor Door operating units of the Company (the "Door Businesses") and that portion of the Company's H. H. Robertson Company (USA) operating unit engaged in the design, fabrication, marketing, sale and erection of industrial and architectural wall, roof and other building products systems including foam and laminated products, profile products and accessories, Versacor coatings and Resolite fiberglass products (the "X-1 Business").

The estimated loss on disposition of the Door Business is reflected as a discontinued operation and the sale of the X-1 Business is reflected as a disposal of a portion of a segment of a business. The Consolidated Statement of Income for the year ended December 31, 1990 has been restated to conform to the 1991 presentation. Revenues of the Door Business were $158,000,000 for 1991 and $27,000,000 for the two month period in 1990 subsequent to the Combination. Revenues and operating loss of the X-1 Business were $107,300,000 and $4,200,000 respectively, for the year ended December 31, 1991. The Disposition will result in a tax gain of approximately $60,000,000 which will be offset largely by net operating loss carryforwards.

The components of net assets held for sale on the Consolidated Balance Sheet include the net assets of the Door Business, the X-1 Business, a foreign subsidiary and the floor business as follows:

(Thousands)	December 31, 1991
Door Business	
Accounts receivable	$ 20,587
Inventories	18,727
Property, plant and equipment	26,079
Goodwill	51,000
Other assets	674
Accounts payable	(10,194)
Other accrued liabilities	(3,772)
Total Door Business	103,101
X-1 Business	31,977
Foreign subsidiary	5,263
Floor business	3,471
	$143,812

All amounts are included at net realizable value. In addition, liabilities excluded from the Disposition totalling $8,000,000 and $11,400,000 are included in accrued liabilities and other non-current liabilities, respectively, at December 31, 1991.

Unbilled Costs

HARRIS CORPORATION (JUN)

	1991	1990
	(In thousands)	
Current Assets		
Cash (including time deposits of $21,093,000 in 1991 and $28,508,000 in 1990)	$ 58,547	$ 81,071
Short-term securities	—	56,749
Trade accounts and notes receivable:		
Accounts receivable	592,601	599,696
Notes receivable—net	98,987	112,814
	691,588	712,510
Less allowances for collection losses	30,545	33,330
Total trade accounts and notes receivable	661,043	679,180
Unbilled costs and accrued earnings on fixed-price contracts based on percentage-of-completion accounting (less progress payments of $273,331,000 in 1991 and $270,867,000 in 1990)	267,467	266,449
Inventories	418,288	426,640
Deferred income taxes	90,827	74,682
Total current assets	1,496,172	1,584,771

HARMON INDUSTRIES, INC. (DEC)

	1991	1990
	(Dollars in thousands)	
Current assets:		
Cash and cash equivalents	$ 357	$ 498
Trade receivables, less allowance for doubtful accounts of $249,000 in 1991 and $182,000 in 1990	9,998	10,364
Costs and estimated earnings in excess of billings on uncompleted contracts (note 4)	274	90
Inventories:		
Work in process	3,538	3,615
Raw materials and supplies	8,164	8,410
	11,702	12,025
Federal and state income taxes receivable	726	831
Prepaid expenses and other current assets	279	513
Total current assets	23,336	24,321

NOTES TO FINANCIAL STATEMENTS

4. Contracts in Progress

Contract costs on uncompleted contracts are as follows:

(Dollars in thousands)	Costs and estimated earnings in excess of billings	Billings in excess of costs and estimated earnings	Total
December 31, 1991:			
Costs and estimated earnings	$ 489	$16,169	$16,658
Billings	215	18,046	18,261
	$ 274	$ (1,877)	$ (1,603)
December 31, 1990:			
Costs and estimated earnings	$ 2,451	$16,135	$18,586
Billings	2,361	17,525	19,886
	$ 90	$ (1,390)	$ (1,300)

All receivables on contracts in progress are considered to be collectible within twelve months.

WASTE MANAGEMENT, INC. (DEC)

	1990	1991
	($000's omitted)	
CURRENT ASSETS		
Cash	$ 93,513	$ 101,999
Short-term investments	139,145	120,149
Accounts receivable, less allowance of $39,366 in 1990 and $48,812 in 1991	1,231,402	1,434,442
Employee receivables	18,225	12,691
Parts and supplies	105,894	114,522
Costs and estimated earnings in excess of billings on uncompleted contracts	87,794	111,541
Prepaid expenses	228,870	249,300
Total Current Assets	$1,904,843	$2,144,644

Investment Grant Proceeds

COURIER CORPORATION (SEP)

	1991	1990
Current assets:		
Cash and cash equivalents	$ 1,619,000	$ 1,170,000
Accounts receivable, less allowance for uncollectible accounts of $475,000 in 1991 and $382,000 in 1990	23,028,000	18,538,000
Inventories	9,828,000	12,561,000
Other current assets	1,551,000	2,038,000
Total current assets	36,026,000	34,307,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

H. Courier International Relocation

In September 1990, the Company adopted a plan to relocate its international manufacturing operation in Tiptree, England and fiscal 1990 results include an associated restructuring charge of $2.1 million. As part of this restructuring, the Company sold certain assets used in the production of mass market paperbacks in November 1990, although production activities continued through January 1991. Net proceeds of approximately $2.8 million were received from this sale during fiscal 1991. In connection with this transaction, the Company purchased the remaining 20% ownership in Courier International, Ltd. for approximately $375,000.

In January 1991, the Company completed negotiations on a twenty-year lease for a new facility in East Kilbride, Scotland, a suburb of Glasgow. The operation began moving in late March 1991 while manufacturing continued to operate in Tiptree; the relocation to Scotland was completed in June 1991, with manufacturing operations in the new facility commencing start up. In addition, in January 1991, the Scottish Development Authority approved a grant to Courier of approximately $1,250,000 over three years based on achieving annual targeted employment levels and capital investments. The Company met the first-year targeted commitments for capital and employment by the end of fiscal 1991 and thus was eligible for the first-year grant of approximately $600,000, which was utilized to offset start-up costs of the new facility. Proceeds of the first-year grant of $600,000 are expected to be received in early fiscal 1992 and are included in "other current assets" in the accompanying September 28, 1991 balance sheet.

Film Rights

LEE ENTERPRISES, INCORPORATED (SEP)

	1991	1990
	(In Thousands)	
Current assets		
Cash and cash equivalents	$17,224	$16,005
Temporary investments	1,100	100
Trade receivables, less allowance for doubtful accounts 1991 $3,200; and 1990 $3,000	39,916	44,526
Receivables from associated companies	1,919	2,082
Inventories	13,934	11,955
Film rights and other	20,364	16,389
Total current assets	$94,457	$91,057

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Film rights:

Cost of film rights is stated at the lower of cost or estimated realizable value. The total cost of the rights is recorded as an asset and a liability when the program becomes available for broadcast. Cost of film rights is charged to operations utilizing principally accelerated methods. The current portion of film rights represents those rights that will be amortized in the succeeding year.

Deferred Subscription Costs

THE NEW YORK TIMES COMPANY (DEC)

	1991	1990
	Dollars in thousands	
Current Assets		
Cash and short-term investments (at cost which approximates market: 1991, $43,514,000; 1990, $30,598,000)	$ 85,198	$ 32,313
Accounts receivable (net of allowances: 1991, $30,641,000; 1990, $29,805,000)	190,643	188,569
Inventories	40,844	46,315
Deferred subscription costs	37,746	29,952
Other current assets	34,531	34,191
Total current assets	388,962	331,340

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Subscription Revenues and Costs. Proceeds from subscriptions and related costs are deferred at the time of sale and are included in the Consolidated Statements of Income on a pro rata basis over the terms of the subscriptions.

TABLE 2-12: LAND CAPTIONS

	1991	1990	1989	1988
Land	366	368	367	375
Land and improvements	122	122	124	120
Land and buildings	35	35	33	34
Land combined with other identified assets	11	13	14	13
No captions with term land	29	27	25	22
	563	565	563	564
Lines of business classification	37	35	37	36
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1991	1990	1989	1988
Buildings				
Buildings	249	249	251	255
Buildings and improvements	211	204	204	203
Buildings and land or equipment	64	66	68	67
Buildings combined with other identified assets	7	9	8	8
No caption with term buildings	32	36	33	28
	563	564	564	561
Lines of business classification	37	36	36	39
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions	**Number of Companies**			
Machinery and/or equipment	447	449	452	447
Machinery and/or equipment combined with other assets	98	104	93	91
Construction in progress	251	249	250	255
Leasehold improvements	101	100	102	101
Automobiles, marine equipment, etc.	72	71	74	80
Leased assets	78	77	73	62
Furniture and fixtures	43	46	47	40
Assets leased to others	17	19	19	19

TABLE 2-14: ACCUMULATED DEPRECIATION

	1991	1990	1989	1988
Accumulated depreciation	298	305	303	301
Accumulated depreciation and amortization	175	163	169	162
Accumulated depreciation, amortization and depletion	41	38	38	39
Accumulated depreciation and depletion	15	16	16	23
Allowance for depreciation	36	37	36	34
Allowance for depreciation and amortization	16	21	16	19
Other captions	19	20	22	22
Total Companies	**600**	**600**	**600**	**600**

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. Table 2-14 summarizes the descriptive captions used to describe the accumulated allowance for depreciation.

Examples of Property, Plant, and Equipment disclosures follow.

DBA SYSTEMS, INC. (JUN)

	1991	1990
	(In Thousands)	
Total Current Assets	$15,385	$17,970
Property—At cost (Note 1):		
Land	1,552	1,552
Buildings and improvements	8,221	9,910
Furniture and fixtures	2,241	2,280
Machinery and equipment	10,122	10,433
Leasehold improvements	885	865
Leased equipment under capital leases	247	239
Total	23,268	25,279
Less: Accumulated depreciation and amortization	9,860	9,237
Property—Net	13,408	16,042

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of significant accounting policies

Property

DBA amortizes the cost of depreciable properties over their estimated service lives. Expenditures for maintenance, repairs, and minor renewals are charged against operations. Interest cost is capitalized for qualifying assets during the assets' acquisition periods.

The approximate rates of depreciation and the methods of application are as follows:

Buildings and improvements	2.5%-3% straight-line
Furniture and fixtures	10%-33% straight-line and declining balance
Machinery and equipment	10%-33% straight-line and declining balance
Leasehold improvements	7%-50% straight-line
Leased equipment under capital leases	14%-33% straight-line

L.B. FOSTER COMPANY (DEC)

	1991	1990
	(In Thousands)	
Total Current Assets	$ 76,333	$ 88,547
Property, Plant and Equipment—at Cost (Note 4)	26,533	25,022
Other Assets	2,205	2,020
	$105,071	$115,589

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, plant and equipment—Maintenance, repairs and minor renewals are charged to operations as incurred. Major renewals and betterments which substantially extend the useful life of the property are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in income. Depreciation and amortization are provided based upon the estimated useful lives principally under the straight-line method. Leasehold improvements are amortized over the lives of the respective leases or the lives of the improvements, whichever is shorter. Pile driving equipment held for rental is classified as property, plant and equipment.

Note 4. Property, Plant and Equipment

Property, plant and equipment at December 31, 1991 and 1990 consists of the following (in thousands):

	1991	1990
Land	$ 8,736	$ 8,736
Improvements to land and leaseholds	5,536	5,565
Buildings	5,333	5,333
Machinery and equipment including equipment under capitalized leases of $1,348 in 1991	29,566	26,603
Rental pile driving equipment	6,952	6,801
Construction in progress	944	592
	57,067	53,630
Less accumulated depreciation and amortization, including accumulated amortization of capitalized leases of $88 in 1991	30,534	28,608
	$26,533	$25,022

Property, plant and equipment include certain capitalized leases. The following is a schedule, by year, of the future minimum payments under these leases, together with the present value of the net minimum payments as of December 31, 1991 (in thousands):

Year ending December 31,	Amount
1992	$ 397
1993	394
1994	394
1995	368
1996	189
After 1996	170
Total minimum lease payments	1,912
Less amount representing interest	507
Total obligation under capitalized leases	1,405
Less current portion of such obligations	295
Long-term obligations with interest rates ranging from 10.0% to 11.4%	$1,110

THE BFGOODRICH COMPANY (DEC)

	1991	1990
	(Dollars in millions)	
Total Current Assets	$ 775.9	$ 947.6
Property	1,171.0	1,155.3
Goodwill	185.3	170.7
Intangible Pension Asset	47.2	49.4
Other Assets	91.2	91.2
Total Assets	$2,270.6	$2,414,2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

Note A (In Part): Significant Accounting Policies

Property and Depreciation: Property, plant and equipment is recorded at cost with depreciation and amortization thereof, including amounts recorded under capital leases, computed principally by the straight-line method. Property is generally depreciated on accelerated methods for income tax purposes. Repairs and maintenance costs are expensed as incurred, except for chemical plant turnaround costs, which are deferred and amortized over the period benefited.

Note M: Property

Property, plant and equipment at December 31, 1991 and 1990, consisted of the following:

	1991	1990
Land	$ 22.2	$ 21.3
Buildings	403.8	367,3
Machinery and equipment	1,499.7	1,396.6
Construction	136.0	101.5
	2,061.7	1,886.7
Less allowances for depreciation and amortization	890.7	731.4
Total	$1,171.0	$1,155.3

Property includes assets acquired under capital leases, principally buildings and machinery and equipment, of $45.1 and $47.2 at December 31, 1991 and 1990, respectively. Related allowances for depreciation and amortization are $17.5 and $23.4, respectively.

Interest costs capitalized were $5.4 in 1991, $10.6 in 1990 and $4.9 in 1989.

JUNO LIGHTING, INC. (NOV)

	1991	1990
	(in thousands)	
Total current assets	$63,627	$56,726
Property and equipment		
Land	2,311	1,654
Buildings and improvements	12,860	12,442
Tools and dies	2,847	2,463
Machinery and equipment	2,729	2,611
Computer equipment	1,624	1,552
Office furniture and equipment	815	652
	23,186	21,374
Less accumulated depreciation	6,475	4,808
Net property and equipment	$16,711	$16,566

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Property, Equipment and Depreciation

Assets are stated at cost. Depreciation of all assets is computed over their estimated useful lives by the straight-line method for financial reporting purposes and by accelerated methods for income tax reporting.

Useful lives for property and equipment are as follows:

Buildings and improvements	40 years
Tools and dies	5 years
Machinery and equipment	7 years
Computer equipment	5 years
Office furniture and equipment	5 years

MCCORMICK & COMPANY, INCORPORATED (NOV)

	1991	1990
	(dollars in thousands)	
Total current assets	$445,154	$408,866
Investments	30,664	21,818
Property, plant and equipment		
Land and improvements	24,537	21,489
Buildings and improvements	151,980	130,374
Machinery and equipment	398,163	373,939
Construction in progress	30,627	30,573
	605,307	556,375
Less accumulated depreciation and amortization	226,782	202,392
Property, plant and equipment-net	378,525	353,983

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands)

1 (In Part): Summary of Accounting Policies:

Property, Plant and Equipment

Property, plant and equipment is stated on the basis of cost. Depreciation is computed using principally the straight-line method. Depreciation expense was $37,046 in 1991; $33,251 in 1990 and $31,919 in 1989.

Capitalized leased assets and leasehold improvements are amortized over the shorter of their estimated life or the period of the related leases.

OXFORD INDUSTRIES, INC. (MAY)

	1991	1990
	($ in thousands)	
Total current assets	$154,153	$174,933
Property, Plant and Equipment (Notes A, C, and D)	32,351	32,824
Other Assets	710	672
Total Assets	$187,214	$208,429

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

7. Property, Plant and Equipment—Depreciation and amortization of property, plant and equipment is provided on both straight-line and accelerated methods over the estimated useful lives of the assets as follows:

Buildings and improvements	10–40 years
Machinery and equipment	3–15 years
Office fixtures and equipment	3–10 years
Autos, trucks and airplane	3–6 years
Leasehold improvements	Life of Lease

Substantially all fixed assets, except buildings, are depreciated by an accelerated method.

Certain leases in which the Company is lessee are considered to be installment purchases for purposes of accounting presentation, and are included in property, plant and equipment. The related lease obligations, less current installments, are included in long-term debt in the accompanying balance sheets.

C. Property, Plant and Equipment:

Property, plant and equipment, carried at cost, is summarized as follows:

$ in thousands	*May 31, 1991*	*June 1, 1990*
Land	$ 1,583	$ 1,594
Buildings	27,905	27,219
Machinery and equipment	67,225	68,703
Leasehold improvements	4,464	4,693
	101,177	102,209
Less accumulated depreciation and amortization	68,826	69,385
	$ 32,351	$ 32,824

The above includes property under capital leases with costs of approximately $533,000 in 1991 and 1990.

QUANEX CORPORATION (OCT)

	1991	1990
	(In thousands)	
Total current assets	$163,990	$169,986
Property, plant and equipment, net (Note 5)	220,038	187,712
Designated cash and equivalents (Note 5)	17,000	49,000
Goodwill, net	35,860	36,828
Other assets	9,571	7,855
	$446,459	$451,381

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at cost and is depreciated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives of certain categories are as follows:

	Years
Land improvements	10 to 25
Buildings	10 to 40
Machinery and equipment	3 to 18

5. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	October 31,	
	1991	*1990*
	(In thousands)	
Land and land improvements	$ 16,194	$ 14,615
Leasehold improvements	99	136
Buildings	58,555	54,611
Machinery and equipment	284,658	266,013
Construction in progress	45,929	16,238
	405,435	351,613
Less accumulated depreciation and amortization	185,397	163,901
	$220,038	$187,712

Maintenance and repair expense was $19,427,000, $21,836,000 and $17,580,000 in 1991, 1990 and 1989, respectively. The Company had commitments for the purchase or construction of capital assets amounting to approximately $23,100,000 at October 31, 1991. In addition, at October 31, 1991, the Company had $17,000,000 remaining of the $49,000,000 of cash and equivalents designated by the Board of Directors at October 31, 1990, for the construction of an aluminum mini-mill, including a Hazelett continuous caster and a new service center at its Nichols-Homeshield subsidiary. The project is expected to be completed in fiscal 1992.

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. *FASB Interpretation No. 35*, issued to clarify the criteria for applying the equity method of accounting to 50% or less owned companies, lists circumstances under which, despite 20% ownership, an investor may not be able to exercise significant influence.

In addition to investments accounted for by the equity method, many of the survey companies disclosed investments in marketable equity securities and bonds. *Statement of Financial Accounting Standards No. 12* stipulates that marketable equity securities, whether presented as a current or noncurrent asset, should be carried at lower of aggregate cost or market value.

Examples of investment presentations and disclosures follow.

TABLE 2-15: INVESTMENTS—VALUATION BASES

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Equity	233	235	236	267
Cost	78	73	83	102
Lower of cost or market	18	22	26	24

Equity Method

W.R. GRACE & CO. (DEC)

Consolidated Balance Sheet

	1991	1990
	$ millions	
Total current assets	$1,990.0	$2,380.1
Investments in and advances to affiliated companies	193.7	178.0
Properties and equipment, net	2,558.2	2,462.1
Other assets	956.5	855.7
Goodwill, less accumulated amortization of $48.8 (1990—$51.1)	308.7	350.6
Total Assets	$6,007.1	$6,226.5

Consolidated Statement of Income

	1991	1990	1989
		$ millions	
Sales and revenues	$6,049.1	$5,984.2	$5,358.4
Dividends, interest and other income	78.1	64.2	85.5
Equity in earnings of affiliated companies	14.0	15.6	23.4
Net gain on strategic restructuring	6.1	—	114.4
	6,147.3	6,064.0	5,581.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
$ millions

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

Consolidation Principles—The consolidated financial statements include the accounts of W.R. Grace & Co. and majority-owned companies. Investments in affiliated companies (20% to 50% owned) are accounted for under the equity method.

Note 7—Investments in and Advances to Affiliated Companies

Included in Grace's continuing operations at December 31, 1991 are equity interests of 50% or less in companies engaged in on-site hazardous waste remediation services, horticultural products, pulp and paper manufacturing and health care services. During 1991, Grace increased its interest in Canonie Environmental Services Corp. (Canonie), a provider of hazardous waste remediation services, from 44.3% to 46.5%; and decreased its interest in Productora de Papeles S.A., a company specializing in pulp and paper manufacturing, from 38.3% to 36.16%. In addition, in July 1991, Grace acquired a 47% common equity interest in a company that services hospitals and other health care institutions. During 1990, Grace increased its interest in Canonie from 33.6% to 44.3%. In October 1989, Grace combined its horticultural products

business with that of Sierra Chemical Company; Grace has a 49% common equity interest in the new company, Grace-Sierra Horticultural Products Company.

A summary of financial information of affiliated companies (100% basis) is set forth below:

	1991		1990	
Current assets	$310.2		$304.4	
Noncurrent assets	413.6		484.4	
Total assets		$723.8		$788.8
Current liabilities	$160.6		$169.5	
Noncurrent liabilities	252.1		261.8	
Total liabilities		$412.7		$431.3
Net assets		$311.1		$357.5
Grace investments and advances		$193.7		$178.0

	1991	1990	1989
Net sales	$555.9	$592.9	$484.4
Net income	$ 25.2	$ 47.9	$ 59.4
Grace equity in earnings	$ 14.0	$ 15.6	$ 23.4
Distributions/ Dividends received by Grace	$ 7.4	$ 4.9	$ 12.8

In October 1991, Grace acquired the remaining 50% interest in Colowyo Coal Company, which was previously accounted for under the equity method.

LEE ENTERPRISES, INCORPORATED (SEP)

Consolidated Balance Sheets

	1991	1990	1989
	(In Thousands)		
Total current assets	$94,457	$91,057	$69,652
Investments, associated companies	$16,794	$22,968	$39,313

Consolidated Statements of Income

	1991	1990	1989
	(In Thousands)		
Operating Revenue:			
Newspaper:			
Advertising	$119,825	$116,900	$111,339
Circulation	56,727	52,445	48,802
Other	31,137	27,174	20,071
Broadcasting	69,718	71,268	69,801
Media products and services	62,141	6,686	4,365
Equity in net income of associated companies	6,712	13,004	15,085
	$346,260	$287,477	$269,463

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Investments in associated companies:

Investments in the common stock of associated companies are reported at cost plus the Company's share of undistributed earnings since acquisition, less amortization of intangibles.

Note 3. Investments in Associated Companies

The Company has an effective 50% ownership interest in two newspaper publishing companies operating at Lincoln, Nebraska (Journal-Star Printing Co.) and Madison, Wisconsin (Madison Newspapers, Inc.); until September 25, 1991 (see Note 2) a 42% interest in New Mexico Broadcasting Company, Inc., operators of KGGM-TV, Albuquerque, New Mexico and KBIM-TV, Roswell, New Mexico; and until September 14, 1990 (see Note 2) a 50% ownership interest in NAPP Systems Inc.

Summarized financial information of the associated companies is as follows:

	Combined Associates		
	1991	1990	1989
	(In Thousands)		
Assets			
Current assets	$34,247	$ 35,624	$ 80,886
Investments and other assets	6,603	9,512	12,636
Property and equipment, net	8,461	13,365	14,383
	$49,311	$ 58,501	$107,905
Liabilities and Stockholders' Equity			
Current liabilities	$14,173	$ 15,845	$ 32,727
Long-term debt	66	6,506	5,174
Deferred items	1,585	1,752	2,648
Stockholders' equity	33,487	34,398	67,356
	$49,311	$ 58,501	$107,905
Revenue	$91,583	$163,843	$163,337
Operating income	21,170	40,376	44,381
Net income	13,133	26,631	32,426

Receivables from associated companies consist of dividends. Certain information relating to Company investments in these associated companies is as follows:

	1991	1990	1989
	(In Thousands)		
Share of:			
Stockholders' equity	$16,703	$17,020	$32,028
Undistributed earnings	15,346	12,485	27,868

MEDIA GENERAL, INC. (DEC)

Consolidated Balance Sheets

	1991	1990
	(In thousands)	
Total current assets	$108,678	$109,875
Investment in unconsolidated affiliates	55,442	136,082

Consolidated Statements of Operations

	1991	1990	1989
		(In thousands)	
Operating income	$ 36,341	$ 63,825	$ 44,139
Other income (expense):			
Interest expense	(16,056)	(19,831)	(25,385)
Equity in net income (loss) of unconsolidated affiliates:			
Garden State Newspapers	(78,672)	(2,639)	7,222
Other	3,032	1,336	3,340
Other, net	2,659	814	684
Total other income (expense)	(89,037)	(20,320)	(14,139)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Investment in Unconsolidated Affiliates

The Company has a one-third partnership interest in Southeast Paper Manufacturing Company, a domestic newsprint manufacturer which pays licensing and other fees to the Company. The Company also has a 40% interest in Garden State Newspapers, a medium-sized domestic daily and weekly newspaper company.

Summarized financial information for these investments accounted for by the equity method follows:

Southeast Paper Manufacturing Company:

(In thousands)	1991	1990	1989
Current assets	$ 79,102	$ 77,564	$ 71,956
Noncurrent assets	407,359	430,202	453,568
Current liabilities	45,087	34,809	30,403
Noncurrent liabilities	284,889	310,568	322,174
Net sales	$205,700	$198,540	$130,310
Net income	$ 9,096	$ 4,442	$ 12,593
Company's equity in net income	$ 3,032	$ 1,481	$ 4,198

Garden State Newspapers:

(In thousands)	1991	1990	1989
Current assets	$ 22,466	$ 24,678	$ 27,524
Noncurrent assets	230,960	316,984	348,891
Current liabilities	28,474	25,329	32,352
Noncurrent liabilities	238,217	240,214	273,975
Redeemable preferred stock	85,009	78,737	54,563
Net sales	$131,722	$149,261	$167,507
Net income (loss)	$ (89,749)	$ (12,415)	$ 10,310
Company's equity in net income (loss)	$ (78,672)	$ (2,639)	$ 7,222

The above summarized information for Garden State Newspapers includes results for the twelve months ended September 30 of each year. The redeemable preferred stock of Garden State Newspapers is owned by the Company.

The Company's 1991 operations include a loss of $78.7 million ($78.3 million after-tax, $3.01 per share) from Garden State Newspapers resulting largely from Garden State management's decision to write down certain assets, predominantly intangibles, in light of current market conditions. The loss reduced the Company's investment in Garden State to zero and, as a consequence, the Company's future financial results will not be negatively affected by Garden State's ongoing operations.

In addition to the equity in net income (loss) from the above affiliates, the Company also recognized equity losses of $.1 million and $.9 million in 1990 and 1989 from certain immaterial affiliates, as well as management and other fees from its unconsolidated newsprint affiliate and another newsprint company aggregating $5.9 million in 1991, $7.4 million in 1990 (including a payment of $2.1 million relating to 1989), and $1.9 million in 1989. Retained earnings at December 29, 1991, include $13.5 million related to undistributed earnings of unconsolidated affiliates.

PENTAIR, INC. (DEC)

Consolidated Balance Sheet

	1991	1990
Total current assets	$372,612,000	$356,573,000
Property, plant and equipment		
Land and land improvements	11,831,000	11,866,000
Buildings	64,242,000	63,925,000
Machinery and equipment	400,961,000	357,198,000
Construction in progress	14,059,000	24,825,000
Total	491,093,000	457,814,000
Less accumulated depreciation	232,793,000	194,247,000
Property, plant and equipment	258,300,000	263,567,000
Investment in joint venture	47,583,000	35,085,000
Goodwill—net	94,055,000	96,596,000
Other assets	18,022,000	17,047,000
Total assets	$790,572,000	$768,868,000

Consolidated Statement of Income

	1991	1990	1989
Net sales	$1,169,082,000	$1,175,934,000	$1,163,627,000
Operating costs			
Cost of goods sold	886,686,000	909,076,000	906,446,000
Selling, general and administrative	198,110,000	191,843,000	178,963,000
Other (income) expense	(3,285,000)	(870,000)	(2,523,000)
Total operating costs	1,081,511,000	1,100,049,000	1,082,886,000
	87,571,000	75,885,000	80,741,000
Equity in joint venture income	7,498,000	4,751,000	6,359,000
Operating income	95,069,000	80,636,000	87,100,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include Pentair, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The equity method of accounting is used for the 50/50 joint venture (see Note 8).

8. Joint Venture

Lake Superior Paper Industries (LSPI) is a 50/50 joint venture which manufactures paper in Duluth, Minnesota. For federal income tax purposes, one-half of LSPI taxable income and tax credits are included in the Company's consolidated tax return. The financial data is summarized as follows ($ millions):

	December 31	
	1991	1990
Balance Sheet		
Current assets	$ 41.4	$ 36.9
Property—net	83.8	83.5
Other assets	40.1	28.2
	$165.3	$148.6
Liabilities	$ 34.2	$ 40.8
Deferred gain	35.9	37.6
Joint venture investment		
Subordinated notes	26.0	16.0
Capital contribution	29.0	29.0
Undistributed earnings	40.2	25.2
	$165.3	$148.6

	Year Ended		
	1991	1990	1989
Operations			
Net sales	$167.5	$169.7	$160.8
Operating income	17.3	11.7	13.7
Pretax income	15.0	9.5	12.7

Under a $382.0 million LSPI leveraged-lease financing, the Company has committed to provide up to $95 million additional cash to LSPI if needed to meet its lease obligation. The Company has not been required to provide any cash to LSPI pursuant to this commitment, and long-term financial support is not expected to be substantial.

PLASMA-THERM, INC. (NOV)

Consolidated Balance Sheets

	1991	1990
Total Current Assets	$9,493,713	$11,361,937
Investment in non-consolidated subsidiary	1,604,202	1,641,446

Consolidated Statements of Operations

	1991	1990	1989
Net sales	$17,733,437	$27,205,460	$23,175,323
Net license income	1,000,000	2,435,866	—
	18,733,437	29,641,326	23,175,323
Costs and expenses			
Cost of products sold	10,744,082	16,416,153	13,268,304
Research and development	1,598,697	2,805,981	1,929,782
Selling and administrative	6,190,195	6,557,490	5,636,562
Restructuring charges	351,000	297,000	—
Interest expense	214,987	264,893	375,116
Other (income) expense, net	128,440	(62,625)	(35,267)
	19,227,401	26,278,892	21,174,497
Income (loss) before loss of non-consolidated subsidiary	(493,964)	3,362,434	2,000,826
Loss of non-consolidated subsidiary	961,868	932,555	460,401
Income (loss) before income taxes and extra-ordinary item	(1,455,832)	2,429,879	1,540,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation

The consolidated financial statements include the accounts of Plasma-Therm, Inc. (the company) and its wholly-owned domestic and foreign subsidiaries. All significant inter-company transactions and balances have been eliminated. On June 21, 1991, the company's Board of Directors approved a plan to spin off the company's RF Plasma Products, Inc. (RF Plasma) wholly-owned subsidiary to the shareholders of Plasma-Therm, Inc. in the form of a tax-free dividend. The company has requested and received a ruling from the Internal Revenue Service that this distribution will not be taxable to the company's shareholders.

The company's investment in and the results of operations of RF Plasma are reflected in the company's consolidated financial statements on the equity method as RF Plasma is now a temporary investment that the company anticipates distributing to its shareholders during fiscal 1992. Prior years' financial statements have been restated accordingly. As a part of the spin-off, approximately $1,800,000 of RF Plasma's indebtedness to the company has been contributed as capital, subject to adjustment as defined by the parties. Summary financial information of RF Plasma is contained in note 3. While the spin-off plans are not yet formalized, the significant matters have been agreed upon by the company and RF Plasma managements.

Note 3: Summary Financial Information of Unconsolidated Subsidiary and Affiliate Transactions

Condensed financial information for RF Plasma (note 1) consists of the following:

Statements of Operations

	Year ended November 30,		
	1991	1990	1989
Net sales	$7,205,089	$6,564,458	$7,525,845
Costs and expenses	8,166,957	7,497,013	7,986,246
Loss before income taxes	(961,868)	(932,555)	(460,401)
Tax benefit allocated by the parent	65,000	171,124	18,414
Net loss	$ (896,868)	$ (761,431)	$ (441,987)

Balance Sheets

	November 30,	
	1991	1990
Current assets	$2,427,215	$2,316,900
Fixed assets	222,263	139,297
Other	10,039	9,229
	$2,659,517	$2,465,426
Current liabilities	$1,016,576	$ 770,445
Long-term liabilities	38,739	53,535
Shareholders' equity	1,604,202	1,641,446
	$2,659,517	$2,465,426

In addition to the losses of RF Plasma, the company has also contributed capital (note 1) of $859,624, $635,401 and $269,152 in the years ended November 30, 1991, 1990 and 1989, respectively. Included in accounts receivable of the company at November 30, 1991 are net amounts due from RF Plasma of $18,471. Included in accounts payable of the company at November 30, 1990 are net amounts due to RF Plasma of $115,418. Transactions with RF Plasma consist of the following:

	November 30,		
	1991	1990	1989
Sales to RF Plasma	$420,799	$ 382,612	$ 439,544
Purchases from RF Plasma	823,343	1,542,772	1,356,739

SPS TECHNOLOGIES, INC. (DEC)

Consolidated Balance Sheets

	1991	1990
	(Thousands of dollars)	
Total current assets	$157,296	$217,953
Investment in affiliates	10,752	12,794

Statements of Consolidated Operations

	1991	1990	1989
	(Thousands of dollars)		
Operating earnings	$19,729	$ 2,040	$23,612
Other income (expense):			
Interest income	823	2,454	1,779
Interest expense	(7,714)	(10,601)	(8,578)
Equity in earnings (loss) of affiliates	(2,196)	389	1,607
Other, net	70	857	1,189
	(9,017)	(6,901)	(4,003)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. Investments in affiliates, owned more than 20% but not in excess of 50%, are recorded on the equity method. Certain items for 1990 and 1989 have been reclassified for comparative purposes.

7. Investments in Affiliates

The Company's investments in affiliates consist of a 36.75% interest in Precision Fasteners Ltd., Bombay, India, a 46.49% interest (represented by 43.0% voting and 49.96% non-voting shares) in Metalac S.A. Indústria e Comércia, São Paulo, Brazil, and a 50.0% interest in Pacific Products Limited, Guernsey, Channel Islands, United Kingdom. Dividends received from the companies were $66,000, $222,000, and $260,000 in 1991, 1990 and 1989, respectively. Retained earnings in 1991, 1990 and 1989 respectively, included unremitted earnings of affiliates, net of deferred taxes, of $5,506,000, $7,171,000, and $7,162,000.

Summarized financial information of the affiliates is as follows:

Condensed Statements of Earnings	1991	1990	1989
Net sales	$34,543,000	$48,903,000	$48,164,000
Operating earnings (loss)	(3,616,000)	3,833,000	7,008,000
Net earnings (loss)	(4,655,000)	1,536,000	4,153,000

Condensed Balance Sheets			
Current assets	$25,197,000	$24,091,000	$24,545,000
Noncurrent assets	27,027,000	24,753,000	21,994,000
	$52,224,000	$48,844,000	$46,539,000
Current liabilities	$17,724,000	$14,021,000	$13,050,000
Noncurrent liabilities	10,169,000	5,839,000	4,465,000
Shareholders' equity	24,331,000	28,984,000	29,024,000
	$52,224,000	$48,844,000	$46,539,000

On December 12, 1991, the Company sold all of the outstanding common shares of its Japanese subsidiary, SPS/Unbrako KK, and substantially all of the net assets of the Singapore branch office of Unbrako, Inc., to a newly formed joint venture named Pacific Products Limited (PPL). The Company and Marigold Ltd. each own 50% of the issued shares of PPL. At December 31, 1991, the Company has guaranteed the repayment of $1,700,000 of PPL's indebtedness.

THE WASHINGTON POST COMPANY (DEC)

Consolidated Balance Sheets

	1991	1990
	(In thousands)	
Total Current Assets	$472,219	$471,669
Investments in affiliates	181,764	168,512

Consolidated Statements of Income

	1991	1990	1989
	(In thousands)		
Income from Operations	$192,866	$281,768	$313,691
Equity in earnings of affiliates	(1,856)	6,235	10,042
Interest income	17,382	21,342	28,599
Interest expense	(17,759)	(16,653)	(17,027)
Other expense, net	(412)	(1,266)	(1,312)
Income before Income Taxes and Cumulative Effect of Change in Accounting Principle	190,221	291,426	333,993

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

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

D. Investments in Affiliates

The company's investments in affiliates at December 29, 1991, and December 30, 1990, include the following (in thousands):

	1991	1990
Cowles Media Company	$ 79,952	$ 81,638
Newsprint mills	73,616	80,213
Other	28,196	6,661
	$181,764	$168,512

The company's investments in affiliates in 1991 and 1990 include a 28 percent interest in the stock of Cowles Media Company, which owns and operates the Minneapolis Star and Tribune and several other smaller properties. In 1989 the company owned a 26 percent interest.

The company's interest in newsprint mills includes a 49 percent interest in the common stock of Bowater Mersey Paper Company Limited, which owns and operates a newsprint mill in Nova Scotia; a one-third limited partnership interest in Bear Island Paper Company, which owns and operates a newsprint mill near Richmond, Virginia; and a one-third limited partnership interest in Bear Island Timberlands Company, which owns timberland and supplies Bear Island Paper Company with a major portion of its wood requirements. Operating costs and expenses of the company include newsprint supplied by Bowater Mersey Paper Company and Bear Island Paper Company and used in operations, the cost of which was $59,200,000 in 1991, $60,400,000 in 1990, and $65,500,000 in 1989.

The company's other investments include a 50 percent common stock interest in the International Herald Tribune, which is a newspaper based near Paris, and a 50 percent common stock interest in the Los Angeles Times-Washington Post News Service, Inc. In 1990 and 1989 the company owned a one-third common stock interest in the International Herald Tribune. In 1991 the company purchased a 30 percent common stock interest in The Gaithersburg Gazette, Inc., which publishes eleven weekly newspapers in Montgomery, Frederick and Carroll Counties, Maryland.

Summarized financial data for the affiliates' operations are as follows (in thousands):

	1991	1990	1989
Financial Position			
Working capital	$ (93,737)	$ (76,521)	$ (56,090)
Property, plant and equipment	478,502	495,932	518,577
Total assets	759,850	770,071	770,525
Long-term debt	212,923	225,938	245,468
Net equity	203,997	212,938	243,920
Results of Operations			
Operating revenues	$644,814	$670,345	$674,899
Operating income	30,509	34,712	76,109
Net income	6,543	34,162	38,129

The following table summarizes the activity of the company's investments in affiliates (in thousands):

	1991	1990
Beginning investment	$168,512	$167,060
Equity in earnings	(1,856)	6,235
Dividends and distributions received	(5,217)	(5,989)
Additional investments	17,841	680
Foreign currency translation	2,484	526
Ending investment	$181,764	$168,512

At December 29, 1991, the unamortized excess of the company's investments over its equity in the underlying net assets of its affiliates at the date of acquisition was approximately $99,000,000. Amortization included in equity in earnings of affiliates for the years ended December 29, 1991, December 30, 1990, and December 31, 1989, was $2,550,000, $2,250,000 and $2,650,000, respectively.

Cost Method

AEL INDUSTRIES, INC. (FEB)

	1991	1990
	($000)	
Total current assets	$55,040	$69,041
Investment in foreign company	12,989	12,989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. 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. The Company accounted for the exchange under the cost method of accounting and recognized no gain for financial reporting purposes.

In January 1990, the Company redeemed its Tadiran shares under an agreement which required Tadiran to pay the redemption price of approximately $25,000,000 by March 31, 1990. Koor Industries, Ltd. (Koor), Tadiran's parent company, was bound under the terms of the agreement to purchase the Tadiran shares at the redemption price if Tadiran failed to make the payment. Tadiran failed to make the payment, and Koor failed to satisfy its contractual obligation to purchase and pay for the shares. The Company is pursuing its legal remedies against Tadiran and Koor.

Both Tadiran and Koor have experienced adverse financial and operating conditions. The ability of Koor and Tadiran to continue as going concerns is conditional upon their ability to implement plans of reorganization and to obtain satisfactory arrangements with creditors and the Government of Israel.

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. The ability of Tadiran and Koor to satisfy their redemption obligation and the Company's ability to recover its investment are not presently determinable.

CHOCK FULL O'NUTS CORPORATION (JUL)

	1991	1990
Total Current Assets	$66,565,294	$95,500,898
Investments in Marketable Securities, at cost (market value of $23,622,000)—Note 11(a)	23,184,147	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Other Items

(a) Investments in non current marketable securities at July 31, 1991 consist of (in thousands):

U.S. Government and U.S. Government agency obligations	$16,492
Collateralized mortgage obligations	3,485
Corporate bonds and other	3,207
	$23,184

Gains on marketable equity securities for the year ended July 31, 1989 were unrealized and represent recovery of prior year unrealized losses except for $186,000 of realized gains.

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment in Isosceles

During fiscal 1989 the Company loaned approximately $436 million to Newgateway Holdings Limited ("Newgateway"), a United Kingdom Company, which was formed to purchase the outstanding common shares of the Gateway Corporation PLC ("Gateway"), the third largest food retailer in the United Kingdom. Subsequently, Newgateway sold its Gateway shares to Isosceles PLC ("Isosceles"), the owner of a controlling interest in Gateway for cash and Isosceles shares. Concurrent with this sale, Newgateway repaid its loan to the Company with cash and 19.9% of the common and cumulative preference shares of Isosceles. During fiscal 1990, Isosceles completed a recapitalization which resulted in the contribution of additional equity to Isosceles (in the form of cash and debt conversion) in the amount of at least 222 million Pounds Sterling. Each of the shareholders of Isosceles was offered the right to subscribe for additional equity on a pro rata basis at a cost of approximately 18.27 Pounds Sterling per equity unit, which is substantially less than the Company's current carrying cost per comparable equity unit. The Company believes that its current carrying value is appropriate and fairly reflects the current value of its investment in Isosceles. After giving effect to the recapitalization (in which the Company did not participate), the Company owns approximately 7.2% of the equity of Isosceles. The Company retains its right to designate one member to the Board of Directors of Isosceles. The Company uses the cost method to account for its Isosceles investment, which was $164 million at year-end exchange rates and is included in the balance sheet caption "Other assets."

SYNTEX CORPORATION (JUL)

	1991	1990
	($ in millions)	
Total current assets	$1,293.9	$1,036.4
Long-term investments	135.9	100.0
Property, plant and equipment—net	785.0	625.6
Other assets	58.0	24.5
Total	$2,272.8	$1,786.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Long-Term Investments—Long-term investments include U.S. government securities, corporate notes and marketable Eurodollar bonds stated at cost, which approximates market value. An interest rate swap agreement on the Eurodollar bonds results in a variable rate of interest for the term of those investments.

THE UPJOHN COMPANY (DEL)

	1991	1990
	($000)	
Total current assets	$1,721,750	$1,631,880
Net assets of discontinued operations		2,118
Investments at cost	491,913	296,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

G. Investments

Investments, at cost, held by a subsidiary operating in Puerto Rico were:

December 31 *($000)*	1991	1990
U.S. government issued or guaranteed	$220,242	$154,889
Other	271,671	141,442
Total cost	$491,913	$296,331
Estimated market value	$518,115	$298,401

Lower of Aggregate Cost Or Market Value

HECLA MINING COMPANY (DEC)

	1991	1990
	(Dollars in thousands)	
Total current assets	$ 46,888	$ 54,046
Investments (Note 4)	10,343	10,153
Properties, plants and equipment, net	195,440	197,903
Other noncurrent assets	5,450	7,983
Total assets	$258,121	$270,085

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

D. Investments—The Company follows the equity method of accounting for investments in common stock of operating companies 20% to 50% owned. Investments in nonoperating companies that are not intended for resale or are not readily marketable are valued at the lower of cost or net realizable value. The carrying value of marketable equity securities is based on the lower of cost or quoted market value. The cost of investments sold is determined by specific identification.

Note 4: Investments

Investments consist of the following components *(in thousands)*	Carrying Value	Cost	Market Value
December 31, 1991			
Noncurrent:			
Marketable equity securities	$ 16	$ 32	$ 16
Other investments	10,327	10,327	
	$10,343	$10,359	
December 31, 1990			
Current:			
Marketable equity securities	$ 482	$ 482	$482
Noncurrent:			
Marketable equity securities	$ 40	$ 53	$ 40
Other investments	10,113	10,113	
	$10,153	$10,166	

At December 31, 1991, the portfolio of noncurrent marketable equity securities includes gross unrealized gains of approximately $3,000 and gross unrealized losses of approximately $19,000. The other investments are principally large blocks of common and preferred stock in several mining companies, and investments in various ventures. These securities are generally restricted as to trading or marketability, although some are traded on various exchanges.

During 1991, the Company sold 384,400 shares of Sunshine Mining Company (Sunshine) common stock for $0.7 million, realizing a gain of $0.2 million.

During 1990, the Company sold 362,700 shares of Sunshine common stock for $1.4 million, realizing a gain of $0.2 million, and sold 952,835 shares of Equity Silver Mines Limited (ESML) common stock for $1.5 million, realizing a gain of $0.9 million. Additionally in 1990, the Company recognized a loss of $0.8 million for the difference between the market value and the underlying cost of the remaining 385,400 shares of Sunshine common stock held at December 31, 1990.

During 1989, the Company sold 952,900 shares of Sunshine common stock for $3.6 million, realizing a loss of approximately $4.8 million. With the Company's decision to liquidate its holdings in Sunshine common stock, the Company transferred this investment to a current asset classification and recognized a loss of $4.2 million for the difference between market value and the underlying cost of the remaining 748,100 shares of Sunshine common stock held at December 31, 1989. Additionally in 1989, the Company sold 610,000 shares of ESML common stock for $2.1 million, realizing a gain of $1.8 million.

WELLCO ENTERPRISES, INC. (JUN)

	1991	1990
	($000)	
Total current assets	$13,659	$15,417
Investments (Notes 1 and 5)	5,007	
Machinery Leased to Licensees	383	505
Property, Plant and Equipment	1,214	1,145

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Investments

Marketable equity investments are carried at the lower of aggregate cost or market. Other investments are carried at cost and are adjusted for any impairment in their value that is deemed to be permanent. Realized gains and losses on the sale of investments are recognized in net income on the specific identification basis.

5. *Investments:*

Investments at June 29, 1991 consist of:

	(in thousands)	
	Cost	Market Value
Marketable corporate debt securities:		
Debentures of RJR Nabisco Holdings	$ 856	$1,379
Notes of ITEL Corp.	1,608	2,259
Other	46	44
Marketable corporate equity securities:		
RJR Nabisco Holdings		
Preferred and Common Stock	910	1,700
Total marketable investments	$3,420	$5,382
Subparticipation in corporate debt arrangement	1,587	
	$5,007	

Debt securities are all high yield, unrated or non-investment grade securities. The $1,587,000 of corporate debt arrangement is Wellco's cost of purchasing in October, 1990, at a 31% discount, a subparticipation in bank originated collateralized loans to Ames Department Stores, Inc. Ames is in default on this debt and on April 25, 1990, filed for relief under Chapter 11 of the United States Bankruptcy Code. The face amount of Wellco's subparticipation is $2,300,000, and interest income and discount accretion is not presently being recognized on this investment.

The debt is collateralized by the pledged stock of Ames subsidiaries and virtually all intercompany receivables to Ames from its operating subsidiaries. This investment can be marketed but is not widely traded, and Wellco has been informed of a trade in August, 1991, at approximately 8% more than its cost. The Company believes that at this time there has not been a permanent impairment in this investment.

Excluding Ames, at June 29, 1991 the Company had gross unrealized gains of $1,964,000 and gross unrealized losses of $2,000 in the above marketable investments. Subsequent to June 29, 1991, income of $704,000 was realized upon the sale of certain of the ITEL Corp. notes.

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.

TABLE 2-16: NONCURRENT RECEIVABLES

	1991	1990	1989	1988
Caption Title				
Notes Receivable	37	41	33	33
Long-Term Receivables	28	33	39	39
Noncurrent Receivables	5	4	9	8
Other	34	25	38	32
Receivables combined with other investments, deposits, etc.	45	47	45	49
Total Presentations	**149**	**150**	**164**	**161**
Number of Companies				
Presenting noncurrent receivables	145	145	158	157
Not presenting noncurrent receivables	455	455	442	443
Total Companies	**600**	**600**	**600**	**600**

FLEMING COMPANIES, INC. (DEC)

	1991	1990
	(In thousands)	
Total current assets	$1,342,608	$1,207,652
Investments and notes receivable	312,588	323,161

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investments and Notes Receivable

Investments and notes receivable consist of the following:

(In thousands)	Dec. 28, 1991	Dec. 29, 1990
Investments in and advances to retailers	$147,651	$178,735
Notes receivable from retailers	132,981	126,483
Other investments and receivables	31,956	17,943
Investments and notes receivable	$312,588	$323,161

The company extends long-term credit to certain retailers it serves to be used primarily for store expansions or improvements. Loans are primarily collateralized by the retailer's inventory and fixtures. Interest rates are above prime with terms up to 10 years. The company has sold certain notes receivable at face value with limited recourse. The outstanding balance on all notes sold is $151 million, of which the company is contingency liable for $35 million should all the notes become uncollectible. Sales to certain retailers accounted for under the equity method were approximately $1 billion in 1991 and 1990, with equity losses of $8.5 million and $5.7 million in 1991 and 1990, respectively.

The company has guaranteed bank debt of $46 million for certain retailers.

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

	1991	1990
Total current assets	$40,507,779	$40,383,913
Property, plant and equipment, net of accumulated depreciation and amortization	6,708,451	6,664,868
Other assets:		
Cash surrender value of life insurance, net of policy loans (1991 and 1990, $1,556 and $34,136)	197	7,872
Deferred charges, net of accumulated amortization (1991, $670,563; 1990, $645,640)	78,962	97,945
Deposits	5,995	—
Notes receivable (Note 14)	146,221	—
Investment in affiliate	413,598	—
Investment in limited partnership, at cost	753,433	753,433
	1,398,406	859,250
	$48,614,636	$47,908,031

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Notes Receivable

As a result of the reorganization of a major customer in 1991, the Company, on June 27, 1991, received $57,495 in cash and $134,156 in notes in payment of outstanding trade receivables. The notes vary in maturity from less than six months to eleven years. They include non-interest bearing notes and notes bearing interest at rates of 8% to 12%. The notes are recorded at the present value of the future cash flows, utilizing an imputed interest rate of 12%, which equates to $124,406. During 1991, the Company received all scheduled payments, aggregating to $38,139, on a timely basis. In management's opinion, the balance of $86,267 is collectible.

Included in the results of operations for the year ended January 3, 1992, is the recovery of trade receivables, which had been written off in a prior year. On January 30, 1992, the Company received $57,649 in cash and $70,700 in notes resulting from the reorganization by a customer, pursuant to a bankruptcy decree. The notes vary in maturity from one to five years. They include non-interest bearing notes and notes bearing interest at rates of 12%. The notes are recorded at the present value of the future cash flows, utilizing an imputed interest rate of 12% which equates to $59,954. In management's opinion, the balance of $59,954 is collectible.

HERMAN MILLER, INC. (MAY)

	1991	1990
	($000)	
Net Property and Equipment	$218,748	$219,584
Goodwill	—	11,653
Notes Receivable, less allowances of $4,254 in 1991 and $4,607 in 1990	38,693	49,699
Other Assets	13,894	9,971

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting And Reporting Policies (In Part)

Notes Receivable—The notes receivable are from certain contract office furniture dealers. The notes are collateralized by the assets of the dealers and bear interest based upon the prime rate. Interest income, net of abatements, relating to these notes was $2.9, $2.9, and $4.3 million in 1991, 1990, and 1989, respectively. Interest abatements of $3.0, $3.6, and $1.6 million were granted in 1991, 1990, and 1989, respectively, to certain dealerships that are start-up operations in order to ensure their long-term financial viability.

PITNEY BOWES INC. (DEC)

	1991	1990
	(Dollars in thousands)	
Total current assets	$1,935,522	$1,799,101
Property, plant and equipment, net	574,914	565,150
Rental equipment and related inventories, net	616,222	608,441
Property leased under capital leases, net	19,742	20,231
Long-term finance receivables, less allowances: 1991, $62,484; 1990, $60,645	2,768,220	2,673,134
Goodwill, net of amortization: 1991, $34,899; 1990, $28,964	154,793	158,123
Other assets	311,167	236,365
Total assets	$6,380,580	$6,060,545

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data or as otherwise indicated)

1 (In Part): Summary of Significant Accounting Policies

Financing transactions. At the time a finance transaction is consummated, the company's finance operations record the gross receivable, unearned income and the estimated residual value of leased equipment. Unearned income represents the excess of the gross receivable plus the estimated residual value over the cost of equipment or contract acquired. Unearned income is recognized as financing income using the interest method over the term of the transaction and is included in rentals and financing revenue in the Consolidated Statement of Income. Initial direct costs incurred in consummating a transaction are accounted for as part of the investment in a lease and amortized to income using the interest method over the term of the lease.

In establishing the provision for credit losses, the company has successfully utilized an asset based percentage. This percentage varies depending on the nature of the asset, recent historical experience, vendor recourse, management judgement and the credit rating of the respective customer. The company evaluates the collectibility of its net investment in finance receivables based upon its loss experience and assessment of prospective risk, and does so through ongoing reviews of its exposures to net asset impairment. The carrying value of its net investment in finance receivables is adjusted to the estimated collectible amount through adjustments to the allowance for credit losses. Finance receivables are charged to the allowance for credit losses after collection efforts are exhausted and the account is deemed uncollectible.

The company's general policy is to discontinue income recognition for finance receivables contractually past due for over 90 to 120 days depending on the nature of the transaction. Resumption of income recognition occurs when payments are reduced to 60 days or less past due. However, large-ticket external transactions are reviewed on an individual basis. Income recognition is normally discontinued as soon as it is apparent that the obligor will not be making payments in accordance with lease terms and resumed after the company has sufficient experience on resumption of payments to be satisfied that such payments will continue in accordance with the original or restructured contract terms.

14. Financial services

The company has several consolidated finance operations which are engaged in lease financing of the company's product as well as other commercial and industrial transactions in the U.S., Canada, the U.K., Germany, France and Australia. Condensed financial data for the consolidated finance operations follows:

Condensed summary of operations Years ended December 31	1991	1990	1989
Revenue	$613,716	$547,814	$455,369
Costs and expenses	205,946	159,839	117,626
Interest, net	229,683	227,636	207,107
Total expenses	435,629	387,475	324,733
Income before income taxes	178,087	160,339	130,636
Provision for income taxes	61,284	53,837	35,265
Income before cumulative effect of a change in accounting for income taxes	116,803	106,502	95,371
Cumulative effect of a change in accounting for income taxes	—	—	10,767
Net income	$116,803	$106,502	$106,138

Condensed balance sheets at December 31	1991	1990
Cash and cash equivalents	$ 20,678	$ 12,049
Finance receivables, net	983,052	863,750
Other current assets and prepayments	56,766	32,676
Total current assets	1,060,496	908,475
Long-term finance receivables, net	2,768,220	2,673,134
Other assets	312,891	228,874
Total assets	$4,141,607	$3,810,483
Accounts payable and other current liabilities	$ 331,360	$ 311,414
Notes payable and current portion of long-term obligations	1,879,182	1,705,922
Total current liabilities	2,210,542	2,017,336
Deferred taxes on income	247,939	225,893
Long-term debt	1,007,527	984,315
Total liabilities	3,466,008	3,227,544
Equity	675,599	582,939
Total liabilities and equity	$4,141,607	$3,810,483

Finance receivables are generally due in monthly, quarterly or semi-annual installments over periods ranging from three to seven years. In addition, 22 percent of the company's net finance receivables represent secured commercial and private jet aircraft transactions with lease terms ranging from two to 24 years. Maturities of gross finance receivables and notes payable for the finance operations are as follows:

Years ended December 31	Gross finance receivables	Notes payable and subordinated debt
1992	$1,361,465	$1,879,182
1993	1,043,352	18,865
1994	721,381	51,762
1995	483,109	6,709
1996	237,431	81,498
Thereafter	965,584	848,693
Total	$4,812,322	$2,886,709

Finance operations' net purchases of Pitney Bowes equipment amounted to $499.9 million, $480.5 million and $391.7 million in 1991, 1990 and 1989, respectively. The components of net finance receivables were as follows:

December 31	1991	1990
Gross finance receivables	$4,812,322	$4,608,121
Residual valuation	419,354	393,379
Initial direct cost deferred	57,589	42,592
Allowance for credit losses	(88,703)	(84,514)
Unearned income	(1,449,290)	(1,422,694)
Net finance receivables	$3,751,272	$3,536,884

The company has sold net finance receivables with varying amounts of recourse in privately-placed transactions with third-party investors. At December 31, 1991, the uncollected principal balance of receivables sold and residual guarantee contracts totaled $589.1 million. These contracts are supported by the underlying equipment value and credit worthiness of customers. Adequate provisions have been made for sold receivables which may be uncollectible.

SCOPE INDUSTRIES (JUN)

	1991	1990
Total current assets	$10,174,710	$14,949,569
Notes Receivable (Note 2)	2,521,223	2,537,571

NOTE 2: Notes Receivable and Subsequent Event

Components of notes receivable are as follows:

June 30,	1991	1990
Receivable, net of deferred gain from sale of Vocational School business	$ 50,635	$ 380,635
Loan to Opto Sensors, Inc.	2,500,000	2,500,000
Others	382,686	244,993
Less amounts classified as current	(412,098)	(588,057)
	$2,521,223	$2,537,751

In May 1988, the Company sold its Vocational School Group business, Scope Beauty Enterprises, Inc., a wholly owned subsidiary for $500,000 cash and a $7,500,000 interest-bearing note collateralized by all the stock of the

former subsidiary corporation. Annual principal payments on the note were scheduled to begin in July 1990 and continue through 1998. The Company initially elected to record the gain on the sale of this business in proportion to principal payments received. Because the principal payment scheduled in July 1990 was not made, the Company elected to use the cost recovery method beginning in the fourth quarter of fiscal 1990. Accordingly the deferred gain was reclassified as an offset against the note receivable.

The debtor did not make the scheduled 1990 or 1991 payments and was notified by the Company of an event of default. On July 2, 1991, subsequent to the fiscal year end, the Company exercised its collateral rights and obtained 100% ownership of Scope Beauty Enterprises, Inc. in place of its ownership of the note.

The Company's operation of that subsidiary has resumed effective July 2, 1991.

On April 24, 1990 the Company loaned Opto Sensors, Inc. $2,500,000. A director of the Company is an officer, director and 30% shareowner of Opto Sensors. Under the terms of the promissory note, Opto Sensors pays the Company interest at a rate that exceeds the prime rate established by Security Pacific Bank. Interest is payable quarterly and the principal is due and payable in 1995. As a condition of the loan, the Company received warrants to purchase 1,250,000 shares of preferred stock of Opto Sensors. Interest income of $279,177 and $52,709 in 1991 and 1990, respectively, was earned on this note.

SUPER VALU STORES, INC. (FEB)

	1991	1990
	($000)	
Total current assets	$1,144,142	$1,072,533
Other assets and deferred charges	124,909	109,809
Long-term investment in direct financing leases	71,557	73,392
Long-term notes receivable	53,088	59,762

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B. Long-Term Notes Receivable

Long-term notes receivable relate to fixtures and other financing relative to independent retail food operations. Loans to independent retailers, as well as trade accounts receivable, are primarily collateralized by the retailers' inventory, equipment and fixtures. The notes range in length from 1 to 20 years with the majority being 7 years, and may be non-interest bearing or bear interest at rates ranging from 7 to 15 percent. Such notes were reduced for unearned financing charges of $5.0 and $3.9 million at February 23, 1991 and February 24, 1990, respectively. Unearned financing charges are amortized to interest income using a method which approximates the interest method.

Included in current receivables are amounts due within one year totaling $9.8 and $10.5 million at February 23, 1991 and February 24, 1990, respectively.

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 summarizes the amortization periods used by the survey companies to amortize intangible assets. It is not uncommon for a company to use more than one period for one type of intangible. For instance, a company may disclose in the Summary of Accounting Policies that it amortizes goodwill over a period not exceeding 40 years and in a subsequent note disclose that it amortizes goodwill related to a certain acquisition over a specified number of years.

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 1991, sixty-three survey companies disclosed an intangible pension asset.

Examples of intangible asset disclosures follow.

TABLE 2-17: INTANGIBLE ASSET VALUATION

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Assets Being Amortized				
Goodwill recognized in a business combination	381	379	367	340
Patents, patent rights	59	62	62	67
Trademarks, brand names, copyrights	48	46	38	41
Licenses, franchises, memberships	17	16	19	22
Other—described	60	57	52	47
Assets Not Being Amortized				
Goodwill recognized in a business combination	37	42	44	60
Trademarks, brand names, copyrights	3	3	3	3

TABLE 2-18: AMORTIZATION PERIOD—1991

	Number of Companies			
	Goodwill	Patent	Trademark	License
Period				
40	185	1	6	—
"Not exceeding 40"	76	2	5	1
25-30	11	—	1	1
20	15	—	1	1
10-15	14	2	1	—
Legal/estimated life	32	42	26	10
Other	75	12	8	4

Goodwill

NORTEK, INC. (DEC)

	1991	1990
	(Amounts In Thousands)	
Other Assets:		
Restricted cash and investments	$ 1,513	$ 15,248
Goodwill, less accumulated amortization of $16,308,000 and $14,122,000	91,073	97,029
Deferred debt expense, net	3,807	4,927
Net assets of discontinued operations	319	7,963
Investment in and amounts due from businesses sold or discontinued	10,262	7,619
Other	14,581	22,648
	121,555	155,434

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Goodwill

The Company has classified as goodwill the cost in excess of fair value of the net assets (including tax attributes) of companies acquired in purchase transactions. Purchase price allocations are subject to refinement until all pertinent information regarding the acquisitions is obtained. Loss from continuing operations for 1990 reflects a net after tax charge of approximately $3,055,000 ($.23 per share) in the fourth quarter as a result of a determination that the net unamortized goodwill of one of the Company's businesses had no further continuing value. Goodwill is being amortized on a straight-line method over 40 years. Amortization charged to continuing operations amounted to $2,759,000, $2,997,000 and $2,925,000 for 1991, 1990 and 1989, respectively.

SPX CORPORATION (DEC)

	1991	1990
	(Dollars in Thousands)	
Net property, plant and equipment	$116,319	$117,912
Other Assets	30,357	28,941
Costs in Excess of Net Assets of Businesses Acquired (Note 1D)	98,306	96,268

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Basis of Presentation and Summary of Accounting Policies

D. Costs in Excess of Net Assets of Businesses Acquired

The Company amortizes costs in excess of the net assets of businesses acquired on a straight-line method over the estimated periods benefitted, not to exceed 40 years. Such amortization was $3,070,000 in 1991, $2,940,000 in 1990 and $2,672,000 in 1989. At December 31, 1991, total costs in excess of net assets of businesses acquired were $113,706,000 and accumulated amortization of costs in excess of net assets of businesses acquired was $15,400,000.

SEQUA CORPORATION (DEC)

	1991	1990
	($000)	
Other assets		
Excess of cost over net assets of companies acquired	$373,012	$381,417
Deferred charges and other	25,922	21,166
	398,934	402,583

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Excess of Cost Over Net Assets of Companies Acquired

Excess of cost over net assets of companies acquired is being amortized on a straight-line basis over periods not exceeding forty years. The amortization charged against earnings in 1991, 1990 and 1989 was $10,804,000, $14,645,000 and $11,239,000, respectively. Accumulated amortization at December 31, 1991 and 1990 was $51,934,000 and $41,130,000, respectively.

TANDEM COMPUTERS INCORPORATED (SEP)

	1991	1990
	(In thousands)	
Total current assets	$ 873,004	$ 862,781
Property, plant, and equipment, at cost	1,092,524	$1,026,459
Accumulated depreciation and amortization	(453,967)	(385,919)
Net property, plant, and equipment	638,557	640,540
Cost in excess of net assets acquired, net of accumulated amortization of $44,204 in 1991 and $30,545 in 1990	195,245	192,831
Lease receivables	82,652	74,305
Other assets	142,460	106,952
Total assets	$1,931,918	$1,877,409

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Cost in excess of net assets acquired

The excess acquisition cost over the fair value of net assets of businesses acquired is being amortized using the straight-line method over estimated lives ranging from 5 to 20 years. Amortization expense for 1991, 1990, and 1989 was $13.7 million, $12.1 million, and $12.2 million, respectively.

Patents

THE EASTERN COMPANY (DEC)

	1991	1990
Other Assets		
Goodwill, less accumulated amortization ($52,213 in 1991 and $97,831 in 1990)	$ 78,099	$ 84,614
Patents, licenses and trademarks, less accumulated amortization ($139,605 in 1991 and $153,148 in 1990)	653,167	616,548
Prepaid pension cost	1,569,989	1,502,332
Sundry	56,304	56,304
Noncurrent assets of discontinued operations	292,469	631,206
	2,650,028	2,891,004

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangibles: Patents are amortized using the straight-line method over the lives of the patents. Licenses are generally amortized on a straight-line basis over periods of five to 17 years. Goodwill is being amortized over periods from five to 20 years.

FIRST BRANDS CORPORATION (JUN)

	1991	1990
	(In Thousands)	
Total current assets	$390,910	$400,950
Property, plant and equipment (net of accumulated depreciation of $41,252 and $31,236)	198,327	177,813
Patents, trademarks, proprietary technology and other intangibles (net of accumulated amortization of $140,686 and $113,945) (Notes 1 and 3)	204,073	229,170
Deferred charges and other assets (net of accumulated amortization of $31,146 and $24,919)	22,329	27,848
Total assets	$815,639	$835,781

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, 1991 and 1990 consisted of:

(In Thousands)	1991	1990	Useful Lives
Trademarks	$ 96,261	$ 96,078	40 years
Patents, proprietary technology and other intangibles	205,999	205,292	13–17 years
Excess of cost over net assets acquired	42,499	41,745	40 years
	344,759	343,115	
Less: Accumulated amortization	(140,686)	(113,945)	
	$204,073	$229,170	

ILLINOIS TOOL WORKS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Assets consisted of:

In thousands	1991	1990
Patents and other intangible assets	$118,596	$ 95,059
Accumulated amortization of patents and other intangible assets	(56,838)	(43,480)
Investment properties	65,769	64,228
Investment in and advances to unconsolidated affiliates	13,451	5,492
Prepaid assets	34,522	27,994
Other	53,276	12,786
	$228,776	$162,079

Patents and other intangible assets represent assets acquired with purchased businesses and are being amortized primarily on a straight line basis over one to 17 years.

Amortization expense amounted to $13,358,000 in 1991, $9,715,000 in 1990 and $8,166,000 in 1989 and is included primarily in Other Income (Expense).

Trademarks

GENERAL CINEMA CORPORATION (OCT)

	1991	1990
	($000)	
Other assets		
Investments	$ 3,746	$ 56,189
Goodwill	348,349	357,418
Other intangibles	79,642	226,356
Other assets	94,538	129,700
Total other assets	526,275	769,663

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Significant Accounting Policies

Intangibles

Intangibles consist of trademarks ($67,841,000) and other intangibles ($11,801,000) at October 31, 1991, and of trademarks ($69,666,000) and other intangibles ($156,690,000) at October 31, 1990.

Intangibles, including goodwill, are being amortized on a straight-line basis over their estimated useful lives, which range from 11 to 40 years. Amortization expense was $151,551,000 in 1991, $33,804,000 in 1990, and $36,169,000 in 1989.

LADD FURNITURE, INC. (DEC)

	1991	1990
	Dollar amounts in thousands	
Total current assets	$161,301	$165,590
Property, plant and equipment, net	79,767	79,949
Property, plant and equipment held for sale	1,095	5,592
Intangible and other assets, net—Note 5	50,207	54,265
	$292,370	$305,396

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary Of Significant Accounting Policies

Intangible Assets. Intangible assets consist principally of values assigned to patents, furniture designs, tradenames, trademarks and the excess of cost over the assigned value of net assets acquired. These assets are being amortized using the straight-line method over periods of 15 to 40 years.

5. Intangible And Other Assets

A summary of intangible and other assets follows:

In thousands	Dec. 28, 1991	Dec. 29, 1990
Trademarks	$21,700	$21,700
Excess of cost over assigned value of net assets acquired	15,979	16,369
Furniture designs, tradenames and patents	14,901	14,901
Other	2,488	5,831
	55,068	58,801
Less accumulated amortization	(4,861)	(4,536)
	$50,207	$54,265

Covenants Not To Compete

MAGNETEK, INC. (JUN)

	1991	1990
	($000)	
Net property, plant and equipment	$199,111	$174,961
Cost in excess of fair value of net assets acquired, less accumulated amortization of $11,038 in 1991 and $7,577 in 1990	134,848	115,732
Deferred financing costs, intangible and other assets, less accumulated amortization of $23,913 in 1991 and $18,550 in 1990	29,037	30,039

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts are expressed in thousands

1 (In Part): Summary of Significant Accounting Policies

Deferred financing costs, intangible and other assets

Costs incurred to obtain financing are deferred and amortized principally on debt outstanding method over the term of financing acquired. Amortization expense relating to deferred financing costs was $1,866, $1,731 and $1,989 for the years ended June 30, 1991, 1990 and 1989, respectively. Intangible assets (primarily covenants not to compete) and cost in excess of fair value of net assets acquired are being amortized using the straight-line method primarily over five-year and forty-year periods, respectively. Amortization expense relating to covenants not to compete was $2,800, $2,800 and $2,755 for the years ended June 30, 1991, 1990 and 1989, respectively. Amortization expense relating to cost in excess of fair value of net assets acquired was $3,461, $2,719 and $2,124 for the years ended June 30, 1991, 1990 and 1989, respectively. Amortization expense relating to deferred financing costs, covenants not to compete and cost in excess of fair value of net assets acquired is included in the consolidated statements of income as other expense.

THOMAS & BETTS CORPORATION (DEC)

	1991	1990
	In thousands	
Intangible Assets—Net	$26,031	$30,165
Other Assets	25,352	11,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Intangible Assets

Intangible assets consist principally of the excess of cost over the fair value of net assets acquired in business combinations accounted for as purchases and of covenants not to compete. These assets are being amortized on a straight-line basis over periods of 5 to 40 years.

As of December 31, 1991 and 1990, accumulated amortization of intangible assets was $14,353,000 and $10,216,000, respectively.

7 (In Part): Other Financial Data

Other expense-net consists of the following:

In thousands	1991	1990	1989
Investment income	$ 6,500	$ 7,404	$ 7,524
Interest expense	(12,376)	(12,998)	(10,240)
Amortization of intangibles	(4,154)	(4,106)	(3,075)
Net currency losses	(603)	(1,682)	(1,044)
Other	195	142	(373)
	$ (10,438)	$ (11,240)	$ (7,208)

Customer Lists

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

	1991	1990
	(In Thousands)	
Other Assets:		
Cost over fair value of net tangible assets of acquired businesses, net of accumulated amortization of $26,209 and $20,899	$245,656	$283,032
Other intangible assets, net of accumulated amortization of $152,506 and $120,525	147,861	169,041
Deferred income taxes	120,376	48,839
Net assets of discontinued operations	42,480	90,666
Other	240,247	221,549
Total other assets	796,620	813,127

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 1991, 1990, and 1989 related to intangible assets was $49,758,000, $44,277,000, and $34,202,000, respectively.

ENTERTAINMENT PUBLISHING CORP. (JUN)

	1991	1990
	($000)	
Total current assets	$18,821	$16,331
Furniture, fixtures and equipment, net	4,179	3,532
Intangible assets, net	5,135	4,961
Other assets	1,796	2,567
	$29,931	$27,421

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Intangible Assets, Net:

Intangible assets consist primarily of amounts allocated upon purchase of assets of existing operations and are summarized as follows:

	Amortization Period	June 30, 1991	1990
		(dollars in thousands)	
Merchant, distributor and customer lists	2-6 years	$5,032	$4,425
Goodwill	5-20 years	1,639	1,764
Covenants not to compete	3-5 years	2,007	1,242
		8,678	7,431
Less accumulated amortization		3,543	2,470
		$5,135	$4,961

Amortization of intangible assets is being provided for on a straight-line basis over their estimated useful lives.

Intangible Pension Asset

AMETEK, INC. (DEC)

	1991	1990
	($000)	
Total current assets	$319,149	$317,660
Property, plant and equipment, net	194,112	200,705
Other assets (Note 8)	99,212	96,805
	$612,473	$615,170

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Retirement And Pension Plans

For pension plans with accumulated benefits in excess of assets at December 31, 1991, the balance sheet reflects an additional long-term pension liability of $9.4 million ($10.7 million—1990), a long-term intangible asset of $7.8 million ($8.8 million—1990), and a charge to stockholders' equity of $1.1 million ($1.2 million—1990), net of a deferred tax benefit, representing the excess of the additional long-term liability over unrecognized prior service cost. No balance sheet recognition is given to pension plans with assets in excess of accumulated benefits.

ATHLONE INDUSTRIES, INC. (DEC)

	1991	1990
	(In thousands)	
Total current assets	$ 89,775	$106,698
Property, plant and equipment, less accumulated depreciation and amortization	46,854	44,388
Costs in excess of restated value of assets of businesses acquired	5,851	5,851
Investments, at cost approximating market	2,835	4,071
Deferred pension costs (note 9)	15,343	16,717
Noncurrent assets of discontinued operations	999	3,348
Other assets	731	465
	$162,388	$181,538

NOTES TO FINANCIAL STATEMENTS

9. (In Part): Pension and Retirement Plans:

Funding status of the plans (based upon measurement dates of September 30, 1991 and 1990) and amounts recorded in the Company's balance sheet as of December 31, 1991 and 1990 are shown as follows:

(In thousands) As of December 31	1991	1990
Vested benefit obligations	$80,606	$75,421
Accumulated benefit obligations	$83,279	$77,944
Projected benefit obligation	$87,929	$82,916
Plan assets at fair value, primarily guaranteed investment contracts	(62,534)	(53,779)
Projected benefit obligation in excess of plan assets	25,395	29,137
Unrecognized net obligation at January 1, 1986 (transition date) being recognized over 15 years	(12,967)	(13,739)
Unrecognized net loss since transition date arising from differences in expected and actual experience and changes in plan assumptions	(2,496)	(5,675)
Unrecognized prior service cost	(4,136)	(2,062)
Adjustment required to recognize minimum liability	15,343	16,717
Accrued pension cost including noncurrent liabilities	$21,139	$24,378

In accordance with Statement of Financial Accounting Standards No. 87, the Company has recorded an adjustment, as shown in the table above, to recognize a minimum pension liability. A corresponding, offsetting noncurrent asset, "Deferred pension costs," has been recorded in the consolidated balance sheets. Noncurrent pension liabilities also include $3,776,000 related to Green River Steel, representing long-term pension liabilities for employees not rehired when this facility was reopened during 1988, after having been shut down in 1985.

KELLOGG COMPANY (DEC)

	1991	1990
	(millions)	
Property, net	$2,646.5	$2,595.4
Intangible assets	49.8	62.9
Other assets	56.5	49.7

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting policies

Intangible assets

Intangible assets represent the unamortized excess of cost over fair market value of net assets of businesses acquired by purchase (goodwill), trademarks, and the underfunded amount of certain pension plans. Trademarks and goodwill are being amortized by the straight-line method over periods up to 40 years.

Note 8 (In Part): Retirement plans

At December 31, 1991, both intangible assets and other liabilities include $41.0 million, reflecting underfunded pension plans, primarily in the United States, compared to $58.3 million at December 31, 1990.

KERR GLASS MANUFACTURING CORPORATION (DEC)

	1991	1990
	(in thousands)	
Net property, plant and equipment	$38,204	$38,668
Certificates of deposit	6,500	6,000
Intangible pension asset	5,503	5,039
Goodwill and other intangibles, net of amortization of $3,035 in 1991 and $2,303 in 1990	6,072	6,445
Other assets	1,310	1,227
Non-current net assets related to discontinued operations	41,824	41,133

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Retirement Benefits

Pursuant to the provisions of FASB Statement No. 87, Employers' Accounting for Pensions, additional minimum liabilities and offsetting intangible assets of $5,503,000 and $5,039,000 were recorded as of December 31, 1991, and 1990, respectively.

Data Processing Rights

AUTOMATIC DATA PROCESSING, INC. (JUN)

	1991	1990
	($000)	
Net property, plant and equipment	$372,336	$400,340
Other assets	76,015	79,071
Intangibles	257,295	201,587

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

D. Intangibles. The excess of cost of investment in subsidiaries over net assets acquired in business combinations, $135,125,000 at June 30, 1991 and $106,621,000 at June 30, 1990, is amortized primarily on a straight-line basis over forty years. Other intangibles, which total $122,170,000 at June 30, 1991 and $94,966,000 at June 30, 1990, consist primarily of purchased rights to provide data processing services to various groups of clients. These costs are amortized primarily on a straight-line basis over the anticipated period of benefit, which generally is from five to seven years. Purchased software is amortized over a three year period.

Supply Contracts

DIBRELL BROTHERS, INCORPORATED (JUN)

	1991	1990
Intangible assets		
Excess of cost over related net assets of business acquired	$14,800,994	$11,893,518
Supply contracts	8,232,313	946,500
Pension asset	3,179,380	—
	26,212,687	12,840,018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Excess of cost over related net assets of business acquired relates primarily to 1988 acquisitions and is being amortized on a straight-line basis over periods ranging from 10 to 40 years. During 1991 the Company increased Excess of cost over related net assets of business acquired by $2,700,000 related to Dobra. Excess of cost over related net assets of business acquired was reduced by the utilization of pre-acquisition tax loss carryforwards related to business acquired. The accumulated amortization at June 30, 1991, is $1,656,879.

Supply contracts include 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 subsidiary will have

processing rights to FC tobacco marketed in certain areas of North Carolina and Virginia. It also includes the estimated value of a ten year tobacco supply agreement with R. J. Reynolds Tobacco Company (Reynolds) pursuant to which the Company will supply Reynolds and its affiliates with a specified quantity of their required Brazilian tobaccos. Each contract is being amortized on a straight-line basis over the respective contract period. The accumulated amortization at June 30, 1991 is $1,324,871.

Management Services Contracts

MARRIOTT CORPORATION (DEC)

	1991	1990
	(in millions)	
Total Current Assets	$1,023	$1,428
Property and Equipment	2,485	2,774
Assets Held for Sale	1,524	1,274
Investments in Affiliates	455	462
Intangibles	476	494
Notes Receivable and Other	437	494
	$6,400	$6,926

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets

	1991	1990
	(in millions)	
Marriott Management Services contracts	$366	$353
Hotel management and franchise agreements	107	107
Goodwill	143	139
Other	39	41
	655	640
Less accumulated amortization	(179)	(146)
	$476	$494

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 totaled $33 million in 1991, $34 million in 1990, and $36 million in 1989.

Engineering Drawings

OAK INDUSTRIES INC. (DEC)

	1991	1990
	(Dollars in thousands)	
Other Assets:		
Goodwill and other intangible assets, less accumulated amortization of $2,435 and $1,702	$ 9,277	$ 4,910
Investments in affiliates	5,741	4,256
Other assets	2,665	4,100
Total other assets	17,683	13,266

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies:

Intangible Assets

Goodwill and other intangibles, and the related amortization are as follows (dollars in thousands):

	Goodwill	Other Intangibles	Total
Balance, December 31, 1989	$1,959	$3,445	$5,404
Amortization	(65)	(429)	(494)
Balance, December 31, 1990	1,894	3,016	4,910
Additions	4,947	153	5,100
Amortization	(247)	(486)	(733)
Balance, December 31, 1991	$6,594	$2,683	$9,277

Goodwill represents the excess of the cost of acquired businesses over the fair market value of their net assets. Goodwill is being amortized on the straight-line method over periods of 25 to 35 years. Other intangibles, including patents, engineering drawings and software, are stated at cost and amortized on the straight-line method over periods of 7 to 17 years.

Product Lines

STANHOME INC. (DEC)

	1991	1990
OTHER ASSETS:		
Intangibles		
Goodwill, net	$38,571,851	$32,797,967
Product lines and other, net	20,605,994	20,743,394
Other	7,731,236	6,968,259
	66,909,081	60,508,620

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies:

Intangible assets result from the allocation of the excess cost of acquisitions over net tangible assets acquired. Intangibles were net of accumulated amortization of $14,630,000 and $12,701,000 at December 31, 1991 and 1990, respectively. Additional contingent cash payments will be made for the acquisitions based on future levels of pre-tax income and such payments will increase the value assigned to goodwill. Product lines, net resulting from the acquisition of Enesco in 1983 were $19,905,000 in 1991 and $20,720,000 in 1990 and are being amortized over the shorter of actual life or 33 years. Other items are being amortized over 5 years. Goodwill is being amortized over 20 to 40 years. Product lines and other amortization amounted to $960,000, $815,000 and $845,000 for 1991, 1990 and 1989, respectively. Goodwill amortization was $1,112,000 for 1991, $930,000 for 1990 and $738,000 for 1989.

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

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

	1991	1990
	(Dollars in thousands)	
Property, plant and equipment—net	$232,266	$239,721
Excess of cost over net assets of acquired companies, less accumulated amortization of $2,316 in 1991 and $1,899 in 1990	14,385	12,842
Prepaid pension costs (Note 5)	9,899	7,241
Other assets	12,918	12,315

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Benefit Plans

The plans' funded status and amounts recognized in the Company's balance sheets for 1991 and 1990 were as follows:

Dollars in thousands		
At December 31,	1991	
	Over-funded Plans	Under-funded Plans
Actuarial present value of benefit obligation:		
Vested benefit obligation	$ 68,719	$ 875
Non-vested benefit obligation	2,495	264
Additional amounts related to projected pay increases	14,628	1,176
Projected benefit obligation	$ 85,842	$2,315
Plan assets at fair value	$115,778	$1,945
Projected benefit obligation (over) under plan assets	$ 29,936	$ (370)
Unrecognized net (gain) loss	(14,023)	519
Unrecognized prior service cost	2,552	50
Balance of unrecognized net (asset) obligation existing from date of initial application	(8,823)	58
Prepaid (accrued) pension cost	$ 9,642	$ 257

CTS CORPORATION (DEC)

	1991	1990
	(In thousands of dollars)	
Net property, plant and equipment	$53,828	$53,207
Other assets		
Goodwill, less accumulated amortization (1991—$4,710; 1990—$4,061)	7,459	8,091
Prepaid pension expense—Note G	21,653	18,495
Other	1,928	1,580
Total other assets	31,040	28,166

Note G (In Part): Employee Retirement Plans

Defined benefit plans

The Company has a number of noncontributory defined benefit pension plans (Plans) covering approximately 40% of its employees. Plans covering salaried employees provide pension benefits that are based on the employees' compensation prior to retirement. Plans covering hourly employees generally provide benefits of stated amounts for each year of service.

Net pension income for the plans in 1991, 1990 and 1989 includes the following components:

	(In thousands) 1991	1990	1989
Service cost—benefits earned during the year	$ 1,926	$ 1,783	$ 1,425
Interest cost on projected benefit obligation	4,644	4,393	4,079
Actual return on plan assets	(16,735)	(1,127)	(10,944)
Net amortization and deferral	5,250	(9,675)	1,046
Net pension (income)	$ (4,915)	$ (4,626)	$ (4,394)

The following table details the funded status of the Plans at December 31, 1991, and December 31, 1990:

	(In thousands) 1991	1990
Actual present value of benefit obligations:		
Vested benefits	$ 47,973	$47,600
Nonvested benefits	3,457	2,737
Accumulated benefit obligation	$ 51,430	$50,337
Plan assets at fair value	$102,537	$89,194
Projected benefit obligation	61,605	54,412
Plan assets in excess of the projected benefit obligation	40,932	34,782
Unrecognized prior year service cost	559	625
Unrecognized net (gain) loss	(2,006)	2,933
Unrecognized net asset	(17,832)	(19,845)
Prepaid pension expense	$ 21,653	$18,495

TABLE 2-19: OTHER NONCURRENT ASSETS

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Prepaid pension costs	87	78	78	49
Property held for sale	60	65	69	49
Debt issue costs	45	35	32	26
Software	35	32	27	23
Deferred income taxes	34	20	17	12
Segregated cash or securities	33	39	36	36
Assets of nonhomogeneous operations	26	26	25	11
Assets leased to others	25	29	29	34
Cash surrender value of life insurance	18	16	15	10
Start up costs	15	6	5	7
Other identified noncurrent assets	48	50	66	56

GERBER PRODUCTS COMPANY (MAR)

	1991	1990
	(Thousands of Dollars)	
Total Current Assets	$441,870	$363,370
Other Assets		
Investments held by insurance operations	66,794	57,325
Deferred policy acquisition costs	38,790	33,578
Prepaid pension costs—Note L	44,161	37,046
Miscellaneous other assets	31,891	22,405
Intangible assets, less accumulated amortization of $4,744		7,653
	181,636	158,007

Note L (In Part): Retirement Benefits

The amounts recognized in the consolidated statements of financial position at March 31 for the Company's defined benefit plans, all of which have plan assets in excess of their accumulated benefit obligations, are presented below:

	1991	1990
	(Thousands of Dollars)	
Actuarial present value of benefit obligations:		
Vested benefit obligation	$164,265	$154,059
Accumulated benefit obligation	$171,372	$160,234
Projected benefit obligation	$203,291	$191,432
Plan assets at fair value	260,880	272,416
Plan assets in excess of projected benefit obligation	57,589	80,984
Unrecognized net (gain) or loss	11,794	(16,113)
Unrecognized transition asset net of amortization (deduct)	(25,222)	(27,825)
Prepaid pension costs	$ 44,161	$ 37,046

Property Held For Sale

CALMAT CO (DEC)

	1991	1990
	(Amounts in thousands)	
Total current assets	$ 92,059	$ 94,841
Installment notes receivable and other assets	7,897	16,482
Investment in and advances to unconsolidated subsidiaries	16,036	15,816
Costs in excess of net assets of subsidiaries	48,025	49,597
Property, plant and equipment, at cost:		
Land and deposits	153,922	133,814
Buildings, machinery and equipment	378,418	362,200
Construction in progress	13,960	32,204
	546,300	528,218
Less: accumulated depreciation and depletion	(185,002)	(172,733)
Property, plant and equipment, net	361,298	355,485
Net assets held for sale	14,901	15,844
Total assets	$540,216	$548,065

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Net Assets Held for Sale:

During 1988, the Company announced its intention to dispose of a substantial portion of its developed and developable properties and these properties were classified as net assets held for sale. Condensed financial information relating to net assets held for sale is as follows:

	December 31,	
(Amounts in thousands)	1991	1990
Balance Sheet		
Property and improvements	$69,950	$70,787
Other assets	2,336	2,652
Total assets	72,286	73,439
Notes and bonds payable	54,903	53,865
Other liabilities	2,482	3,730
Total liabilities	57,385	57,595
Net assets held for sale	$14,901	$15,844

	For the years ended December 31,		
	1991	1990	1989
Results of Operations			
Gains on sale of assets	$ 2,929	$20,774	$39,217
Rental income and other	5,574	8,019	8,464
	8,503	28,793	47,681
Costs and expenses	(11,339)	(14,099)	(11,595)
Gains from disposal and loss from operations	$(2,836)	$14,694	$36,086

Included in notes and bonds payable at December 31, 1991 and 1990, respectively, are $43.3 million and $8.0 million of borrowings made under the Company's lines of credit agreements. It is management's intention that the proceeds from the disposal of the assets held for sale will be used to extinguish this debt. Interest expense included in the net assets held for sale category in the consolidated statements of operations was $4.9 million, $5.1 million and $2.8 million in 1991, 1990 and 1989, respectively.

Maturities of notes and bonds payable during the next five years are as follows: 1992, $.1 million; 1993, $12.7 million; 1994, $29.7 million; 1995, $1.5 million; 1996, $.2 million.

CHAMPION ENTERPRISES, INC.

	1991	1990
	(Dollars in thousands)	
Property and equipment—net	$16,757	$18,807
Estimated realizable value of property held for sale	2,702	3,453
Finance receivables	5,034	5,848
Other assets	4,462	3,422

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.

EKCO GROUP, INC. (DEC)

	1990	1991
	($000)	
Total current assets	$ 46,258	$ 52,522
Property and equipment, net	26,796	28,492
Property held for resale, net	12,169	12,007
Other assets	8,050	8,706
Excess of cost over fair value of net assets acquired, net of accumulated amortization (1990, $8,330; 1991, $11,100)	96,894	94,619
Total assets	$190,167	$196,346

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property held for resale

It is the Company's policy to make available for sale or sublease property considered by management as excess and no longer necessary for the operations of the Company. The aggregate carrying values of such property are periodically reviewed and are stated at the lower of cost or market.

4. Property Held for Resale, Net

Property held for resale consisted of the following:

(Amounts in thousands)	Dec. 30, 1990	Dec. 29, 1991
Property at cost	$18,078	$18,168
Less accumulated depreciation	5,909	6,161
	$12,169	$12,007

LUFKIN INDUSTRIES, INC. (DEC)

	1991	1990
	(Thousands of dollars)	
Property, plant and equipment—net	$85,649	$78,530
Other investments	5,074	11,231
Other assets	8,966	7,214
Net assets of discontinued operations	23,626	27,449

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Discontinued operations

In November 1991, the Company announced its decision to exit the trailer business. Accordingly, these operations including the direct administrative expenses related thereto and the applicable provision or benefit for income taxes have been reported as the results of discontinued operations for all periods in the restated consolidated statement of earnings. The Company is currently seeking a buyer of these operations and the related net assets are included in the balance sheet under the caption Net Assets of Discontinued Operations.

Deferred Income Taxes

MUNSINGWEAR, INC. (DEC)

	1991	1990
	($000)	
Net property, plant and equipment	$1,732	$1,788
Other assets, net of accumulated amortization (1991—$0; 1990—$281)	203	1,150
Deferred taxes, net of valuation allowance (1991—$11,260)	3,000	—
Trademarks, net of accumulated amortization (1991—$52)	5,393	—
Non-current assets related to discontinued operations	—	900

NOTES TO FINANCIAL STATEMENTS

2 (In Part): Fresh Start Reporting

As permitted by SOP 90-7, the Company adopted FASB Statement No. 109, "Accounting for Income Taxes," and FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," as of October 29, 1991, the reorganization date. As a result, the Company allocated $3,000,000 of the reorganization value to deferred income taxes, representing the expected benefit from the future realization of the surviving preconfirmation NOL of approximately $36,000,000 (see Note 8) and recorded a liability of $424,000 for postretirement medical benefits (see Note 12).

8 (In Part): Income Taxes

Effective October 29, 1991, the Company adopted the provisions of FASB Statement No. 109 "Accounting for Income Taxes" which requires the liability method of accounting for income taxes rather than the deferred method previously used. As of January 4, 1992, the recorded deferred tax asset, net of the valuation allowance, was $3,000,000, which equals the cumulative effect of the accounting change on the date of adoption. The effect of the adoption was included as a "Fresh Start Reporting" adjustment (see Note 2).

The sources of the deferred tax asset and the tax effect of each is as follows:

(In thousands)	Jan. 4 1992
Federal net operating loss carryforward	$13,500
Tax credit carryforwards	450
Temporary differences	310
	14,260
Valuation allowance	(11,260)
	$ 3,000

Temporary differences represent differences in the recognition of assets and liabilities for tax and financial reporting purposes, including receivable and inventory allowances, unearned royalty income, and employee benefit liabilities.

Segregated Funds

THE DIAL CORP. (DEC)

	1991	1990
	(000 omitted)	
Total current assets	$1,336,351	$1,312,488
Investments restricted for payment service obligations	254,429	225,722
Property and equipment	762,049	731,583
Other investments and assets	211,997	279,814
Investment in GFC Financial	371,576	442,747
Deferred income taxes	40,787	57,663
Intangibles	615,184	594,930
	$3,592,373	$3,644,947

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B (In Part): Significant Accounting Policies

Investments Restricted for Payment Service Obligations —Investments restricted for payment service obligations include U.S. Treasury and Government agency securities, obligations of states and political subdivisions, debt securities issued by foreign governments, corporate securities, mortgage-backed and other securitized debt securities, and other debt securities due beyond one year. These investments are stated at amortized cost, which approximates market value at December 31, 1991 and 1990, or at estimated realizable value when there is permanent impairment of value. Premiums or discounts are amortized based on the effective interest method. Marketable equity securities (common and preferred stocks) are stated at the lower of aggregate cost or market. A valuation allowance, representing the excess of cost over market of equity securities, is included as a reduction of retained income. The cost of investment securities sold is determined using the specific identification method. Realized gains and losses on the disposition of investment securities and adjustments to reflect permanent impairment of the value of investment securities are reflected in income.

H.B. FULLER COMPANY (NOV)

	1991	1990
	(In thousands)	
Net property, plant and equipment	$207,378	$202,341
Investments in and advances to affiliates	3,491	2,373
Voluntary Employees' Beneficiaries Association Trust	3,194	—
Deposits and miscellaneous assets	10,428	12,677
Other intangibles, less accumulated amortization of $22,439 in 1991 and $16,564 in 1990	17,736	21,730
Excess of cost over net assets acquired, less accumulated amortization of $3,498 in 1991 and $2,680 in 1990	7,117	8,220

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Other Postretirement Benefits

In 1991 the Company established a Voluntary Employees' Beneficiaries Association Trust and contributed $3,194 to fund employee benefits.

LACLEDE STEEL COMPANY (DEC)

	1991	1990
	(In thousands of Dollars)	
NON-CURRENT ASSETS:		
Intangible assets	$28,590	$31,110
Bond funds in trust	6,158	10,759
Prepaid pension contributions	9,772	5,920
Property held for investment or sale, net of accumultated depreciation of $2,071 in 1991 and $1,998 in 1990	694	767
Other	1,419	2,231
Total non-current assets	46,633	50,787

SAHARA RESORTS (SEP)

	1991	1990
Total current assets	$37,877,748	$42,440,267
Contracts receivable, net—less current portion	5,277,624	6,576,545
Restricted cash—less current portion (Note 3)	3,192,464	34,320,429

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Restricted Cash

Proceeds from the sale of $116.2 million notes secured by a first deed of trust on the Sahara are restricted to uses for expansion of the Sahara and Hacienda or the construction of the Santa Fe. The current portion of restricted cash represents the amount of current liability for amounts billed under the original construction contracts recorded in connection with those projects. The balance of restricted cash, approximately $3.2 million as of September 30, 1991, has been classified as a long-term asset.

WASTE MANAGEMENT, INC. (DEC)

	1991	1990
	($000's omitted)	
Property and Equipment, Net	$5,717,013	$6,699,475
OTHER ASSETS		
Intangible assets relating to acquired businesses, net	$1,865,550	$2,504,204
Funds held by trustees for acquisition or construction	258,160	193,610
Sundry, including other investments	772,677	1,030,377
Total Other Assets	$2,896,387	$3,728,191

Cash Surrender Value

AFFILIATED PUBLICATIONS, INC. (DEC)

	1991	1990
Net property, plant and equipment	$152,267,000	$173,662,000
Other assets:		
Investment in affiliate	25,000,000	—
Cost of purchased businesses in excess of net tangible assets acquired, net	1,205,000	210,417,000
Cash surrender value of life insurance policies, net (Note 4)	9,325,000	7,814,000
Other	4,291,000	8,268,000
Total other assets	39,821,000	226,499,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Employee Benefits

The Company and its subsidiaries have a number of company-administered non-contributory defined benefit plans covering certain union and most non-union employees. These plans provide benefits that are based on the employee's compensation during various times before retirement. The funding policy for these plans is to contribute annually at least the minimum contribution required by ERISA. Assets of the plans are invested primarily in equity and fixed income securities. The plans have no significant non-benefit liabilities.

In addition, the Company has a supplemental retirement plan covering certain officers and key employees providing for deferred compensation benefits to be paid

after retirement. Provisions for these benefits are charged to operations ratably over the employees' expected term of employment. The Company is the beneficiary of life insurance policies with a face value of $63,879,000 that have been purchased as a method of partially financing benefits under this plan. The Company also contributes to certain union-administered negotiated plans covering union employees. The funding policy for these plans is to make annual contributions in accordance with applicable agreements.

Software Development Costs

DSC COMMUNICATIONS CORPORATION (DEC)

	1991	1990
	($000)	
Total current assets	$306,855	$405,312
Property and equipment, net	162,521	187,456
Long-term receivables	16,908	37,141
Capitalized software development costs	29,563	39,739
Cost in excess of net assets of businesses acquired, net	65,859	69,430
Other	18,208	20,346
Total assets	$599,914	$759,424

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary Of Significant Accounting Policies (In Part)

Research and Development Expenditures

Certain software development costs are capitalized when incurred. Capitalization of software development costs begins upon the establishment of technological feasibility. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological feasibility, anticipated future gross revenues, estimated economic life and changes in software and hardware technologies.

Amortization of capitalized software development costs is provided on a product-by-product basis at the greater of the amount computed using (a) the ratio of current gross revenues for a product to the total of current and anticipated future gross revenues or (b) the straight-line method over the remaining estimated economic life of the product. Generally, an original estimated economic life of two years is assigned to capitalized software development costs. During 1991, 1990 and 1989, the Company capitalized $22,793,000, $25,580,000 and $20,115,000, respectively, of software development costs and $23,406,000, $15,415,000, and $11,656,000, respectively, of such costs were amortized to cost of revenue. During 1991, the Company reduced the carrying value of certain capitalized software development costs by approximately $9,500,000 to their estimated net realizable value (see "Write-down of Assets").

All other research and development expenditures are charged to research and development expense in the period incurred.

LEGENT CORPORATION (SEP)

	1991	1990
	($000)	
Total Current Assets	$212,108	$140,763
Other Assets:		
Purchased and internally developed software costs (Note 4)	21,834	17,504
Furniture and equipment	27,908	18,546
Non-current installment receivables	8,157	4,358
Other	3,902	4,671
Total Other Assets	61,801	45,079
Total Assets	$273,909	$185,842

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Software Development Costs: Costs of purchased software and, under certain conditions, software product development costs are capitalized and then amortized over a future period. Amortization of capitalized software costs, for both internally developed and purchased software products, is computed on a product-by-product basis over the estimated economic life of the product, which ranges from three to seven years for all of the Company's products.

4. Capitalized Software Costs:

Capitalized software costs included in the accompanying balance sheets are summarized as follows:

	September 30,	
(Dollars in thousands)	1991	1990
Purchased software	$30,995	$26,131
Internally developed software	17,388	11,062
	48,383	37,193
Accumulated amortization	(26,549)	(19,689)
Net capitalized software costs	$21,834	$17,504

Cost of software amortization and support includes amortization of $6,800,000, $6,039,000, and $5,048,000 in 1991, 1990, and 1989, respectively. Software development expense is net of capitalized development costs of $6,326,000, $3,171,000, and $2,358,000 in 1991, 1990, and 1989, respectively.

TOKHEIM CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands)

1 (In Part): Summary of Significant Accounting Policies

Software Development Costs—Certain software development costs are capitalized. Capitalization of software development costs begins upon the establishment of technological feasibility.

Amortization of capitalized software costs is provided over the estimated economic useful life of the software product on a straight-line basis, generally three years. Unamortized software costs included in other noncurrent assets were $4,400 and $4,196 at November 30, 1991 and 1990, respectively. The amounts amortized and charged to expense in 1991, 1990, and 1989 were $1,734; $1,358; and $712, respectively.

All other research and development expenditures are charged to research and development expense in the period incurred.

Debt Issuance Costs

THE FAIRCHILD CORPORATION (JUN)

	1991	1990
	(in thousands)	
Total current assets	$ 386,595	$ 493,362
Property, plant and equipment—net	191,024	183,999
Net assets held for sale	43,401	136,289
Cost in excess of net assets acquired, (goodwill) less accumulated amortization of $12,751 and $6,974	220,632	240,214
Investments and advances—affiliated companies	98,540	14,646
Deferred loan costs	17,416	25,510
Prepaid pension assets	52,619	51,850
Notes receivable	11,414	16,039
Long-term investments	28,961	32,179
Other assets	18,216	17,622
	$1,068,818	$1,157,710

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred Loan Costs

Deferred loan costs associated with various debt issues are being amortized over the terms of the related debt based on the amount of outstanding debt using the interest method. At June 30, 1991 and 1990, $17,416,000 and $25,510,000 remained to be amortized over future periods. Amortized expense for these loan costs for fiscal 1991, 1990 and 1989 was $2,325,000, $1,950,000 and $2,925,000, respectively.

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

ASARCO INCORPORATED (DEC)

	1991	1990
	($000)	
Current Liabilities		
Bank loans	$ 45,755	$ 15,853
Current portion of long-term debt	7,493	4,850
Accounts payable	197,556	223,578
Salaries and wages	16,526	19,009
Taxes on income	22,501	29,510
Other current liabilities	62,565	70,691
Total Current Liabilties	352,396	363,491

AMOCO CORPORATION (DEC)

	1991	1990
	(millions of dollars)	
Current liabilities		
Current portion of long-term obligations	$ 737	$ 215
Short-term obligations	370	492
Accounts payable	3,186	3,697
Accrued liabilities	1,298	1,216
Taxes payable (including income taxes)	966	1,179
	6,557	6,799

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Short-Term Obligations

Amoco's short-term obligations consist of notes payable and commercial paper. Notes payable as of December 31, 1991, totaled $78 million at an average annual interest rate of 5 percent, compared with $76 million at an average annual interest rate of 8.9 percent at year-end 1990. Commercial paper borrowings at December 31, 1991, were $292 million at an average annual interest rate of 4.6 percent compared with $416 million at an average annual interest rate of 7.8 percent as of December 31, 1990.

At December 31, 1991, bank lines of credit available to support existing commercial paper borrowings of the corporation amounted to $275 million, the same as at year-end 1990. All of these were supported by commitment fees.

The corporation also maintains compensating balances with a number of banks for various purposes. Such arrangements do not legally restrict withdrawal or usage of available cash funds. In the aggregate, they are not material in relation to total liquid assets.

TABLE 2-20: SHORT-TERM DEBT

	1991	1990	1989	1988
Description				
Notes or loans				
Payee indicated	88	81	86	84
Payee not indicated	153	150	163	154
Short-term debt or borrowings	103	121	131	128
Commercial paper	60	58	50	51
Other	35	38	30	36
Total Presentations	**439**	**448**	**460**	**453**
Number of Companies				
Showing short-term debt	382	386	405	390
Not showing short-term debt	218	214	195	210
Total Companies	**600**	**600**	**600**	**600**

ANTHONY INDUSTRIES, INC. (DEC)

	1991	1990
	($000)	
Current Liabilities		
Bank loans—Note 4	$27,756	$25,468
Accounts payable	22,893	19,879
Payrolls, taxes and other accruals	31,096	31,269
Current portion of senior long-term debt	5,452	2,138
Total current liabilities	87,197	78,754

Note 4. Short-term Borrowing Arrangements

At December 31, 1991, the Company had $59.8 million in available lines of credit, which primarily relate to the Company's subsidiaries and which generally have no termination date but are reviewed annually for renewal. Of the amount, $24.5 million was collateralized by the receivables and inventory of the respective subsidiary to which the line of credit relates.

Short-term borrowings under the lines for the years ended December 31 are:

(Thousands)	1991	1990	1989
Balance outstanding at December 31	$27,756	$25,468	$24,810
Weighted average interest rate at December 31	8.6%	11.4%	11.3%
Maximum amount outstanding during the period	$34,845	$35,560	$40,409
Average amount outstanding during the period (total of monthly outstanding principal balances divided by the number of months)	$29,540	$31,124	$28,261
Weighted average interest rate during the period (actual interest expense on short-term borrowings divided by average short-term borrowings outstanding)	9.5%	12.1%	11.1%

DRESSER INDUSTRIES, INC. (OCT)

	1991	1990
	(In Millions)	
Current Liabilities		
Short-term debt—Note G	$ 13.1	$ 19.6
Current portion of long-term debt	13.6	10.4
Accounts payable—public	247.9	286.8
Accounts payable to unconsolidated affiliates	17.2	10.2
Advances from customers on contracts	197.9	162.1
Accrued compensation and benefits	194.4	184.6
Accrued warranty costs	40.4	45.1
Accrued taxes other than income taxes	26.1	29.4
Accrued interest	17.4	30.1
Insurance reserves	72.7	72.6
Income taxes	107.8	95.9
Other accrued liabilities	114.8	152.6
Total Current Liabilities	1,063.3	1,099.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G—Short-Term Debt

Lines of credit for short-term borrowings, aggregating $140.0 million at October 31, 1991, have been established with banks within the United States. Such lines provide for borrowings at the prevailing prime interest rate. The lines of credit may be used by the Company and certain foreign subsidiaries, and include Eurodollars and foreign currencies. The lines of credit may be terminated at the option of the banks or the Company.

Loan arrangements have been established with banks outside the United States, under which the Company's foreign subsidiaries may borrow on an overdraft and short-term note basis. At October 31, 1991 the amount available and unused under these arrangements aggregated $108.8 million. Substantially all short-term debt consisted of borrowings from foreign banks.

The Company has understandings with certain of the banks regarding deposit balances as compensation for credit arrangements, but the aggregate amount of such compensating balances was not material at October 31, 1991. The Company was not legally restricted from withdrawing all or any portion of the compensating balances at any time during the year ended October 31, 1991.

E. I. DU PONT DE NEMOURS AND COMPANY (DEC)

	1991	1990
	(Dollars in millions)	
Current Liabilities		
Accounts payable	$2,657	$ 3,172
Short-Term Borrowings and Capital Lease Obligations (Note 16)	1,841	3,928
Income Taxes	12	265
Other Accrued Liabilities	2,983	2,658
Total Current Liabilities	7,493	10,023

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions)

16. Short-Term Borrowings and Capital Lease Obligations

December 31	1991	1990
Commercial paper (1)	$ 102	$1,503
Bank borrowings:		
U.S. dollars	21	830
Other currencies	156	247
Master notes (1)	394	230
Indexed notes payable within one year (2):		
U.S. dollars	20	89
Other currencies	—	62
Long-term borrowings payable within one year:		
U.S. dollars	979	781
Other currencies (3)	109	51
Industrial development bonds payable on demand	50	122
Capital lease obligations	10	13
	$1,841	$3,928

(1) The company had outstanding interest rate swap agreements at December 31, 1991 and 1990 that effectively converted $150 and $550 of floating rate borrowings to fixed rate borrowings with rates averaging 8.3 percent and 9.4 percent, respectively. The remaining term of these swap agreements was less than one year.

(2) Principal repayments are indexed to changes in various exchange rates and can theoretically range from zero to twice the face amount of the note. Interest payments are calculated on the face amount using either a fixed or floating interest rate. Concurrent with the issuance of each of these notes, the company entered into contractual agreements that effectively converted each note to a U.S. dollar-denominated borrowing with (1) a fixed principal repayment amount independent of changes in the indexation factor, and (2) either a fixed or floating rate of interest comparing favorable with rates for the company's nonindexed borrowings of comparable maturity.

(3) Balance at December 31, 1991 represents notes denominated as 100 million European Currency Units (ECUs) with a 9 percent interest rate. Concurrent with the issuance of these notes, the company entered into a currency swap agreement that effectively established U.S. dollar-denominated principal ($109) and interest (8.73 percent) obligations over the term of the notes.

Unused short-term bank credit lines amounted to approximately $2,400 at December 31, 1991. These lines support short-term industrial development bonds, master note borrowings and a portion of the company's commercial paper program and other borrowings.

HARTMARX CORPORATION (NOV)

	1991	1990
	($000)	
Current Liabilities		
Notes payable to banks	$178,500	$ 60,000
Current maturities of long term debt	1,651	1,507
Accounts payable	81,368	86,534
Accrued payrolls	26,838	28,804
Other accrued expenses	58,985	58,760
Deferred taxes on earnings	—	7,401
Total current liabilities	347,342	243,006

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes payable to banks

The following summarizes information concerning notes payable to banks (000's omitted):

	1991	1990	1989
Outstanding at November 30	$203,500	$207,350	$330,600
Maximum month end balance during the year	229,200	360,300	352,900
Average amount outstanding during the year	207,200	298,300	267,200
Weighted daily average interest rate during the year	8.5%	8.7%	9.4%
Weighted average interest rate on borrowings at November 30	7.7%	8.8%	8.7%

At November 30, 1991, $178.5 million of the aggregate $203.5 million of bank borrowings outstanding is classified as current. Notes payable at November 30, 1991 consisted principally of loans pursuant to a multiple option loan facility with a group of twelve banks. This agreement, in effect through November 30, 1992, provides for bank borrowings up to $207 million or for standby support for a commercial paper program.

The interest rate on bank borrowings is either the prime rate, LIBOR rate plus 1/8%, or transaction loan rates, depending on the type of loan. A commitment fee of $207,000 per year plus a fee based upon average utilization, and certain other fees are also payable. At November 30, 1991, $134.3 million was borrowed under this agreement.

In addition to borrowings pursuant to the Multiple Option Facility, the Company has outstanding $15 million at a fixed interest rate of 9% and $25 million at a fixed interest rate of 8.9% due in October, 1992 and January, 1993, respectively. Certain other banks provide short-term lines of credit under informal borrowing arrangements

aggregating $35 million at November 30, 1991, of which $29.2 million was utilized. These borrowings are at transaction rates (generally 1% to 1.5% below the prime rate), and there are no significant compensating balance requirements or commitment fees associated with these credit lines.

The Company enters into interest rate protection agreements as necessary, based on management's assessment of market conditions; none are currently in effect. The payments made under agreements in effect during fiscal 1991 were nominal.

TULTEX CORPORATION (DEC)

	1991	1990
	($000)	
Current liabilities		
Notes payable to banks (Note 4)	$51,000	$37,500
Current maturities of long-term debt	1,865	3,226
Accounts payable—trade	11,400	7,810
Accrued liabilites—other	10,265	19,484
Dividends payable	1,383	2,486
Income taxes payable	3,018	6,520
Total current liabilities	78,931	77,026

Note 4—Notes Payable to Banks

The company has formal short-term lines of credit with lending banks aggregating $52,000,000, with interest payable at or below the prime rate. At December 28, 1991, December 29, 1990 and December 30, 1989, the weighted average interest rates on borrowings outstanding of $51,000,000, $37,500,000 and $42,000,000 were 5.3%, 9.1%, and 10.2%, respectively. The use of these lines is restricted to the extent that the company is required to liquidate its indebtness to individual banks for a 30-day period each year. At times, the company borrows amounts in excess of the lines on a short-term negotiated basis.

As part of the borrowing arrangements, the company is expected to maintain average compensating cash balances, which are based on a percentage of the available credit line by bank and the percentages vary by bank. The amount of compensating balances required for credit lines in effect at December 28, 1991 was an average of $1,444,000. The compensating balances are held under agreements which do not legally restrict the use of such funds, and therefore the funds are not segregated on the face of the balance sheet. The compensating cash balances are determined daily by the lending banks based upon balances shown by the bank, adjusted for average uncollected funds and Federal Reserve requirements. During the period ended December 28, 1991, the company was in substantial compliance with the compensating balance requirements. Funds on deposit with the lending banks and considered in the compensating balances are subject to withdrawal; however, the availability of the short-term lines of credit is dependent upon the maintenance of sufficient average compensating balances.

WHIRLPOOL CORPORATION (DEC)

	1991	1990
	(millions of dollars)	
CURRENT LIABILITIES		
Notes payable	$1,467	$1,268
Accounts payable	742	580
Employee compensation	177	133
Accrued expenses	478	506
Income taxes	38	42
Current maturities of long-term debt	29	122
TOTAL CURRENT LIABILITIES	2,931	2,651

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes payable consist of the following:

December 31 *(millions of dollars)*	1991	1990
Payable to banks	$ 127	$ 294
Commercial paper	1,292	954
Other	48	20
	$1,467	$1,268

The Company has entered into interest rate swap agreements in order to fix interest rates on short-term floating rate notes with balances of $238 million and $316 million at December 31, 1991 and 1990. The agreements have maturities ranging from 3 months to 14 years at December 31, 1991. The weighted average interest rate of these agreements was 7.93% in 1991 and 8.91% in 1990.

Various currency and interest rate swap agreements effectively convert $616 million of the Company's long-term debt and $25 million of the Company's short-term floating rate notes into fixed and floating rate European currency borrowings. The weighted average interest rate on these agreements was 8.91% in 1991 and 9.67% in 1990. The European currency debt serves as a hedge of a portion of the Company's net investment in Whirlpool International and as a hedge of foreign currency cash flows. Changes in value of swaps due to fluctuations in exchange rates are included in the foreign currency translation component of stockholders' equity. The Company is exposed to market risk to the extent of fluctuations in exchange rates.

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*.

ALLIED-SIGNAL INC.

	December 31	
	1991	1990
	(Dollars in millions)	
Current liabilities:		
Accounts payable	$1,073	$1,256
Short-term borrowings	473	482
Commercial paper	263	82
Current maturities of long-term debt	145	133
Accrued liabilities	1,649	1;471
Total current liabilities	3,603	3,424

DIBRELL BROTHERS, INCORPORATED (JUN)

	1991	1990
Current liabilities		
Notes payable to banks	$132,844,554	$180,236,481
Accounts payable:		
Trade	33,620,578	29,278,828
Officers and employees	20,636,883	15,830,412
Other	12,314,729	3,595,633
Advances from customers	1,040,550	1,157,796
Accrued expenses	17,531,899	10,645,619
Income taxes	1,256,611	1,246,192
Long-term debt current	2,575,699	3,075,266
Total current liabilities	221,821,503	245,066,227

VARIAN ASSOCIATES, INC. (SEP)

	1991	1990
	($000)	
Current Liabilities		
Notes payable	$ 9,331	$ 10,037
Accounts payable—trade	59,753	71,143
Accrued expenses	196,133	223,385
Product warranty	33,950	34,260
Advance payments from customers	50,502	69,021
Total Current Liabilities	349,669	407,846

TABLE 2-21: TRADE ACCOUNTS PAYABLE

	1991	1990	1989	1988
Accounts payable	411	396	399	405
Trade accounts payable	135	107	103	127
Accounts payable combined with accrued liabilities or accrued expenses	37	81	83	50
Other captions	17	16	15	18
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.

AMPCO-PITTSBURGH CORPORATION (DEC)

	1991	1990
Current liabilities:		
Notes payable to bank	$14,500,000	$14,500,000
Current maturities of long-term debt	1,483,333	2,056,007
Accounts payable	12,110,733	15,062,864
Accrued payrolls and employee benefits	7,464,238	7,418,728
Other	12,561,461	9,923,228
Total current liabilities	48,119,765	48,960,827

BMC INDUSTRIES, INC. (DEC)

	1991	1990
	(in thousands)	
Current Liabilities		
Short-term borrowings		$10,031
Current portion of long-term debt	$10,222	5,697
Accounts payable	9,267	10,841
Accrued fringe benefits	6,340	2,992
Accrued salaries and commissions	2,715	2,434
Income taxes payable	1,784	—
Deposits received from customers	—	3,301
Other accrued expenses	4,188	3,341
Total Current Liabilities	34,516	38,637

NATIONAL INTERGROUP, INC. (MAR)

	1991	1990
	(Thousands of Dollars)	
Current Liabilities		
Accounts payable	$240,323	$270,629
Other accrued liabilities	37,882	42,123
Pension and other employee benefits	9,740	39,495
Salaries and wages	7,599	16,952
Long-term obligations due within one year	992	2,068
Income taxes	5,350	9,891
Total Current Liabilities	301,886	381,158

TABLE 2-22: EMPLOYEE RELATED LIABILITIES

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Description				
Salaries, wages, payrolls, commissions	292	295	300	306
Compensation and/or Benefits	204	199	190	187
Pension or profit-sharing contributions	77	73	91	97
Compensated absences	16	17	15	19
Other	33	33	41	32
Number of Companies				
Disclosing employee related liabilities	495	491	487	484
Not disclosing	105	109	113	116
Total Companies	**600**	**600**	**600**	**600**

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

	1991	1990
	(In millions of dollars)	
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	$409	$418
Accrued income taxes	15	21
Short-term debt	6	167
Long-term debt—current portion	18	47
Total current liabilities	448	653

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Accounts Payable and Accrued Liabilities

(In millions of dollars)	1991	1990
Accounts payable	$156	$170
Payroll and vacation pay	66	61
Payroll, property, and miscellaneous taxes	37	37
Other postretirement benefits liability	19	—
Restructuring	18	52
Other	113	98
	$409	$418

13. (In Part): Postretirement Benefits Other Than Pensions

The following table reconciles the status of accrued postretirement health care cost liability at October 31, 1991, as reflected on the balance sheet as of December 31, 1991:

(In millions of dollars)	1991
Accumulated Postretirement Benefit Obligation:	
Retirees	$(237)
Fully eligible active plan participants	(27)
Other active plan participants	(98)
Accrued postretirement health care cost liability (includes current liabilities of $19 million)	$(362)

TABLE 2-23: CURRENT INCOME TAX LIABILITY

	1991	**1990**	**1989**	**1988**
Income taxes	347	358	358	360
Taxes—type not specified	44	36	43	44
Federal and state income taxes	19	23	13	18
Federal income taxes	12	14	22	15
U.S. and foreign income taxes	8	9	15	14
Federal, state, and foreign income taxes	9	8	8	14
Federal and foreign income taxes	10	4	7	6
Other captions	13	20	18	22
No current income tax liability	138	128	116	107
Total Companies	**600**	**600**	**600**	**600**

INCOME TAX LIABILITY

Table 2-23 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

CURTISS-WRIGHT CORPORATION (DEC)

	1991	1990
	(In thousands)	
Current liabilities:		
Notes payable and current portion of long-term debt	$ 5,040	$ 4,098
Accounts payable	5,874	6,603
Accrued expenses	15,800	14,544
Federal and foreign income taxes payable	1,444	1,040
Deferred federal and foreign income taxes	3,352	
Other current liabilities	11,654	16,353
Total current liabilities	43,164	42,638

WARNER-LAMBERT COMPANY (DEC)

	1991	1990
	(Millions of dollars)	
Notes payable—banks and other	$ 113.7	$ 222.6
Current portion of long-term debt	14.7	7.7
Accounts payable, trade	336.6	327.0
Accrued compensation	98.9	77.6
Other current liabilities	511.4	339.3
Federal, state and foreign income taxes	174.6	126.5
Total current liabilities	1,249.9	1,100.7

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.

CBI INDUSTRIES, INC. (DEC)

	1991	1990
	($000)	
Current liabilities		
Notes payable	$ 30,027	$ 31,088
Current maturities of long-term debt	16,351	14,997
Accounts payable	64,587	76,396
Dividends payable	2,892	2,936
Accrued liabilities	97,494	99,611
Contracts in progress with progress billings exceeding related earned revenues	88,431	50,443
Income taxes payable	37,893	42,848
Total current liabilities	337,675	318,319

FEDERAL PAPER BOARD COMPANY, INC. (DEC)

	1991	1990
	($000)	
Current Liabilities:		
Accounts payable	$ 86,609	$110,456
Debt payable within one year	15,340	24,291
Short-term bank debt	25,032	10,000
Dividends payable	10,192	10,063
Accrued salaries, wages and benefits	37,664	42,624
Accrued interest	14,086	11,742
Other current liabilities	22,329	25,229
Total current liabilities	211,252	234,405

TABLE 2-24: CURRENT AMOUNT OF LONG-TERM DEBT

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Current portion of long-term debt	221	211	202	212
Current maturities of long-term debt	201	198	193	187
Long-term debt due or payable within one year	50	52	52	61
Current installment of long-term debt	33	35	37	35
Current amount of long-term leases	47	46	48	46
Other captions	10	11	13	11

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 costs related to discontinued operations.

Taxes Other Than Federal Income Taxes

COCA-COLA COMPANY (DEC)

	1991	1990
	($000)	
Current Liabilities		
Accounts payable and accrued expenses	$1,914,379	$1,576,426
Loans and notes payable	845,823	1,742,179
Finance subsidiary—notes payable	346,767	161,432
Current maturities of long-term debt	109,707	97,272
Accrued taxes	900,884	719,182
Total Current Liabilities	4,117,560	4,296,491

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Accrued Taxes

Accrued taxes consist of the following (in thousands):

December 31,	1991	1990
Income taxes	$789,632	$618,590
Sales, payroll and miscellaneous taxes	111,252	100,592
	$900,884	$719,182

CONSOLIDATED PAPERS, INC. (DEC)

	1991	1990
	(Dollars in thousands)	
Current liabilities		
Accounts payable	$32,593	$46,739
Payroll and employee benefits	27,464	25,972
Income taxes	3,464	2,989
Property taxes	8,173	6,210
Other current liabilities	11,253	9,004
Total current liabilities	82,947	90,914

TABLE 2-25: OTHER CURRENT LIABILITIES

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Taxes other than Federal income taxes	149	150	146	148
Interest	139	140	132	125
Estimated costs related to discontinued operations	91	88	72	80
Dividends payable	84	83	97	94
Insurance	83	78	64	50
Customer advances, deposits	54	58	53	53
Warranties	48	48	41	47
Deferred revenue	53	47	40	33
Deferred taxes	34	44	43	48
Advertising	33	27	30	26
Billings on uncompleted contracts	25	25	29	30
Environmental costs	23	N/C	N/C	N/C
Due to affiliated companies	19	14	16	15
Other—Described	104	103	98	99

N/C—Not Compiled.

Costs/Liabilities Related To Discontinued Operations

DIGITAL EQUIPMENT CORPORATION (JUN)

	1991	1990
	(in thousands)	
Current Liabilities		
Bank loans and current portion of long-term debt	$ 23,344	$ 12,538
Accounts payable	722,534	660,819
Federal, foreign and state income taxes	272,567	453,997
Salaries, wages and related items	576,115	472,153
Deferred revenues and customer advances	1,052,260	903,038
Restructuring accrual *(Note M)*	1,036,704	443,544
Other current liabilities	407,507	343,680
Total Current Liabilities	4,091,031	3,289,769

Note M—Restructuring Charges

In fiscal year 1991, the Company recorded net restructuring charges of $1.1 billion. Included in the charge were $550,000,000 for employee separations and $550,000,000 for facility consolidations, equipment retirements and related programs.

In fiscal year 1990, the Company recorded net restructuring charges of $550,000,000.

TENNECO INC. (DEC)

	1991	1990
	(Millions)	
Current liabilities:		
Short-term debt	$2,452	$3,816
Payables—		
Trade	1,603	1,847
Affiliated companies	—	—
Gas transportation and exchange	235	243
Taxes accrued—		
Current	174	199
Deferred	440	72
Interest accrued	237	198
Restructuring liability	478	—
Other	1,229	859
	6,848	7,234

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Restructuring Costs

During 1991, Tenneco identified restructuring measures which resulted in a pre-tax restructuring charge of $552 million (after-tax $480 million or $3.91 per average common share) which was recorded as part of continuing operations. The charge reflects estimated costs of $287 million attributable to an 8,000 personnel reduction program; $122 million to plant closings; and $143 million to rationalization of product lines and the related write down to net realizable value of certain inventory, equipment and other assets.

The $143 million amount described above includes a $115 million provision for discontinued product lines, including costs associated with dealer discounts, other incentive programs and inventory write downs to net realizable value. The discontinuation of product lines represents a major departure from past business strategy of Tenneco's farm and construction equipment segment and although it periodically revises its levels of sales incentives and dealer discounts to reflect normal changes in competitive and market conditions, it believes its classification of the costs of disposing of remaining inventories of discontinued product lines as a restructuring charge is appropriate in view of the extraordinary nature and level of such costs.

The specific restructuring measures were based on management's best business judgement under prevailing circumstances, and on assumptions which may be revised over time and as circumstances change. In like manner, the estimated costs associated with such measures may require revision in the future. Accordingly, the Company intends to adjust such measures and revise its estimated costs as future circumstances may require, and will make such accounting entries as may be appropriate to reflect such adjustments and revisions, if any. Of the $552 million total restructuring charge, $478 million remained on the balance sheet as a current liability as of December 31, 1991.

Current Advances/Deposits

O'SULLIVAN CORPORATION (DEC)

	1991	1990
Current Liabilities		
Accounts payable	$14,720,134	$19,877,562
Current maturities of long-term debt	767,337	2,226,842
Accrued expenses	3,719,858	1,586,381
Accrued compensation	2,531,115	2,758,280
Advance payments from customers	9,729,529	— —
Income taxes payable	— —	13,290
Dividends payable	1,153,224	1,153,210
Total current liabilities	$32,621,197	$27,615,565

SPEIZMAN INDUSTRIES, INC. (JUN)

	1991	1990
CURRENT LIABILITIES:		
Notes payable	$ 247,889	$ 379,995
Accounts payable	2,103,278	1,934,270
Customers' deposits	734,279	562,424
Accrued expenses	222,610	89,908
Current maturities of long-term debt	266,723	285,145
Redeemable preferred stock	23,400	—
TOTAL CURRENT LIABILITIES	3,598,179	3,251,742

Insurance

BAKER HUGHES INCORPORATED (SEP)

	1991	1990
	(In thousands of dollars)	
Current Liabilities:		
Accounts payable-trade	$206,711	$266,498
Short-term borrowings	25,657	26,075
Current portion of long-term debt	75,962	2,673
Accrued employee compensation and benefits	134,123	126,951
Income taxes payable	39,835	30,379
Accruals relating to unusual charges	36,252	29,542
Taxes other than income	21,027	17,949
Accrued insurance	25,346	23,941
Accrued interest	19,772	26,116
Other accrued liabilities	66,587	79,490
Total current liabilities	705,272	629,614

Product Warranties

CUMMINS ENGINE COMPANY, INC. (DEC)

	1991	1990
	($ Millions)	
Current liabilities:		
Loans payable	$ 21.3	$ 25.3
Current maturities of long-term debt	18.0	20.7
Accounts payable	243.0	223.1
Accrued salaries and wages	64.1	64.4
Accrued product coverage and marketing expenses	167.9	194.4
Other accrued expenses	161.6	175.8
Income taxes payable	12.7	23.9
	688.6	727.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Product Coverage Programs: Estimated costs of product coverage programs, which include warranty and extended coverage, are charged to earnings at the time the company sells the products. Cost of goods sold included expense of $128.8 million in 1991, $162.1 million in 1990 and $217.5 million in 1989 related to these programs. In addition to the current liability, other liabilities in the *Consolidated Statement of Financial Position* included $91.2 million at December 31, 1991 and $71.8 million at December 31, 1990 for these programs.

TEREX CORPORATION (DEC)

	1991	1990
	(in thousands)	
CURRENT LIABILITIES		
Trade accounts payable	$ 83,553	$ 73,203
Accrued compensation and benefits	26,829	26,586
Accrued warranties	16,640	19,325
Accrued income taxes	902	874
Other current liabilities	66,818	54,261
Current portion of long-term debt	23,359	12,803
Total Current Liabilities	218,101	187,052

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Accrued Warranties. The Company's financial statements reflect accruals for potential product liability and warranty claims based on the Company's claim experience. Such costs are accrued at the time revenue is recognized.

THE TORO COMPANY (JUL)

	1991	1990
	($000)	
Current liabilities:		
Current portion of long-term debt	$ 10,000	$ 5,500
Short-term debt	—	14,598
Accounts payable	22,626	25,661
Accrued warranty	18,919	19,259
Accrued marketing programs	18,712	17,420
Other accrued liabilities	33,716	48,014
Accrued and deferred income taxes	4,008	—
Total current liabilities	107,981	130,452

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Accrued Warranty—The company provides an accrual for future warranty costs based upon the relationship of sales to actual warranty costs.

Deferred Revenue

ARDEN GROUP, INC. (DEC)

	1991	1990
	($000)	
Current liabilities:		
Accounts payable, trade	$14,596	$16,701
Other current liabilities	16,159	15,278
Deferred income	4,897	5,880
Current portion of long-term debt	20,078	1,495
Total current liabilities	55,730	39,354

NOTES TO FINANCIAL STATEMENTS

Accounting Policies (In Part)

Deferred Income:

The Company defers income on leased equipment that is billed to certain customers on a quarterly, semiannual and annual basis. Also included in deferred income is service income which is a component of the selling price of certain equipment sold. The income is recognized ratably over the term of the sales contract.

DOW JONES & COMPANY, INC. (DEC)

	1991	1990
	(dollars in thousands)	
Current Liabilities:		
Accounts payable—trade	$ 87,344	$ 74,947
Accrued wages, salaries and commissions	41,815	43,324
Profit sharing and other retirement plan contributions payable	30,431	27,812
Other payables	41,936	36,833
Federal and state income taxes	59,579	30,899
Unearned revenue (Note 1)	190,175	184,999
Current maturities of long-term debt	5,318	5,318
Total current liabilities	456,598	404,132

NOTES TO FINANCIAL STATEMENTS

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

Unearned revenue is recorded as earned, pro rata on a monthly basis, over the life of subscriptions. Costs in connection with the procurement of subscriptions are charged to expense as incurred.

HARRIS CORPORATION (JUN)

	1991	1990
	($000)	
Current Liabilities		
Short-term debt	$118,365	$ 430,700
Trade accounts payable	183,433	196,998
Compensation and benefits	156,117	168,424
Other accrued items	227,561	169,806
Advance payments by customers	39,186	82,745
Unearned leasing and service income	107,913	97,514
Income taxes	14,811	25,494
Current portion of long-term debt	5,780	22,703
Total current liabilities	853,166	1,194,384

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Revenue Recognition—Revenue is recognized from sales other than on long-term contracts when a product is shipped, from rentals as they accrue, and from services when performed. Revenue on long-term contracts is accounted for principally by the percentage-of-completion method whereby income is recognized based on the estimated stage of completion of individual contracts. Unearned income on service contracts is amortized by the straight-line method over the term of the contracts.

Environmental Costs

MAXUS ENERGY CORPORATION (DEC)

	1991	1990
	(dollars in millions)	
Current Liabilities		
Long-term debt	$ .2	$ .2
Accounts payable	92.2	113.3
Accrued liabilities	77.1	81.0
Taxes payable	30.3	37.2
Deferred income taxes	27.8	28.7
Deferred revenue	21.7	
Total Current Liabilities	249.3	260.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Environmental Expenditures

Environmental expenditures that relate to ongoing business activities are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future revenues are expensed. Liabilities are recorded when environmental assessments and/or remediation are probable and such costs to the Company can be reasonably estimated.

11. Accrued Liabilities

	1991	1990
Accrued interest payable	$19.4	$16.5
Joint interest billings for Indonesian operations	14.5	20.5
Accrued environmental expenditures	12.4	
Accrued compensation, benefits and withholdings	11.1	12.3
Other	19.7	31.7
	$77.1	$81.0

SOUTHDOWN, INC. (DEC)

	1991	1990
	(in millions)	
Current liabilities:		
Current maturities of long-term debt	$ 9.8	$ 9.7
Accounts payable and accrued liabilities (Note 7)	93.8	81.5
Income taxes payable	0.5	0.4
Total current liabilities	104.1	91.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Accounts Payable and Accrued Liabilities:

December 31, (in millions)	1991	1990
Trade accounts payable	$20.0	$22.2
Accrued liabilities, trade	14.8	11.4
Accrued compensation and benefits	9.5	10.2
Deferred payment obligation	9.0	10.5
Current portion or pre-acquisition contingencies	6.8	6.8
Accrued interest payable	5.4	5.4
Accrued taxes, other	4.7	3.4
Market value of interest payments contract	4.6	—
Acquisition liability for hazardous waste processor	4.4	—
Current portion of liabilities for discontinued operations	4.0	4.0
Accrued environmental remediation costs	3.4	—
Other accrued liabilities	7.2	7.6
	$93.8	$81.5

Billings in Excess Of Costs

JOHNSON CONTROLS, INC. (SEP)

	1991	1990
	(in millions)	
Short-term debt	$ 221.4	$ 273.3
Current portion of long-term debt	20.6	23.9
Accounts payable	466.3	444.4
Accrued compensation and benefits	136.3	123.1
Accrued income taxes	26.7	27.5
Billings in excess of costs and earnings on uncompleted contracts	83.7	84.7
Other current liabilities	150.3	122.5
Current liabilities	1,105.3	1,099.4

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1991	1990
	(in millions)	
Short-term debt	$2,577	$1,983
Accounts payable	838	805
Uncompleted contracts billings over related costs (note 7)	580	703
Other current liabilities	1,515	1,625
Total current liabilities	5,510	5,116

Note 7 (In Part): Inventories and Costs and Billings on Uncompleted Contracts

Costs and Billings on Uncompleted Contracts

(in millions)		
At December 31	1991	1990
Costs included in inventories	$1,264	$1,272
Progress billings on contracts	(867)	(799)
Uncompleted contracts costs over related billings	$ 397	$ 473
Progress billings on contracts	$1,051	$1,431
Costs included in inventories	(471)	(728)
Uncompleted contracts billings over related costs	$ 580	$ 703

Raw materials, work in process, and finished goods included costs related to short- and long-term contracts of approximately $1,008 million at December 31, 1991 and $1,046 million at December 31, 1990. All costs in long-term contracts in process, progress payments to subcontractors, and recoverable engineering and development costs were contract-related.

Inventories other than those related to long-term contracts are generally realized within one year. Inventoried costs do not exceed realizable values.

Litigation Settlement

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

	1991	1990
Current liabilities		
Drafts and acceptances payable	$1,466,146	$1,338,504
Current portion of long-term debt	375,366	490,214
Accounts payable	1,239,547	822,294
Accrued expenses	2,855,681	2,556,999
Accrued income taxes payable	167,542	412,405
Deferred revenue	—	75,030
Current portion of termination benefit payable	252,298	190,864
Accrued settlement (Note 16)	737,500	—
Total current liabilities	7,094,080	5,886,310

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. Subsequent Events

On February 28, 1992, the Company entered into an agreement to resolve all claims, arising out of the Agreement and Plan of Merger, with Silvershoe Acquisition Corporation (Silvershoe). The settlement provides for the Company to remit $500,000 and to issue a Stock Purchase Option agreement to Silvershoe. Under the terms of the Stock Purchase Option, Silvershoe is entitled to purchase from the Company, an aggregate of 100,000 shares of the Company's Common Stock, at the price of $1.00 per share, subject to various restrictions, exercisable for a period of three years subsequent to February 28, 1992. In consideration of the settlement agreement, the litigation was dismissed. For the year ended January 3, 1992, the Company has recorded a non-recurring provision of $737,500, less applicable income tax benefit.

Interest

GEORGIA GULF CORPORATION (DEC)

	1991	1990
	($000)	
Current liabilities		
Current portion of long-term debt	$ 51,119	$ 43,000
Accounts payable	63,530	75,001
Interest payable	10,605	8,901
Accrued income taxes	2,000	8,276
Accrued pension	6,420	7,477
Other accrued liabilities	15,216	18,778
Total current liabilities	148,890	161,433

Advertising

KELLOGG COMPANY (DEC)

	1991	1990
	(millions)	
Current liabilities		
Current maturities of long-term debt	$ 260.7	$102.3
Notes payable	188.4	280.3
Accounts payable	289.8	247.1
Accrued liabilities:		
Income taxes	129.7	103.7
Salaries and wages	86.2	73.2
Advertising and promotion	252.6	153.7
Other	117.0	149.3
Total current liabilities	1,324.4	1,109.6

Payable To Broker

MCGRAW-HILL, INC. (DEC)

	1991	1990
	(Thousands of dollars)	
Current liabilities		
Notes payable	$130,815	$114,664
Accounts payable	103,270	102,026
Payable to broker-dealers and dealer banks (Note 1)	37,003	83,131
Accrued royalties	37,601	30,215
Accrued compensation and contributions to retirement plans	83,233	80,619
Income taxes currently payable	45,184	45,433
Unearned revenue	205,413	193,842
Accrual for restructuring	34,836	51,945
Other current liabilities	141,324	142,841
Total current liabilities	818,679	844,716

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 matched purchase and sale commitments of $209.2 million at December 31, 1991, and $135.7 million at December 31, 1990. Only those transactions not closed at the settlement date are reflected in the balance sheet as receivables and payables.

Customer Discounts

TYLER CORPORATION (DEC)

	1991	1990
Current liabilities		
Accounts payable	$12,891,000	$ 7,741,000
Accrued liabilities	11,836,000	8,060,000
Accrued customer discounts	3,929,000	4,015,000
Accrued insurance	3,799,000	2,664,000
Income tax	542,000	798,000
Total current liabilities	32,997,000	23,278,000

Debt In Technical Default

TOKHEIM CORPORATION (NOV)

	1991	1990
	($000)	
Current liabilities:		
Current maturities of long-term debt	$ 1,457	$ 1,433
Long-term obligations in technical default classified as current	24,409	—
Notes payable to banks	47,769	27,853
Accounts payable	12,432	9,487
Accrued expenses:		
Salaries, wages, and commissions	3,717	2,874
Retirement plan contributions	649	332
Taxes, other than United States and foreign income taxes	1,928	1,797
Warranty	2,343	2,193
Compensated absences	2,715	2,678
Other	2,674	4,904
	14,026	14,778
United States and foreign income taxes	(290)	1,258
Total current liabilities	99,803	54,809

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollar amounts in thousands)

5 (In Part): Term Debt and Guaranteed Employees' Stock Ownership Plan (RSP) Obligation

Among other provisions of loan agreements relating to the term debt and Guaranteed Employees' Stock Ownership Plan (RSP) obligations, there are restrictions upon the Company and its subsidiaries with respect to additional borrowings, loans to other than subsidiaries, payment of dividends, transactions in capital stock, and lease commitments. Such agreements also impose financial covenants requiring the Company to maintain certain levels of working capital, specified leverage ratios (debt to equity), and achieve certain levels of fixed expense coverage. As a result of operating losses, the Company was unable to remain in compliance with the financial covenants arising under certain of the term debt and Guaranteed Employees' Stock Ownership Plan (RSP) obligation agreements. As a result, the Company has classified the entire outstanding balance as a current liability. Regardless of the non-compliance with financial covenants, as of November 30, 1991, the Company has made every scheduled payment of principal and interest.

Subsequent to the Company's fiscal year ended November 30, 1991, a commitment was received from the participant banks to enter into a Credit, Agency, and Guaranty Agreement (new agreement) as described in Note 4. The covenants contained in the new agreement supersede the covenants of the long-term debt agreements which were in technical default at November 30, 1991. The long-term debt obligations will also share in the collateral pool under the new agreement.

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.

TABLE 2-26: LONG-TERM DEBT

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Unsecured				
Notes	418	413	415	417
Debentures	227	224	245	245
Loans	59	76	90	86
Commercial paper	63	81	70	60
Collateralized				
Capitalized leases	355	354	344	407
Mortgages	115	126	131	153
Notes or loans	112	100	87	89
Convertible				
Debentures	111	116	131	129
Notes	18	14	12	13

AEL INDUSTRIES, INC. (FEB)

	1991	1990
	($000)	
Total current liabilities	$32,615	$50,434
Long-term debt, net of current portion	37,603	33,674
Deferred income taxes	1,633	1,763
Deferred retirement benefits	1,876	1,782

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Long-Term Borrowings

Long-term borrowings consist of:

	(Dollars in thousands) Feb. 22, 1991	Feb. 23, 1990
10.03% senior unsecured note payable, principal due annually from April 1993 through 1998.	$20,000	$20,000
Industrial revenue bonds, interest is variable, principal due September 2010. (Bonds are collateralized by certain property and equipment at the Company's St. Louis Regional Airport facility.)	6,500	
9.5% note payable, principal due quarterly through October 1992. (Note is collateralized by the stock of Cross Systems, Inc., a wholly-owned subsidiary.)	5,089	6,363
Industrial revenue bonds, interest is variable, principal due April 2009. (Bonds are collateralized by certain property and equipment of Cross Systems, Inc.)	4,000	4,000
Note payable, interest at prime, principal due quarterly through January 1995. (Note is collateralized by the Company's investment in foreign company.)	2,788	3,445
Note payable, interest is variable, principal due annually through November 1992.	742	1,067
11% equipment note, payable in quarterly installments through October 1993.	250	393
6.3% to 7.5% mortgages due in varying installments through 1999.	805	952
	40,174	36,220
Less current portion	2,571	2,546
	$37,603	$33,674

Aggregate loan maturities for the next five fiscal years are as follows: 1992—$2,571,000; 1993—$5,046,000; 1994—$4,075,000; 1995—$4,033,000; and 1996—$3,541,000.

The terms of certain financing agreements contain, among other provisions, requirements for maintaining defined levels of working capital, net worth, capital expenditures and various financial ratios, including debt to equity.

The Company paid interest of $4,148,000, $4,676,000 and $3,199,000 on short-term and long-term borrowings during fiscal years 1991, 1990 and 1989, respectively. Interest of $153,000, $89,000 and $273,000 incurred in fiscal years 1991, 1990 and 1989, respectively, has been capitalized as a cost of constructing major facilities.

BEMIS COMPANY, INC. (DEC)

	1991	1990
	($000)	
Total current liabilities	$167,136	$193,911
Long-term debt, less current portion	128,850	171,095
Deferred taxes	47,001	47,572
Other liabilities and deferred credits	21,066	29,101
Total liabilities	364,053	441,679

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 - Long-Term Debt:

Long-term debt maturing in years 1993 through 1996 is $5,704,000, $5,634,000, $4,042,000, and $7,042,000, respectively.

Under the terms of a revolving credit agreement with five banks, the Company may borrow up to $100,000,000 through August 1, 1996. The Company must pay a facility fee of 1/8 of 1 percent annually on the entire amount of the commitment and a commitment fee of 1/8 of 1 percent annually on the unused portion of the commitment. There were no borrowings outstanding under this agreement at December 31, 1991.

Under the most restrictive provision of the long-term debt agreements, $60,892,000 of retained income at December 31, 1991 is not restricted as to payment of cash dividends.

	(in thousands of dollars) 1991	1990
Commercial paper payable through 1991 at interest rates of 5% to 5½%[1]	$ 54,500	$ 88,917
11⅖% senior notes due September 15, 1996[2]	20,000	20,000
9⅛% senior notes due June 30, 1998[3]	10,028	11,462
Industrial revenue bonds payable through 2011 at interest rates of 4½% to 7¼%	23,550	23,900
Debt of foreign subsidiaries payable through 1998 at interest rates of 6% to 8⅛%[4]	22,871	29,490
Obligations under capital leases	4,016	4,508
	134,965	178,277
Less current portion	6,155	7,182
	$128,850	$171,095

(1) The commercial paper has been classified as long-term debt in accordance with the Company's intention and ability to refinance such obligations on a long-term basis. The average interest rate of commercial paper outstanding at December 31, 1991 was 5¼ percent. The maximum outstanding at any month end during 1991 was $93,200,000, and the average outstanding during 1991 was $74,246,000. The weighted average interest rate during 1991 was 6⅞ percent.

(2) On January 31, 1992, the Company retired $20,000,000 of the 11⅖% senior notes at a premium of $1,013,000 through the issuance of commercial paper. The premium has been included as other (income) costs, net in the 1991 consolidated statement of income.

(3) In 1978, the Company entered into a long-term private placement of $21,500,000 in 9⅛ percent senior notes requiring annual payments of $1,434,000 beginning June 30, 1984, and continuing through 1998. Optional prepayments are permitted at premiums ranging downward from 9¼ percent of the principal amount being prepaid.

(4) The foreign debt consists primarily of borrowings made by a foreign subsidiary. There are several notes payable to Belgium banks through 1998 at interest rates varying from 6 percent to 8¼ percent.

FMC CORPORATION (DEC)

	1991	1990
	(In thousands)	
Total current liabilities	$1,192,953	$1,254,746
Long-term debt, less current portion (Note 9)	929,029	1,158,640
Accrued pension cost, net, less current portion	131,197	171,082
Deferred income taxes	122,095	104,218
Accrual for discontinued operations	67,686	57,933
Commitments and contingent liabilities		
Minority interest in consolidated companies	62,773	62,971

Note 9. Long-term debt

Long-term debt consists of the following:

	December 31	
(In thousands)	1991	1990
Revolving credit facility, effective rate (1991-9.5%; 1990-9.7%)[1]	$ 90,000	$ 210,000
Uncommitted facilities, effective rate (1991-8.7%; 1990-9.2%)[2]	50,000	125,000
Notes payable to banks, various rates, due 1992 to 1998	136,311	152,474
Sinking fund debentures, 7½%, due 2001	32,359	34,849
Sinking fund debentures, 9½%, due 2000, less unamortized discount (1991-$323; 1990-$363), effective rate 9.6%	44,509	51,556
Pollution control and industrial development obligations, 4.2% to 7.9%, due 1992 to 2024	122,510	124,260
Zero coupon senior subordinated convertible debentures due 2011, less unamortized discount of $500,282, 7½% yield to maturity	154,718	—
Exchangeable senior subordinated debentures, 6¾%, due 2005	75,000	75,000
Senior subordinated debentures, 12¼%, due 1998	124,795	127,415
Subordinated debentures, 12½%, due 2001	98,740	258,740
Other	3,926	4,074
Total	932,868	1,163,368
Less current portion	3,839	4,728
Long-term portion	$929,029	$1,158,640

(1) The effective rate on the revolving credit facility includes commitment and facility fees, and expenses incurred due to interest rate swaps.

(2) The effective rate on uncommitted facilities includes expenses incurred due to interest rate swaps.

At December 31, 1991, the revolving credit facility provided a maximum credit limit ("commitment") of $720 million, including $275 million resulting from the consolidation of the trade receivables financing facility. The revolving credit facility agreement requires mandatory commitment reductions of (in millions): 1992—$137.0, 1993—$153.5, 1994—$429.5. The agreement also contains covenants relating to dividends, foreign debt, liens, use of proceeds on asset dispositions, interest coverage, cash flow coverage and leverage ratios. For 1992, the most restrictive of these covenants requires that the ratio of total senior financing to the consolidated capital base, both as defined in the agreement, not exceed 1.75.

At December 31, 1991, advances under uncommitted facilities were $50 million. Committed credit available under the revolving credit facility provides management with the ability to refinance this debt on a long-term basis and, as it is management's intent to do so, advances under the uncommitted facilities have been classified as long-term debt.

The company has entered into interest rate swap and interest rate collar agreements with a notional amount of $100 million at December 31, 1991 ($500 million at December 31, 1990) to reduce the impact of changes in interest rates on its floating rate long-term debt. These agreements, which effectively cap interest rates, involve the exchange of floating rate for fixed rate interest payment obligations.

During 1991, the company issued zero coupon senior subordinated convertible debentures due 2011 with a yield to maturity of 7½% and a maturity value of $655 million. Each debenture of $1,000 principal at maturity is convertible at any time into 4.38 shares of FMC common stock or, at the election of the company and subject to certain tax matters, cash equal to the market value of the 4.38 shares. Net proceeds from the issuance of $146.7 million were used to repurchase $159 million of 12½% subordinated debentures prior to their scheduled maturities. As a result of the premium paid on the repurchases, the write-off of related unamortized debt issuance costs and costs associated with the early termination of an interest rate swap agreement, the company incurred an extraordinary charge of $9.2 million, net of tax benefits of $5.4 million (Note 1).

During 1991, the company also prepaid $2.5 million of the 7½% debentures, $7.1 million of the 9½% debentures, $0.7 million of various industrial development bonds, $2.6 million of the 12¼% subordinated debentures and $1.0 million of the 12½% subordinated debentures resulting in pre-tax losses of $0.1 million.

In January 1990, the company issued $75 million of exchangeable senior subordinated debentures bearing interest at 6¾% and maturing on January 16, 2005. The bonds are exchangeable at any time into FMC Gold Company common stock held by FMC Corporation at an exchange price of $15⅛, subject to change as defined in the offering circular. However, the company may, at its option, pay an amount equal to the market price of FMC Gold Company common stock in lieu of delivery of the shares. The debentures are subordinated in right of payment to all existing and future senior indebtedness of the company. The debentures are redeemable at the option of FMC at prices decreasing from 103⅜ percent of face amount of January 16, 1995, to par on January 16, 2000. The company used the proceeds to pay down advances under the more costly revolving credit facility.

During 1989, the company purchased and retired $92.1 million of the 12¼% senior subordinated debentures and $134.8 million of the 12½% subordinated debentures. Premiums on the purchases and the write-off of deferred loan fees resulted in an extraordinary loss of $10.1 million, net of taxes of $5.9 million (Note 1).

Aggregate maturities and sinking fund requirements are (in millions): 1992—$3.8, 1993—$59.2, 1994—$154.2, 1995—$79.2, 1996—$29.5.

GENERAL SIGNAL CORPORATION (DEC)

	1991	1990
	($ in thousands)	
Total current liabilities	$358,048	$403,453
Long-term debt, less current maturities	289,839	397,939
Deferred income taxes	42,753	31,140
Other liabilities	13,122	11,752
Total long-term liabilities	345,714	440,831

NOTES TO FINANCIAL STATEMENTS
($ in thousands)

Debt

December 31,	1991	1990
Commercial Paper—1991, 5.3%; 1990, 8.1%	$ 95,282	$267,135
Money market loans—1991, 5.4%	87,900	—
Variable Rate Industrial Revenue Bonds due 2000-2014; no stipulated principal repayments prior to maturity	35,500	35,500
Master Note due 1991—Variable Rate	—	25,000
8⅞% Sinking Fund Debentures due 1999 with annual sinking fund requirements of $2,700	21,100	21,100
5⅝%-10% Industrial Revenue Bonds due 2002-2004; no stipulated principal repayments prior to maturity	12,950	13,130
Capitalized lease obligations	14,436	16,971
5% Industrial Revenue Bonds due through 2005	5,425	5,642
Other long-term borrowings	24,302	16,995
	296,895	401,473
Less current maturities included in short-term borrowings	7,056	3,534
	$289,839	$397,939

Maturities of long-term debt through 1996 are: 1992—$7,056; 1993—$7,923; 1994—$6,512; 1995—$4,807; and 1996—$205,123.

The company maintains credit arrangements with banks in the U.S. and abroad, which aggregated approximately $550,000 and $546,000 at December 31, 1991 and 1990, respectively. A revolving credit agreement permitting borrowings of up to $500,000 at December 31, 1991 and 1990 expired on January 15, 1992, at which time the company entered into two revolving credit agreements

with expiration dates of January 13, 1993 and January 15, 1995. Each agreement permits domestic and Eurodollar borrowings of up to $200,000 at interest rates offered to prime customers. The agreement which expires January 15, 1995 is convertible at expiration into a one-year term loan.

Commercial paper and money market loans are classified as long-term debt as the company intends to refinance them on a long-term basis either through continued short-term borrowing or utilization of available credit facilities.

During 1991 and 1990, the company entered into interest rate exchange agreements with certain financial institutions to limit its exposure from interest rate volatility. These agreements involve transactions with principal amounts of $175,000 and $150,000 at December 31, 1991 and 1990, respectively, and have maturity dates ranging from two to ten years from the date of initial execution and result in a weighted average fixed interest rate of 8.86% and 8.92% at December 31, 1991 and 1990, respectively, on that portion of the company's variable rate debt. The company monitors the risk of default by the swap counterparties and does not anticipate nonperformance.

In April 1990, the company established a $300,000 medium-term note program, providing for the issuance of fixed rate notes with maturities between one and thirty years. The program was registered with the SEC pursuant to the company's 1988 $75,000 shelf registration and the 1990 $225,000 shelf registration. As of December 31, 1991, no amounts had been borrowed under these shelf registrations.

In November 1991, the company entered into a $25,000 three-year private placement agreement and an interest rate exchange agreement, which together provide floating rate funds at a cost below the cost of the company's commercial paper. The agreements become effective November 5, 1992.

W.W. GRAINGER, INC. (DEC)

	1991	1990
	(In thousands of dollars)	
Total current liabilities	$280,244	$268,534
LONG-TERM DEBT (less current maturities)	11,327	14,471
DEFERRED INCOME TAXES	49,064	51,154
ACCRUED POSTRETIREMENT BENEFITS COSTS	15,482	12,925

NOTES TO FINANCIAL STATEMENTS

NOTE 9—LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	1991	1990	1989
	(In thousands of dollars)		
Industrial development revenue bonds	$23,450	$26,767	$26,825
ESOP debt	—	598	659
Other	7,294	9,734	1,941
	30,744	37,099	29,425
Less current maturities	19,417	22,628	26,649
	$11,327	$14,471	$ 2,776

The industrial development revenue bonds include various issues that bear interest at a fixed rate of 6.125%, a variable rate up to 15%, or variable rates up to 80% of the prime rate. One of the bonds matures at the rate of $75,000 each year through 1994, with the remaining bonds due in various amounts from 2001 through 2011. Interest rates on some of the issues are subject to change at certain dates in the future. Also at such dates, the bondholders may require the Company to redeem these bonds. At December 31, 1991, $23,225,000 of these bonds were subject to these redemption options. Of these bonds, $4,895,000 are also subject to agreements through 1995 between a bank and the Company, which provide that the bank will purchase any such bonds presented by the bondholders and hold them for a period of not less than one year. In addition, $9,120,000 of these bonds have an unsecured liquidity facility available at December 31, 1991 for which the Company compensated the bank through commitment fees of ⅛%. There were no borrowings related to this facility at December 31, 1991. The Company classified $18,330,000, $21,255,000,and $26,450,000 of bonds currently subject to redemption options in current maturities of long-term debt at December 31, 1991, 1990, and 1989, respectively.

In 1990, as part of an acquisition financing agreement, the Company issued two Promissory Notes totaling $5,000,000. At December 31, 1991, $4,500,000 was outstanding with a principal of $500,000 due October 31, 1992 and a principal payment of $4,000,000 due October 31, 1993. The notes bear an interest rate of 8.08% per annum.

In 1989, as part of an acquisition, the Company assumed the liability for a combined Section 401(k) and Employee Stock Ownership Plan (ESOP). The shares held by the ESOP Trust were exchanged for shares of the Company's common stock. The ESOP loans were guaranteed by the Company and were included in long-term debt, offset by a like amount included in Shareholders' Equity as Guarantee of ESOP debt. During 1991, the ESOP Trust paid off the entire amount of its outstanding debt.

The aggregate amounts of long-term debt maturing in each of the five years subsequent to December 31, 1991 are as follows:

	Amounts Payable Under Terms of Agreements	Amounts Subject to Redemption Options
	(In thousands of dollars)	
1992	$1,087	$18,330
1993	4,402	—
1994	707	—
1995	302	—
1996	149	—

HANDY & HARMAN (DEC)

	1991	1990
Total current liabilities	$ 96,004,000	$222,295,000
Long-term debt, less current maturities	181,329,000	113,988,000
Deferred income taxes	4,059,000	18,420,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2—Debt and Credit Agreements

The Company's borrowing requirements are primarily related to the market value of precious metals and the resulting changes in the Company's receivables. The Company adjusts the level of its short-term facilities from time to time in accordance with its borrowing needs. At December 31, 1991, the Company had various agreements with banks whereby credit facilities of approximately $169,000,000 were available; short-term bank borrowing under these lines amounted to $121,000,000 of which $91,688,000 was reclassified to long-term debt due to a credit facility described below. The corresponding amounts for December 31, 1990, were: credit facilities—$190,000,000, bank borrowing—$166,500,000.

In connection with its various credit facilities, the Company has agreed to pay commitment fees and to maintain average compensating balances of approximately $750,000. The balances are not legally restricted as to withdrawal and serve as part of the Company's normal operating cash.

At December 31, 1991, 1990, and 1989 the interest rate for outstanding short-term borrowing was 6.4%, 9.5%, and 9.6%, respectively. During 1991, the average month-end short-term borrowing was $147,598,000; the weighted average interest rate 7.6% computed on the basis of the number of days the borrowings were outstanding; and the maximum month-end short-term borrowing was $165,500,000. The corresponding amounts for the years ended December 31, 1990 and 1989 were: average month-end borrowing—$161,558,000 and $155,559,000, weighted average interest rate—9.7% and 10.7%, and maximum month-end borrowing—$173,000,000 and $175,000,000.

Long-term debt at December 31, 1991 and 1990 is summarized as follows:

	1991	1990
9% note due 1991	$ —	$ 662,000
9⅛% note due 1994	1,996,000	2,663,000
9½% notes due 1996	3,330,000	3,997,000
9.37% note due 1999	25,000,000	25,000,000
10.20% note due 1998	25,000,000	25,000,000
Industrial revenue bonds, floating rate, due 2004—2005	10,995,000	17,995,000
Industrial revenue bonds, floating rate, due 1993	—	4,060,000
Floating rate notes	28,313,000	37,000,000
Other debt	480,000	1,314,000
	95,114,000	117,691,000
Less installments due within year	5,473,000	3,703,000
	89,641,000	113,988,000
Reclass of short-term borrowings	91,688,000	—
Total long-term debt	$181,329,000	$113,988,000

Maturities of long-term debt in each of the next five years are as follows (in thousands): $5,473, $3,652, $3,620, $123,557 and $3,505.

During the first quarter of 1992 the Company finalized a $200,000,000 credit facility ($150,000,000 long-term and $50,000,000 short-term) with twelve banks which was used to replace the existing lines of credit at December 31, 1991. The Company intends to use a portion of the proceeds to pay $91,688,000 of short-term borrowings, accordingly this amount has been classified as long-term debt at December 31, 1991. Under this new credit facility interest is payable at the prime rate of LIBOR plus 1%, at the Company's option.

Under the most restrictive covenants of the Company's long-term loan agreements, $3,602,000 of consolidated retained earnings were unrestricted at December 31, 1991, as to the declaration of cash dividends and the acquisition of capital stock by the Company. Additionally, the agreements require the maintenance of specified ratios and a minimum tangible net worth of $110,000,000. At December 31, 1991, the Company was in compliance with all covenants.

In July of 1989, the Company entered into an interest rate swap agreement with a bank. This agreement initially related to $25 million notional amount and provided for a reduction of up to 20% annually of the notional amount through delivery of gold and silver at agreed upon prices. During 1990, 20% of the gold and 100% of the silver were delivered which reduced the notional amount to $14,720,000. During 1991 the weighted average notional amount outstanding was $13,200,000. The balance of this gold was delivered in 1991.

The agreement provided for the exchange of floating rate payments based on the London Interbank Offered Rate (LIBOR) for floating gold and silver rate payments.

The new swap settlements are recognized over the term of the agreement as a reduction of interest expense. For 1991, 1990 and 1989 savings of approximately 4.5%, 6% and 6%, respectively were recognized (on an annualized basis).

M.A. HANNA COMPANY (DEC)

	1991	1990
	(Dollars in thousands)	
Total current liabilities	$202,431	$196,794
Other Liabilities	118,735	162,361
Long-term Debt		
Senior subordinated notes	—	107,989
Senior notes	300,000	—
Other	30,880	29,722
	330,880	137,711

NOTES TO FINANCIAL STATEMENTS

Long-Term Debt

(In thousands)	1991	1990
12½% Senior Subordinated Notes due 1994	$ —	$107,989
9% Senior Notes due 1998	150,000	—
9⅜% Senior Notes due 2003	150,000	—
Credit agreements	25,280	18,832
Other	6,598	11,761
	331,878	138,582
Less current portion	998	871
	$330,880	$137,711

Annual maturities on the Company's long-term debt for the next five years are as follows: 1992—$998,000; 1993—$12,435,000; 1994—$7,623,000; 1995—$7,564,000 and 1996—$559,000.

The 12½% Senior Subordinated Notes, with a principal amount of $110 million, were sold at a discount, which discount was being amortized on a straight-line basis over the life of the notes. In September 1991, United States Government securities were purchased at a cost of $145,900,000 and deposited in an irrevocable trust to satisfy principal and interest payments through the stated maturity. On October 16, 1991, the Company called the 1994 Notes for redemption on October 15, 1992, at 100% of the principal amount thereof. The Company received approximately $23,686,000 from the Trustee, which represented the excess of the amount necessary to pay the redemption price and interest through the redemption date. The debt, accrued interest thereon and related unamortized debt issuance costs were removed from the balance sheet in an in-substance defeasance transaction resulting in an extraordinary loss, net of a related tax benefit, of $5,969,000.

The 9% Senior Notes with a principal amount of $100 million and the 9⅜% Senior Notes, with a principal amount of $150 million were sold in September 1991, at par. In addition, preferred stock sold to Brascan in connection with a repurchase of common stock was exchanged for $150 million in principal amount of 9% notes due in 1998, of which $100 million has been subsequently repaid. (See Stockholders' Equity Note.)

In the fourth quarter of 1991, the Company entered into interest rate swap agreements, which expire in two years, that effectively convert $100 million of its fixed rate borrowings into variable rate obligations. Under the terms of these agreements, the Company makes payments at variable rates which are based on LIBOR and receives payments at fixed interest rates, the net of which is included in interest expense.

The Company's five-year credit agreement provides for borrowings of up to $150 million. The arrangement provides for interest rates to be determined at the time of borrowing based on a choice of formulas as specified in the agreement. This agreement contains certain restrictions and conditions among which are limitations on the payment of cash dividends and other payments. Beginning March 31, 1994, the bank commitments will be reduced by 12.5% of the aggregate amount of borrowings outstanding under the agreement each quarter for eight consecutive quarters. At December 31, 1991 and 1990, borrowings outstanding under this agreement were $13,700,000 and $7,000,000 at an average rate of 4.60% and 7.21%, respectively.

During 1990, the Company entered into a credit agreement which provides for borrowings of up to 60 million French francs through January 15, 1993. The agreement provides for interest rates to be determined at the time of borrowing. At December 31, 1991 and 1990, borrowings outstanding under this agreement were 60 million French francs, or an equivalent of $11,580,000 ($11,832,000 at 1990), at a rate of 9.875% (10.5% at 1990).

Other debt in the above table at December 31, 1991 and 1990, consists primarily of various mortgages, industrial revenue bonds, and notes with differing repayment terms. These obligations mature in various installments through March 2002 and are at interest rates ranging from 3% to 12¾%.

The various debt agreements contain certain restrictions and conditions among which are limitations on cash dividends and other payments. Under the most restrictive of these agreements, approximately $45,800,000 of retained earnings was free of such limitations at December 31, 1991.

INTERNATIONAL PAPER COMPANY (DEC)

	1991	1990
	(In millions)	
Total Current Liabilities	$3,727	$3,155
Long-Term Debt	3,351	3,096
Deferred Income Taxes	1,044	1,135
Minority Interest and Other Liabilities	1,080	651

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Debt and Lines of Credit

A summary of long-term debt follows:

In millions at December 31	1991	1990
9.4% to 9.7% notes—due 1995-2002	$ 400	$ 400
10⅞% and 10½% notes—due 1993-1995	200	200
Medium- and mid-term notes—due 1992-2006[1]	468	335
9⅜% French franc note—due 1994	97	98
8.85% sinking fund debentures—due 1992-2000	132	138
5⅛% debentures—due 2012	75	75
5¾% convertible subordinated debentures—due 2002	199	200
5⅞% convertible subordinated debentures		75
Environmental and industrial development bonds[2,3]	674	680
Commercial paper and bank notes[4]	718	669
Capitalized leases	31	33
Other[5]	475	455
Total	3,469	3,358
Less: Current maturities	118	262
Long-term debt	$3,351	$3,096

1 The weighted average interest rate on these notes was 9.0% in 1991 and 8.9% in 1990.

2 The weighted average interest rate on these bonds was 7.28 in 1991 and 7.7% in 1990.

3 Includes $266 million and $300 million of tenderable bonds at December 31, 1991 and 1990, respectively, which may be tendered at various dates and/or under certain circumstances.

4 The average interest rate based on a weighted average of stated month-end rates was 6.2% in 1991 and 8.3% in 1990.

5 Includes $179 million and $236 million of French franc borrowings in 1991 and 1990, respectively, with a weighted average interest rate of 9.4% in 1991 and 9.3% in 1990.

The 5¾% convertible subordinated debentures are convertible into Company common stock at a conversion price of $68.50 per share. These debentures are redeemable at prices ranging from 102% of principal to par, depending upon the redemption date. In the fourth quarter of 1991, the Company called the 5⅞% convertible subordinated debentures for redemption. Substantially all of the debentures were then converted into common stock with 1,232,500 shares issued.

At December 31, 1991 and 1990, the Company classified $950 million and $761 million, respectively, of tenderable bonds and commercial paper as long-term debt. The Company has the intent and ability to renew or convert these obligations through 1992 and into future periods.

Total maturities of long-term debt over the next five years are: 1992—$118 million, 1993—$967 million, 1994—$206 million, 1995—$483 million and 1996—$243 million. The 1993 amount includes $750 million due under a revolving credit agreement that will be rolled over before maturity.

Notes Payable at December 31, 1991 included the following short-term debt denominated in non-U.S. currencies due at various dates during the first quarter of 1992; $79 million of 10.7% British pound-denominated notes; $28 million of 9.6% deutsche mark-denominated notes; and $11 million of 8.5% Swiss franc-denominated notes.

At December 31, 1991, the Company had unused bank lines of credit of approximately $2.0 billion. The lines generally provide for interest at market rates plus a margin based on the Company's current bond rating. The principal line, which supports the Company's commercial paper borrowings, provides for $750 million of credit for a minimum three-year period, cancellable only if the Company's bond rating drops below investment grade. A facility fee of .125% to .25% of the line is payable annually.

The Company has entered into certain cross-currency and interest rate swap agreements. Under one series of agreements, the Company will pay 375 million French francs and receive $59 million in March 1992, and will pay 258 million French francs and receive $41 million in March 1993. Interest is payable at 9.55% and receivable based on commercial paper rates upon maturity. A second series provides that in both April 1993 and 1994, the Company will pay 14 million British pounds plus interest at an 11.45% average rate and will receive $23.6 million with interest based on commercial paper rates. The risk of loss to the Company for nonperformance by any party to these agreements is not significant.

POTLATCH CORPORATION (DEC)

	1991	1990
	($000)	
Total current liabilities	$195,958	$205,679
Long-term debt (Note 6)	563,014	391,892
Deferred taxes	218,059	214,156

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Debt

(Dollars in thousands)	1991	1990
Revenue bonds fixed rate 5.8% to 9% due 1994 through 2013	$144,130	$144,123
Revenue bonds variable rate due 2007 through 2014	29,785	29,779
Credit sensitive debentures 9.125% due 2009	100,000	100,000
Sinking fund debentures 9.625% due 2016	100,000	100,000
Medium-term notes fixed rate 7.55% to 9.46% due 1995 through 2017	175,000	—
Other notes	17,958	21,854
	566,873	395,756
Less current installments on long-term debt	3,859	3,864
Long-term debt	$563,014	$391,892

During 1991, the company issued $175.0 million of medium-term notes under a $250.0 million shelf registration filed with the Securities and Exchange Commission in November 1990. At December 31, 1991, the company was authorized to issue an additional $75.0 million of such notes under the shelf registration. Through January 27, 1992, the company issued $35.0 million of the remaining $75.0 million of notes authorized. The proceeds are being used for general corporate purposes including capital expenditures.

The interest rate payable on the 9.125 percent credit sensitive debentures is subject to adjustment if certain changes in the debt rating of the debentures occur. No such change in the interest rate payable has occurred.

Certain credit agreements require the company to comply with certain restrictive covenants. At December 31, 1991, the company was in compliance with such covenants.

Payments due on long-term debt during each of the five years subsequent to December 31, 1991:

(Dollars in thousands)	
1992	$ 3,900
1993	3,900
1994	7,000
1995	18,800
1996	37,000

At December 31, 1991, the company had credit lines totalling $150.0 million for general corporate purposes. Of that amount, $50.0 million was in short-term lines and $100.0 million was in a revolving credit agreement. The short-term credit lines may be borrowed at the prime rate. Short-term credit line arrangements provide for compensating balances of 5 percent of the entire credit line, plus an additional 5 percent of the amounts outstanding or compensating fees in lieu thereof. The revolving credit agreement permits the company to borrow any time through October 1, 1994, and may be extended on an annual basis. At December 31, 1991, none of the credit lines were being utilized, although a small portion supported outstanding commercial paper of approximately $15.0 million.

Current notes payable represent commercial paper which was issued in December of each respective year. The average interest rate payable was 5.383 percent and 8.625 percent for commercial paper outstanding at December 31, 1991 and 1990, respectively. There were no short-term amounts outstanding at any other month end during either year.

CREDIT AGREEMENTS

As shown in Table 2-27, many of the survey companies disclosed the existence of loan commitments from banks or insurance companies for future loans. Examples of such loan commitment disclosures follow.

AMERICAN BILTRITE INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F. Credit Arrangements

ABI maintains line of credit arrangements with several banks. Under the arrangements in effect at December 31, 1991, ABI had aggregate lines of credit of approximately $16,000,000. The credit arrangements with two of the banks requires the maintenance of compensating balances. At December 31, 1991, ABI was required to maintain a compensating balance of approximately $550,000.

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5—Credit Agreements

The company has in place revolving credit agreements totaling $500 million. The agreements, which expire in 1993, provide that the company may select among various loan arrangements with differing maturities and among a variety of interest rates, including a negotiated rate. At December 31, 1991 and 1990, the company had no outstanding borrowings under these agreements. Fees under these agreements amounted to $.7 million in 1991, $.6 million in 1990 and $.6 million in 1989.

TABLE 2-27: CREDIT AGREEMENTS

	1991	1990	1989	1988
Disclosing credit agreements	535	534	533	537
Not disclosing credit agreements	65	66	67	63
Total Companies	**600**	**600**	**600**	**600**

In September 1989, the company entered into a four-year credit facility in Spain with 10 local banks totaling 9.5 billion pesetas (approximately $95 million). The agreement provides that the company can borrow at a predetermined spread over the Madrid Inter-Bank Offered Rate (MIBOR). The primary purpose of the facility was to provide interim financing of costs associated with the company's development of a theme park and resort complex in Spain. Amounts outstanding under this facility at December 31, 1991 and 1990 were 2.6 billion pesetas (approximately $27 million) and 2.2 billion pesetas (approximately $23 million), respectively.

AVON PRODUCTS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In Millions)

5 (In Part): Debt

Avon has two unsecured revolving credit agreements which provide for aggregate borrowings of $350.0, with $100.0 expiring in May 1992 and $250.0 expiring in June 1993. The revolving credit facilities are used to finance working capital and to provide support for the issuance of commercial paper. There are fees under these agreements which aggregate up to $1.0 per year. The agreements contain covenants that include certain financial tests, including minimum interest coverage and operating cash flow ratios, net worth, and maximum borrowings. One covenant prohibits use of the facility for the purchase of Avon's capital stock and payment of dividends, other than ordinary dividends. Borrowing rates are based on LIBOR, certificate of deposit and prime or money market auction rates. Avon has entered into an agreement whereby its maximum borrowing rate in 1992 is 6½% on working capital borrowings up to $100.0. There were no borrowings under these facilities at December 31, 1991.

In addition to the $350.0 of revolving credit availability described above, Avon has unused domestic credit arrangements of approximately $135.0, which have facility and commitment fees that may aggregate $.4 per year. Unused international lines of credit total approximately $295.0 and have no material compensating balances or fees. Avon also has letters of credit outstanding totaling $29.4 (1990—$34.7), which guarantee various trade and insurance activities.

CAESARS WORLD, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Short-Term Bank Credit Facilities

In July 1990 the Company entered into a $10,000,000 unsecured bank revolving credit facility, separate from its $150,000,000 revolving credit facility. The $10,000,000 facility is to be used by Caesars Tahoe for working capital needs and general business purposes and bears interest at .25 percent below the bank's prime rate or an alternative negotiated rate. This revolving credit facility matures in July 1992, unless extended by the bank.

At July 31, 1991, the Company's short-term borrowings under the $10,000,000 revolving credit facility totaled $7,200,000 and the interest rate was 6.625 percent. The average outstanding borrowings during the year were $3,689,000, computed by using the daily balances. The weighted average interest rate during the period was 9.07 percent, computed by dividing short-term interest expense by the average short-term debt outstanding. The maximum borrowings outstanding at any month-end during fiscal 1991 totaled $7,200,000.

At July 31, 1990, the Company's short-term borrowings totaled $12,600,000, including borrowings under both revolving credit facilities. The weighted average interest rate at July 31, 1990, was 9.8 percent. The average outstanding borrowings during 1990 were $6,717,000, computed by using the month-end balances. The weighted average interest rate during the period was 9.7 percent, computed by dividing short-term interest expense by the average short-term debt outstanding. The maximum borrowings outstanding at any month-end during fiscal 1990 amounted to $26,000,000.

During the first quarter of fiscal 1991, the maturity date for the Company's $150,000,000 revolving credit facility was extended until September 1993 and since then the Company has classified outstanding borrowings under this facility as long-term debt. (See Note 8.)

THE CLOROX COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Borrowings

The *Pine-Sol* and *Combat* acquisition described in Note 2 was funded with cash and $370,000,000 in debt initially placed through a $400,000,000 revolving credit facility with a syndication of banks. Subsequent to the initial funding, this credit facility has been used as support for commercial paper issued to replace the bank borrowings. One-half of this credit facility expired on July 31, 1991, and $200,000,000 of commercial paper borrowings were replaced with 8.8 percent non-callable notes maturing in 2001. The other one-half of the facility expires on July 31, 1995. The facility agreement includes covenants which limit the amount of future indebtedness and require maintenance of a minimum net worth of $550,000,000. In addition, the Company has $150,000,000 in committed bank lines which expire in September 1991.

At June 30, 1991, prior to the issuance of the notes described above, the Company had outstanding commercial paper borrowings of $410,445,000 of which $400,000,000 were classified as long-term. The commerical paper outstanding had an average maturity of 34 days and a weighted average discount rate of 5.99 percent. At June 30, 1991, the Company had $139,555,000 of its credit facility and committed bank lines available for borrowing or for the support of additional commercial paper issuance.

DYNAMICS CORPORATION OF AMERICA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Long-Term Debt and Credit Facilities

Credit Facilities

The Company has a Revolving Credit Agreement with banks which provides a line of credit of up to $18,000,000 through September 30, 1994 at the lower of the prime rate or other rate options available at the time of borrowing. The Company pays a commitment fee of 3/8% based on the unused portion of the line. The Agreement provides that, at the option of the Company, the principal outstanding at September 30, 1994, may be converted to a four year term loan, with interest at the lower of 1/4% over the prime rate or other rate options, payable in equal semi-annual principal installments. The Agreement contains restrictions which, among other things, require the Company to have income from continuing operations before equity in the operating results of unconsolidated affiliates in each fiscal year beginning with the year ended December 31, 1991, and in at least one of any two consecutive fiscal quarters beginning with the quarter ended March 31, 1991. The Agreement requires maintenance of certain financial ratios and contains other restrictive covenants, including a restriction on dividends.

The Company has an uncommitted line of credit with a bank amounting to $10,000,000. The uncommitted line permits borrowings with maturities of up to six months with interest at fixed rates, generally less than the bank's prime rate. The Company does not pay any fee for the uncommitted line and therefore the availability of the line is at the discretion of the bank. The line is subject to cancellation upon the occurrence of an event of default as defined in the Revolving Credit Agreement.

Outstanding letters of credit and surety bonds, principally related to imports, appeal and bid and performance bond obligations, amounted to $5,648,000 at December 31, 1991.

UNOCAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 (In Part): Long-Term Debt and Credit Agreements

Lines of Credit

The new $1.4 billion bank credit agreement is a revolving credit through 1996 and is available for general corporate purposes, including the support of commercial paper issued by Union Oil and Union Oil Credit Corporation. At December 31, 1991, the company had available undrawn commitments of $1.15 billion. The company pays a facility fee of 1/4 of 1% on the total commitments.

The company has reimbursement agreements with a major bank providing for the reimbursement of amounts drawn under irrevocable direct-pay letters of credit issued by such bank for the payment of $92 million on certain industrial development revenue bonds issued in 1987 and 1988. The company pays a facility fee of .525% on these outstanding letters of credit.

The above-mentioned bank agreements impose certain financial restrictions on the company relating primarily to leverage and liens.

In January 1991, the company filed a shelf registration with the Securities and Exchange Commission which permits the company to issue $1.62 billion (including $120 million from the previous shelf registration) in debt securities for general corporate purposes. The company had $568 million available under this shelf registration for future issuance of debt securities at December 31, 1991.

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. Fifty-four survey companies reported lessor leases.

Examples of long-term lease presentations and disclosures follow.

TABLE 2-28: LONG-TERM LEASES

	Number of Companies			
	1991	1990	1989	1988
Information Disclosed as to Noncapitalized Leases				
Rental expense				
Basic	482	463	472	471
Contingent	64	63	67	67
Sublease	74	70	71	73
Minimum rental payments				
Schedule of	475	471	467	463
Classified by major categories of property	31	34	26	29
Information Disclosed as to Capitalized Leases				
Minimum lease payments	174	167	169	171
Imputed interest	156	159	156	168
Leased assets by major classifications	63	75	80	85
Executory costs	31	30	35	37
Number of Companies				
Capitalized and noncapitalized leases	320	323	308	348
Noncapitalized leases only	179	176	187	139
Capitalized leases only	35	31	36	59
No leases disclosed	66	70	69	54
Total Companies	**600**	**600**	**600**	**600**

Lessee—Capital Leases

ALBERTSON'S, INC. (JAN)

	1992	1991
	($000)	
CURRENT LIABILITIES:		
Accounts payable	$400,417	$391,845
Notes payable	30,000	10,000
Salaries and related liabilities	80,719	70,967
Taxes other than income taxes	37,807	30,743
Income taxes	9,589	9,443
Self-insurance	47,238	40,460
Unearned income	16,429	3,955
Other current liabilities	20,826	18,247
Current maturities of long-term debt	3,588	4,481
Current obligations under capital leases	5,634	5,426
TOTAL CURRENT LIABILITIES	652,247	585,567
LONG-TERM DEBT	52,510	56,056
OBLIGATIONS UNDER CAPITAL LEASES	99,159	103,039

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Capitalization, Depreciation and Amortization

Land, buildings and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful life of the asset.

The costs of major remodeling and improvements on leased stores are capitalized as leasehold improvements. Leasehold improvements are amortized over the shorter of the life of the applicable lease or the useful life of the asset. Capital leases are recorded at the lower of fair market value or the present value of future minimum lease payments. These leases are amortized over their primary term.

Upon disposal of fixed assets, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated earnings.

Leases

The Company leases a portion of its real estate. The typical lease period is 25 to 30 years and most leases contain renewal options. Exercise of such options is dependent on the level of business conducted at the location. In addition, the Company leases certain equipment. Some leases contain contingent rental provisions based on sales volume at retail units or miles traveled for trucks.

Assets under capital leases are capitalized using interest rates appropriate at the inception of each lease. Contingent rents associated with capital leases were $2,570,000 in 1991, $2,571,000 in 1990 and $3,115,000 in 1989. Following is an analysis of the Company's assets under captial leases (in thousands):

	Jan. 30, 1992	Jan. 31, 1991	Feb. 1, 1990
Real estate	$138,116	$138,618	$141,908
Equipment	1,657	2,005	1,745
	$139,773	$140,623	$143,725
Accumulated amortization	$ 70,058	$ 67,601	$ 66,113

Future minimum lease payments for assets under capital leases at January 30, 1992 are as follows (in thousands):

	Real Estate	Equipment	Total
1992	$ 16,226	$ 326	$ 16,552
1993	15,971	261	16,232
1994	15,783	233	16,016
1995	15,667	225	15,892
1996	15,291	175	15,466
Remainder	115,530	33	115,563
Total minimum obligations	194,468	1,253	195,721
Less executory costs	(61)		(61)
Net minimum obligations	194,407	1,253	195,660
Less interest	(90,612)	(255)	(90,867)
Present value of net minimum obligations	103,795	998	104,793
Less current portion	(5,402)	(232)	(5,634)
Long-term obligations at January 30, 1992	$ 98,393	$ 776	$ 99,159

Minimum obligations have not been reduced by minimum capital sublease rentals of $6,508,000 receivable in the future under noncancelable capital subleases. Executory costs include such items as property taxes and insurance.

Rent expense under operating leases was as follows (in thousands):

	1991	1990	1989
Minimum rent	$56,664	$55,714	$55,653
Contingent rent	4,335	4,984	3,889
	60,999	60,698	59,542
Less sublease rent	(14,372)	(11,548)	(12,050)
	$46,627	$49,150	$47,492

Future minimum lease payments for all noncancelable operating leases and related subleases having a remaining term in excess of one year at January 30, 1992 are as follows (in thousands):

	Real Estate	Equipment	Subleases
1992	$ 52,337	$ 74	$(11,855)
1993	53,609	49	(9,439)
1994	53,313		(7,125)
1995	52,771		(6,447)
1996	52,974		(4,855)
Remainder	660,849		(20,433)
Total minimum obligations (receivables)	$925,853	$123	$(60,154)

Capital lease obligations incurred and capital lease obligations terminated are considered noncash items and, accordingly, are not reflected in the consolidated cash flows. The following table summarizes these transactions (in thousands):

	1991	1990	1989
Capital lease obligations incurred	$4,471	$2,048	$3,482
Capital lease obligations terminated	2,203	670	3,296

The present value of minimum rent payments under operating leases is approximately $400,000,000 at January 30, 1992.

ASHLAND OIL, INC. (SEP)

Consolidated Balance Sheets

	1991	1990
	(In thousands)	
Current liabilities		
Debt due within one year		
Notes payable to banks	$ 79,000	$ 84,768
Commercial paper	59,081	42,967
Current portion of long-term debt and capitalized lease obligations	57,425	42,085
Trade and other payables	1,579,533	1,538,357
Income taxes	47,862	97,369
	1,822,901	1,805,546
Noncurrent liabilities		
Long-term debt (less current portion)	1,289,010	1,179,776
Capitalized lease obligations (less current portion)-Note G	47,552	55,379
Deferred income taxes	312,062	323,811
Claims and reserves of captive insurance companies	141,101	117,632
Accrued pension costs	105,292	87,571
Other long-term liabilities and deferred credits	287,673	268,172
	2,182,690	2,032,341

Statements of Consolidated Income

	1991	1990	1989
		(In thousands)	
Costs and expenses			
Cost of sales and operating expenses	$7,725,205	$7,401,036	$6,965,409
Excise taxes on products and merchandise	620,199	496,455	474,371
Selling, general and administrative expenses	926,450	949,073	875,519
Depreciation, depletion and amortization (including capitalized leases)-Notes A and B	265,066	256,393	267,299
General corporate expenses	92,052	92,757	148,148
	9,628,972	9,195,714	8,730,746

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 15 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 $220,962,000 in 1991, $252,438,000 in 1990 and $262,460,000 in 1989.

Note G (In Part): Leases and Other Commitments

Leases

Ashland and its subsidiaries are lessees in noncancelable leasing agreements for office buildings and warehouses, pipelines, transportation and marine equipment, service stations, manufacturing facilities and other equipment and properties which expire at various dates. Future minimum lease payments at September 30, 1991 and assets (included in property, plant and equipment) under capital leases follow.

(In thousands)

Future minimum lease payments	
1992	$ 12,347
1993	10,266
1994	7,964
1995	6,586
1996	6,579
Later years	38,311
	82,053
Imputed interest	(26,727)
Capitalized lease obligations	$ 55,326

Assets under capital leases	1991	1990
Cost		
Ashland Petroleum	$120,700	$121,581
SuperAmerica Grcup	104	-
Valvoline	1,060	1,060
Chemical	7,297	7,297
Corporate	7,600	7,600
	136,761	137,538
Accumulated depreciation	(98,136)	(95,624)
Net assets	$ 38,625	$ 41,914

Future minimum rental payments at September 30, 1991 and rental expense under operating leases follow.

(In thousands)	
Future minimum rental payments	
1992	$ 59,538
1993	52,880
1994	43,268
1995	38,699
1996	34,060
Later years	176,096
	$404,541

Rental expense	1991	1990	1989
Minimum rentals (including rentals under short-term leases)	$88,459	$86,146	$105,610
Contingent rentals	11,999	10,759	12,341
Sublease rental income	(16,412)	(13,636)	(11,938)
	$84,046	$83,305	$106,013

CHESAPEAKE INDUSTRIES, INC. (JUN)

	1991	1990
Current Liabilities		
Current portion of notes and contracts payable	$ 8,625,485	$ 1,481,476
Current portion of capital lease obligations	384,672	336,530
Deferred income	212,318	212,318
Accounts payable	4,570,833	6,324,589
Accrued liabilities	779,387	702,163
Other current liabilities	55,938	139,008
Total current liabilities	14,628,633	9,196,084
Long-term debt		
Notes and contracts payable, net of current portion	233,711	6,803,749
Long-term capital lease obligations, net of current portion	629,618	856,244
Total liabilities	15,491,962	16,856,077

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9—Commitments and Capital Lease Obligations

The Company is a party to a number of noncancelable lease agreements involving land, buildings and equipment. The leases extend for varying periods up to 14 years and generally provide for the payment of taxes, insurance and maintenance by the lessee. Certain of these leases have options to purchase at varying dates.

The Company's property held under capital leases, included in property, plant and equipment, assets held for sale (see Note 2) and in other assets (see Note 4) in the balance sheets, consists of the following:

	1991	1990
Buildings	$1,777,159	$1,777,159
Machinery and equipment	1,851,224	1,799,277
Vehicles	331,481	214,924
	3,959,864	3,791,360
Less accumulated amortization	(2,054,861)	(1,775,027)
	$1,905,003	$2,016,333

Minimum future lease obligations on long-term noncancelable leases in effect at June 30, 1991 and are as follows:

Fiscal Year	Capital	Operating
1992	$ 685,026	$ 2,121,323
1993	516,873	1,871,143
1994	362,922	1,522,655
1995	203,349	1,419,385
1996	146,587	1,151,618
Thereafter	574,406	6,506,342
Net minimum lease payments[1]	$2,489,163	$14,592,466[2]
Less amount representing interest	(666,754)	
Present value of net minimum lease payments	1,822,409	
Less present value of leases on assets held for sale (see Note 2)	(755,131)	
Less present value of leases on subleased properties (see Note 4)	(52,988)	
	1,014,290	
Less current portion	(384,672)	
	$ 629,618	

[1] Minimum payments have not been reduced by future minimum sublease rentals of $3,534,260 due under noncancelable subleases.

[2] Minimum payments have not been reduced by a future minimum sublease rental of $54,558 due under a noncancelable sublease.

Rental expense for operating leases amounted to approximately $2,313,000, $1,866,000, and $1,522,000, in 1991, 1990 and 1989, respectively.

VULCAN MATERIALS COMPANY (DEC)

	1991	1990
	(Amounts in thousands)	
Current liabilities		
Current maturities:		
Long-term debt	$ 1,660	$ 4,368
Capitalized lease obligations	1,827	480
Notes payable	9,763	107,131
Trade payables and accruals	67,951	69,508
Accrued income taxes	16,551	9,054
Accrued salaries and wages	17,536	20,009
Accrued interest	1,688	2,115
Other accrued liabilities	18,412	21,174
Total current liabilities	135,388	233,839
Long-term debt	108,434	40,175
Long-term capitalized lease obligations (Note 6)	2,672	4,499
Deferred income taxes	69,626	85,172
Deferred management incentive and other compensation	15,906	16,550
Other postretirement benefits	22,491	20,016
Other noncurrent liabilities	35,666	37,554

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment

Property, plant and equipment are carried at cost less allowances for accumulated depreciation, depletion and amortization. The cost of properties held under capital leases is equal to the lower of the net present value of the minimum lease payments or the fair value of the leased property at the inception of the lease.

Depreciation, Depletion and Amortization

Depreciation is computed by the straight-line method at rates based upon the estimated service lives of the various classes of assets, which include machinery and equipment, buildings and land improvements. Amortization of capitalized leases is included with depreciation expense.

Cost depletion on depletable quarry land is computed by the unit of production method based upon estimated recoverable units.

Leaseholds are amortized over varying periods not in excess of applicable lease terms.

4 (In Part): Property, Plant and Equipment

Balances referable to capitalized leases, which are included in property, plant and equipment, at December 31 are as follows (in thousands of dollars).

	1991	1990	1989
Land and land improvements	$ 16	$ 16	$ 16
Buildings	59	59	59
Machinery and equipment	9,984	10,019	10,359
Total	10,059	10,094	10,434
Less allowance for amortization	8,547	8,282	8,323
Property, plant and equipment, net	$ 1,512	$ 1,812	$ 2,111

Amortization of capitalized leases amounted to $300,000 each in 1991, 1990 and 1989.

6. Leases

Total rental expense of nonmineral leases, exclusive of rental payments made under leases of one month or less, is summarized as follows (in thousands of dollars):

	1991	1990	1989
Minimum rentals	$ 6,762	$ 6,856	$ 5,260
Contingent rentals (based principally on usage)	5,130	5,409	4,896
Total	$11,892	$12,265	$10,156

Future minimum lease payments under all leases with initial or remaining noncancellable lease terms in excess of one year, exclusive of mineral leases, at December 31, 1991 are as follows (in thousands of dollars):

	Capital Leases	Operating Leases
1992	$2,219	$ 7,307
1993	838	6,476
1994	833	5,348
1995	757	3,896
1996	757	3,680
Remaining years	126	7,198
Total minimum lease payments	5,530	$33,905
Less: Amount representing interest	1,031	
Present value of net minimum lease payments (including long-term obligations of $2,672)	$4,499	

Lease agreements frequently include renewal options and require that the Company pay for utilities, taxes, insurance and maintenance expense. Options to purchase also are included in some lease agreements, particularly capital leases.

Lessee—Operating Leases

CABOT CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

M. Commitments & Contingencies

Lease Commitments

The Company leases certain transportation vehicles, warehouse facilities, office space and machinery and equipment under cancellable and non-cancellable leases, most of which expire within 10 years and may be renewed by the Company. Rent expense under such arrangements totalled $17,144,000, $20,627,000, and $18,988,000 in 1991, 1990 and 1989, respectively. Future minimum rental commitments under non-cancellable leases in effect at September 30, 1991 are as follows:

Dollars in thousands	
1992	$ 15,799
1993	13,518
1994	11,494
1995	8,668
1996	8,136
1997 and thereafter	51,304
	$108,919

DATA GENERAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 (IN PART): COMMITMENTS AND CONTINGENCIES

Lease Commitments. Lease agreements are primarily for sales and service offices. The leases expire at various dates through 2009 and some contain options for renewal. Rental expense was $37.3 million, $43.1 million, and $41.6 million for fiscal years 1991, 1990, and 1989, respectively.

Future minimum rental payments under existing leases as of September 28, 1991 are as follows:

Fiscal Year	*In Millions*
1992	$ 40.4
1993	33.8
1994	28.6
1995	20.9
1996	16.8
Subsequent to 1996	92.9
	$233.4

A majority of the leases for sales and service offices contain escalation clauses which provide for increases in base rental to recover increases in future operating costs. The future minimum rental payments shown above include base rentals exclusive of any future escalation. Approximately $50 million of the future minimum rental payments shown above relate to facilities which have been closed or are expected to be closed as the result of the company's restructuring and cost reduction programs. The present value of the future rental obligations for these facilities, net of amounts expected to be recovered through subleases, has been accrued as part of the restructuring charges.

EXXON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Leased Facilities

At December 31, 1991, the corporation and its consolidated subsidiaries held non-cancelable operating charters and leases covering tankers, service stations and other properties for which minimum lease commitments were as follows:

	Minimum commitment	Related rental income
	(millions of dollars)	
1992	$ 577	$ 30
1993	449	26
1994	310	23
1995	247	17
1996	205	13
1997 and beyond	1,128	116

Net rental expenditures for 1991, 1990 and 1989 totaled $1,133 million, $1,012 million and $910 million, respectively, after being reduced by related rental income of $117 million, $114 million and $100 million, respectively. Minimum rental expenditures totaled $1,185 million in 1991, $1,072 million in 1990 and $965 million in 1989.

FLOWERS INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Leases

Description of Operating Lease Arrangements

The Company leases certain property and equipment, including warehouses and certain distribution and other equipment, under operating leases which expire over the next twenty years. Most of these operating leases provide the Company with the option after the initial lease term either to purchase the property at the then fair value or renew its lease at the then fair rental value for periods of one month to ten years. Generally, management expects that leases will be renewed or replaced by other leases in the normal course of business. Payments for certain truck rentals are based on a minimum rental plus additional rent based on mileage.

Minimum payments for operating leases having initial or remaining noncancelable terms in excess of one year are as follows:

(Amounts in Thousands) Fiscal Year(s)	
1992	$10,846
1993	8,420
1994	6,411
1995	4,027
1996	3,116
1997 to termination (aggregate)	17,917
Total minimum lease payments	$50,737

Total rent expense for all operating leases amounted to $50,088,000 for 1991, $43,023,000 for 1990 and $28,504,000 for 1989 including $3,670,000, $4,889,000 and $5,425,000, respectively, for contingent truck rental based on mileage.

ICOT CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. LEASE COMMITMENTS

Approximate future minimum rental commitments under all noncancellable operating leases are as follows:

Fiscal Year	*(In thousands)*
1992	$1,063
1993	1,026
1994	1,010
1995	1,019
1996	442
Thereafter	1,192
	$5,752

Total rent expense for all operating leases amounted to approximately $1,764,000, $2,078,000 and $2,402,000 in 1991, 1990 and 1989, respectively.

The Company has a lease obligation through December 31, 1995 on a facility in Natick, Massachusetts consisting of approximately 21,000 square feet. The lease obligation on this facility was assumed in connection with a prior business acquisition and, due to a consolidation of operations, most of the space at this location has become excess to the Company's current and anticipated future requirements. Sublease agreements on a portion of the space expired during fiscal 1991 and were not renewed. Efforts continue to sublease the available space, but have been unsuccessful due to market conditions in the general area. Accordingly, the Company has accrued approximately $2,150,000 at July 27, 1991 to cover future rental obligations related to excess space at this facility.

On September 19, 1990, the lease for the Company's corporation headquarters in San Jose, California was amended to extend the term on a portion of the premises covered by the original lease which expired November 30, 1990. The lease was extended five years commencing December 1, 1990 on space reduced from approximately 87,000 square feet to approximately 47,500 square feet. In connection with the amended lease, the Company was granted free rent periods to offset the cost of leasehold improvements and brokerage commission. The accompanying consolidated statements of operations reflect rent expense on a straight-line basis over the term of the lease. An obligation of $204,000 representing prorata future payments is reflected in the accompanying consolidated balance sheet at July 27, 1991.

REPUBLIC GYPSUM COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. COMMITMENTS

The Company operates certain transportation equipment under operating leases. Rent expense, including short-term rentals, during the years ended 1991, 1990 and 1989 were:

	1991	1990	1989
Base rentals	$1,236,000	$1,278,000	$1,513,000
Rentals based on mileage	1,551,000	1,228,000	1,377,000
Total	$2,787,000	$2,506,000	$2,890,000

Payments for taxes, licenses, maintenance and other costs under certain lease arrangements are considered basic rental. The Company assumed the lease on the related building and land when it purchased the production equipment of the corrugated container and sheet manufacturing plant in Kansas City, Kansas.

Rental payments for transportation equipment leases are based on mileage and on the passage of time. Basic and variable rental rates on transportation equipment may be adjusted quarterly for fluctuations in the Consumer Price Index.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 1991.

Years ending June 30:	
1992	$ 866,000
1993	510,000
1994	166,000
1995	166,000
1996	143,000
Thereafter	—
	$1,851,000

Lessor Leases

AMERICAN TELEPHONE AND TELEGRAPH COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollars in millions

H (In Part): Leases

As Lessor

AT&T provides direct financing leases for its products and those of other companies and leases its products to customers under sales-type leases. AT&T's net investment in direct financing and sales-type leases was as follows:

At December 31	1991	1990
Minimum lease payments receivable	$3,396	$3,107
Estimated unguaranteed residual values	436	361
Unearned income	(686)	(656)
Allowance for credit losses	(66)	(54)
Net investment	$3,080	$2,758

The scheduled maturities for direct financing and sales-type lease receivables at December 31, 1991 are as follows:

1992	$1,249
1993	927
1994	628
1995	363
1996	149
Later years	80
Total minimum lease payments receivable	$3,396

AT&T leases airplanes, energy-producing facilities and transportation equipment under leveraged leases having terms ranging from 3 to 30 years, expiring in various years from 1992 through 2020. AT&T's net investment in leveraged leases consisted of the following:

At December 31	1991	1990
Rentals receivable (net of principal and interest on non-recourse notes)	$673	$400
Estimated residual value of leased property	591	462
Unearned and deferred income	(401)	(321)
Allowance for credit losses	(7)	(1)
Investment in leveraged leases	856	540
Deferred taxes	(413)	(183)
Net investment	$443	$357

AT&T leases equipment to others through operating leases, the majority of which are cancelable. The net investment in equipment leased to customers under operating leases was as follows:

At December 31	1991	1990
Machinery, electronic and other equipment	$2,588	$3,883
Less: Accumulated depreciation	1,284	2,246
Net investment	$1,304	$1,637

Future minimum rentals receivable under noncancelable operating leases at December 31, 1991 are as follows:

1992	$378
1993	232
1994	140
1995	59
1996	5
Later years	2
Total minimum future rentals receivable	$816

DANA CORPORATION (DEC)

	1991	1990
	$ in thousands	
Assets		
Cash	$ 49,635	$ 42,399
Marketable securities, at cost which approximates market	23,597	43,093
Accounts receivable, less allowance for doubtful accounts of $19,123 (1990—$19,412)	673,921	688,382
Inventories		
Raw materials	128,597	159,758
Work in process and finished goods	467,512	536,080
Total inventories	596,109	695,838
Lease financing	821,842	904,243
Investments and other assets	831,887	907,554
Property, plant and equipment, net	1,182,330	1,231,684
Total Assets	$4,179,321	$4,513,193

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Lease Financing

Lease financing consists of direct financing leases, leveraged leases and equipment on operating leases.

Income on direct leases is recognized by a method which produces a constant periodic rate of return on the outstanding investment in the lease. Income on leveraged leases is recognized by a method which produces a constant rate of return on the outstanding investment in the lease net of the related deferred tax liability in the years in which the net investment is positive. Initial direct costs are deferred and amortized using the interest method over the lease period.

Equipment under operating leases is recorded net of accumulated depreciation. Income from operating leases is recognized as rentals become receivable according to the provisions of the leases.

Lease financing consisted of the following components:

	December 31	
$ in thousands	1991	1990
Direct financing leases	$673,754	$740,483
Leveraged leases	171,380	171,022
Property on operating leases, net of accumulated depreciation	21,121	30,762
Allowance for bad debts	(44,413)	(38,024)
	$821,842	$904,243

The components of the net investment in direct financing leases are as follows:

$ in thousands	December 31 1991	1990
Total minimum lease payments receivable	$773,985	$870,385
Residual values	95,569	107,736
Deferred initial direct costs	11,199	14,000
	880,753	992,121
Less: Unearned income	206,999	251,638
	$673,754	$740,483

The components of the net investment in leveraged leases are as follows:

$ in thousands	December 31 1991	1990
Rentals receivable	$911,638	$856,423
Residual values	62,498	63,093
Non-recourse debt service	(611,633)	(575,343)
Unearned income	(174,179)	(153,742)
Deferred investment tax credits	(16,944)	(19,409)
	171,380	171,022
Less: Deferred taxes arising from leveraged leases	106,602	102,104
	$ 64,778	$ 68,918

ILLINOIS TOOL WORKS INC. (DEC)

	1991	1990
	In thousands	
Net plant and equipment	$525,695	$483,549
Investment in Leveraged Leases	64,213	66,296
Goodwill	350,427	294,886
Other Assets	228,776	162,079

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment in Leveraged Leases—The Company has investments in leveraged leases of equipment used primarily in the transportation, mining and paper processing industries.

The components of the Investment in Leveraged Leases at December 31, 1991 and 1990, are set forth below:

In thousands	1991	1990
Lease contracts receivable (net of principal and interest on nonrecourse financing)	$58,567	$61,325
Estimated residual value of leased assets	21,674	21,674
Unearned and deferred income	(16,028)	(16,703)
Investment in leveraged leases	64,213	66,296
Deferred taxes arising from leveraged leases	(53,295)	(56,842)
Net investment in leveraged leases	$10,918	$ 9,454

The components of the income from leveraged leases for the years ended December 31, 1991, 1990 and 1989 are shown below:

In thousands	1991	1990	1989
Leveraged lease expense before income taxes	$(143)	$(326)	$(109)
Investment tax credits recognized	469	440	707
Net income tax benefit	255	220	250
	$ 581	$ 334	$ 848

In 1990, equipment previously covered under a leveraged lease was sold, resulting in a $2,399,000 pretax gain. This gain was recorded as other income.

WETTERAU INCORPORATED (MAR)

	1991	1990
Total current assets	$583,777,000	$522,914,000
Notes receivable	58,231,000	62,822,000
Investment in direct financing leases, noncurrent	23,587,000	22,814,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases (In Part):

Direct financing leases

A summary of the minimum lease rentals to be received under direct financing leases (covering certain retail store facilities sublet to retail customers and equipment leased to retail customers) and the minimum lease payments as of March 30, 1991 under capitalized leases follows:

	Direct Financing Lease Rentals Receivable	Capital Lease Obligations
1992	$ 6,147,000	3,879,000
1993	5,799,000	3,688,000
1994	5,388,000	3,544,000
1995	5,078,000	3,455,000
1996	4,202,000	3,182,000
Later years	17,889,000	14,779,000
Total minimum lease payments	44,503,000	32,527,000
Less estimated executory costs	277,000	285,000
Net minimum lease payments	44,226,000	32,242,000
Add estimated unguaranteed residual values	1,162,000	—
	45,388,000	32,242,000
Less interest	18,988,000	13,621,000
Present value of minimum lease payments	26,400,000	18,621,000
Less current maturities	2,813,000	1,632,000
Long-term portion	$23,587,000	16,989,000

OTHER NONCURRENT LIABILITIES

In addition to long-term debt, many of the survey companies presented captions for deferred taxes, minority interests, employee related liabilities, estimated losses or expenses, and deferred credits. Table 2-29 summarizes the nature of such noncurrent liabilities and deferred credits.

TABLE 2-29: OTHER NONCURRENT LIABILITIES

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Deferred income taxes	462	487	494	497
Minority interest	138	135	130	132
Liabilities of nonhomogeneous operations	24	27	25	13
Employee Liabilities				
Minimum pension liability	142	138	89	12
Other pension accruals	97	102	62	74
Deferred compensation, bonus, etc.	47	53	50	44
Benefits	47	20	24	20
Other—described	14	12	12	10
Estimated losses or expenses				
Discontinued operations	31	31	24	23
Environmental	24	22	N/C	N/C
Insurance	18	15	14	11
Warranties	8	6	5	8
Other—described	53	45	61	52
Deferred credits				
Deferred profit on sales	23	21	13	15
Payments received prior to rendering service	9	12	9	12
Other—described	9	16	16	23

N/C—Not Compiled.

Minority Interest

ALBERTO-CULVER COMPANY (SEP)

	1991	1990
Total current liabilities	$191,672,984	$143,790,880
Long-term debt	97,819,452	60,728,041
Deferred income taxes	2,638,974	4,681,645
Other liabilities	10,747,321	3,491,628
Minority interest in consolidated subsidiary (notes 1 and 11)	22,102,800	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Minority Interest

Minority interest represents the minority stockholders' proportionate share of the equity of Cederroth International AB. At September 30, 1991, the company owned 23.7 percent of Cederroth's capital stock, representing 74 percent voting control.

11 (In Part): Acquisition

In September 1991, the company purchased a 23.7% equity interest, representing 74.0% voting control, in Cederroth International AB, formerly Cederroth Nordic AB, for $17.4 million in cash. The acquisition was accounted for as a purchase. The excess of purchase price over historical cost, which is classified as goodwill at September 30, 1991, will be allocated to assets in fiscal year 1992.

The company's 74.0% controlling interest requires that Cederroth's operations since its acquisition be included in the consolidated financial statements. The 76.3% equity interest not acquired by the company is shown as "minority interest" in the 1991 consolidated statement of earnings and consolidated balance sheet. Had Cederroth been acquired at the beginning of fiscal year 1990, the proforma inclusion of its operating results would not have had a significant effect on reported consolidated net earnings for the years ended September 30, 1991 and 1990.

BERGEN BRUNSWIG CORPORATION (AUG)

	1991	1990
	($000)	
Total long-term obligations	$242,533	$229,134
Commitments and contingent liabilities		
Minority interest in equity of subsidiary	14,565	12,828

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Minority interest in equity of subsidiary represents the minority shareowners' proportionate share of the equity of Commtron Corporation ("Commtron"). At August 31, 1991 and 1990, the Corporation owned approximately 79% of Commtron.

BORDEN, INC. (DEC)

	1991	1990
	(In millions)	
Long-term debt	1,345.8	1,339.8
Deferred income taxes	187.8	202.3
Other long-term liabilities	25.0	36.2
Minority interest	514.5	17.4
	2,073.1	1,595.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in millions)

6. Minority Interest

In December 1991 three wholly owned subsidiaries of the Company contributed an aggregate of $1,700.5 in assets to T.M.I. Associates, L.P., a Delaware limited partnership (the Partnership), in exchange for an aggregate 77.28% general partner interest in the Partnership. The contributed assets consisted of selected trademarks which are licensed to the Company pursuant to exclusive long-term license agreements, a long-term note guaranteed by the Company and cash. Additionally, an outside investor contributed $500.0 in cash to the Partnership in exchange for a 22.72% limited partner interest. The Partnership is a separate and distinct legal entity from the Company whose purpose is to invest in and manage a portfolio of assets. For financial reporting purposes the Partnership's assets and liabilities are consolidated with those of the Company and the outside investor's 22.72% interest in the Partnership is included in the Company's financial statements as minority interest.

CROWN CORK & SEAL COMPANY, INC. (DEC)

	1991	1990
	(in millions)	
Total current liabilities	$761.4	$736.2
Long-term debt, excluding current maturities	585.0	484.3
Other non-current liabilities	358.1	298.6
Deferred taxes on income	179.4	125.3
Minority interest *Note O*	14.2	1.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions)

O. Minority Interests

	1991	1990
Minority interests at January 1,	$ 1.2	$ .9
Acquisition of Continental Can Hong Kong	10.3	
Minority interest in net income of consolidated subsidiaries	3.1	.3
Dividends paid to minority shareholders	(.6)	(.2)
Change in cumulative translation adjustment	(.1)	(.1)
Other	.3	.3
	$14.2	$1.2

On May 16, 1991, the Company acquired the stock of Continental Can International Corporation including a 50.1% interest in a Hong Kong affiliate.

Employee Related Liabilities

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

	1991	1990
	(dollars in thousands)	
Total current liabilities	$58,716	$91,671
Long-term debt	5,310	21,667
Deferred income taxes	6,001	7,105
Unfunded accrued pension cost	3,453	2,576

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

9. (In Part): Incentive and Retirement Plans

Retirement Plans

The Company's subsidiaries have several defined contribution retirement plans and two defined benefit retirement plans. Such plans cover substantially all their employees. Retirement plan expense net of pension income for 1991, 1990, and 1989 was $2,265, $2,626, and $1,752, respectively.

The defined benefit plans which cover employees in the U.K. and Germany, respectively, provide benefits based on years of service and employee compensation. Retirement costs under both plans are compiled based on the projected unit credit actuarial method.

The U.K. plan's actuarial assumptions used settlement rates of 8.5% in 1991 and 1990, and 8% in 1989, a long-term return on assets of 10%, and annual wage increases of 7.5%. Retirement costs accrued are funded.

The German plan's actuarial assumptions used a settlement rate of 7% and an annual wage increase of 4.5%. Retirement costs accrued are not funded.

The following items are the components of net periodic pension income for the U.K. plan for the years ended December 28, 1991 and December 29, 1990:

	1991	1990
Service cost-benefits earned	$ 766	$ 617
Interest cost on projected benefit obligations	867	787
Return on plan assets, net	(1,696)	(1,532)
Amortization of unrecognized assets	(361)	(415)
Net periodic pension income	$ (424)	$ (543)

The plan has assets in excess of the accumulated benefit obligations. Plan assets include investments in equity securities, corporate and government debt securities, and cash equivalents. The following table presents a reconciliation of the funded status of the plan at December 28, 1991 and December 29, 1990:

	1991	1990
Vested and accumulated benefit obligation	$(11,274)	$ (9,6431)
Projected benefit obligation	(13,383)	(11,750)
Plan assets at fair value	21,629	19,211
Funded status	8,246	7,461
Unrecognized portion of net assets	(4,006)	(3,645)
Prepaid pension	$ 4,240	$ 3,816

The following items are the components of net periodic pension cost for the unfunded German plan for the year ended December 28, 1991 and the six months ended December 29, 1990 (since acquisition):

	1991	1990
Service cost-benefits earned	$376	$ 160
Interest cost on projected benefit obligations	184	100
Net periodic pension cost	$ 560	$ 260

	1991	1990
Vested and accumulated benefit obligation	$2,303	$1,927
Projected benefit obligation and accrued pension cost	$3,453	$2,576

THE PITTSTON COMPANY (DEC)

	1991	1990
	(In thousands)	
Total current liabilities	$371,222	$333,600
Long-term debt, less current maturities	71,962	110,709
Postretirement benefits other than pensions (Note 11)	198,720	—
Workers' compensation and other claims	161,463	120,737
Deferred income taxes	18,342	21,038
Other liabilities	101,861	54,655

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Employee Benefit Plans

The Company and its subsidiaries also provide certain postretirement health care and life insurance benefits for eligible active and retired employees in the United States and Canada. Effective January 1, 1991, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"). SFAS 106 requires the accrual method of accounting for postretirement health care and life insurance benefits based on actuarially determined costs to be recognized over the period from the date of hire to the full eligibility date of employees who are expected to qualify for such benefits. As of January 1, 1991, the Company recognized the full amount of its estimated accumulated postretirement benefit obligation on that date, 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 1991 earnings was $201,810,000, with a net earnings effect of $133,078,000 or $3.57 per share. The latter amounts have been reflected in the statement of operations as the cumulative effect of an accounting change.

The incremental cost in 1991 of accounting for postretirement health care and life insurance benefits under the new accounting method amounted to $5,084,000 or $.14 per share, which is net of income taxes of $2,642,000. The total pretax amount recognized for such benefits in 1991 was $20,690,000. In prior years, the Company expensed claims for such postretirement benefits as received. The amounts included in expense for 1990 and 1989 under the previous accounting method were $10,719,000 and $4,973,000, respectively. The significantly lower expense in 1989 reflected the expiration on January 31, 1988 of the collective bargaining agreement with the UMWA. No retiree medical benefits were paid to UMWA retirees during the period from February 1, 1988 to June 9, 1989. In the absence of the accounting change, the Company in 1991 would have recognized postretirement health care and life insurance expense of $12,964,000.

For the year 1991, the components of periodic expense for these postretirement benefits were as follows:

	(In thousands)
Service cost—benefits earned during year	$ 2,530
Interest cost on accumulated postretirement benefit obligation	18,160
Total expense	$20,690

At December 31, 1991, the actuarial and recorded liabilities for these postretirement benefits, none of which have been funded, were as follows:

	(In thousands)
Accumulated postretirement benefit obligation:	
Retirees	$153,310
Fully eligible active plan participants	29,050
Other active participants	30,210
Liability included on the balance sheet	212,570
Less current portion	13,850
Noncurrent liability for postretirement health care and life insurance benefits	$198,720

RAYTHEON COMPANY (DEC)

	1991	1990
	(In thousands)	
Total current liabilities	$2,716,096	$3,145,630
Non-current pension liability (note M)	8,333	80,914
Long-term debt	39,250	46,366

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Pension Costs

The company and its subsidiaries have several pension and retirement plans covering the majority of employees, including certain employees in foreign countries.

Annual charges to income are made for costs of the plans, including current service costs, interest on projected benefit obligations, and net amortization and deferral [unrecognized net obligation (asset) at transition, unrecognized prior service costs, and acturial net gains or losses], increased or reduced by the return on assets. Unfunded accumulated benefit obligations are accounted for as long-term liability on the balance sheet. It is the company's policy to fund annually those pension costs, which are calculated in accordance with Internal Revenue regulations and standards issued by the Cost Accounting Standards Board.

Note M (In Part): Pension and Other Employee Benefits

The following table sets forth the funded status of the plans at:

	Dec. 31, 1991	Dec. 31, 1990
	Accumulated Benefits Exceed Assets	Accumulated Benefits Exceed Assets
	(In thousands)	
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(184,704)	$(535,059)
Accumulated benefit obligation	$(195,455)	$(553,597)
Projected benefit obligation	$(200,504)	$(558,397)
Plan assets at fair value	167,997	436,333
Projected benefit obligation (in excess of) or less than plan assets	(32,507)	(122,064)
Unrecognized net (gain)	(11,027)	(5,176)
Prior service cost not yet recognized in net periodic pension cost	26,387	74,260
Unrecognized net obligations (assets) at transition	(3,542)	16,629
Adjustment required to recognize additional minimum liability	(8,333)	(80,914)
Prepaid pension cost (liability)	$(29,022)	$(117,265)

SNAP-ON TOOLS CORPORATION (DEC)

	1991	1990
	($000)	
Total current liabilities	$176,650	$236,802
Long-term debt	7,179	7,275
Deferred income taxes	—	12,131
Retiree health care benefits—long term (Note 9)	63,906	—
Other long-term liabilities (Note 8)	14,920	15,243
Total liabilities	262,655	271,451

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Pension Plans

The funded status of the Company's U.S. pension plans was as follows:

(Amounts in thousands)	1991	1990	1989
Acturial present value of accumulated plan benefits:			
Vested benefits	$127,548	$113,080	$101,527
Non-vested benefits	26,406	23,363	20,204
	153,954	136,443	121,731
Effect of projected future salary increases	35,054	42,589	39,201
Projected benefit obligation	189,008	179,032	160,932
Plan assets at market value	234,831	188,965	186,760
Plan assets in excess of projected benefit obligation	45,823	9,933	25,828
Remaining unrecognized net assets arising from the initial application of SFAS No. 87	(11,759)	(12,705)	(13,651)
Unrecognized net gain from past experience different from that assumed and unrecognized prior service cost	(57,473)	(19,236)	(26,399)
Additional minimum liability	(1,023)	(637)	(917)
Pension liability	$ (24,432)	$ (22,645)	$ (15,139)

The pension liability for 1991 comprises a current liability of $9.5 million and a long-term liability of $14.9 million. The long-term liability represents pension obligations which are not expected to be funded in the next 12 months.

Note 9 (In Part):

Retiree Health Care

The Company provides certain health care benefits for retired U.S. employees. The majority of the Company's U.S. employees become eligible for those benefits if they reach normal retirement age while working for the Company. Generally, the plans pay stated percentages of

covered expenses after a deductible is met. There are several plan designs, with more recent retirees (generally after January 1, 1989) being covered under a comprehensive major medical plan. In determining benefits, the plans take into consideration payments by Medicare and other coverages.

For employees retiring under the comprehensive major medical plans, there are contributions required under certain circumstances, and the plans have provisions for cost sharing changes. Those plans include provisions for retirees to contribute amounts estimated to exceed a capped per retiree annual cost commitment by the Company. The Company does not fund the retiree health care plans.

Effective the beginning of fiscal year 1991, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," as discussed in Note 1c.

The components of the 1991 expense for postretirement health care benefits are as follows:

(Amounts in thousands)	1991
Net periodic cost	
Service cost-benefits attributed to service during the period	$1,185
Interest cost on accumulated postretirement benefit obligation	5,761
Net postretirement health care cost	$6,946

The components of the accumulated postretirement benefit obligation are as follows:

(Amounts in thousands)	1991
Accumulated postretirement benefit obligation	
Retirees	$42,071
Fully eligible active plan participants	12,078
Other active plan participants	12,657
Accumulated postretirement benefit obligation	$66,806

The accumulated postretirement benefit obligation comprises a current liability of $2.9 million and a long-term liability of $63.9 million.

WAUSAU PAPER MILLS COMPANY (AUG)

	1991	1990
	(all dollar amounts in thousands)	
Long-Term Liabilities		
Long-term debt	$30,727	$55,364
Deferred income taxes	28,164	21,682
Pension	5,532	1,830
Deferred compensation	801	906
Other deferred liabilities	1,385	1,112
Total long-term liabilities	66,609	80,894

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Retirement Plans

The company has deferred compensation or supplemental retirement agreements with certain present and past key officers and employees. The principal cost of such plans is being or has been accrued over the period of active employment from the contract date. The annual cost of the deferred compensation and supplemental retirement agreements does not represent a material amount.

Costs/Liabilities Related To Discontinued Operations

LOWE'S COMPANIES, INC. (JAN)

	1992	1991
	(Dollars in Thousands)	
Total Current Liabilities	$588,951	$337,676
Long-Term Debt, Excluding Current Maturities	113,650	159,204
Deferred Income Taxes	6,229	23,500
Accrued Store Restructuring (Note 12)	63,844	—
Total Liabilities	772,674	520,380

Note 12. Store Restructuring:

In Fiscal 1991, the Company recorded a one-time pre-tax fourth quarter charge of $71.3 million for the expected costs and expenses required to accelerate the Company's conversion from a chain of small stores to a chain of large stores. The restructuring charge is composed primarily of write-downs of long-lived assets to their net realizable value, principally real estate for owned locations, certain leasehold improvements, fixtures and equipment. It also includes relocation costs and expenses. The charge includes stores relocated under the restructuring plan in the fourth quarter of Fiscal 1991 and those scheduled for closing and relocating through Fiscal 1995.

HARMON INDUSTRIES, INC. (DEC)

	1991	1990
	(Dollars in thousands)	
Total current liabilities	$13,676	$16,366
Deferred liability	2,512	2,075
Long-term debt and capitalized lease obligations	11,915	17,220
Net long-term liabilities of discontinued operations (note 2)	1,095	—
Total liabilities	29,198	35,661

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Discontinued Operations

The net assets and liabilities of the discontinued operations of Cedrite included in the accompanying consolidated balance sheets as of December 31, 1991 and 1990 are as follows:

(Dollars in thousands)	1991	1990
Current assets:		
Cash	$ —	$ 21
Accounts receivable	27	344
Inventory	—	634
Prepaid expenses	77	107
Total current assets	104	1,106
Current liabilities:		
Bank overdraft	198	—
Current installments of capitalized lease obligation	—	39
Estimated loss on disposal	—	1,853
Total current liabilities	198	1,892
Net current liabilities	$ (94)	$ (786)
Long term assets:		
Net property, plant and equipment	$ 3,500	$10,205
Patents	700	700
Other assets	697	811
Total long term assets	4,897	11,716
Long term liabilities:		
Long term capitalized lease obligation	—	2,187
Estimated loss on disposal	5,992	6,179
Total long term liabilities	5,992	8,366
Net long term assets (liabilities)	$ (1,095)	$ 3,350

SPRINGS INDUSTRIES, INC. (DEC)

	1991	1990
	(In thousands)	
Total current liabilities	$266,241	$231,322
Noncurrent Liabilities:		
Long-term debt	287,837	260,423
Accrued restructuring costs	20,505	46,422
Deferred income taxes	44,952	43,455
Deferred compensation	43,014	40,048
Deferred credits and other liabilities	19,899	18,544
Total noncurrent liabilities	416,207	408,892

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Restructuring Plan:

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, expected to continue through 1993, is designed to further modernize Springs' textile operations and decrease weaving and finishing capacity. Management believes that accrued restructuring costs as of December 28, 1991 are adequate to complete its plan for restructuring.

Environmental Costs

ALUMINUM COMPANY OF AMERICA (DEC)

	1991	1990
	(in millions)	
Total current liabilities	$2,069.7	$2,037.7
Long-term debt, less amount due within one year	1,130.8	1,295.3
Noncurrent liabilities and deferred credits (G)	947.8	572.4
Future taxes on income	730.7	763.5
Total liabilities	4,879.0	4,668.9

NOTES TO FINANCIAL STATEMENTS
(dollars in millions)

A (In Part): Summary of Significant Accounting Policies

Environmental Expenditures. 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 future revenues, are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated.

G. Noncurrent Liabilities and Deferred Credits

December 31	1991	1990
On-site environmental remediation	$499.1	$235.2
Other noncurrent liabilities	219.0	250.4
Deferred credits	229.7	86.8
	$947.8	$572.4

ARMCO INC. (DEC)

	1991	1990
	(Dollars in millions)	
Total current liabilities	$374.9	$478.9
Long-term debt and lease obligations	355.2	366.7
Long-term employee benefit obligations	364.6	354.1
Other liabilities (Note 12)	179.9	171.7
Deferred income taxes	12.6	17.0
Minority interest in consolidated subsidiaries	—	6.0
Commitments and contingencies		

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions)

12 (In Part): Litigation and Environmental Matters

There are various claims pending involving Armco and its subsidiaries regarding product liability, patent, antitrust, environmental and hazardous waste matters, reinsurance and insurance arrangements, and other matters arising out of the conduct of the business.

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At December 31, 1991, Armco had recorded $9.4 in Other accruals and $42.9 in Other liabilities for the estimated probable costs relating to environmental matters. Armco believes that the likelihood that it will be required to make payments with respect to environmental matters in excess of this liability is remote.

Liabilities Subject To Compromise

EAGLE-PICHER INDUSTRIES, INC. (NOV)

	1991	1990
	(In thousands of dollars)	
Total Current Liabilities	$ 74,489	$242,980
Long-Term Debt, less current portion	32,001	3,618
Other Long-Term Liabilities	4,521	3,238
Liabilities Subject to Compromise	476,009	—
Asbestos Liability, less current portion	—	335,341

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F. Liabilities Subject to Compromise

Liabilities recorded by the Company as of the petition date that are expected to be compromised under a plan of reorganization are separately classified in the Consolidated Balance Sheet and include the following at November 30, 1991 (in thousands of dollars):

Asbestos liability	$365,654
Long-term debt (unsecured portion)	61,742
Accounts payable	39,421
Accrued liabilities	9,192
	$476,009

At the Company's request, the Bankruptcy Court established a bar date of October 31, 1991 for all pre-petition claims against the Company other than those arising from the sale of asbestos-containing products and those arising from any future rejection of executory contracts or unexpired leases in the chapter 11 cases. A bar date is the date by which claims against the Company must be filed if the claimants wish to receive any distribution in the chapter 11 cases. The Company has notified all known or potential claimants subject to the October 31, 1991 bar date of their need to file a proof of claim with the Bankruptcy Court. The Bankruptcy Court also granted the Company's motion for the establishment of a bar date for all asbestos-related claims. However, the date has not yet been established and the injury claimants' committee has appealed the decision.

Approximately 5,600 proofs of claim have been filed in connection with the October 31, 1991 bar date, and the Company has begun reconciling claims that differ from the Company's records. Any remaining differences that cannot be resolved by negotiated agreement between the Company and the claimant will be resolved by the Bankruptcy Court.

Certain creditors have filed claims substantially in excess of amounts reflected in the Company's records. Consequently, the amount included in the Consolidated Balance Sheet at November 30, 1991 as liabilities subject to compromise may be subject to adjustment. See Note N for further information regarding these claims.

Tax Leases

GENERAL MILLS, INC. (MAY)

	1991	1990
	In Millions	
Total Current Liabilities	$1,272.4	$1,173.2
Long-term Debt	879.0	688.5
Deferred Income Taxes	239.4	203.4
Deferred Income Taxes—Tax Leases	215.8	224.2
Accrued Postretirement Benefits	109.5	109.2
Other Liabilities and Deferred Credits	72.2	81.3
Total Liabilities	2,788.3	2,479.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Fifteen (In Part): Income Taxes

In prior years the Company purchased certain income tax items from other companies through tax lease transactions. Total current income taxes charged to earnings in fiscal 1991, 1990 and 1989 reflect the amounts attributable to operations and have not been materially affected by these tax leases. Actual current taxes payable on fiscal 1991, 1990 and 1989 operations were increased by approximately $9 million, $4 million and $5 million, respectively, due to the effect of tax leases. These tax payments do not affect taxes for statement of earnings purposes since they repay tax benefits realized in prior years. The repayment liability is classified as "Deferred Income Taxes—Tax Leases."

Put Warrants

INTEL CORPORATION (DEC)

	1991	1990
	(In thousands)	
Total current liabilities	$1,227,767	$1,313,751
Long-term debt	362,529	344,605
Deferred taxes on income	143,956	126,446
Put warrants	140,000	—
Commitments and contingencies		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Put Warrants

The Company sold 3.5 million put warrants in private placements during the fourth quarter of 1991. (See Stock Repurchase Program.) Each warrant obligated Intel to purchase one share of Common Stock at $40 per share if the purchaser exercises the warrant. The warrants expire in December 1992. The proceeds of the put warrant offerings of $14.2 million have been recorded in capital in excess of par value. The amount related to the Company's potential $140 million obligation to buy back 3.5 million shares of Common Stock has been removed from Stockholders' Equity and recorded as Put Warrants. This transaction resulted in a decrease of $80 million in capital in excess of par value and a decrease of $60 million in retained earnings. There is no impact on earnings per share in 1991 since the repurchase would be antidilutive at the current market price of the Company's Common Stock.

Common Stock To Be Redeemed

ROHM AND HAAS COMPANY (DEC)

	1991	1990
	(Millions of dollars)	
Total current liabilities	$535	$585
Long-term debt	718	598
Deferred income taxes	176	160
Other liabilities	138	126
Common stock (2,600,000 shares) to be purchased in 1995—Note 19	99	96

Note 19: Common Stock To Be Purchased in 1995

On October 22, 1990, the company and the William Penn Foundation amended the terms of a prior agreement covering the purchase of shares from the foundation, which now holds about 4 million company shares. Under the revised agreement, the company will purchase approximately 2.6 million shares from the foundation on April 1, 1995. In accordance with Rule 5-02.28 of Securities and Exchange Commission Regulation S-X, the common stock subject to this agreement is recorded outside of stockholders' equity. The price to be paid for the shares will be the higher of the average market price of Rohm and Haas shares during the period April 1991 through March 1995, or a minimum purchase price which is increased each year the average market price of Rohm and Haas shares increases. The minimum purchase price for the shares was $96 million at December 31, 1990. A $3 million charge was made to retained earnings in 1991 to increase the balance of this stock to $99 million, the minimum purchase price determined as of December 31, 1991. The stock redemption will not affect the company's compliance with existing loan covenants, nor will it materially impact the company's available lines of credit. The company retains the right of first refusal on the remaining shares held by the foundation.

Insurance Claims

SAFEWAY INC. (DEC)

	1991	1990
	(in millions)	
Total current liabilities	$1,452.3	$1,379.7
Long-term debt:		
Notes and debentures	2,690.5	2,761.4
Obligations under capital leases	220.3	243.1
Total long-term debt	2,910.8	3,004.5
Deferred income taxes	255.7	328.6
Accrued claims and other liabilities	348.0	209.7
Total liabilities	4,966.8	4,922.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (In Part): Significant Accounting Policies

Self-insurance

The Company is primarily self-insured for workers' compensation, automobile and general liability costs. The self-insurance claim liability is determined actuarially based on claims filed and an estimate of claims incurred but not yet reported. The present value of such claims is accrued using an 8% discount rate. The current portion of the liabilities of $55 million and $68 million at year-end 1991 and 1990, respectively, is included in other accrued liabilities in the consolidated balance sheets. The noncurrent portion of $125 million at year-end 1991 and 1990 is included in accrued claims and other liabilities. The undiscounted liability was approximately $224 million and $252 million at year-end 1991 and 1990, respectively.

Accounts Payable

SUPREME EQUIPMENT & SYSTEMS CORP. (JUL)

	1991	1990
Total Current Liabilities	$ 7,782,094	$12,416,407
OTHER LIABILITIES:		
Long-term portion of liabilities to vendors–Note 6	129,545	412,500
Long-term debt, less current portion	4,009,216	311,138
Deferred compensation, less current portion	163,651	199,084
Total Other Liabilities	4,302,412	922,722
TOTAL LIABILITIES	12,084,506	13,339,129

Note 6–Long-Term Portion of Liabilities to Vendors:

During fiscal 1991 and 1990, certain vendors of the Company agreed to extend the due dates of accounts payable at July 31, 1991 and 1990, respectively. The balances as extended are due as follows:

July 31, 1991:	
Subsequent to July 31, 1992	$129,545
July 31, 1990:	
Subsequent to November 30, 1991	$300,000
Subsequent to January 31, 1992	100,000
Other	12,500
	$412,500

The balance sheets at July 31, 1991 and July 31, 1990 give effect to the extended terms.

Contracts Payable

TRIBUNE COMPANY (DEC)

	1991	1990
	($000)	
Total current liabilities	$599,148	$615,803
Long-term debt (less portions due within one year)	897,835	998,962
Other non-current liabilities		
Deferred income taxes	164,741	194,152
Contracts payable for broadcast rights	158,428	123,275
Compensation and other obligations	117,931	124,786
Total other non-current liabilities	441,100	442,213
Commitments	-	-
Minority interest in subsidiaries	5,516	4,609

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Contracts Payable for Broadcast Rights

Contracts payable for broadcast rights are classified as current or long-term liabilities in accordance with the payment terms of the contracts. Required payments under contractual agreements for broadcast rights recorded at December 29, 1991 are:

(In thousands)	Amount
1992	$142,920
1993	81,201
1994	50,012
1995	20,052
1996	4,452
Thereafter	2,711

Deferred Credits

ACTION INDUSTRIES, INC. (JUN)

	1991	1990
	(In thousands)	
Total Current Liabilities	$26,633	$51,028
Long-Term Liabilities		
Financing obligation—sale/leaseback	9,644	—
Long-term debt	1,497	5,586
Deferred compensation	2,295	3,877
Total Long-Term Liabilities	13,436	9,463

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D—Sale/Leaseback

In April 1991 the company completed the refinancing of its headquarters facility under a sale/leaseback arrangement. The facility was sold for $14 million, $3.5 million of

which was received in the form of an interest bearing note receivable due in April 1995, and the remainder in cash. The cash received was utilized to repay existing mortgages on the property ($2.3 million) and expenses of the transaction ($700,000) and to repay bank debt ($7.5 million). The transaction has been accounted for as a financing, wherein the property remains on the books and will continue to be depreciated. A financing obligation representing the proceeds has been recorded, to be reduced based on payments under the lease. The lease has a term of twelve years for the office and eight years for the warehouse and requires minimum annual rental payments of $1,655,000 in 1992, $1,655,000 in 1993, $1,700,000 in 1994, $1,700,000 in 1995, $1,856,000 in 1996 and $6,325,000 thereafter. The Company has the option to renew the lease at the end of the respective lease terms, and the option to purchase the property at the end of the warehouse lease.

TASTY BAKING COMPANY (DEC)

	1991	1990
Total current liabilities	$29,669,810	$32,531,751
Long-term debt, less current portion	20,334,631	19,549,394
Long-term obligations under capital leases, less current portion	3,302,427	3,643,732
Deferred income	8,255,830	9,896,058
Accrued pensions and other liabilities	12,996,984	12,689,863

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Distribution Routes:

The majority of the company's Tastykake Division sales distribution routes are owned by independent owner/operators who have purchased the exclusive right to sell and distribute Tastykake products in defined geographical territories.

Financing for the purchase of these routes was initially provided by a group of banks. The company has agreed that, at the bank's option, the company will repurchase any route in loan default. The company then intends to resell the route to a new independent owner/operator. The principal balance on these notes was $5,089,000 at December 28, 1991 and $6,951,000 at December 29, 1990. These note balances are significantly lower than the fair value of the routes, and management believes that the potential repurchase risk to the company is not significant.

Subsequently, the company established a wholly-owned subsidiary to finance route purchase activities. At December 28, 1991 and December 29, 1990 notes receivable of $12,225,000 and $11,785,000 respectively, are included in current and long-term receivables in the accompanying consolidated balance sheets.

For financial reporting purposes, the net gain from the sale of the distribution routes of $15,869,428 is being amortized over ten years, beginning June 30, 1986. The amount of net gain recognized, after provision for income taxes was $896,160, $843,448 and $1,176,813 in 1991, 1990, 1989, respectively.

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 exceptions, 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 1991 financial statements of the survey companies

TABLE 2-30: USE OF TERM "RESERVE"

	Number of Companies			
	1991	**1990**	**1989**	**1988**
To describe deductions from assets for				
Reducing inventories to LIFO cost	36	37	33	36
Doubtful accounts	20	20	19	21
Accumulated depreciation	4	4	4	4
Other—described	11	6	10	6
To describe accruals for				
Insurance	16	21	14	13
Estimated expenses relating to property abandonments or discontinued operations	16	20	15	12
Environmental costs	10	9	N/C	N/C
Employee benefits or compensation	9	10	5	6
Other—described	14	14	22	17
Other—not described	6	8	5	7

N/C—Not Compiled.

TITLE OF THE 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

	1991	**1990**	**1989**	**1988**
Shareholders' Equity	251	253	254	239
Stockholders' Equity	241	229	238	237
Shareowners' Equity	19	18	20	18
Common Shareholders' Equity	14	13	11	16
Common Stockholders' Equity	14	18	18	17
Shareholders' Investment	9	9	9	11
Stockholders' Investment	15	16	12	15
Other or no title	37	44	38	47
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

	1991	1990	1989	1988
Common stock with:				
No preferred stock	456	447	438	440
One class of preferred stock	109	118	117	117
Two classes of preferred stock	27	28	36	38
Three or more classes of preferred stock	8	7	9	5
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock	62	56	58	60

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

	1991	1990	1989	1988
Bases				
Par value stock shown at:				
Par value	578	562	564	560
Amount in excess of par	15	22	21	34
Assigned per share amount	10	11	16	11
No par value stock shown at:				
Assigned per share amount	7	17	11	12
No assigned per share amount	55	49	48	45
Issues Outstanding	**665**	**661**	**660**	**662**

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 that 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			
	1991	1990	1989	1988
Bases				
Par value stock shown at:				
Par value	65	57	72	82
Liquidation or redemption value	28	30	27	29
Assigned per share amount	6	10	15	9
Fair value at issuance date	5	7	11	10
Other	7	8	7	4
No par value stock shown at:				
Assigned per share amount	23	17	17	23
Liquidation or redemption value	18	33	28	19
Fair value at issuance date	3	4	4	4
No assigned per share amount	10	14	14	14
Number of Companies				
Preferred stock outstanding	147	158	170	165
No preferred stock outstanding	453	442	430	435
Total Companies	**600**	**600**	**600**	**600**

Preferred Stock Extended At Par Value

BROWN-FORMAN CORPORATION (APR)

	1991	1990
	(In thousands)	
Stockholders' Equity		
Capital Stock:		
Preferred $.40 cumulative, $10 par value, redeemable at company's option at $10.25 per share plus unpaid accrued dividends; 1,177,948 shares authorized and outstanding	$ 11,779	$ 11,779
Class A common stock, voting, $.15 par value; authorized shares, 18,000,000; issued shares, 12,061,902	1,809	1,809
Class B common stock, nonvoting, $.15 par value; authorized shares, 36,000,000; issued shares, 26,664,315	4,000	4,000
Capital in excess of par value of common stock	89,748	89,761
Retained earnings	891,479	806,776
Cumulative translation adjustment	(1,007)	(1,584)
Less common treasury stock, at cost:		
(1991: Class A, 1,487,721 shares; Class B, 9,594,260 shares; 1990: Class A, 1,487,721 shares; Class B, 9,260,927 shares)	(337,241)	(317,241)
Total Stockholders' Equity	660,567	595,300

FORD MOTOR COMPANY (DEC)

	1991	1990
	(in millions)	
Stockholders' equity		
Capital stock (Notes 13 and 14)		
Preferred stock, par value $1.00 a share, Series A Cumulative Convertible Preferred Stock, (aggregate liquidation preference of $2.3 billion, 46,000 shares issued)	*	—
Common stock, par value $1.00 a share (447.9 and 437.7 million shares issued)	447.9	437.7
Class B stock, par value $1.00 a share (35.4 million shares issued)	35.4	35.4
Capital in excess of par value of stock	3,378.8	766.2
Foreign-currency translation adjustments and other	837.4	823.3
Earnings retained for use in business	17,990.8	21,175.5
Total stockholders' equity	22,690.3	23,238.1

* Less than $100,000

Note 13. Capital Stock

The authorized capital stock of the company consists of Common Stock, Class B Stock and Preferred Stock. Authorized shares of stock at December 31, 1991 were as follows: 1 billion shares of Common Stock; 88.4 million shares of Class B Stock; and 30 million shares of Preferred Stock.

At December 31, 1991, all general voting power was vested in the holders of Common Stock and the holders of Class B Stock, voting together without regard to class. At that date, the holders of Common Stock were entitled to one vote per share and, in the aggregate, had 60% of the general voting power; the holders of Class B Stock were entitled to such number of votes per share as would give them, in the aggregate, the remaining 40% of the general voting power, as provided in the company's Certificate of Incorporation.

The Certificate provides that all shares of Common Stock and Class B Stock share equally in dividends (other than dividends declared with respect to any outstanding Preferred Stock), except that any stock dividends are payable in shares of Common Stock to holders of that class and in Class B Stock to holders of that class. Upon liquidation, all shares of Common Stock and Class B Stock are entitled to share equally in the assets of the company available for distribution to the holders of such shares.

On November 20, 1991, the company sold 46,000,000 Depositary Shares, each representing 1/1,000 of a share of Series A Cumulative Convertible Preferred Stock ("Series A Preferred Stock"), for a total public offering price of $2.3 billion. As a result, 46,000 shares of Series A Preferred Stock are outstanding. The Series A Preferred Stock has a liquidation preference equivalent to $50 per Depositary Share and dividends accumulate on the Series A Preferred Stock at a rate equivalent to $4.20 per year per Depositary Share. The Series A Preferred Stock ranks (and any other outstanding Preferred Stock of the company would rank) senior to the Common Stock and Class B Stock in respect of dividend and liquidation rights.

The Series A Preferred Stock is convertible at the option of the holder at any time into shares of Common Stock of the company at a rate equivalent to 1.6327 shares of Common Stock for each Depositary Share (equivalent to a conversion price of $30.625 per share of Common Stock). The Series A Preferred Stock and the Depositary Shares representing such stock are not redeemable prior to December 7, 1997. On and after December 7, 1997, the Series A Preferred Stock is redeemable for cash at the company's option, in whole or in part, initially at an amount equivalent to $51.68 per Depositary Share and thereafter at prices declining to $50 per Depositary Share on and after December 1, 2001, plus, in each case, an amount equal to the sum of all accrued and unpaid dividends.

NATIONAL SEMICONDUCTOR CORPORATION (MAY)

	1991	1990
	(In millions)	
Shareholder's equity:		
Preferred stock of $0.50 par value. Authorized 1,000,000 shares. Issued and outstanding 250,000 shares in 1991 and 1990 (liquidation preference of $125.0 million)	$ 0.1	$ 0.1
Common stock of $.50 par value. Authorized 200,000,000 shares. Issued and outstanding 103,793,286 in 1991; 103,200,148 in 1990	52.0	51.6
Additional paid-in capital	693.7	691.2
Retained earnings (deficit)	(87.5)	73.9
Total shareholders' equity	658.3	816.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Shareholders' Equity

As of May 26, 1991, National had 250,000 shares of $40.00 Convertible Exchangeable Preferred Shares, $0.50 par value, (the "Preferred Shares") issued and outstanding. The liquidation value of each Preferred Share is $500 plus unpaid dividends. The Preferred Shares are convertible at any time at the option of the holder into common stock at the rate of 33 shares of common stock for each Preferred Share. The Preferred Shares are exchangeable at the option of the Company, in whole but not in part, on any dividend payment date for 8% Convertible Subordinated Debentures due 2010 at the rate of $500 principal amount of Debentures for each Preferred Share. If these debentures are issued, commencing no earlier than 1996, the Company is required to make annual payment into a sinking fund to provide for their redemption. The sinking fund requirement in 1996, if any, is approximately $6.3 million. The Preferred Shares are redeemable for cash at any time at the option of the Company, in whole or in part, at prices declining to $500 per share, on or after September 1, 1995, plus unpaid dividends. Dividends on the Preferred Shares at an annual rate of $40 per share are cumulative and payable quarterly in arrears, when and as declared by the Company's Board of Directors. Holders of Preferred Shares are entitled to limited voting rights.

TALLEY INDUSTRIES, INC. (DEC)

	1991	1990
Stockholders' equity:		
Preferred stock, $1 par value, authorized 5,000,000 shares; issued:		
75,000 shares of Series A (75,000 in 1990) ($1,875,000 involuntary liquidation preference)	$ 75,000	$ 75,000
1,548,000 shares of Series B (1,549,000 in 1990) ($30,960,000 involuntary liquidation preference)	1,548,000	1,549,000
120,000 shares of Series D (120,000 in 1990) ($18,000,000 involuntary liquidation preference)	120,000	120,000
Common stock, $1 par value, authorized 20,000,000; shares issued:		
8,795,000 shares (8,794,000 in 1990)	8,795,000	8,794,000
Capital in excess of par value	81,737,000	81,404,000
Foreign currency translation adjustments	786,000	714,000
Retained earnings (deficit)	(39,364,000)	4,779,000
Total stockholders' equity	53,697,000	97,435,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capital Stock

Each share of Series A Convertible Preferred stock entitles its holder to receive an annual cash dividend of $1.10 per share; to convert it into .95 of a share of Common stock, as adjusted in the event of future dilution; to receive up to $25.00 per share in the event of involuntary or voluntary liquidation; and, subject to certain conditions in loan agreements, may be redeemed at the option of the Company at a price of $25.00 per share.

Each share of Series B $1.00 Cumulative Convertible Preferred stock entitles its holder to receive an annual cash dividend of $1.00 per share; to convert it into 1.31 shares of Common stock, as adjusted in the event of future dilution; to receive up to $20.00 per share in the event of involuntary or voluntary liquidation; and, subject to certain conditions in loan agreements, may be redeemed at the option of the Company at a price of $52.50 per share.

Each share of Common stock has a preferred stock purchase Right attached, allowing the holder, upon the occurrence of a change in control, as defined in a Rights agreement, to buy one one-hundredth of a share of Series C Junior Participating Preferred stock at an exercise price of $70. The Series C stock, which may be purchased upon exercise of the Rights are nonredeemable and junior to other series of the Company's preferred stock. No shares of Series C stock have been issued as of December 31, 1991.

Each share of Series D Convertible Preferred stock entitles its holder to receive an annual cash dividend of $4.50 per share ($15.75 after February 28, 1998); to convert it into 10 shares of Common stock, as adjusted in the event of future dilution; to receive $150 per share ($175 after February 28, 1998) in the event of involuntary or voluntary liquidation; and subject to certain conditions in loan agreements, may be redeemed at the option of the Company at the higher of $150 per share ($175 after February 28, 1998) or the average of the conversion value per share for the last ten trading days prior to redemption (not to exceed $200 per share).

Dividends on the shares of Series A, Series B and Series D Preferred stock are cumulative and must be paid in the event of liquidation and before any distribution to holders of Common stock. On June 14, 1991 the Company announced that its Board of Directors had delayed making a decision as to whether to declare dividends, both on Common shares and on Preferred Series A, B and D shares. On March 4, 1992 the Company announced that it had signed agreements in principle with its lenders which would prohibit dividends on Common or Preferred shares until retirement of the restructured debt. Cumulative dividends on preferred shares that have not been declared or paid for the last three quarters of 1991 are approximately: Series A—$62,000 ($.825 per share), Series B—$1,162,000 ($.75 per share) and Series D—$406,000 ($3.375 per share). The failure to pay the regular quarterly dividends for the first three quarters of 1992 on the preferred stock will give rise at that time to the right of the holders of the three series to elect two directors to the Company's Board of Directors.

In 1989, the Company's Board of Directors approved a buyback of 1,000,000 shares of its stock. During 1989, the Company repurchased 534,800 shares of its Common stock, and 78,500 shares of its Preferred Series B stock.

At December 31, 1991 there were 6,700,000 shares of Common stock reserved for conversion of preferred stock and convertible debentures, for exercise of stock options, and for issuance of shares under the Long-Term Incentive, the Restricted Stock Plan and the Employee Stock Purchase Plan.

Preferred Stock Extended At Stated Value

THE MAY DEPARTMENT STORES COMPANY (JAN)

	1992	1991
	(dollars in millions)	
ESOP Preference Shares	$ 394	$ 397
Unearned Compensation	(381)	(388)
Shareowners' Equity:		
Common stock	123	123
Additional paid-in capital	15	—
Retained earnings	2,643	2,344
Total Shareowners' Equity	2,781	2,467

Common stock has a par value of $1.00 per share; 350 million shares are authorized and 156.8 million shares were issued. At February 1, 1992, 123.4 million shares were outstanding and 33.4 million shares were held in treasury. At February 2, 1991, 122.9 million shares were outstanding and 33.9 million shares were held in treasury.

ESOP Preference Shares have a par value of $.50 per share, stated value of $507 per share and 800,000 shares are authorized. At February 1, 1992, 777,224 shares (convertible into 7,962,779 common shares) were issued and outstanding. At February 2, 1991, 783,136 shares (convertible into 8,023,354 common shares) were issued and outstanding.

TESORO PETROLEUM CORPORATION (SEP)

	1991	1990
	(Dollars in thousands)	
$2.20 Redeemable Cumulative Convertible Preferred Stock; $1 stated value; 2,875,000 shares issued and outstanding; redemption and liquidation value of $63,825 ($63,034 in 1990) (Note I)	$ 57,424	$ 57,392
Common Stock and Other Stockholders' Equity:		
Preferred stock, no par value; authorized 5,000,000 shares including redeemable preferred shares:		
$2.16 Cumulative convertible preferred stock; $1 stated value; 1,319,576 shares issued and outstanding; liquidation preference of $35,721 ($35,365 in 1990)	1,320	1,320
Common stock, par value $.16⅔; authorized 50,000,000 shares; 14,068,165 shares issued and outstanding (14,059,952 in 1990)	2,345	2,343
Additional paid-in capital	86,664	86,608
Retained earnings	47,209	51,330
	137,538	141,601
Less deferred compensation	165	216
	137,373	141,385

Note I—Redeemable Preferred Stock (Mandatory)

In March 1983, the Company sold 2,875,000 shares of a series of redeemable preferred stock at $20 per share. The stock is held by a life insurance company ("MetLife") which is a subsidiary of Metropolitan Life Insurance Company. The class of stock, of which there were 2,875,000 shares authorized, issued and outstanding at September 30, 1991 and 1990, has been designated the $2.20 Cumulative Convertible Perferred Stock. This series has one vote per share, is convertible into .8696 shares of common stock for each share of preferred stock, has a stated value of $1 per share and a liquidation price and a mandatory redemption price of $20 per share and is redeemable at the option of the Company at $21 per share, declining $.20 annually beginning February 15, 1988, to $20 per share plus in each case accrued dividends. Beginning February 15, 1994, and each year following as long as shares are

outstanding, the Company is required to set aside an amount sufficient to effect the mandatory redemption of the shares outstanding at the rate of 6⅔% per year.

The redeemable preferred stock was recorded at fair value on the date of issuance less issue costs. The excess of the redemption value over the carrying value is being accreted by periodic charges to retained earnings over the life of the issue.

Payments of two quarterly dividends during fiscal 1989 and one quarterly dividend during fiscal 1990 were deferred by the Company's Board of Directors on the outstanding preferred stocks during those periods because of losses sustained by the Company during fiscal 1989. In addition, dividends on preferred stock during one quarter of fiscal 1991 were reduced to a partial amount. As of September 30, 1991, preferred dividends in arrears amounted to approximately $5,534,000, or $1.92½ per share, on the $2.20 Cumulative Convertible Preferred Stock. For information regarding restrictions on dividend payments, see Notes F and G.

During the first quarter of fiscal 1992, no additional dividends on the $2.20 Cumulative Convertible Preferred Stock were paid. As a consequence of this action and by agreement of the parties, the Company's Stockholders Agreement with MetLife was terminated. The Stockholders Agreement contained restrictions on MetLife's right to acquire, sell, vote and take certain other action in respect of its Tesoro shares. MetLife agreed that until February 15, 1992, MetLife would not transfer its Tesoro shares without the Company's consent. MetLife also agreed that it would, prior to the earlier of February 15, 1992, or the date immediately preceding the date of the next annual meeting of the company's stockholders (or any earlier meeting for the election of directors), vote its Tesoro shares in the same proportion as the votes cast by all other stockholders if so requested by the Company's Board of Directors, subject to certain exceptions. MetLife currently owns redeemable preferred stock and common stock representing about 28% of the Company's voting securities.

Preferred Stock Extended At Redemption Or Liquidating Value

BOISE CASCADE CORPORATION (DEC)

	1991	1990
	(expressed in thousands)	
Shareholders' equity (Note 6)		
Preferred stock—no par value; 10,000,000 shares authorized; Series D ESOP: $.01 stated value; 6,672,496 and 6,729,039 shares outstanding shown at redemption value of $45 per share	$ 300,262	$ 302,807
Deferred ESOP benefit	(275,058)	(285,678)
Common stock—$2.50 par value; 200,000,000 shares authorized; 37,944,725 and 37,948,511 shares outstanding	94,862	94,871
Retained earnings	1,327,547	1,463,531
Total shareholders' equity	1,447,613	1,575,531

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Shareholders' Equity

Preferred Stock. At December 31, 1991, 6,672,496 shares of 7.375% Series D ESOP convertible preferred stock were outstanding. This stock was sold to the trustee of the Company's Savings and Supplemental Retirement Plan for the Company's U.S. salaried employees in July 1989 (see Note 5). Each ESOP preferred share is entitled to one vote, bears an annual cumulative dividend of $3.31875, is convertible at any time by the trustee to .80357 share of common stock, and has a preference of $45 in liquidation. The ESOP preferred shares may not be redeemed for less than the liquidation preference.

In January 1992, the Company sold 862,500 shares of Series E conversion preferred yield enhanced stock (YES℠) represented by 8,625,000 depositary shares. Each depositary share represents one-tenth of a Series E share. Unless previously redeemed or converted, in 1995 each Series E share, along with the ten related depositary shares, will automatically convert to ten shares, or a total of 8,625,000 shares, of the Company's common stock. The Company may elect to redeem the Series E and related depositary shares of common stock at defined prices. The amount of common stock issued upon redemption will vary depending upon the market value of the common stock at the time of redemption. Each Series E share is entitled to one vote (one-tenth vote per depositary share), bears a cumulative dividend at an annaul rate of $17.90 ($1.79 per depositary share), and is entitled to a preference of $228.75 ($22.875 per depositary share) in liquidation.

The remaining authorized but unissued preferred shares may be issued with such voting rights, dividend rates, conversion privileges, sinking fund requirements, and redemption prices as the board of directors may determine, without action by the shareholders.

CHAMPION INTERNATIONAL CORPORATION (DEC)

	1991	1990
	($000)	
Preference Stock, $1.00 par value, $92.50 Cumulative Convertible Series (redeemable at maturity for $300,000) (Note 8)	$ 300,000	$ 300,000
Shareholders' Equity		
Capital Shares (Notes 8 and 9):		
Common stock, $.50 par value: 250,000,000 authorized shares; 96,089,717 and 96,060,347 issued shares	48,045	48,030
Paid-in capital	1,156,639	1,155,850
Retained earnings	2,550,836	2,561,854
	3,755,520	3,765,734
Treasury shares, at cost (Note 8)	(100,147)	(100,108)
Cumulative translation adjustment	15,771	14,264
	3,671,144	3,679,890

Note 8 (In Part): Capital Shares

Redeemable Preference Stock

On December 6, 1989, the company issued 300,000 shares of Preference Stock, $92.50 Cumulative Convertible Series, $1.00 par value ("$92.50 Preference Stock"). In preference to shares of common stock, each share is entitled to cumulative cash dividends of $92.50 per year and $1,000 upon liquidation. Each share is convertible into approximately 26.3 shares of common stock and has approximately 26.3 votes on all matters submitted to shareholders. Except in certain circumstances, the company has the right to redeem all the shares at any time at $1,150 per share plus accrued dividends. On December 6, 1999, all outstanding shares must be redeemed at $1,000 per share plus accrued dividends. In the event of arrearages in $92.50 Preference Stock dividends, the company is prohibited from declaring or paying any cash dividends on its common stock.

Except under certain circumstances, the company has the right to purchase any securities, including common stock, owned by the original holders of the $92.50 Preference Stock before such securities are sold to third parties.

Unissued Preference Stock

At December 31, 1991 and 1990, 6,731,431 preference shares for which no series has been designated were authorized and unissued. At December 31, 1991 and 1990, 1,500,000 additional authorized and unissued shares were designated and reserved for the issuance of the company's Preference Stock, Participating Cumulative Series or Participating Cumulative Series B, $1.00 par value ("Participating Preference Stock").

On February 20, 1991, the company redeemed, at $.05 per right, all of the rights to purchase Participating Preference Stock.

TEXAS INSTRUMENTS INCORPORATED (DEC)

	1991	1990
	(millions of dollars)	
Stockholders' equity:		
Preferred stock, $25 par value. Authorized—10,000,000 shares.		
Market auction preferred (stated at liquidation value). Shares issued and outstanding: 1991—1,500; 1990—3,000	$ 150	$ 300
Money market preferred (stated at liquidation value). Shares issued and outstanding: 1991—1,458	146	—
Convertible money market preferred (stated at liquidation value). Shares issued and outstanding: 1990—2,208	—	221
Series A conversion preferred, stated at par value (liquidation value of $324 million). Shares issued and outstanding: 1991—2,778,500	69	—
Participating cumulative preferred. None issued	—	—
Common stock, $1 par value. Authorized—300,000,000 shares. Shares issued: 1991—82,236,059; 1990—81,881,856	82	82
Paid-in capital	746	491
Retained earnings	776	1,269
Less treasury common stock at cost. Shares: 1991—102,086; 1990—103,637	(4)	(5)
Total stockholders' equity	1,955	2,358

NOTES TO FINANCIAL STATEMENTS

Stockholders' Equity

The company is authorized to issue 10,000,000 shares of preferred stock. The following series of preferred stock have been issued:

Market auction preferred stock: The shares are redeemable, at the company's option, at $100,000 per share. In April and November 1991, an aggregate of $150 million of stock was redeemed. On August 9, 1991, all outstanding shares were exchanged on a one-for-one basis for new market auction preferred stock with a higher maximum dividend rate. Dividends, which are cumulative, are set every 49 days through auction procedures. The dividend rates (per annum) averaged 6.5%, 7.1% and 7.4% in 1991, 1990 and 1989. Dividends declared per share averaged $6,230, $7,680 and $6,986 in 1991, 1990 and 1989.

Money market preferred stock: The shares are redeemable, at the company's option, at $100,000 per share. In April 1991, an aggregate of $75 million of stock was redeemed. The shares outstanding prior to August 9, 1991 were convertible into TI common stock; on August 9, 1991, all such shares were exchanged on a one-for-one basis for new non-convertible money market preferred stock with a higher maximum dividend rate. Dividends, which are

cumulative, are set every 49 days through auction procedures. The dividend rate (per annum) averaged 6.6%, 7.1% and 7.5% in 1991, 1990 and 1989. Dividends declared per share averaged $6,520, $6,689 and $8,041 in 1991, 1990 and 1989.

Series A conversion preferred stock: On September 18, 1991, the company issued 2,778,500 shares of Series A Conversion Preferred Stock. Each share is represented by four depositary shares, for a total of 11,114,000 depositary shares outstanding. The depositary shares were sold to the public at a price of $29.125 per share and have a cumulative annual per-share dividend of $2.26. A portion of the proceeds was used in November 1991 to redeem $75 million of the company's market auction preferred stock; the remaining proceeds are being used for general corporate purposes, which may include purchase or further redemption of existing securities of the company. On November 1, 1994, each outstanding depositary share will automatically convert into one share of TI common stock. Prior to November 1, 1994, each depositary share may be redeemed, at the company's option, in exchange for TI common stock having a market value equal to a predetermined call price, which was $42.94 per depositary share at December 31, 1991, declining ratably to $38.99 per share on September 1, 1994, and $38.74 per share thereafter.

Each outstanding share of the company's common stock carries a stock purchase right. Under certain circumstances, each right may be exercised to purchase one one-hundredth of a share of the company's participating cumulative preferred stock for $200. Under certain circumstances following the acquisition of 20% or more of the company's outstanding common stock by an acquiring person (as defined in the rights agreement), each right (other than rights held by an acquiring person) may be exercised to purchase common stock of the company or a successor company with a market value of twice the $200 exercise price. The rights, which are redeemable by the company at 1 cent per right, expire in June 1998.

Fair Value

ANACOMP, INC. (SEP)

	1991	1990
	(dollars in thousands)	
Redeemable preferred stock, $.01 par value, issued and outstanding 500,000 shares (aggregate preference value of $25,000)	$ 24,191	$ 24,095
Stockholders' equity (deficit):		
Common stock, $.01 par value; authorized 60,000,000 shares; 38,678,408 and 38,082,861 issued, respectively	387	381
Capital in excess of par value of common stock	157,128	147,924
Cumulative translation adjustment	3,736	8,914
Accumulated deficit	(186,268)	(213,315)
	(25,017)	(56,096)
Less cost of treasury stock, 466,482 shares in 1990	—	(2,484)
Total stockholders' equity (deficit)	(25,017)	(58,580)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Redeemable Preferred Stock:

As part of the financing related to the DatagraphiX acquisition, Anacomp issued in a private placement on March 20, 1987, 500,000 shares of 8.25% Cumulative Convertible Redeemable Exchangeable Preferred Shares (the "Preferred Shares"). Each Preferred Share has a preference value of $50 and is convertible into Anacomp common stock at a conversion price of $7.50. The redeemable preferred stock was recorded at fair value on the date of issuance less issue costs. The excess of the preference value over the carrying value is being accreted by periodic charges to retained earnings over the life of the issue.

The Preferred Shares may be redeemed by Anacomp at prices declining from 105.775% to 100% of preference value, or earlier if the price of Anacomp common stock remains at 160% of the conversion price for 20 of 30 consecutive trading days. On March 15, 2000 and 2001, Anacomp must redeem at the preference value 125,000 shares each year unless a sufficient number of shares has already been redeemed or converted. All remaining outstanding shares must be redeemed by March 1, 2002.

At any dividend payment date after March 15, 1990, Anacomp may exchange the Preferred Shares for an equal face amount of 8.25% Senior Subordinated Notes due March 1, 2002 (the "Exchange Debentures"). Except for certain shareholder rights, the Exchange Debentures will carry terms similar to the Preferred Shares. There were no such exchanges as of September 30, 1991.

Guaranteed Minimum Value

RALSTON PURINA COMPANY (SEP)

	1991	1990
	(Dollars in millions)	
Redeemable Preferred Stock—Series A 6.75%, $1 par value, authorized 4,600,000 shares—Issued 4,587,506 shares in 1991 and 4,538,334 shares in 1990	$ 508.4	$503.0
Unearned ESOP Compensation	(397.0)	(435.7)
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 114,660,791 in 1991 and 114,620 in 1990	47.8	47.8
Capital in excess of par value	81.4	78.1
Retained earnings	1,032,8	787.1
Cumulative translation adjustment	(38.0)	(25.7)
Common stock in treasury, at cost, 4,161,781 shares in 1991 and 3,214,153 in 1990	(321.1)	(270.9)
Unearned portion of restricted stock	(19.1)	(31.0)
Total Shareholders Equity	783.8	585.4

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions)

Redeemable Preferred Stock
At September 30, 1991, the Company had 10,600,000 shares of $1 par value preferred stock authorized, of which 4,600,000 shares were authorized as Series A 6.75% Preferred Stock. As of September 30, 1991, 4,587,506 shares were issued to the Company's ESOP. Series A 6.75% Preferred Stock has a guaranteed minimum value of $110.83 per share and, in connection with the stock split, is convertible into the Company's common stock at the adjusted ratio of approximately two-for-one. The shares have preference in liquidation and each share has one voting right. Dividends are cumulative, compounded and payable semi-annually. In accordance with financial reporting requirements of the Securities and Exchange Commission, the preferred stock has been classified outside of permanent equity as Redeemable Preferred Stock.

Preferred stock shares are held, on behalf of the ESOP, by the ESOP's trustee and are allocated to individual participants' accounts based on the amount of employee and employer matching contributions to the ESOP. Dividends on unallocated Redeemable Preferred Stock are used to fund the debt service requirements of the ESOP.

The trustee, as holder of preferred stock, may convert its shares into Company common stock at any time, or may require the Company to redeem the preferred stock shares, under certain limited circumstances, at the guaranteed minimum price, in cash or common stock. The Company may elect to redeem the preferred stock, under limited circumstances, in cash or common stock.

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

	1991	1990	1989	1988
Additional paid-in capital	243	238	234	230
Capital in excess of par or stated value	148	149	149	147
Paid-in capital or other paid-in capital	43	43	43	44
Additional capital, or other capital	40	40	40	41
Capital surplus	35	33	36	38
Paid-in surplus	5	5	4	6
Other captions	18	16	18	18
	532	524	524	524
No additional paid-in capital account	68	76	76	76
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

	1991	1990	1989	1988
Retained Earnings	470	484	479	469
Retained Earnings with additional words	13	11	11	14
Earnings with additional words	35	33	41	43
Income with additional words	9	12	12	14
Earned Surplus	2	2	2	2
Retained Earnings (Deficit)	25	20	25	36
Accumulated Deficit	46	38	30	22
Total Companies	**600**	**600**	**600**	**600**

AMERICAN CYANAMID COMPANY (DEC)

	1991	1990
	(Millions of dollars)	
Stockholders' equity		
Common stock-par value $5 per share Authorized-200,000,000 Issued-102,719,259 in 1991 and 102,633,293 in 1990	$ 513.6	$ 513.2
Additional paid-in capital	40.4	35.2
Earnings employed in the business	2,518.4	2,295.9
Accumulated translation and other adjustments	9.5	71.5
Less treasury stock, at cost	(478.3)	(353.1)
Total stockholders' equity	2,603.6	2,562.7

CYCLOPS INDUSTRIES, INC. (DEC)

	1991	1990
	($000)	
Stockholders' equity:		
Common stock, par value $1 per share, authorized 22,000,000 shares, issued and outstanding 7,140,119 and 7,087,455 shares	$ 7,140	$ 7,087
Other stockholders' equity	31,768	31,561
Retained earnings (deficit)	(8,276)	32,914
Treasury stock, 24,798 and 25,763 shares, at cost	(345)	(357)
Total stockholders' equity	30,287	71,205

FLEMING COMPANIES, INC. (DEC)

	1991	1990
	(In thousands)	
Shareholders' equity:		
Preferred stock, $10 par value, authorized—2,000 shares, issued and outstanding—50 shares with $1,000 price per share in 1990	$ —	$ 50,000
Common stock, $2.50 par value, authorized—100,000 shares, issued and outstanding—35,433 and 30,548 shares	88,584	76,369
Capital in excess of par value of common stock	445,501	287,665
Reinvested earnings	439,051	418,085
	973,136	832,119
Less guarantee of ESOP debt	16,218	17,665
Total shareholders' equity	956,918	814,454

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.

Many companies either grant stock options in tandem with stock appreciation rights or allow stock options to be converted 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

ACME-CLEVELAND CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Capital Stock

Stock Options—In January 1985, the shareholders approved a 1985 Employees Stock Option and Stock Appreciation Rights Plan (the 1985 Plan), which provides for the granting of 300,000 stock options and stock appreciation rights (SARs) to key employees. Options granted may be either "incentive stock options," within the meaning of Section 422A of the Internal Revenue Code, or non-qualified options. The 1985 Plan replaced the 1980 Employee Stock Option and Stock Appreciation Rights Plan, which provided for the granting of 250,000 non-qualified stock options and SARs to key employees. In January 1988, the shareholders approved an increase in the number of stock options and SARs provided for under the 1985 Plan to 450,000.

The stock options are exercisable over a period determined by the Board of Directors, but no longer than ten years after the date they are granted. SARs are exercisable at a time when the related options may be exercised. No SARs were outstanding as of September 30, 1991.

Information with respect to options under the above plans follows (in thousands, except per share data):

	Shares	Option Price Per Share	Aggregate
Outstanding at October 1, 1988	335	$9.625 to $30.625	$4,150
Canceled or expired	38	$9.625 to $22.50	550
Exercised	11	$9.625	108
Granted	32	$9.625	308
Outstanding at September 30, 1989	318	$9.625 to $30.625	3,800
Canceled or expired	158	$9.625 to $30.625	1,939
Granted	94	$7.375 to $9.75	836
Outstanding at September 30, 1990	254	$7.375 to $22.375	2,697
Canceled or expired	11	$9.625 to $22.375	134
Granted	106	$5.00 to $6.625	533
Outstanding at September 30, 1991	349	$5.00 to $17.25	$3,096

148 shares (116 shares at September 30, 1990) were exercisable at September 30, 1991.

97 shares (194 shares at September 30, 1990) were available for future options at September 30, 1991.

AMERICAN HOME PRODUCTS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Stock Options

The Company has three Stock Option Plans—1985, 1980 and 1978—and a 1990 Stock Incentive Plan. Under the 1990 and 1985 plans, a maximum of 12,000,000 and 16,000,000 options, respectively, may be granted at prices not less then 100 percent of the fair market value at the date of option grant. No further grants may be made under the 1980 and 1978 plans.

The plans provide for the granting of incentive stock options as defined under the Internal Revenue Code. Under the plans, grants may be made to selected officers and employees of non-qualified options with a 10-year term or incentive stock options with a term not exceeding 10 years.

The plans provide for the granting of Stock Appreciation Rights (SAR) subject to certain conditions and limitations to holders of options under the plans. SARs permit the optionee to surrender an exercisable option for an amount equal to the excess of the market price of the common stock over the option price when the right is exercised. The 1990 plan, in addition and among other things, provides for the issuance of up to 2,000,000 of the available options as restricted stock performance awards. No restricted stock performance awards have been granted under this plan. Transactions involving the plans are summarized as follows:

Option Shares	1991	1990
Outstanding January 1	12,324,184	12,661,714
Granted	3,634,600	2,200,670
Canceled	(138,986)	(598,593)
Exercised and surrendered for SARs (1991—$17.13 to $60.88 per share)	(3,148,115)	(1,939,607)
Outstanding December 31	12,671,683	12,324,184
Exercisable December 31 (1991—$19.00 to $52.06 per share)	9,090,583	10,206,714

Stock Appreciation Rights	1991	1990
Outstanding January 1	1,735,400	1,454,000
Granted	—	579,400
Canceled	(1,361,700)	(73,500)
Exercised (1991—$27.06 to $51.75 per share)	(216,100)	(224,500)
Outstanding December 31	157,600	1,735,400
Exercisable December 31 (1991—$47.22 to $51.75 per share)	157,600	1,229,500

At December 31, 1991, 10,958,649 shares were available for future grants under the 1990 and 1985 plans.

CONTROL DATA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

G. Stock Option Plans

Under the 1990 Long-Term Incentive Plan (the Plan), key executive and managerial employees may receive aggregate awards of up to 2,500,000 common shares, consisting of either common shares restricted as to transferability or options to purchase common shares. Under the Plan, the exercise price for stock options may not be less than the fair market value of the optioned stock at the date of grant. Options granted under the Plan generally become exercisable each January 1 after the date of grant as to one-third of the optioned shares. Options under a predecessor plan generally become exercisable as to 25 percent of the optioned shares each year after the date of grant. An option granted under either plan expires not later than ten years after grant. Generally, if an optionee's employment is terminated for various reasons within two years of a change of control of the Company, all of the optionee's options become immediately exercisable.

Proceeds from exercise of stock options are credited to common stock for the amount of par value and any excess is credited to additional paid-in capital.

In November 1991, due to the reduced market price of Control Data common stock, the Company offered active employees holding outstanding options the opportunity to exchange two option shares for one nonqualified option share priced at $9.00. As a result of the offer, holders of options for 1,674,388 shares returned their options for cancellation and options for 837,213 shares were granted in exchange.

Stock Options	Option Price Per Share	Outstanding	Exercisable	Available for Grant
At December 31, 1988	$16.66-$52.81	1,472,498	572,355	85,529
Granted	17.31- 22.69	499,075		(499,075)
Conversion of ETA plans	8.49- 18.57	672,988	408,471	
Became exercisable	18.81- 36.94		305,000	
Exercised	8.49- 18.94	(439,772)	(439,772)	
Canceled	8.49- 46.81	(684,209)	(247,342)	479,605
Expired	17.78- 23.57	(12,840)	(12,840)	(66,059)
At December 31, 1989	$ 8.49-$52.81	1,507,740	585,872	—
Authorized				2,500,000
Granted	8.25- 19.98	1,175,200		(1,175,200)
Became exercisable	8.25- 36.94		655,860	
Exercised	8.49- 18.94	(13,317)	(13,317)	
Canceled	11.67- 37.25	(237,846)	(88,263)	99,433
Expired	24.32- 37.25	(27,368)	(27,368)	
Awards of restricted stock under the 1990 Plan				(47,700)
At December 31, 1990	$ 8.25-$52.81	2,404,409	1,112,784	1,376,533
Exchanged, net	9.00- 37.56	(837,175)	(778,324)	(837,213)
Granted	8.37- 12.50	1,039,050		(1,039,050)
Became exercisable	8.25- 36.94		687,749	
Exercised		—	—	
Canceled	8.49- 39.94	(377,755)	(240,668)	1,048,361
Expired	30.97- 39.94	(18,075)	(18,075)	
Awards of restricted stock under the 1990 Plan				(5,000)
At December 31, 1991	$ 8.25-$52.81	2,210,454	763,466	543,631
Average option price	$11.03			

GEORGIA-PACIFIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Common Stock

Employee Stock Option Plan—The 1984 Employee Stock Option Plan (Option Plan) provides for the granting of stock options to certain officers and key employees. Holders of stock options may be granted cash bonuses, payable upon exercise of an option, of an amount not to exceed the amount by which the market value of the common stock, as defined, exceeds the option price. In addition, holders may surrender all or part of the related stock option in exchange for common stock with a fair market value equal to the amount by which the market value of the shares covered by the option exceeds the aggregate option exercise price.

Compensation resulting from stock options and cash bonuses is initially measured at the grant date based on the market value of the common stock, with adjustments made quarterly for market price fluctuations. The Corporation recognized Option Plan compensation expense (income) of $31 million in 1991 $(7) million in 1990, and $25 million in 1989.

Additional information relating to the Option Plan is as follows:

	Year ended December 31		
	1991	1990	1989
Options outstanding at January 1	1,191,000	832,000	1,370,000
Options granted	461,000	422,000	358,000
Options exercised/ surrendered	(570,000)	(34,000)	(860,000)
Options cancelled	(53,000)	(29,000)	(36,000)
Options outstanding at December 31	1,029,000	1,191,000	832,000
Options available for grant at December 31	659,000	1,067,000	1,460,000
Total reserved shares	1,688,000	2,258,000	2,292,000
Options exercisable at December 31	599,000	791,000	488,000
Option prices per share:			
Granted	$39—$54	$44	$41
Exercised/surrendered	$26—$46	$21—$46	$21—$46
Cancelled	$34—$46	$26—$46	$21—$46

GIANT FOOD INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Common Stock and Employee Incentive Plans

Stock options: The Company has established incentive compensation plans under which it is authorized to grant both incentive stock options and non-qualified stock options to approximately 1,200 employees. Options to purchase the Company's Class "A" common stock are exercisable at a price equal to the market value of the stock at the date of grant and become exercisable over one to six years following the grant. All options expire ten years after the date of grant.

The Company had historically granted stock appreciation rights (SAR's) in tandem with options. During the year ended February 24, 1990, the Company began to grant non-qualified options without tandem SAR's. No options have been granted with tandem SAR's since July 1989.

Upon exercise of a SAR the holder is entitled to receive cash or equivalent value in stock equal to the amount by which the market value of the Company's Class "A" common stock on the exercise date exceeds the exercise price of the related stock options. As SAR's are exercised the corresponding options are cancelled and as options are exercised the corresponding SAR's are cancelled. Charges to income arising from SAR's were $6,376 in 1991, $6,511 in 1990 and $4,511 in 1989.

Option and SAR activitiy is as follows:

	Number of Shares		Average Option Price
	Options	SAR's	
February 27, 1988 Outstanding	2,099,366	2,099,366	$ 6.65
1989 Activity			
Granted	195,500	195,500	20.60
Options exercised	(147,751)	(147,751)	3.93
SAR's exercised	(206,237)	(206,237)	3.32
Cancelled	(38,916)	(38,916)	13.04
February 25, 1989—Outstanding	1,901,962	1,901,962	8.52
1990 Activity			
Granted	528,410	66,300	24.02
Options exercised	(162,456)	(162,456)	6.72
SAR's exercised	(522,285)	(522,285)	2.94
Cancelled	(32,790)	(24,740)	20.78
February 24, 1990—Outstanding	1,712,841	1,258,781	14.83
1991 Activity			
Granted	421,400	—	25.77
Options exercised	(58,711)	(56,461)	7.65
SAR's exercised	(262,280)	(262,280)	5.31
Cancelled	(38,290)	(17,620)	22.50
February 23, 1991—Outstanding	1,774,960	922,420	18.90
Exercisable	809,042	720,440	$12.55
Available for future grants	1,645,210	NONE	

UST INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Options

The Company maintained two stock option plans, the 1982 Stock Option Plan and the 1977 Non-Qualified Stock Option Plan, under which incentive and nonqualified options have been granted to employees. Under the Plans, options may be granted at not less than the fair market value on the date of grant. Options granted under the Plans prior to July 1, 1991 may be exercised any time within ten years from date of grant, using various payment methods. Effective July 1, 1991, the 1982 Plan was amended. Options granted subsequent to the amendment may not be exercised for six months following the grant date.

At December 31, 1991, 3,798,400 shares remain to be granted under the 1982 Plan, while no options were available for grant under the 1977 Plan.

Receivables from the exercise of options in the amount of $12.5 million in 1991, $12.8 million in 1990, and $11.1 million in 1989, have been deducted from stockholders' equity.

Changes in outstanding options were as follows:

	Price Range	Shares
Outstanding Dec. 31, 1988	$ 1.33—$ 7.69	28,863,000
Options granted	13.78	2,994,400
Options exercised	1.33— 13.78	(5,852,200)
Outstanding Dec. 31, 1989	1.33— 13.78	26,005,200
Options granted	14.84	2,997,800
Options exercised	1.33— 14.84	(4,987,800)
Outstanding Dec. 31, 1990	1.94— 14.84	24,015,200
Options granted	18.28— 24.19	3,217,400
Options exercised	1.94— 18.28	(5,998,600)
Outstanding Dec. 31, 1991	2.16— 24.19	21,234,000

At December 31, 1991, there were no options outstanding under the 1977 Non-Qualified Stock Option Plan.

Under the 1982 Stock Option Plan, options to purchase a total of 21,234,000 shares were outstanding as of December 31, 1991, with an average price per share of $11.12 and with expiration dates ranging from September 8, 1992, to September 16, 2001. At December 31, 1991, 18,046,600 of these shares were exercisable.

In December 1991, the Board of Directors adopted, subject to stockholders' approval, the 1992 Stock Option Plan, under which a maximum of 10.4 million shares were reserved for issuance. Options under the 1992 plan may not be issued at less than the fair market value at date of grant.

STOCK PURCHASE PLANS

BAXTER INTERNATIONAL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock (In Part):

The company has employee stock purchase plans under which the sale of its common stock has been authorized. The purchase price is the lower of 85% of the closing market price on the date of subscription or 85% of the closing market price on the date sufficient funds have been withheld to purchase 20 shares. Stock purchase plan transactions for the three years ended December 31, 1991, are summarized below:

Shares subscribed	1991	1990	1989
Beginning of year	1,899,589	2,301,211	3,497,851
Subscriptions	1,721,133	2,112,003	1,841,710
Purchases	(1,554,416)	(2,011,740)	(2,325,285)
Cancellations	(339,568)	(501,885)	(713,065)
End of year	1,726,738	1,899,589	2,301,211
Subscription price per share outstanding, end of year	$17.54-$34.32	$14.03-$24.65	$14.03-$24.76

At December 31, 1991, 7,076 of approximately 43,000 eligible employees in the U.S. and Canada and 706 of approximately 9,000 other eligible employees were participating in the plans. Expiration dates for these subscriptions range from 1992 to 1994. The weighted average subscription price approximated $26.26 for U.S. and Canadian employees and $25.62 for other employees at December 31, 1991.

JOHNSTON INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Employee Stock Purchase Plan

On October 15, 1990, the Company adopted an Employee Stock Purchase Plan under which selected eligible key employees and directors of the Company were granted the opportunity to purchase shares of the Company's common stock. The 125,000 common shares authorized for purchase under the Plan have been purchased by plan participants in the open market at an average price of $7.10 per share.

At June 30, 1991, the Company has guaranteed plan participants' bank borrowings totaling $888,000.

KAMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employees Stock Purchase Plan

The Kaman Corporation Employees Stock Purchase Plan allows employees to purchase Class A common stock of the corporation, through payroll deductions, at 85% of the market value of the shares at the time of purchase. The plan provides for the grant of rights to employees to purchase a maximum of 1,500,000 shares of Class A common stock of the corporation commencing July 1, 1989. There are no charges or credits to income in connection with the plan. During 1991, 252,837 shares were issued to employees at prices ranging from $6.59 to $8.08 per share. During 1990, 360,680 shares were issued to employees at prices ranging from $5.53 to $7.54 per share. During 1989, 250,453 shares were issued to employees at prices ranging from $6.91 to $12.11 per share. At December 31, 1991, there were approximately 742,000 shares available for offering under the plan.

RAYCHEM CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock (In Part)

Employee Stock Purchase Plans

The company's employee stock purchase plans provide that eligible employees may contribute up to 15% of their base earnings toward the quarterly purchase of the company's Common Stock. The employees' purchase price is derived from a formula based on the fair market value of the Common Stock. No compensation expense is recorded in connection with the plans. During 1991, 1990 and 1989, shares issued under the plans were 1,640,361, 923,516 and 796,139, respectively. At June 30, 1991, 5,281 of 9,666 eligible employees were participants in the plans.

On October 31, 1990, the shareholders approved amendments to the employee stock purchase plans to increase the aggregate number of shares issuable under the plans by 2,400,000.

The Board of Directors adopted, subject to shareholder approval, an amendment to the employee stock purchase plans to increase the aggregate number of shares issuable under the plans by 1,600,000. Including these shares, the total number of shares reserved for future issuance under the plans was 2,718,874 at June 30, 1991.

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.

TABLE 2-37: TREASURY STOCK— BALANCE SHEET PRESENTATION

	1991	1990	1989	1988
Common stock				
Cost of treasury stock shown as stockholders' equity deduction	349	351	350	352
Par or stated value of treasury stock deducted from issued stock of the same class	28	29	27	21
Cost of treasury stock deducted from stock of the same class	6	8	11	11
Cost of treasury stock shown as noncurrent asset	—	1	2	2
Other	5	2	3	3
Total Presentations	**388**	**391**	**393**	**389**
Preferred Stock				
Cost of treasury stock shown as stockholders' equity deduction	3	4	1	3
Par or stated value of treasury stock deducted from issued stock of the same class	3	3	—	2
Other	3	—	2	—
Total Presentations	**9**	**7**	**3**	**5**
Number of Companies				
Disclosing treasury stock	388	391	390	387
Not disclosing treasury stock	212	209	210	213
Total Companies	**600**	**600**	**600**	**600**

Cost Of Treasury Stock Shown As Reduction Of Stockholders' Equity

AMERON, INC. (NOV)

	1991	1990
Stockholders' Equity		
Common stock, par value $2.50 a share Authorized 12,000,000 shares Outstanding 3,812,700 shares in 1991 and 2,778,574 shares in 1990, net of treasury shares	$ 12,464,000	$ 12,379,000
Additional paid-in capital	11,139,000	10,052,000
Retained earnings	162,062,000	159,289,000
Cumulative foreign currency translation adjustments	518,000	2,071,000
Less treasury stock (1,172,900 shares in 1991 and 1990), at cost	42,779,000	42,779,000
Total stockholders' equity	143,404,000	141,012,000

CTS CORPORATION (DEC)

	1991	1990
	(In thousands of dollars)	
Stockholders' Equity		
Common stock—authorized 8,000,000 shares without par value; issued 5,807,031 shares	$ 34,300	$ 34,230
Retained earnings	102,482	102,110
Cumulative translation adjustment	1,294	1,598
	138,076	137,938
Less cost of common stock held in treasury (1991—683,207 shares; 1990—684,907 shares)	15,591	15,640
Total stockholders' equity	122,485	122,298

NORTEK, INC. (DEC)

	1991	1990
	(Amounts in Thousands)	
Stockholders' Investment:		
Preference stock, $1 par value; authorized 7,000,000 shares, none issued	$ —	$ —
Common stock, $1 par value; authorized 40,000,000 shares, 15,437,960 and 15,311,143 shares issued	15,438	15,312
Special common stock, $1 par value; authorized 5,000,000 shares, 1,076,352 and 1,203,169 shares issued	1,077	1,203
Additional paid-in capital	134,493	134,493
Retained earnings	27,966	55,066
Less—treasury common stock at cost, 3,163,327 and 2,731,035 shares	(24,365)	(23,654)
—treasury special common stock at cost, 271,574 and 270,797 shares	(1,680)	(1,677)
Total Stockholders' Investment	152,929	180,743

Par Value Of Treasury Stock Deducted From Issued Stock

PARAMOUNT COMMUNICATIONS INC. (OCT)

	1991	1990
	(In millions)	
Stockholders' Equity		
Common Stock, recorded at $1.00 par value, 600,000,000 shares authorized; shares outstanding, 117,757,018 at October 31, 1991 (excluding 30,108,358 shares held in treasury) and 117,362,657 at October 31, 1990 (excluding 30,502,719 shares held in treasury)	117.8	117.4
Paid-in capital	629.5	575.9
Retained earnings	3,136.4	3,120.4
Cumulative translation adjustments	11.1	15.5
	3,894.8	3,829.2

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 1991 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 fourteen 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			
	1991	**1990**	**1989**	**1988**
Cumulative translation adjustment	353	352	345	335
Guarantee of ESOP debt	90	94	76	23
Unearned compensation	79	71	69	50
Pension liability adjustment	40	39	14	—
Unrealized loss/gain on noncurrent marketable equity securities	18	26	19	23
Receivable from sale of stock	17	17	26	22

Cumulative Translation Adjustments

THE FAIRCHILD CORPORATION (JUN)

	1991	1990
	(In thousands)	
Stockholders' equity:		
Preferred stock 8% cumulative convertible, 10 cents par value; authorized 10,000,000 shares, none issued and outstanding	$ —	$ —
Class A common stock, 10 cents par value; authorized 40,000,000 shares, 17,235,155 shares issued (15,730,000 in 1990) and 11,782,959 shares outstanding (10,945,000 in 1990)	1,723	1,573
Class B common stock, 10 cents par value; authorized 20,000,000 shares, 5,104,786 shares issued and outstanding (5,324,953 in 1990)	510	533
Paid-in capital	65,630	58,047
Retained earnings	118,876	90,536
Cumulative translation adjustment	2,611	4,801
Treasury stock, at cost, 5,452,196 shares of Class A common stock (4,785,000 in 1990)	(46,555)	(41,481)
Total stockholders' equity	142,795	114,009

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Foreign Currency Translation

All balance sheet accounts of foreign subsidiaries are translated at the current exchange rate as of the end of the accounting period. Income statement items are translated at average currency exchange rates. The resulting translation adjustment is recorded as a separate component of stockholders' equity. Transaction gains and losses included in income were not significant in fiscal 1991 and 1990. Foreign currency transaction losses of $13,168,000 were recognized in fiscal 1989 relating primarily to foreign investment activity and are included as a reduction of other income.

OUTBOARD MARINE CORPORATION (SEP)

	1991	1990
	(Dollars in millions)	
Stockholders' Investment:		
Common stock—authorized 90 million shares at $.15 par value each, issued 19.6 million	$ 2.9	$ 2.9
Capital in excess of par value of common stock	105.3	105.3
Accumulated earnings employed in the business	362.1	456.1
Cumulative translation adjustments	(2.6)	(1.6)
Treasury stock at cost, .2 million shares	(4.4)	(4.4)
Total stockholders' investment	463.3	558.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Translation of Non-U.S. Subsidiary Financial Statements

The financial statements of non-U.S. subsidiaries are translated to U.S. dollars substantially as follows: all assets and liabilities at year-end exchange rates; sales and expenses at average exchange rates; stockholders' investment at historical exchange rates. Gains and losses from translating non-U.S. subsidiaries financial statements are recorded directly in stockholders' investment. The Statement of Consolidated Earnings for 1991, 1990 and 1989 includes foreign exchange losses of $4.2 million, $2.6 million and $.1 million, respectively, which resulted primarily from commercial transactions and forward exchange contracts.

UNIVERSAL CORPORATION (JUN)

	1991	1990
	(In thousands of dollars)	
Shareholders' Equity		
Preferred stock, $100 par, 8% cumulative, authorized 75,000 shares, issued and outstanding 4 shares		
Additional preferred stock, no par value, authorized 5,000,000 shares, none issued or outstanding		
Common stock, no par value, authorized 50,000,000 shares, issued and outstanding 16,388,834 shares (16,440,201 in 1990)	$ 13,914	$ 13,890
Retained earnings	377,932	383,706
Foreign currency translation adjustments	(5,136)	(4,379)
Net unrealized investment gains	3,119	3,842
Total shareholders' equity	389,829	397,059

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All dollar amounts are in thousands, except as otherwise noted)

Note 1 (In Part): Accounting Policies

Translation of Foreign Currencies

Foreign currency transactions and financial statements (except for countries with highly inflationary economies) are translated into U.S. dollars at current exchange rates except revenues, costs and expenses which are translated at average exchange rates during each reporting period. The financial statements of subsidiaries located in highly inflationary economies must be remeasured as if the functional currency were the U.S. dollar. The remeasurement of their local currencies into U.S. dollars creates translation adjustments which are included in net income. Exchange gains (losses) in 1991 and 1990 resulting from foreign currency transactions were $(1.5) and $8.3 million, respectively (including $3.7 and $1.9 million of translation losses related to subsidiaries located in highly inflationary economies) and are included in the statement of income currently. Exchange gains (losses) were immaterial in 1989. Adjustments resulting from translation of financial statements are reflected as a separate component of shareholders' equity. An analysis of foreign currency translation adjustments in shareholders' equity at June 30, 1991 and 1990 is as follows:

	1991	1990
Balance at beginning of year	$(4,379)	$(7,962)
Translation adjustments for the year	(1,418)	5,353
Allocated income taxes	661	(1,770)
Balance at end of year	$(5,136)	$(4,379)

Guarantee of ESOP Debt

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

	1991	1990
	($ millions)	
Shareholders' equity:		
Class A preferred stock. Authorized 20 million shares; issued 5,654,450 shares of Series A convertible preferred stock; outstanding: 1991—5,605,557 shares; 1990—5,618,289 shares; retired: 1991—48,893 shares; 1990—36,161 shares	$ 267.7	$ 268.3
Common stock, $1 par value per share. Authorized 200 million shares; issued 51,878,910 shares	51.9	51.9
Capital in excess of par value	25.8	25.7
Reduction for ESOP loan guarantee	(256.0)	(261.8)
Retained earnings	1,208.7	1,224.1
Foreign currency translation	44.7	48.3
	1,342.8	1,356.5
Less common stock in treasury, at cost: 1991—14,776,338 shares; 1990—14,787,008 shares	457.3	457.3
Total shareholders' equity	885.5	899.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Ownership Plan (ESOP)

In 1989, Armstrong established an ESOP that borrowed $270 million from banks and insurance companies, repayable over 15 years and guaranteed by the company. The ESOP used the monies to purchase 5,654,450 shares of a new series of convertible preferred stock issued by the company. Through December 31, 1991, the ESOP has allocated to participants 675,314 shares and retired 48,893 shares. The preferred stock has a minimum conversion value of $47.75 per share with an annual dividend of $3.462.

The ESOP currently covers parent company non-union employees, some union employees, and those employees of major domestic subsidiaries who wish to participate in the voluntary contribution portion of the plan.

Armstrong used the proceeds from the 1989 sale of preferred stock to repurchase common stock in 1989 and 1990 for the company treasury.

The company's guarantee of the ESOP loan has been recorded as a long-term obligation and as a reduction of shareholders' equity on its consolidated balance sheet.

During 1991, 1990 and 1989, the company paid preferred stock dividends to the ESOP totaling $19.4 million, $19.5 million and $9.5 million, respectively. Employee contributions were $6.0 million in 1991, $5.3 million in 1990 and $1.8 million in 1989. Company contributions were $.7 million in 1991 and $1.0 million in 1989; none were required in 1990. The ESOP trustee made debt service payments in 1991 of $26.1 million, in 1990 of $24.8 million and in 1989 of $12.3 million, primarily for interest charges.

The company recorded costs for the ESOP, utilizing the 80 percent of the shares allocated method, of $3.6 million in 1991, $4.0 million in 1990, and $5.6 million in 1989, consisting primarily of accrued compensation expenses plus company contributions and one-time setup costs in 1989. Costs for all years continue to be offset by savings from changes to company-sponsored health-care benefits and elimination of a contribution-matching feature in the company-sponsored voluntary retirement savings plan.

THE DIAL CORP (DEC)

	1991	1990
	(000 omitted, except number of shares)	
Common stock and other equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 48,554,362 shares issued	$ 72,832	$ 72,832
Additional capital	326,724	326,127
Retained income	832,539	946,030
Cumulative translation adjustments	2,083	4,809
Unearned employee benefits related to guarantee of ESOP debt	(35,414)	(37,486)
Common stock in treasury, at cost, 8,409,406 and 9,297,859 shares	(258,043)	(284,930)
Total common stock and other equity	940,721	1,027,382

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I (In Part): Preferred Stock and Common Stock and Other Equity

During 1989, Dial arranged to fund its matching contributions to employee's 401k plans through a leveraged Employee Stock Ownership Plan ("ESOP"). All eligible employees of Dial and its participating affiliates, other than certain employees covered by collective bargaining agreements that do not expressly provide for participation of such employees in an ESOP, may participate in the ESOP.

In June 1989, Dial sold 1,138,791 shares of treasury stock to the ESOP for $35.125 per share. The ESOP borrowed $40,000,000 to purchase the shares. The ESOP's obligation to repay this borrowing is guaranteed by Dial; therefore, the unpaid balance of the borrowing has been reflected in the accompanying balance sheet as long-term debt and the amount representing unearned employee benefits has been recorded as a deduction from common stock and other equity. The liability is being reduced as the ESOP repays the borrowing; and the amount in common stock and other equity is being reduced as the employee benefits are charged to expense. The ESOP intends to repay the loan (plus interest) using Dial contributions and dividends received on the shares of common stock held by the ESOP. Interest incurred on the ESOP's note amounted to $1,949,000, $2,747,000 and $1,732,000 in 1991, 1990 and 1989, respectively.

DONALDSON COMPANY, INC. (JUL)

	1991	1990
	(Thousands of dollars)	
Shareholders' Equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized, no shares issued	$ —	$ —
Common stock, $5.00 par value, 20,000,000 shares authorized, 9,641,005 and 9,621,295 issued in 1991 and 1990, respectively	48,205	48,107
Paid-in-capital	1,849	375
Retained earnings	114,547	94,953
Cumulative translation adjustments	1,114	1,312
Treasury stock—394,794 shares, at cost	(12,698)	—
Receivable from ESOP	(14,070)	(15,960)
Total Shareholders' Equity	138,947	128,787

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of dollars)

Note E (In Part): Employee Benefit Plans

Employee Stock Ownership Plan—In 1987, the Company established an Employee Stock Ownership Plan (ESOP) for eligible U.S. employees. In July 1987, the ESOP borrowed $21 million from the Company to purchase 1,200,000 newly issued shares of Common Stock. The loan obligation of the ESOP is considered unearned employee benefit expense and, as such, recorded as a reduction of the Company's shareholders' equity. Both the loan obligation and the unearned benefit expense are reduced by the amount of any loan repayments made by the ESOP. The ESOP contribution expense totaled $1,525, $1,395 and $1,257 in 1991, 1990 and 1989, respectively.

STANDEX INTERNATIONAL CORPORATION (JUN)

	1991	1990
Stockholders' Equity		
Common stock—authorized, 20,000,000 shares; par value, $1.50 per share; issued 13,992,139 shares in 1991 and 1990	$20,988,209	$20,988,209
Additional paid-in capital	5,619,642	5,654,852
Retained earnings	208,951,600	195,548,465
Cumulative translation adjustment	2,990,882	2,920,706
Less cost of treasury shares: 4,999,085 in 1991 and 4,287,146 in 1990	(98,350,822)	(80,516,256)
Less loan receivable from Employees' Stock Ownership Trust	(1,511,233)	(2,189,646)
Total stockholders' equity	138,688,278	142,406,330

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Debt (In Part)

Employees' Stock Ownership Trust

In November 1988, the Company borrowed $3,308,000 to finance the purchase of 150,000 shares of the Company's stock by the Employees' Stock Ownership Trust (ESOT). The loan is payable in quarterly installments through 1995 and bears interest at below the prime rate (6.6% at June 30, 1991). The proceeds of the borrowings were loaned to the ESOT under substantially the same terms. At June 30, 1991, 68,537 shares of the Company's Common Stock were held as collateral for the loan.

Unearned Compensation Relating To Stock Award Plans

BETZ LABORATORIES, INC. (DEC)

	1991	1990
	(In thousands)	
Shareholders' Equity		
Preferred Shares—Authorized—1,000,000 shares; $.10 par value, voting Series A ESOP Convertible, 8%, stated at aggregate liquidation preference; Issued: 1991—498,864 shares; 1990—499,746 shares	$ 99,773	$ 99,949
Guarantee of related ESOP debt	(96,649)	(97,944)
	3,124	2,005
Common Shareholders' Equity:		
Common Shares—Authorized—90,000,000 shares, $.10 par value; Issued (including treasury shares): 1991—33,684,734 shares; 1990—33,705,330 shares	3,368	3,371
Capital in excess of par value of shares	68,531	59,551
Retained earnings	333,841	297,686
Foreign currency translation adjustments	6,659	9,900
	412,399	370,508
Less:		
Cost of Common Shares in treasury: 1991—5,217,089 shares; 1990—5,289,008 shares	145,131	134,730
Unearned compensation	11,460	12,028
Unrealized loss on investments	—	5,050
COMMON SHAREHOLDERS' EQUITY	255,808	218,700
TOTAL SHAREHOLDERS' EQUITY	258,932	220,705

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 1,500,000 shares of common stock may be granted to April 11, 2001, at the discretion of the Board, to key employees at no cost to the employees. The Company granted 76,431, 120,632 and 152,174 shares during 1991, 1990 and 1989, 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, 1991, the Company had remaining an aggregate of 2,900,195 Common Shares reserved for issuance under its Stock Option Plans and 723,165 Common Shares available for issuance under its Employee Stock Incentive Plan.

HARLEY-DAVIDSON, INC. (DEC)

	1991	1990
	($000)	
Stockholders' equity:		
Series A Junior Participating preferred stock, none issued	$ —	$ —
Common stock, 18,310,000 shares issued	183	183
Additional paid-in capital	87,730	87,115
Retained earnings	152,065	115,093
Cumulative foreign currency translation adjustment	1,566	995
	241,544	203,386
Less:		
Treasury stock (513,927 and 539,694 shares in 1991 and 1990, respectively), at cost	(984)	(771)
Unearned compensation	(2,560)	(3,840)
Total stockholders' equity	238,000	198,775

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Capital Stock

In December 1989, the Compensation Committee of the Company's Board of Directors authorized the issuance of stock options and restricted stock in substitution for stock appreciation rights previously held by key employees. All stock appreciation rights were cancelled in substitution for restricted stock and options during 1989 and 1990.

Restricted stock plan participants are entitled to cash dividends and voting rights on their respective shares. Restrictions generally limit the sale or transfer of shares during a restricted period, not exceeding eight years. Participants may vest in certain amounts of the restricted stock upon death, disability or retirement as described in the plan.

Unearned compensation was charged for the market value of the restricted shares on the date of grant and is amortized over the restricted period. The unamortized unearned compensation value is shown as a reduction of stockholders' equity in the accompanying consolidated balance sheet.

LADD FURNITURE, INC. (DEC)

	1991	1990
	($000)	
Stockholders' equity—Notes 7, 8 and 9:		
Common stock of $.10 par value. Authorized 50,000,000 shares; issued 18,984,452 shares and 18,840,526 shares, respectively	$ 1,898	$ 1,884
Additional paid-in capital	15,036	13,912
Retained earnings	94,172	111,466
	111,106	127,262
Less unamortized value of restricted stock	(877)	(157)
Total stockholders' equity	110,229	127,105

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Employee Stock Plans

Restricted Stock Awards. The board of directors periodically awards restricted common stock to key management employees. Vesting of such awards is subject to future service requirements of five years from the date of each award. The difference between cash paid by the employee for the awarded shares, generally par value, and the market value of the shares as of the award date is amortized over the five-year service requirement periods. During 1991 and 1990, the board of directors awarded and issued 112,998 shares and 3,000 shares, respectively. In 1989, the board of directors awarded 17,000 shares of which 5,000 shares were issued in 1989 and 12,000 shares were issued in 1990. Additionally, during 1990 and 1989, 4,600 and 1,500 shares, respectively, previously issued were repurchased and retired.

MEDIA GENERAL, INC. (DEC)

	1991	1990
	($000)	
Stockholders' equity (notes 10 and 11):		
Preferred stock ($5 cumulative convertible), par value $5 per share: Authorized 5,000,000 shares; none outstanding		
Common stock, par value $5 per share:		
Class A, authorized 75,000,000 shares; issued 25,513,392 and 25,317,032 shares	$127,567	$126,585
Class B, authorized 600,000 shares; issued 557,354 shares	2,787	2,787
Additional paid-in capital	3,909	1,297
Unearned compensation	(2,013)	—
Retained earnings	69,618	143,149
Total stockholders' equity	201,868	273,818

Note 10 (In Part): Common Stock and Stock Options

On May 17, 1991, the stockholders approved a restricted stock plan under which certain key employees were granted 158,400 restricted shares of the Company's Class A stock. Shares were awarded in the name of each of the participants, who have all the rights of other Class A stockholders, subject to certain restrictions and forfeiture provisions. Restrictions on the shares expire no more than ten years after the date of award, or earlier if certain performance targets are met.

Unearned compensation of $3,198,000 was recorded at the date of award based on the market value of shares. Unearned compensation, which is shown as a separate component of stockholders' equity, is being amortized to expense over the ten year vesting period, or in certain circumstances upon normal retirement. In 1991, $1,185,000 was amortized to expense. At December 29, 1991, 241,600 shares were reserved for future grants under the plan.

NATIONAL SERVICE INDUSTRIES, INC.

	1991	1990
	(In thousands)	
Stockholders' Equity:		
Series A participating preferred stock, $.05 stated value, 500,000 shares authorized, none issued		
Preferred stock, no par value, 500,000 shares authorized, none issued		
Common stock, par value $1, authorized 80,000,000 shares, issued 57,918,978 shares in 1991 and 1990	$ 57,919	$ 57,919
Paid-in capital	7,631	7,716
Retained earnings	630,309	645,133
	695,859	710,768
Less—		
Treasury stock, at cost (8,316,715 shares in 1991 and 8,314,697 shares in 1990)	33,734	33,726
Performance shares outstanding (63,612 shares in 1991 and 1990)	1,558	1,598
	35,292	35,324
Total Stockholders' Equity	660,567	675,444

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Common Stock and Related Matters

In 1990 the stockholders approved the National Service Industries, Inc. Long-Term Incentive Program for the benefit of officers and other key employees. There are 1,750,000 treasury shares reserved for issuance under the program. Employee stock options for 161,476 shares of common stock of the corporation and 134,152 performance shares were awarded under the program in 1990. Stock options for 5,780 shares and 6,928 performance shares were subsequently cancelled. Stock options for 193,460 shares were awarded under the program in 1991. As of August 31, 1991, 63,612 shares of the performance shares have been issued from treasury stock pursuant to the terms of the award and the applicable performance share agreements. The issued performance shares have been placed in escrow subject to satisfaction of various performance criteria during a three-year period. As of August 31, 1991, the market value of the performance shares issued was $24½ per share and, accordingly, the equity section of the balance sheet has been adjusted to reduce performance shares and paid-in capital by $40,000. No compensation expense related to performance shares was recognized during 1991 or 1990.

Unrealized Losses/Gains On Noncurrent Marketable Equity Securities

HECLA MINING COMPANY (DEC)

	1991	1990
	Dollars in thousands	
Shareholders' Equity		
Preferred stock, 25¢ par value, authorized 5,000,000 shares, none issued		
Common stock, 25¢ par value, authorized 1991—100,000,000 shares, 1990—50,000,000 shares; issued 1991—30,308,680, issued 1990—30,118,729	$ 7,577	$ 7,530
Paid-in Capital	84,850	83,397
Earnings retained in the business	58,216	73,646
Net unrealized loss on marketable equity securities (Note 4)	(16)	(13)
Less common stock reacquired, at cost; 1991—60,525 shares, 1990—60,174 shares	(910)	(906)
Total shareholders' equity	149,717	163, 654

Note 4 (In Part): Investments

Investments consist of the following components *(in thousands)*:	Carrying Value	Cost	Market Value
December 31, 1991			
Noncurrent:			
Marketable equity securities	$ 16	$ 32	$ 16
Other investments	10,327	10,327	
	$10,343	$10,359	
December 31, 1990			
Current:			
Marketable equity securities	$ 482	$ 482	$482
Noncurrent:			
Marketable equity securities	$ 40	$ 53	$ 40
Other investments	10,113	10,113	
	$10,153	$10,166	

At December 31, 1991, the portfolio of noncurrent marketable equity securities includes gross unrealized gains of approximately $3,000 and gross unrealized losses of approximately $19,000. The other investments are principally large blocks of common and preferred stock in several mining companies, and investments in various ventures. These securities are generally restricted as to trading or marketability, although some are traded on various exchanges.

VALHI, INC. (DEC)

	1991	1990
	($000)	
Stockholders' equity:		
Preferred stock, $.01 par value; 5,000 shares authorized; none issued	$ —	$ —
Common stock, $.01 par value; 150,000 shares authorized; 124,105 and 123,935 shares issued	1,241	1,239
Additional paid-in capital	32,618	32,022
Retained earnings	428,640	426,603
Adjustments:		
Currency translation	(3,834)	(12,345)
Marketable equity securities	(405)	(73,530)
	458,260	373,989
Less common stock reacquired—at cost (10,235 and 10,542 shares)	72,744	79,351
Total stockholders' equity	385,516	294,638

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of significant accounting policies:

Marketable securities and securities transactions

Marketable securities are carried at the lower of aggregate quoted market value or cost. Unrealized losses on noncurrent marketable equity securities, equity in unrealized losses on noncurrent marketable equity securities held by less than majority-owned affiliates, and related income tax effects are accumulated in the marketable equity securities adjustment component of stockholders' equity. Realized gains or losses are computed based on specific identification of the securities sold.

Receivables From Sale of Stock

COHERENT, INC. (SEP)

	1991	1990
	(in thousands)	
Shareholders' Equity:		
Common stock, par value $.01 in 1991 and $.22 in 1990:		
Authorized—50,000 shares		
Outstanding—9,107 in 1991 and 8,866 in 1990	$ 91	$ 1,950
Additional paid-in capital	56,383	52,130
Notes receivable from stock sales	(1,367)	(886)
Retained earnings	39,511	39,284
Accumulated translation adjustment	2,264	3,817
Total Shareholders' Equity	96,882	96,295

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Employee Benefit Plans

Notes Receivable from Stock Sales—During fiscal 1991 and 1990 certain officers exercised stock options for notes. The notes are full recourse promissory notes bearing interest at variable rates ranging from 7.88% to 9.19% and are collateralized by the stock issued upon exercise of the stock options. Interest is payable annually and principal is due from 1993 through 1996.

LYNCH CORPORATION (DEC)

	1991	1990
	(Dollars in Thousands)	
Shareholders' Equity:		
Common Stock, no par or stated value: Authorized 10 million shares; issued 1,418,310 shares	$ 3,542	$ 3,542
Additional paid-in capital	7,120	7,120
Retained earnings	11,165	9,685
Treasury stock of 152,123 and 133,692 shares, at cost	(1,821)	(1,517)
Loan to officer	(375)	(375)
TOTAL SHAREHOLDERS' EQUITY	19,631	18,455

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Shareholders' Equity

In 1988, the President and Chief Operating Officer purchased, at the then current fair market value, 35,848 shares of treasury stock from the Company for cash ($125,000) and a note ($375,000), collateralized by the shares and bearing interest at 7%. The note can be discharged by return of the shares of stock at any time prior to September 1993.

UNITED STATES SURGICAL CORPORATION (DEC)

	1991	1990
	($000)	
Stockholders' equity:		
Common stock	$ 6,079	$ 2,845
Additional paid-in capital	192,760	154,055
Retained earnings	208,207	131,700
Installment receivables from sale of common stock	(8,051)	(8,918)
Treasury stock	(71,087)	(57,454)
Other	2,000	2,758
	329,908	224,986

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Stockholders' Equity

On December 31, 1990, the 1981 Option Plan expired, and options can no longer be granted under the 1981 Option Plan.

Certain members of management have elected under the 1981 Option Plan to defer the payment of the exercise price by installment payments up to a maximum of ten years. As of December 31, 1991, installment receivables from the exercise of stock options amounted to $8,051,000 ($8,918,000 at December 31, 1990) representing the exercise of stock options for 2,043,485 (2,231,720 at December 31, 1990) shares of Common Stock. In connection with the exercise of stock options, the Common Stock and Additional Paid-In Capital accounts are increased by the aggregate stock option purchase price. Installment receivables from the sale of Common Stock resulting from the exercise of stock options are classified as a reduction to Stockholders' Equity. Accordingly, there is no impact on Stockholders' Equity from such stock option transactions until the installment amounts are paid. Members of management who have chosen to defer payment of the exercise prices have executed such security documents as the Company's counsel deems necessary, and the applicable Common Stock has been legended and is being held by the Company as collateral.

Adjustment Related To Recording Minimum Pension Liability

DEERE & COMPANY

	1991	1990
	($ millions)	
Stockholders' Equity		
Common stock, $1 par value (authorized—200,000,000 shares; issued—76,443,138 shares in 1991 and 76,310,441 shares in 1990) at stated value	$ 838.7	$ 831.4
Retained earnings	2,119.0	2,291.3
Minimum pension liability adjustment	(86.4)	(88.2)
Cumulative translation adjustment	(16.4)	(11.8)
Unamortized restricted stock compensation	(6.5)	(5.0)
Common stock in treasury, 208,370 shares in 1991 and 203,253 shares in 1990, at cost	(12.6)	(10.1)
Total stockholders' equity	2,835.8	3,007.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension and Other Retirement Benefits (In Part)

The company has several pension plans covering substantially all of its United States employees and employees in foreign countries. The United States plans and significant foreign plans in Canada, Germany and France are defined benefit plans in which the benefits are based primarily on years of service and employee compensation near retirement. It is the company's policy to fund its United States plans according to the 1974 Employee Retirement Income Security Act (ERISA) and income tax regulations. In Canada and France, the company's funding is in accordance with local laws and income tax regulations, while the German pension plan is unfunded. Plan assets in the United States, Canada and France consist primarily of common stocks, common trust funds, government securities and corporate debt securities.

Provisions of FASB Statement No. 87 require the company to record a minimum pension liability relating to certain unfunded pension obligations, establish an intangible asset relating thereto and reduce stockholders' equity. At October 31, 1991, this minimum pension liability was remeasured, as required by the Statement. As a result, the minimum pension liability was adjusted from $305 million at October 31, 1990 to $380 million at October 31, 1991; the related intangible asset was adjusted from $171 million to $249 million; and the amount by which stockholders' equity had been reduced was adjusted from $88 million to $86 million (net of applicable deferred income taxes of $46 million in 1990 and $45 million in 1991). The adjustment in the minimum pension liability at October 31, 1991 resulted mainly from an increase in pension fund liabilities due to changes in plan benefits and a decrease in the discount rate. This increase was partially offset by an increase in pension fund assets due to favorable investment experience during 1991.

LOCTITE CORPORATION (DEC)

	1991	1990
	($000)	
Stockholders' equity:		
Common stock, $.01 par value: Authorized 50,000,000 shares; issued 36,384,039 shares at December 31, 1991 and 36,387,832 shares at December 31, 1990	$ 28,993	$ 24,272
Retained earnings	318,045	278,255
Foreign currency translation adjustment	15,072	18,765
Investment valuation allowance	(155)	(476)
Adjustment for minimum pension liability	(728)	(650)
Total stockholders' equity	361,227	320,166

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Pension Plans

In accordance with the provisions of SFAS No. 87, the company recorded an additional minimum liability at the end of each year representing the excess of the accumulated benefit obligations over the fair value of plan assets and accrued pension liabilities. The liabilities have been offset by intangible assets to the extent possible. Because the asset recognized may not exceed the amount of unrecognized prior service cost, the balance of the liability at the end of the period is reported as a separate reduction of stockholders' equity, net of tax benefits.

Stock Purchase Rights

AMERICAN STORES COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Preferred Share Purchase Rights

During March 1988, the Board of Directors of the Company declared a distribution of one Preferred Share Purchase Right for each outstanding share of the Company's common stock.

Each Right entitles shareholders to purchase one two-hundredth of a share of a new series of preferred stock at an exercise price of $125. The Rights will be exercisable only if a person or group acquires 20% or more of the Company's common stock or announces a tender offer, the consummation of which would result in ownership by a person or group of 20% or more of the Company's common stock. The Rights will not apply to a 20% or greater position held by Mr. L.S. Skaggs, the Company's Chairman, or certain other related parties. American Stores Company will be entitled to redeem the Rights at one half cent per Right any time before a 20% or greater position has been acquired. Additionally, the Company may lower the 20% threshold to not less than the greater of (i) any percentage greater than the largest percentage of common stock known by the Company to be owned by any person (other than L.S. Skaggs) and (ii) 10%.

If the Company is acquired in a merger or other business combination transaction, each Right will "flip over" and entitle its holder to purchase, at the Right's then current exercise price, a number of the acquiring company's common shares having a market value at that time of twice the Right's exercise price.

In addition, if a person or group acquires 20% or more of the outstanding American Stores common stock, each Right will "flip in" and entitle all other holders to purchase, at the Right's then current exercise price, a number of shares of American Stores common stock having a market value of twice the Right's exercise price. Further, at any time after a person or group acquires 20% or more of the outstanding American Stores common stock but prior to the acquisition of 50% of such 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 at an exchange rate of one share of common stock for each Right.

CLEVELAND-CLIFFS INC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L—Shareholders' Equity

As of December 31, 1991, the Company is authorized to issue up to 500,000 shares of Class A voting preferred stock, without par value, and up to 4,000,000 shares of Class B non-voting preferred stock, without par value.

A share purchase right ("Right") is attached to each of the Company's Common Shares outstanding as of December 31, 1991, or subsequently issued. Each Right entitles the holder to buy from the Company one one-hundredth of one Common Share at an exercise price per whole share of $42.50. The Rights become exercisable if a person or group acquires, or tenders for, 20% or more of the Company's Common Shares. The Company is entitled to redeem the Rights at 5 cents per Right at any time until ten days after any person or group has acquired 20% of the Common Shares and in certain circumstances thereafter. If a party owning 20% or more of the Company's Common Shares merges with the Company or engages in certain other transactions with the Company, each right, other than Rights held by the acquiring party, entitles the holder to buy $85.00 worth of the shares of the surviving company at a 50% discount. The Rights expire on September 18, 1997 and are not exercisable until the occurrence of certain triggering events, which include the acquisition of, or a tender or exchange offer for, 15% or more of the Company's Common Shares. There are 168,279 Common Shares reserved for these Rights.

JOSTENS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholder Rights Plan

In August 1988, the Board of Directors declared a distribution to shareholders of one common share purchase right for each outstanding common share. Each right entitles the holder to purchase one common share at an exercise price of $60. The rights become exercisable if a person acquires 20% or more, or announces a tender offer for 25% or more, of the Company's common shares. If a person acquires at least 25% of the Company's outstanding shares, each right will entitle the holder to purchase the Company's common shares having a market value of twice the exercise price of the right. If the Company is acquired in a merger or other business combination, each right will entitle the holder to purchase common stock of the acquiring company at a similar 50% discount. The rights, which expire in August 1998, may be redeemed by the Company at a price of $.01 per right at any time prior to the 30th day after a person has acquired at least 20% of the Company's outstanding shares.

KIMBERLY-CLARK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Stockholders' Equity

On June 21, 1988, the board of directors declared a distribution of one preferred share purchase right for each outstanding share of the Corporation's common stock to stockholders of record as of July 1, 1988. The rights are intended to protect the stockholders against abusive takeover tactics. Certain adjustments were made to the rights as a result of the stock split previously described. Such adjustments are reflected in the following discussion of the rights.

A right will entitle its holder to purchase one two-hundredth of a share of Series A Junior Participating Preferred Stock at an exercise price of $100, but will not become exercisable until ten days after a person or group

acquires, or announces a tender offer which would result in the ownership of, 20 percent or more of the Corporation's outstanding common shares.

Under certain circumstances, a right will entitle its holder either to acquire shares of the Corporation's stock or shares of an acquiring company's common stock, in either event having a market value of twice the exercise price of the right. At any time after the acquisition by a person or group of 20 percent or more, but fewer than 50 percent, of the Corporation's common shares, the Corporation may exchange the rights, except for the rights held by the acquiring person or group, in whole or in part, at a rate of one right for one share of the Corporation's common stock or for one two-hundredth of a share of Series A Junior Participating Preferred Stock.

The rights may, or after a vote of stockholders at a special meeting shall, be redeemed at $.005 per right prior to the acquisition by a person or group of 20 percent or more of the common stock. Unless redeemed earlier, the rights expire on June 21, 1998.

LONE STAR INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. Shareholder Rights Plan

In June 1988, the company adopted a Shareholder Rights Plan in which preferred stock purchase rights ("Rights") were distributed as a dividend to common shareholders as of the close of business on June 22, 1988.

The Shareholder Rights Plan provides that under certain circumstances each Right will entitle the holder to purchase one-hundredth of a share of Series A Junior Participating Preferred Stock par value $1.00 per share at an exercise price of $100 per Right. Upon exercise, each holder of a Right will also have the right to receive common stock (or a package of other Lone Star securities and/or cash) having a value equal to two times the exercise price of the Right. Unless redeemed, the Rights become exercisable if a person or group acquires 20% or more of the outstanding shares of common stock or commences a tender or exchange offer which would result in the ownership of 20% or more of the outstanding common stock. The Rights also become exercisable if a person or group acquires 15% or more of the outstanding common shares and the non-officer members of the Board of Directors determine that the owner of such shares is an "adverse person" because such ownership is likely to have a material adverse impact on the company, or that such ownership is intended to cause the company to purchase those persons' common stock, or to enter into transactions intended to provide short-term gain to such persons when the Board of Directors determines the long-term interests of the company and its stockholders would not be served by such transaction. The Rights Plan is designed to deter coercive or unfair takeover tactics and to prevent an acquirer from gaining control of the company without offering a fair price to all shareholders. The rights expire on June 22, 1998 unless redeemed prior to that date. As of December 31, 1991, there were 16,620,909 Rights outstanding.

In order to determine whether beneficial ownership of more than 15% of the outstanding common stock of the company by a group (as defined in the Shareholders' Rights Plan) has occurred, the company applied, in December, 1991, to the Bankruptcy court for permission to seek information from certain owners of the company's common stock, one of whom, Scope Industries, has filed a report with the Securities and Exchange Commission indicating the ownership of 13.6% of the company's outstanding stock. Such discovery is underway. The company is presently unable to determine whether ownership of sufficient shares so as to cause the Rights to become exercisable, as described above, or to become exercisable should the Board of Directors determine that such ownership is by an adverse person has occurred.

Warrants

AM INTERNATIONAL, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Common And Preferred 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.

HASBRO, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Employee Stock Options and Warrants

The Company has also reserved 1,500,000 shares of its common stock for issuance upon exercise of 6,000,000 outstanding warrants. The warrants were issued in connection with the Coleco transaction (note 2), expire on July 12, 1994 and carry an exercise price of $18.92 per share. The Company, at its option, may pay the exercising warrantholder an amount in cash equal to the closing price of the common stock on the date prior to exercise in lieu of issuing any shares of common stock.

Section 3: Income Statement

INCOME STATEMENT TITLE

Table 3-1 summarizes the key word terms used in statement of income titles. As shown in Table 3-1, more than half of the survey companies used the key word *income*. When one or more of the three years presented in a statement of income showed a net loss, the statement of income was frequently entitled *Statement of Operations*.

TABLE 3-1: INCOME STATEMENT TITLE

	1991	1990	1989	1988
Income	311	323	323	314
Earnings	137	140	145	146
Operations	139	126	120	130
Other	13	11	12	10
Total Companies	**600**	**600**	**600**	**600**

INCOME STATEMENT FORMAT

Either a single-step form or a multi-step form is acceptable for preparing a statement of income. Table 3-2 shows that the survey companies presented a multi-step income statement more frequently than a single-step income statement.

Eighty-nine survey companies disclosed nonhomogeneous operations. Examples of income statement formats used to show nonhomogeneous accounts when nonhomogeneous operations are a significant part of consolidated operations follow.

TABLE 3-2: INCOME STATEMENT FORMAT

	1991	1990	1989	1988
Single-step Form				
Federal income tax shown as separate last item	213	206	229	233
Federal income tax listed among operating items	3	9	3	7
Multi-step Form				
Costs and expenses deducted from sales to show operating income	222	229	220	225
Costs deducted from sales to show gross margin	162	156	148	135
Total Companies	**600**	**600**	**600**	**600**

AMERICAN BRANDS, INC. (DEC)

	1991	1990	1989
		(In millions)	
Revenues			
Consumer products	$13,193.4	$12,975.4	$11,090.4
Life insurance	870.4	805.5	831.0
	14,063,8	13,780.9	11,921.4
Operating expenses			
Cost of products sold	3,685.6	3,762.3	3,348.6
Excise taxes on products sold	5,684.8	5,510.6	4,656.7
Insurance benefits	517.0	527.1	534.1
Advertising, selling and administrative expenses			
Consumer products	2,344.0	2,270.0	1,842.2
Life insurance	147.6	137.9	137.2
Restructuring (credits) charges	—	(29.6)	2.9
	12,433.0	12,178.3	10,521.7
Operating income	1,630.8	1,602.6	1,399.7
Interest and related charges	264.0	278.7	281.1
Corporate administrative expenses	134.5	95.8	73.2
Loss (income) on investment in preferred stock	—	191.2	(27.7)
Other (income) expenses, net	(5.7)	(6.0)	8.8
	392.8	559.7	335.4
Income before income taxes	1,238.0	1,042.9	1,064.3
Income taxes	431.9	454.3	431.0
Net income	$ 806.1	$ 588.6	$ 633.3

ETHYL CORPORATION (DEC)

	1991	1990	1989
	(In Thousands of Dollars)		
Revenues:			
Chemicals net sales	$1,534,571	$1,590,940	$1,519,637
Insurance:			
Premiums	426,067	391,586	454,438
Net investment income	521,602	445,928	387,316
Mortality, surrender and administrative charges	68,934	64,807	54,411
Realized gains on investments	23,676	20,494	15,852
	1,040,279	922,815	912,017
Total	2,574,850	2,513,755	2,431,654
Costs and expenses, net:			
Chemicals and Corporate:			
Cost of goods sold	1,044,720	1,088,643	1,045,449
Selling, general and administrative expenses	216,882	194,907	166,146
Research and development expenses	69,119	65,186	61,229
Interest expense	59,097	64,839	61,159
Special charges	11,185	48,710	—
Gain on sale of subsidiary	—	(78,993)	—
Other income, net	(1,707)	(8,454)	(12,292)
	1,399,296	1,374,838	1,321,691
Insurance:			
Benefits and claims	790,020	708,161	713,535
Underwriting, acquisition and other expenses	90,852	75,393	73,562
	880,872	783,554	787,097
Total	2,280,168	2,158,392	2,108,788
Income from continuing operations before income taxes	294,682	355,363	322,866
Income taxes	88,014	123,174	103,398
Income from continuing operations	206,668	232,189	219,468
Income from discontinued operations	—	—	11,864
Net income	$ 206,668	$ 232,189	$ 231,332

PACCAR INC. (DEC)

	1991	1990	1989
		(thousands)	
MANUFACTURING:			
Revenues			
Net sales	$2,159,627	$2,587,386	$3,331,050
Other	35,632	13,337	13,932
	2,195,259	2,600,723	3,344,982
Costs and Expenses			
Cost of sales	1,905,685	2,247,157	2,823,718
Selling, general and administrative	276,283	294,138	299,901
Interest	4,311	5,736	5,132
Restructuring costs		7,587	
	2,186,279	2,554,618	3,128,751
Manufacturing Income Before Income Taxes	8,980	46,105	216,231
FINANCIAL SERVICES:			
Revenues			
Interest and other	179,249	205,682	207,852
Costs and Expenses			
Interest and other	106,428	133,042	136,186
Operating	29,782	30,289	27,831
Provision for losses on receivables	30,233	32,319	11,238
	166,443	195,650	175,255
Financial Services Income Before Income Taxes	12,806	10,032	32,597
OTHER:			
Gain on sale of division and railcars			76,393
Short-term investment income	25,286	34,596	32,170
Intercompany interest charged to Financial Services	1,272	3,423	5,968
Total Income Before Income Taxes	48,344	94,156	363,359
Income Taxes	8,614	30,476	121,439
Income Before Cumulative Effect of Change in Accounting Method	39,730	63,680	241,920
Cumulative Effect of Change in Accounting Method	15,427		
Net Income	$ 55,157	$ 63,680	$ 241,920

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, gains shown after the caption for income taxes (Table 3-16), and extraordinary gains (Table 3-17). Examples of revenues and gains follow.

TABLE 3-3: REVENUE CAPTION TITLE

	1991	1990	1989	1988
Net Sales				
Net sales	346	345	350	355
Net sales and operating revenues	11	15	13	13
Net sales combined with other items	12	8	9	8
Sales				
Sales	81	82	76	78
Sales and operating revenues	28	24	28	27
Sales combined with other items	9	13	11	17
Other Captions				
Revenue	97	101	103	94
Gross sales, billings, shipments, etc.	16	12	10	8
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-4: GAINS

	Number of Companies			
	1991	1990	1989	1988
Interest	347	315	307	305
Sale of assets	110	131	160	141
Equity in earnings of investees	91	91	85	90
Dividends	91	89	82	90
Foreign currency transactions	59	56	51	63
Royalties	30	31	22	17
Rentals	14	19	13	20
Pension plan settlements	13	27	20	21
Litigation settlements	12	14	12	14

REVENUES

APPLE COMPUTER, INC. (SEP)

	1991	1990	1989
		(In thousands)	
Net sales	$6,308,849	$5,558,435	$5,284,013
Costs and expenses:			
Costs of sales	3,314,118	2,606,223	2,694,823
Research and development	583,046	478,019	420,083
Selling, general and administrative	1,740,293	1,728,508	1,534,794
Restructuring costs and other	224,043	33,673	—
	5,861,500	4,846,423	4,649,700
Operating income	447,349	712,012	634,313

DOLE FOOD COMPANY, INC. (DEC)

	1991	1990	1989
		(In thousands)	
Revenue	$3,215,999	$3,003,213	$2,717,821
Cost of products sold	2,636,250	2,418,577	2,166,735
Gross margin	579,749	584,636	551,086
Selling, marketing and administrative expenses	355,997	355,352	352,317
Operating income	223,752	229,284	198,769

FOSTER WHEELER CORPORATION (DEC)

	1991	1990	1989
	(In Thousands of Dollars)		
Revenues:			
Operating revenues	$1,991,979	$1,661,080	$1,243,178
Other income (including interest: 1991—$21,039; 1990—$19,348; 1989—$21,801)	39,641	29,943	49,569
Total Revenues	2,031,620	1,691,023	1,292,747

HALLIBURTON COMPANY (DEC)

	1991	1990	1989
	(In millions)		
Revenues			
Services	$6,107.5	$6,015.9	$4,914,9
Sales	868.0	889.3	744.6
Equity in income of related companies	43.3	20.3	1.7
Total revenues	7,018.8	6,925.5	5,661.2

GEO. A. HORMEL & COMPANY (OCT)

	1991	1990	1989
	(In Thousands)		
Sales, less returns and allowances	$2,836,222	$2,681,180	$2,340,513
Cost of products sold	2,273,024	2,153,820	1,853,619
Gross profit	563,198	527,360	486,894

GAINS

Interest Income

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

	1991	1990	1989
	(In millions)		
Sales	$12,634.2	$11,611.7	$10,283.6
Less federal and state excise taxes	1,637.9	868.1	802.3
Net sales	10,996.3	10,743.6	9,481.3
Cost of products and services	7,148.7	7,093.5	6,275.8
Gross profit	3,847.6	3,650.1	3,205.5
Marketing, distribution and administrative expenses	2,126.1	2,051.1	1,876.8
Operating income	1,721.5	1,599.0	1,328.7
Other income and expenses:			
Interest expense	(238.5)	(283.0)	(177.9)
Interest capitalized	46.5	54.6	51.5
Interest income	9.2	7.0	12.6
Other income/(expense), net	(18.1)	(25.5)	11.8
Income before income taxes	1,520.6	1,352.1	1,226.7

MEREDITH CORPORATION (JUN)

	1991	1990	1989
	(in thousands)		
Revenues (less returns and allowances)	$747,732	$735,421	$694,218
Operating Costs and Expenses:			
Production, distribution and editorial	355,251	349,964	329,813
Selling, general and administrative	355,426	327,982	303,901
Depreciation and amortization	18,128	18,082	17,947
Unusual items	—	36,841	—
Total Operating Costs and Expenses	728,805	732,869	651,661
Income from Operations	18,927	2,552	42,557
Gain on dispositions	9,677	—	—
Interest income	11,581	674	367
Interest expense	(2,895)	(3,975)	(4,836)
Earnings (Loss) from Continuing Operations before Income Taxes	37,290	(749)	38,088

Sale Of Assets

AMERON, INC. (NOV)

	1991	1990	1989
		($000)	
Sales	$465,136	$445,900	$426,464
Cost of Sales	346,737	329,239	319,308
Gross Profit	118,399	116,661	107,156
Selling, General and Administrative Expenses	96,540	88,947	84,619
Interest Expense	14,105	13,644	10,735
Write Down of Assets and Repositioning Costs	14,505	—	—
Gain from Sale of Assets	15,171	42	1,889
Other Income	5,243	2,882	3,330
Income before Income Taxes	13,663	16,994	17,021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Sale of Assets—

In the fourth quarter of 1991, the Company sold, under the threat of condemnation, its corporate headquarters facility for $21 million. The net pretax gain from the sale was $15,054,000.

In the third quarter of 1989, the Company sold assets of its Steel Wire Division for $7,600,000. The net pretax gain from the sale was $1,500,000.

DATA GENERAL CORPORATION (SEP)

	1991	1990	1989
		(IN THOUSANDS)	
REVENUES			
Product	$ 796,508	$ 784,647	$ 875,474
Service	432,346	431,754	438,921
Total revenues	1,228,854	1,216,401	1,314,395
COSTS AND EXPENSES			
Cost of product revenues	407,934	422,850	449,975
Cost of service revenues	251,625	269,165	272,109
Research and development	101,986	140,743	149,023
Selling, general, and administrative	384,317	444,583	490,653
Restructuring charge	—	71,700	80,000
Total costs and expenses	1,145,862	1,349,041	1,441,760
Income (loss) from operations	82,992	(132,640)	(127,365)
Gain on sale of subsidiary and facilities	13,000	—	14,857
Interest income	8,164	6,743	9,871
Interest expense	12,615	10,648	11,293
Income (loss) before income taxes	91,541	(136,545)	(113,930)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Sale of Subsidiary

In April 1991, the company sold Nippon•Data General Corporation, its Japanese subsidiary, for approximately $46 million. The company received net cash proceeds of approximately $30 million from the sale, and realized a gain of $13 million. Nippon•Data General has become the company's exclusive Japanese distributor and continues to market the full range of Data General computer systems to the Japanese marketplace.

LADD FURNITURE, INC. (DEC)

	1991	1990	1989
		Dollar amounts in thousands	
Net sales	$419,110	511,911	453,002
Costs of sales	355,557	405,567	352,167
Gross profit	73,553	106,344	100,835
Selling, general and administrative expenses	79,322	80,617	64,639
Manufacturing restructuring charge	—	8,268	—
Operating income (loss)	(5,769)	17,459	36,196
Other deductions (income):			
Interest expense	10,413	14,799	8,860
Gain on sales of property, plant and equipment held for sale—Note 14	(1,817)	—	—
Other, net	3,678	1,278	857
	12,274	16,077	9,717
Earnings (loss) before income taxes	(18,043)	1,382	26,479

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Restructuring of Operations

During the fourth quarter of 1990, the Company recorded a pre-tax manufacturing restructuring charge of approximately $8.3 million in anticipation of the discontinuance of certain product lines and the closing of certain manufacturing facilities. The manufacturing restructuring charge represented principally a write-down of manufacturing assets to estimated net realizable sales values and a write-down of related inventories. During 1990, the net realizable sales values of these manufacturing facilities, estimated to be approximately $5.6 million at December 29, 1990, were transferred from property, plant and equipment to property, plant and equipment held for sale. During 1991, the Company sold four of the manufacturing facilities for cash and notes receivable aggregating approximately $6.1 million and recorded a gain on the sales of approximately $1.8 million. The estimated net realizable values of facilities held for sale are reflected in property, plant and equipment held for sale in the accompanying December 28, 1991 and December 29, 1990 consolidated balance sheets.

STEEL TECHNOLOGIES INC. (SEP)

	1991	1990	1989
Sales	$129,662,817	$140,836,444	$122,628,104
Cost of goods sold	111,384,354	119,023,778	104,778,987
Gross profit	18,278,463	21,812,666	17,849,117
Selling, general and administrative expenses	11,539,333	10,395,376	8,424,989
Operating income	6,739,130	11,417,290	9,424,128
Gain on sale of equipment	10,704	7,779	706,421
Interest expense	(1,083,654)	(1,126,651)	(676,654)
Income before income taxes	5,666,180	10,298,418	9,453,895

Equity In Earnings Of Investees

HARSCO CORPORATION (DEC)

	1991	1990	1989
	(All dollars in thousands)		
Net sales	$1,943,083	$1,759,507	$1,351,213
Operating expenses:			
Cost of sales	1,645,590	1,464,048	1,160,623
Selling, administrative and general expenses	170,713	174,590	161,784
Research and development	3,647	3,502	6,301
Provision (credit) for facility discontinuances or disposals	1,664	(4,471)	(6,538)
	1,821,614	1,637,669	1,322,170
Income from operations	121,469	121,838	29,043
Other income (expense):			
Interest income	10,331	7,229	7,117
Interest expense	(18,925)	(17,506)	(16,412)
Equity in net income (loss) of unconsolidated companies	3,838	(360)	(2,698)
Other, net	2,934	4,386	5,123
	(1,822)	(6,251)	(6,870)
Income before provision for income taxes	119,647	115,587	22,173

Foreign Currency Transactions

BOISE CASCADE CORPORATION (DEC)

	1991	1990	1989
	(expressed in thousands)		
Revenues			
Sales	$3,950,490	$4,185,920	$4,338,030
Other income (expense), net	93,220	(1,360)	15,020
	4,043,710	4,184,560	4,353,050
Costs and expenses			
Materials, labor, and other operating expenses	3,345,230	3,318,350	3,218,120
Depreciation and cost of company timber harvested	245,270	212,890	202,060
Selling and administrative expenses	411,020	419,430	406,400
	4,001,520	3,950,670	3,826,580
Income from operations	42,190	233,890	526,470
Interest expense	(175,340)	(116,620)	(95,810)
Interest income	4,700	3,610	6,370
Foreign exchange gain (loss)	310	520	(160)
	(170,330)	(112,490)	(89,600)
Income (loss) before income taxes	(128,140)	121,400	436,870

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Foreign Currency Translation. Foreign exchange gains and losses reported on the Statements of Income (Loss) arose primarily from activities of the Company's Canadian subsidiaries. The Company has entered into forward contracts to purchase 100,000,000 Canadian dollars at various dates in 1992. Gains or losses in the market value of the forward contracts are recorded as they are incurred. These gains or losses significantly offset gains or losses arising from translation of the Canadian subsidiaries' net liabilities. Translation adjustments for other foreign subsidiaries were insignificant and have been included in "Retained earnings" on the Balance Sheets.

CSP INC. (AUG)

	1991	1990	1989
	(Dollars in thousands)		
Sales	$13,089	$11,298	$12,040
Costs and expenses:			
Cost of sales	4,824	3,948	4,434
Engineering and development	2,768	3,246	3,206
Marketing and sales	3,405	2,763	2,629
General and administrative	1,551	1,295	1,622
Total costs and expenses	12,548	11,252	11,891
Operating income	541	46	149
Other income (expense):			
Dividend income	386	446	366
Interest income	450	596	625
Gain (loss) on foreign exchange transactions	13	6	(32)
Gain (loss) on foreign exchange translations	(20)	39	43
Interest expense	(19)	(13)	(11)
Net unrealized and realized gains (losses) on the sale of marketable securities and other assets	45	(51)	2
Total other income, net	855	1,023	993
Income before income taxes	1,396	1,069	1,142

THE UPJOHN COMPANY (DEC)

	1991	1990	1989
	Dollar amounts in thousands		
Operating revenue:			
Net sales	$3,401,799	$3,020,868	$2,724,809
Other revenue	24,514	11,878	7,308
	3,426,313	3,032,746	2,732,117
Operating costs and expenses:			
Cost of products sold	874,656	823,227	763,870
Research and development	491,065	427,197	407,139
Marketing and administrative	1,342,383	1,158,065	1,030,535
Restructuring and nonrecurring items	5,000	(37,804)	57,529
	2,713,104	2,370,685	2,259,073
Operating income	713,209	662,061	473,044
Interest income	51,511	45,513	47,715
Interest expense	(19,956)	(30,954)	(31,707)
Foreign exchange gains (losses)	4,165	(4,030)	5,198
All other, net	(28,725)	(17,040)	(12,470)
Earnings from continuing operations before income taxes and minority equity	720,204	655,550	481,780

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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.

Royalties

DRESSER INDUSTRIES, INC. (OCT)

	1991	1990	1989
		In Millions	
Sales revenues	$3,076.1	$2,986.4	$2,751.6
Service revenues	1,593.9	1,493.9	1,204.5
Total sales and service revenues	4,670.0	4,480.3	3,956.1
Cost of sales	2,096.8	2,031.6	1,854.8
Cost of services	1,494.3	1,411.4	1,118.6
Total costs of sales and services	3,591.1	3,443.0	2,973.4
	1,078.9	1,037.3	982.7
Selling, engineering, administrative and general expenses	882.4	836.9	811.9
Earnings from partnership operations	9.7	26.0	25.7
Earnings from operations	206.2	226.4	196.5
Other income (deductions)			
Interest expense	(39.4)	(39.4)	(45.4)
Interest earned	20.6	38.2	46.9
Royalties earned	11.7	9.6	9.9
Pension plan settlements	11.8	11.1	22.0
Other, net	1.8	16.8	16.9
Total other income, net	6.5	36.3	50.3
Earnings before income taxes, minority interest and equity earnings	212.7	262.7	246.8

Pension Plan Settlement

BADGER METER, INC. (DEC)

	1991	1990	1989
Net sales	$78,416,944	$77,099,914	$72,266,278
Operating costs and expenses:			
Cost of sales	49,192,872	46,675,867	44,540,042
Marketing and administrative	19,598,447	19,579,602	17,911,824
Research and engineering	6,254,217	5,895,859	4,893,896
	75,045,536	72,151,328	67,345,762
Operating earnings	3,371,408	4,948,586	4,920,516
Other (income) deductions:			
Interest expense	957,961	1,164,153	983,327
Foreign currency	33,260	141,439	33,543
Gain on pension settlement (Note 7)	(233,202)	—	—
Other—net	194,872	136,195	105,884
	952,891	1,441,787	1,122,754
Earnings before income taxes	2,418,517	3,506,799	3,797,762

Note Seven (In Part): Employee Benefit Plans

A. Pension Plans

• • • • • • • •

In the first quarter of 1991, the company reflected the impact of a special early retirement program. Based on Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," the company recorded a charge to earnings of $357,000 for special termination benefits and recognized a $83,000 curtailment gain. The termination and retirement liabilities were settled by the purchase of non-participating annuities which resulted in a settlement gain of $507,000. The net gain of $233,000 is reflected as Gain on Pension Settlement in the statement of income.

Litigation Settlements

PRAB ROBOTS, INC. (OCT)

	1991	1990	1989
Net sales	$15,876,289	$16,236,615	$21,437,583
Cost of sales	11,024,240	11,627,794	14,116,287
Gross profit	4,852,049	4,608,821	7,321,296
Selling, general and administrative expenses	4,925,504	5,509,024	6,892,062
Restructuring charges	—	66,319	1,825,969
Operating loss	(73,455)	(966,522)	(1,396,735)
Other income (expenses)			
Interest expense	(686,168)	(943,643)	(797,544)
Loss on disposal of investment	—	(141,927)	—
Gain (loss) on foreign currency transactions	(11,783)	414,419	(101,738)
Litigation settlements (Note 9)	231,881	477,865	—
Pension termination	246,314	—	—
Interest income	11,943	—	—
Loss on sale of property, plant and equipment	(360,110)	—	—
Loss from continuing operations	(641,378)	(1,159,808)	(2,296,017)

Note 9—Litigation Settlements

During 1991, an arbitration settlement was reached favorable to the Company. The arbitration was in connection with a claim against a plaintiff for reimbursement of expenses incurred to successfully defend a lawsuit. The total settlement amounted to $231,880. The legal expenses incurred were recorded by the Company in 1990.

During 1990, an out-of-court settlement of litigation was reached in which the Company was a plaintiff. The total settlement amounted to $850,000 and is presented net of directly related expenses of $372,135.

Restructuring Credit

SPS TECHNOLOGIES, INC. (DEC)

	1991	1990	1989
	(Thousands of dollars)		
Net sales	$374,482	$440,996	$423,190
Cost of goods sold	309,919	375,518	347,101
Gross profit	64,563	65,478	76,089
Selling, general and administrative expense	46,180	57,588	52,477
Restructuring charge (credit)	(1,346)	5,850	
Operating earnings	19,729	2,040	23,612
Other income (expense):			
Interest income	823	2,454	1,779
Interest expense	(7,714)	(10,601)	(8,578)
Equity in earnings (loss) of affiliates	(2,196)	389	1,607
Other, net	70	857	1,189
	(9,017)	(6,901)	(4,003)
Earnings (loss) from continuing operations before income taxes	10,712	(4,861)	19,609

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Restructure of Operations

The Company recorded a restructuring charge of $5,850,000 during the fourth quarter of 1990 for costs associated with the consolidation and reorganization of certain manufacturing activities and related reductions in work force. The charge included provisions for the write-down of assets, relocation of equipment and employee severance costs. This restructuring was completed in 1991 and excess accruals of $1,346,000 were credited to operating earnings in 1991.

Initial Public Offering

THE DOW CHEMICAL COMPANY (DEC)

	1991	1990	1989
		In millions	
Net sales	$18,807	$19,773	$17,600
Operating costs and expenses			
Cost of sales	12,661	13,035	10,478
Insurance and finance company operations, pretax income	(95)	(65)	(59)
Research and development expenses	1,159	1,136	873
Promotion and advertising expenses	721	639	494
Selling and administrative expenses	2,181	2,084	1,758
Amortization of intangibles	129	126	46
Special charge	370	—	—
Total operating costs and expenses	17,126	16,955	13,590
Operating income	1,681	2,818	4,010
Other income (expense)			
Equity in earnings of 20%—50% owned companies	118	143	138
Interest income	128	123	130
Capitalized interest	95	84	49
Interest expense and amortization of debt discount	(704)	(740)	(513)
Gains on foreign currency transactions	70	56	58
Gain on Destec Energy, Inc. public stock offering	213	—	—
Sundry income—net	87	79	63
Income before provision for taxes on income and minority interests	1,688	2,563	3,935

NOTES TO FINANCIAL STATEMENTS
In millions

C (In Part): Acquisitions and Divestitures

Until the first quarter of 1991, Destec Energy, Inc. was a 100 percent subsidiary of The Dow Chemical Company. Destec Energy, Inc. is a major, independent power company that develops, builds and operates facilities that produce and sell electrical and thermal energy, as well as synthetic fuel gas for use in energy production.

In March 1991, Destec Energy, Inc. completed an initial public offering ("IPO") of 17.25 million shares of its common stock at an offering price of $20 (twenty dollars) per share, which reduced the Company's ownership of Destec Energy, Inc. to approximately 72.3 percent. The proceeds to Destec Energy, Inc., from the IPO, after deducting commissions and offering expenses, were $325.

The Company recorded a $213 gain on the IPO in recognition of the net increase in value of The Dow Chemical Company's investment in Destec Energy, Inc. Deferred

tax expense was not provided for on this gain in recognition of the fact that the Company has both the ability and the intention to postpone indefinitely any turnaround of this basis difference.

Unrealized Gain On Marketable Securities

BASSETT FURNITURE INDUSTRIES, INCORPORATED (NOV)

	1991	1990	1989
Net sales	$401,616,062	$435,660,901	$459,890,525
Operating costs and expenses:			
Cost of goods sold	331,139,815	359,995,572	380,689,951
Selling, general and administrative	55,651,707	60,018,134	62,034,425
Restructuring charges	-0-	14,300,000	-0-
	386,791,522	434,313,706	442,724,376
Income from operations	14,824,540	1,347,195	17,166,149
Other income	10,107,912	11,485,312	9,740,689
Other deductions	(249,424)	(214,918)	(207,671)
Net unrealized gain (loss) on marketable securities	2,190,000	(5,750,000)	-0-
Income before income taxes	26,873,028	6,867,589	26,699,167

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B. Marketable Securities

At November 30, 1991, the portfolio of marketable securities had a cost of $32,938,955, and net unrealized losses of $3,560,000. At November 30, 1990, the portfolio had a cost of $32,142,435, and net unrealized losses of $5,750,000. These net unrealized losses are attributable principally to investments in equity securities of Dominion Bankshares Corporation (a major regional bank headquartered in Virginia) and a portfolio of securities managed by the Company's outside investment advisor. Net unrealized gains and losses on these securities are included in the determination of net income.

Investment Grants

VISHAY INTERTECHNOLOGY INC. (DEC)

	1991	1990	1989
	(In thousands)		
Net sales	$442,283	$445,596	$415,619
Costs of products sold	318,166	312,925	290,801
Gross profit	124,117	132,671	124,818
Selling, general, and administrative expenses	75,973	77,740	75,423
Restructuring expense	3,700	—	1,044
	44,444	54,931	48,351
Other income (expense):			
Interest expense	(15,207)	(19,426)	(21,068)
Amortization of goodwill	(1,695)	(1,552)	(1,502)
Other	(289)	2,344	1,439
Unusual items	—	(2,441)	(802)
	17,191	(21,075)	(21,933)
Earning before income taxes	27,253	33,856	26,418

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary Of Significant Accounting Policies

Investment Grants

Investment grants received by certain foreign subsidiaries are recognized as income when conditions for receipt are met.

8. Other Income

Other income (expense) consists of the following (in thousands):

	Year Ended December 31		
	1991	1990	1989
Foreign exchange gains (losses)	$ 41	$ (168)	$ (1,062)
Investment income	797	2,257	2,290
Investment grants	106	980	881
Other	(1,233)	(725)	(670)
	$ (289)	$2,344	$ 1,439

Unusual Gain

ACME STEEL COMPANY (DEC)

	1991	1990	1989
	(in thousands)		
Net sales	$376,951	$446,042	$439,412
Costs and expenses			
Cost of products sold	335,503	396,790	375,902
Depreciation expense	13,700	12,540	11,624
Gross profit	27,748	36,712	51,886
Selling and administrative expense	29,219	27,916	25,751
Operating income (loss)	(1,471)	8,796	26,135
Non-operating income (expense)			
Interest—net	(4,211)	(4,178)	(2,116)
Unusual income item	1,241	4,005	—
Other—net	1,391	765	2,107
Income (loss) before income taxes	(3,050)	9,388	26,126

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unusual Income Item

In 1991, the company recorded a benefit from an unusual item related to the assignment of Acme's rights in claims allowed in the LTV Steel Company, Inc. bankruptcy to a third party. This transaction added $1.2 million of pre-tax income to 1991 results.

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 were invested at the iron ore operation to fund its required capital expenditure program to control air emissions.

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 3-16), segment disposals, and extraordinary losses (Table 3-17). Examples of expenses and losses follow.

TABLE 3-5: EXPENSES—COST OF GOODS SOLD CAPTIONS

	1991	1990	1989	1988
Single Amount				
Cost of sales	252	247	253	242
Cost of goods sold	113	106	102	104
Cost of products sold	109	114	113	114
Elements of cost	3	7	8	10
Other captions	87	89	83	95
	564	563	559	565
More Than One Amount	36	37	41	35
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-6: EXPENSES—OTHER THAN COST OF GOODS SOLD

	Number of Companies			
	1991	1990	1989	1988
Selling, general and administrative	355	336	327	329
Selling and administrative	157	166	166	166
General and/or administrative	60	72	80	78
Selling	8	14	21	13
Interest	585	575	572	572
Research, development, engineering, etc	296	301	284	295
Maintenance and repairs	79	84	94	93
Taxes other than income taxes	62	62	61	62
Advertising	41	47	53	47
Bad debts	31	29	26	28
Exploration, dry holes, abandonments	24	26	24	27

EXPENSES

Cost Of Goods Sold

ANACOMP, INC. (SEP)

	1991	1990	1989
	(DOLLARS IN THOUSANDS)		
Revenues:			
Services provided	$224,502	$213,658	$201,024
Equipment and supply sales	410,859	438,580	447,859
	635,361	652,238	648,883
Operating costs and expenses:			
Costs of services provided	142,151	136,124	129,814
Costs of equipment and supplies sold	281,805	294,923	308,803
Selling, general and administrative expenses	105,861	108,589	106,499
	529,817	539,636	545,116
Income from continuing operations before interest, income taxes, and extra-ordinary credits	105,544	112,602	103,767

BMC INDUSTRIES, INC. (DEC)

	1991	1990	1989
	(in thousands)		
Net sales	$203,185	$174,998	$164,858
Operating costs and expenses			
Cost of products sold	171,956	151,410	138,104
Selling	8,122	8,078	8,865
Administrative	5,513	3,880	4,358
Total operating costs and expenses	185,591	163,368	151,327
Income from operations	17,594	11,630	13,531

ECHLIN INC. (AUG)

	1991	1990	1989
	(Dollars in thousands)		
Net sales	$1,685,876	$1,601,254	$1,454,492
Cost of goods sold	1,232,726	1,147,940	1,054,650
Gross profit on sales	453,150	453,314	399,842
Selling and administrative expenses	371,980	368,380	326,221
Income from operations	81,170	84,934	73,621
Interest expense	29,009	21,886	24,594
Interest income	9,049	5,903	13,677
Interest expense, net	19,960	15,983	10,917
Income before taxes	61,210	68,951	62,704

TABLE 3-7: LOSSES

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Restructuring of operations	141	114	93	74
Intangible asset amortization	89	85	69	67
Foreign currency transactions	88	99	94	96
Write-down of assets	68	71	47	43
Sale of assets	43	36	29	25
Equity in losses of investees	34	22	19	29
Environmental	29	29	N/C	N/C
Minority interest	28	33	34	34
Litigation settlements	17	19	9	17

N/C—Not Compiled.

JOHN FLUKE MFG. CO., INC. (SEP)

	1991	1990	1989
	(In thousands)		
Revenues	$239,651	$233,839	$247,695
Cost of Goods Sold	126,578	121,183	125,674
Gross Margin	113,073	112,656	122,021

MOSINEE PAPER CORPORATION (DEC)

	1991	1990	1989
	(In thousands)		
Net sales	$197,424	$210,382	$233,114
Cost of sales	168,556	169,671	195,091
Gross profit on sales	28,868	40,711	38,023

Interest Expense

CHIQUITA BRANDS INTERNATIONAL, INC. (DEC)

	1991	1990	1989
	(In thousands)		
Net sales	$4,627,397	$4,272,660	$3,822,770
Operating expenses			
Cost of sales	3,887,055	3,639,569	3,313,703
Selling, general and administrative expenses	447,455	408,957	322,992
Depreciation	66,732	50,372	43,954
	4,401,242	4,098,898	3,680,649
Operating income	226,155	173,762	142,121
Interest income	47,444	31,618	28,213
Interest expense	(93,525)	(62,762)	(62,327)
Other income, net	3,321	9,000	2,560
Income before income taxes	183,395	151,618	110,567

Research And Development

CATERPILLAR INC. (DEC)

	1991	1990
	(Millions of dollars)	
Sales	$ 9,838	$11,103
Operating costs:		
Cost of goods sold	8,451	9,218
Selling, general, and administrative expenses	1,245	1,290
Research and development expenses (note 2)	272	238
Provision for plant closing and consolidation costs	262	—
	10,230	10,746
Operating income (loss)	(392)	357

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Research and Engineering Expenses

Research and engineering expenses include both "Research and development expenses" for new product development and charges to "Cost of goods sold" for ongoing efforts to improve existing products.

Provision For Doubtful Accounts

O'SULLIVAN CORPORATION (DEC)

	1991	1990	1989
Net sales	$196,374,954	$198,659,566	$218,609,089
Costs and expenses			
Cost of sales	$177,532,380	$165,147,867	$184,072,047
Selling and warehousing	5,614,066	5,097,672	5,606,858
Provision for doubtful accounts	550,000	730,000	—
General and administrative	4,696,264	4,562,262	4,665,150
Provision for restructuring charge	5,025,000	—	—
	$193,417,710	$175,537,801	$194,344,055
Income from operations	$ 2,957,244	$ 23,121,765	$ 24,265,034

Advertising

HASBRO, INC. (DEC)

	1991	1990	1989
	(Thousands of Dollars)		
Net revenues	$2,141,096	1,520,032	1,409,678
Cost of sales	967,359	697,359	662,486
Gross profit	1,173,737	822,215	747,192
Expenses			
Research and product development	78,983	62,277	58,876
Royalties	113,468	69,030	57,572
Advertising	325,282	208,342	191,785
Selling, distribution and administrative	418,631	322,274	268,880
Total expenses	936,364	661,923	577,113
Operating income	237,373	160,292	170,079

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Advertising

Production costs of commercials and programming are charged to operations in the year first aired. The costs of other advertising, promotion and marketing programs are charged to operations in the year incurred.

LOSSES

Restructuring Of Operations

ALLIED-SIGNAL INC. (DEC)

	1991	1990	1989
	(Dollars in millions)		
Net sales	$11,831	$12,343	$11,942
Cost of goods sold	9,912	10,224	9,659
Selling, general and administrative expenses	1,363	1,387	1,333
Streamlining and restructuring	847	—	—
Total costs and expenses	12,122	11,611	10,992
Income (loss) from operations	(291)	732	950

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions)

Note 2. Streamlining and Restructuring

The 1991 provision reflects a pretax charge of $907 million (after-tax $661 million, or $4.84 a share) covering streamlining, restructuring and environmental charges and costs for the rationalization of facilities. Of this provision, $60

million was included on the "Equity in Income of Affiliated Companies" line since it relates to a business of the UOP process technology joint venture (UOP). The provision includes costs for the elimination of about 5,600 salaried jobs, mainly through severance programs, the consolidation of production facilities and administrative functions and the rationalization of several product lines as well as the disposition of nine non-strategic business units. Also included in the provision is $190 million for environmental costs of previously sold or shutdown facilities, as a result of revisions in estimates or the completion of studies, as well as facilities to be disposed of in connection with the restructuring.

CINCINNATI MILACRON INC. (DEC)

	1991	1990	1989
		(In millions)	
Sales	$754.0	$805.2	$789.3
Costs and expenses			
Costs of products sold	603.2	632.8	611.1
Selling and administrative	132.2	136.0	123.2
Closing and relocation charge	75.1	—	—
Special charge	—	26.6	—
Other—net	1.8	3.0	(1.8)
Total costs and expenses	812.3	798.4	732.5
Operating earnings (loss)	(58.3)	6.8	56.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Closing and Relocation Charge

In the third quarter of 1991, the company recorded a nonrecurring charge aggregating $90.0 million, for which no tax benefit is currently available, to address problems in loss operations. Of the total charge, $75.1 million relates to the relocation of centerless grinding machine and turning center manufacturing operations, the sale or other disposal of the company's remaining grinding machine assets and product lines, and the closing of the company's turning center factory in Wilmington, Ohio.

An additional $14.9 million, which is included in discontinued operations in the Consolidated Statement of Earnings, relates to the revaluation for sale of the company's coordinate measurement and inspection machine business, *LK Tool.*

FARR COMPANY (DEC)

	1991	1990	1989
		($000)	
Net Sales	$112,410	$84,899	$77,243
Costs and Expenses:			
Cost of sales	86,546	59,207	53,014
Selling, general and administrative expenses	22,273	19,116	18,051
Interest expense	2,341	1,498	1,665
Restructuring costs	5,733		
Total Costs and Expenses	116,893	79,821	72,730
(Loss) Income Before Income Taxes	(4,483)	5,078	4,513

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Restructuring Costs

The costs of the integration of Cambridge Filter Corporation's business and restructuring of the Company's operations reduced the 1991 results by approximately $5,733,000 of which $3,600,000 relates to the implementation of a new computer system, enhancing its capabilities to handle the business activities of the combined operations. Other restructuring costs relate primarily to: the relocation of the Company's previously existing plant facilities, equipment and personnel, the write-off of discontinued products and modifying sales literature and business procedures.

THE PERKIN-ELMER CORPORATION (JUL)

	1991	1990	1989
		(Dollar amounts in thousands)	
Revenues	$874,357	$837,740	$784,252
Cost of sales	448,151	439,983	388,308
Gross margin	426,206	397,757	395,944
Selling, general and administrative	286,941	262,792	249,645
Research, development and engineering	65,918	63,387	61,554
Provision for restructured operations	53,000	—	—
Operating income	20,347	71,578	84,745

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Provision for Restructured Operations

In the third quarter, the Company recorded a $53.0 million ($46.2 million after-tax) charge to consolidate certain of the Company's operations. This plan entails consolidating manufacturing, engineering and marketing functions worldwide, and discontinuing certain unprofitable product lines. The provision includes severance payments, write-downs of inventory and accounts receivable to estimated realizable values, facilities consolidation costs, outside professional fees and other expenses associated with the restructuring plan. The restructuring charge impacts both of the Company's industry segments as well as the Corporate office. At July 31, 1991, $36.5 million is included in other accrued expenses related to restructuring costs.

TELEDYNE, INC. (DEC)

	1991	1990	1989
		(In millions)	
Sales	$3,206.8	$3,445.8	$3,531.2
Costs and Expenses:			
Cost of sales	2,571.5	2,769.0	2,750.2
Selling and administrative expenses	508.6	529.9	505.9
Restructuring cost	107.6	—	—
Interest expense	61.9	68.4	69.6
Other income	(11.0)	(17.9)	(26.2)
	3,238.6	3,349.4	3,299.5
Income (Loss) of Continuing Operations before Income Taxes	(31.8)	96.4	231.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Restructuring. During the third quarter of 1991, the Company approved a restructuring plan which includes the possible sale, closure or transfer of certain operations. The intent of the restructuring plan is to focus on the Company's technology-based businesses in which it has significant leadership roles. Among the operations included in the plan for possible sale or closure are three in energy exploration, drilling and supply, two in engine manufacture or overhaul, six in aviation related components, hydraulic devices and instrumentation, three in welding systems and equipment, six in metal, wood and paper businesses and four in electrical equipment manufacturing. The estimated cost, before tax, of the restructuring plan was $107.6 million. The restructuring charge represents the estimated loss for those operations where the disposal or transfer is expected to result in a loss. For those operations where the disposal is expected to result in a gain, no gain will be recognized until realized. Sales of operations which the Company plans to sell or close were $514.8 million for the year ended December 31, 1991.

Foreign Currency Transactions

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

	1991	1990	1989
		(In thousands)	
Net sales	$1,124,902	$964,453	$867,295
Operating costs and expenses:			
Cost of goods sold	$ 489,196	$443,425	$407,713
Research and development	78,290	72,482	65,714
Selling	261,077	220,016	183,730
General and administrative	107,883	93,512	82,423
Product discontinuation	—	3,542	—
	$ 936,446	$832,977	$739,580
Operating income	$ 188,456	$131,476	$127,715
Investment income	13,523	11,649	16,664
Interest expense	(22,320)	(16,648)	(12,118)
Net exchange loss	(10,075)	(3,782)	(3,713)
Gain from sale of AGRION	—	—	10,998
Income before income taxes and minority interest	$ 169,584	$122,695	$139,546

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Translation of foreign currencies and foreign exchange hedging: All assets and liabilities in the balance sheets of foreign subsidiaries whose functional currency is other than the U.S. dollar are translated at year-end exchange rates. Translation gains and losses are not included in determining net income but are accumulated as a separate component of shareholders' equity. For subsidiaries considered to be operating in highly inflationary countries and for certain other subsidiaries, the U.S. dollar is the functional currency, and translation gains and losses are included in determining net income. Foreign currency transaction gains and losses are included in determining net income.

The Company uses forward foreign exchange contracts to hedge open foreign denominated payables and receivables and also to hedge firm sales and purchase commitments with its foreign subsidiaries. Realized and unrealized gains and losses are deferred and recognized as the related transactions are settled.

Intangible Asset Amortization

BAXTER INTERNATIONAL INC. (DEC)

	1991	1990	1989
		(in millions)	
Net sales	$8,921	$8,100	$7,399
Operating costs and expenses			
Cost of goods and services sold	5,651	5,197	4,754
Marketing and administrative expenses	1,825	1,647	1,566
Research and development expenses	289	261	245
Goodwill amortization	68	67	68
Restructuring program costs	—	566	—
Total operating costs and expenses	7,833	7,738	6,633
Operating income	1,088	362	766

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Goodwill

Goodwill represents the excess of cost over the fair value of net assets acquired and is amortized on a straight-line basis over estimated useful lives not exceeding 40 years. As of December 31, 1991 and 1990, accumulated amortization was $407 and $339 million, respectively.

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

	1991	1990	1989
		(dollars in thousands)	
Net sales	$2,191,885	$2,074,924	$1,940,738
Operating expenses:			
Cost of sales	1,888,671	1,793,676	1,679,715
Selling, general and administrative	209,008	198,268	183,441
Total	2,097,679	1,991,944	1,863,156
Operating earnings	94,206	82,980	77,582
Nonoperating expense (income), net:			
Amortization of intangibles	8,595	9,214	7,869
Interest, net	20,748	26,899	22,359
Corporate and other	(1,330)	1,261	(16,781)
Total	28,013	37,374	13,447
Earnings before income taxes	66,193	45,606	64,135

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangibles. Intangibles, primarily representing costs in excess of net tangible asset values of businesses acquired, are amortized on a straight-line basis over not more than a 40-year period. Accumulated amortization of intangible assets amounted to $32,707,000 in fiscal 1991 and $24,636,000 in fiscal 1990.

Note 3: Amortization of Intangibles

Amortization of intangibles by business segment was as follows:

(in thousands)	1991	1990	1989
U.S. Foodservice	$8,389	$8,819	$7,547
Canadian Foods	82	79	118
North American Agriculture	122	313	197
Venezuelan Foods	2	3	7
Total amortization of intangibles	$8,595	$9,214	$7,869

WHITMAN CORPORATION (DEC)

	1991	1990	1989
		(in millions)	
Sales and revenues	$2,393.3	$2,305.0	$2,184.0
Cost of goods sold	1,555.4	1,513.7	1,450.1
Gross profit	837.9	791.3	733.9
Selling, general and administrative expenses	548.4	541.7	507.3
Amortization expense	17.7	17.2	16.2
Restructuring charge	—	170.8	—
Operating income	271.8	61.6	210.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

One (In Part): Significant Accounting Policies

Intangible assets. Intangible assets consist of the excess of cost over fair market value of tangible assets acquired, reflecting premiums paid for consumer franchises, brand names, trademarks, patents, distribution systems, manufacturing know-how and other intangible assets. Such premiums are being amortized on a straight-line basis over periods not exceeding 40 years.

Thirteen (In Part): Segment Reporting

Beginning in 1991, the Company revised the income statement reporting format to include amortization expense as an operating expense, which previously had been reported as a separate expense caption after operating income. The financial information has been reclassified to reflect this revision in reporting format.

Write-Down Of Assets

ADOLPH COORS COMPANY (DEC)

	1991	1990	1989
		(In thousands)	
Sales	$2,278,301	$2,025,322	$1,861,170
Less—federal and state beer excise taxes	360,879	186,756	170,467
Net sales	1,917,422	1,838,566	1,690,703
Costs and expenses:			
Cost of goods sold	1,332,201	1,249,052	1,158,861
Marketing, general and administrative	505,519	462,911	433,435
Research and project development	28,419	22,219	22,991
Asset write-downs (Note 7)	29,599	—	41,670
Special charge (Note 7)	—	30,000	—
Total operating expenses	1,895,738	1,764,182	1,656,957
Operating income	21,684	74,384	33,746

Note 7: Asset Write-Downs and Special Charge

Fourth quarter results for 1991 include a non-cash pretax charge of $29,599,000 related to asset write-downs at Coors Energy Company. Certain assets of Coors Energy Company were evaluated for disposition, and the net book value of these assets was adjusted to estimated fair market value. The impact of the asset write-down on 1991 earnings was $9,900,000, or $0.26 per share, and reflects a tax benefit from the reversal of deferred taxes previously recorded at higher tax rates. Subsequent to the end of the year, Coors Energy Company reached an agreement to sell a substantial portion of its oil and gas assets in eastern Colorado for $15,250,000.

Included in 1990 is a special non-cash pretax charge to expense 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 cleanup 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 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 the fourth quarter of 1989 is a non-cash charge to expense of $41,670,000 representing the excess of net book value over estimated recoverable value for certain assets. The impact of these charges on 1989 fiscal year net earnings was $26,232,000, or $0.71 per share. The Company decided to offer for sale certain 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 had also written-off the cost of certain conceptual engineering studies for projects the Company no longer considered feasible and wrote-down assets used in a snack food business that was sold during 1990.

DSC COMMUNICATIONS CORPORATION (DEC)

	1991	1990	1989
		(In thousands)	
Revenue	$461,455	$519,298	$429,730
Operating costs and expenses:			
Cost of revenue	338,373	327,631	254,370
Research and product development	63,842	51,792	43,944
Selling, general and administrative	88,621	86,782	77,892
Write-down of assets	36,800	1,270	—
Provision for doubtful receivables	7,100	2,769	—
Restructuring costs	4,184	3,505	—
Other operating costs	4,440	1,977	—
Total operating costs and expenses	543,360	475,726	376,206
Operating income (loss)	(81,905)	43,572	53,524

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Write-down OF Assets

The 1991 write-down of assets included a reduction in the carrying value of certain inventory, capitalized software development costs and property and equipment to their estimated net realizable values as follows (in thousands):

Inventory	$25,300
Capitalized software development costs	9,500
Property and equipment	1,700
Other	300
	$36,800

These write-downs resulted from the Company's reassessment of anticipated near-term business levels in light of the current economic environment and the related impact on estimated revenue levels. Although the Company believes that, based on its current assessment of future business levels, the write-down is adequate, no assurances can be given should actual business levels be significantly lower than anticipated.

During 1990, the Company wrote down assets associated with a minority-owned joint venture by $4,039,000. In December 1991, the Company sold its interest in the joint venture to its majority venture partner for which no significant gain or loss was recognized. As of December 31, 1991, the Company held inventory with a net book value of approximately $865,000 which is expected to be recovered through future sales.

Sale Of Assets

AULT INCORPORATED (MAY)

	1991	1990	1989
Net sales	$19,531,357	$17,095,558	$17,634,918
Cost of goods sold	14,696,727	12,890,300	12,901,491
Gross profit	$ 4,834,630	$ 4,205,258	$ 4,733,427
Operating expenses:			
Marketing	$ 2,068,704	$ 2,043,641	$ 1,921,204
Design engineering	1,062,815	961,535	691,458
General and administrative	1,922,427	1,408,633	1,535,857
	$ 5,053,946	$ 4,413,809	$ 4,148,519
Operating income (loss)	$ (219,316)	$ (208,551)	$ 584,908
Nonoperating income (expense):			
Interest income	21,630	88,493	62,431
Interest expense	(90,428)	(65,539)	(74,107)
Gain (loss) on disposal of equipment	(5,303)	(3,906)	27,215
Other	(1,115)	21,858	11,632
Income (loss) before income taxes	$ (294,532)	$ (167,645)	$ 612,079

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

	1991	1990	1989
		(In thousands)	
Operating Revenues			
Coal sales	$ 47,182	$ 48,589	$ 45,953
Rental income	25,525	20,814	526
	72,707	69,403	46,479
Operating Costs And Expenses			
Cost of sales	43,884	44,593	40,489
Real estate property costs	6,840	4,891	194
Depreciation, depletion and amortization	10,495	9,081	4,313
Selling, general and administrative	15,990	13,922	10,967
	77,209	72,487	55,963
Operating Loss	(4,502)	(3,084)	(9,484)
Other Income (Expenses)			
Interest income	3,300	8,976	19,249
Interest and debt expense	(22,259)	(22,075)	(10,767)
Environmental provision	(15,200)	—	(29,514)
Write-down of certain assets	(3,163)	—	(16,486)
Gain (loss) on sales of marketable securities (Note 3)	(1,382)	(3,209)	7,206
Unrealized gains (losses) (Note 3)	(1,177)	9,299	(9,095)
Other, net	(3,749)	182	(3,047)
	(43,630)	(6,827)	(42,454)
Loss from continuing operations before taxes on income	(48,132)	(9,911)	(51,938)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Marketable Securities

At December 31, 1990, marketable securities had a cost of $0.6 million, which approximated market value. During 1991, the Company realized losses of $1.4 million from marketable securities transactions and recorded net unrealized losses of $1.2 million. The unrealized losses are comprised of $1.8 million of net unrealized losses on marketable securities positions held at December 31, 1991, reduced by $0.5 million from the reversal of unrealized losses on marketable securities held and marketable securities short positions open at December 31, 1990 (which were closed during 1991), and $0.1 million of unrealized foreign currency translation gains on assets and liabilities other than marketable securities.

ROBERTSON-CECO CORPORATION (DEC)

	1991	1990	1989
		(In thousands)	
Revenue			
Net product sales	$452,108	$417,313	$425,585
Construction and other services	199,345	134,592	114,927
Total	651,453	551,905	540,512
Cost and Expenses			
Product costs	399,114	352,802	356,101
Construction and other services	178,368	121,969	103,346
Cost of sales	577,482	474,771	459,447
Selling, general and administrative	99,884	76,251	66,807
Product research and development	2,045	2,206	2,252
Restructuring expense (income)—net	34,776	(2,105)	—
Total	714,187	551,123	528,506
Operating income (loss)	(62,734)	782	12,006
Other income (expense)			
Interest expense	(20,910)	(11,861)	(10,655)
Gain (loss) on businesses sold/held for sale	(25,371)	—	1,211
Royalty income	2,035	1,804	2,029
Interest income	890	968	1,712
Other income (expense)—net	(913)	121	1,878
Total	(44,269)	(8,968)	(3,825)
Income (loss) from continuing operations before provision for taxes on income	(107,003)	(8,186)	8,181

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Acquisitions and Divestitures

The transactions described above are included in the Consolidated Statements of Income as follows:

	Years ended December 31		
	1991	1990	1989
Gain (loss) on business sold/held for sale			
X-1 Business	$(12,195)	—	—
Foreign subsidiary	(12,400)	—	—
Other	(776)	—	$ 1,211
Total	$(25,371)	—	$ 1,211
Loss from discontinued operations			
Income (loss) from discontinued operations			
Fixed price custom curtainwall	$(8,165)	$(3,500)	$(1,148)
Door business	8,983	1,556	—
Total	818	(1,944)	(1,148)
Loss on sale of business segment			
Door business	(16,587)	—	—
Total	$(15,769)	$(1,944)	$(1,148)

Equity In Loss Of Investees

MCDERMOTT INTERNATIONAL, INC. (MAR)

	1991	1990	1989
		(In thousands)	
Revenues	$3,135,954	$2,644,690	$2,166,806
Costs and Expenses:			
Cost of operations	2,815,112	2,399,947	1,928,875
Depreciation and amortization	103,398	112,966	107,658
Selling, general and administrative expenses	228,410	221,183	187,453
	3,146,920	2,734,096	2,223,986
Operating Loss	(10,966)	(89,406)	(57,180)
Other Income (Expense):			
Interest income	73,094	74,751	73,079
Interest expense	(111,683)	(135,865)	(129,204)
Equity in loss of investees	(29,685)	(9,422)	(15,544)
Minority interest	(1,220)	(14,726)	(14,528)
Other—net	9,433	52,094	11,085
	(60,061)	(33,168)	(75,112)
Loss from Continuing Operations before Provision for (Benefit from) Income Taxes and Cumulative Effect of Accounting Change	(71,027)	(122,574)	(132,292)

Minority Interest

PITTWAY CORPORATION (DEC)

	1991	1990	1989
		(Dollars in Thousands)	
Net Sales	$981,631	$944,141	$847,554
Operating Expenses:			
Cost of sales	606,988	597,353	538,912
Selling, general and administrative	278,898	260,613	227,374
Depreciation and amortization	46,502	44,373	33,752
	932,388	902,339	800,038
Operating Income	49,243	41,802	47,516
Other Income (Expense):			
Interest income	2,240	2,775	6,421
Interest expense	(12,869)	(13,237)	(9,968)
Equity in net income of affiliates	302	3,626	10,024
Minority interests	(1,295)	(1,382)	(2,339)
Miscellaneous, net	4,545	6,429	1,975
	(7,077)	(1,789)	6,113
Income Before Income Taxes	42,166	40,013	53,629

Litigation Settlements

NORTEK, INC. (DEC)

	1991	1990	1989
		(In Thousands)	
Net Sales	$917,049	$1,037,239	$1,080,225
Costs, Expenses and Other:			
Cost of products sold	693,091	808,382	842,534
Selling, administrative and other, net	212,943	245,369	236,710
	906,034	1,053,751	1,079,244
Operating earnings (loss)	11,015	(16,512)	981
Interest expense	(39,184)	(48,949)	(63,901)
Interest and dividend income	8,769	15,111	27,320
Net gain (loss) on investments and marketable securities	400	(10,000)	(23,900)
Settlement of litigation	(11,500)	—	—
Loss on business sold	(15,200)	—	—
Loss from continuing operations before income tax credit	(45,700)	(60,350)	(59,500)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Commitments and Contingencies

In the first quarter of 1990, as a result of a jury trial, the Circuit Court of the State of Oregon for the County of Multnomah, entered a judgement of $12.4 million, as modified, for the former selling shareholders ("the Pozzis") against Nortek, Inc. for actual damages, plus interest and attorney's fees and costs, in an action in which the Pozzis claimed that the Company committed fraud and failed to act in good faith and deal fairly with respect to the stock purchase agreement of the Company's Bend Millwork Systems Company, subsequent employment of the Pozzis, and various other claims. This litigation had been under appeal since 1990 and accordingly the Company had not recorded any liability. At December 31, 1991, the judgement, as modified, including interest and attorney fees of the Pozzis aggregated approximately $16,500,000. In December 1991, the Company recorded an $11,500,000 pre-tax charge ($.47 per share, net of tax) in connection with a settlement agreement with the Pozzis. Payment to the Pozzis was made on March 6, 1992 by an insurance company that held, at December 31, 1991, $16,500,000 of the Company's restricted investments and marketable securities as collateral for a security bond (see Note 1).

WOLVERINE WORLD WIDE, INC. (DEC)

	1991	1990	1989
	(Thousands of Dollars)		
Net sales and other operating income	$313,820	$322,170	$323,591
Cost of products sold	213,536	224,756	226,961
Gross Margin	100,284	97,414	96,630
Selling and administrative expenses	85,641	84,824	82,358
Restructuring charge—Note J		11,555	
	85,641	96,379	82,358
Operating Income	14,643	1,035	14,272
Other expenses (income):			
Interest expense	5,207	5,119	5,630
Interest income	(488)	(407)	(437)
Litigation settlement and related costs—Note K	7,500	4,645	1,200
Other income	(2,113)	(2,082)	(2,408)
	10,106	7,275	3,985
Earnings (Loss) Before Income Taxes	4,537	(6,240)	10,287

Note K—Litigation

On March 2, 1992, the Company settled lawsuits which were filed in 1989 and 1990 in federal district court in the Northern District of Texas by Southwest Hide Company and First Security Bank of Utah. The settlement involved a cash payment of $6 million and the issuance of subordinated convertible notes in the aggregate amount of $2.5 million (see Note E). To provide for the settlement, the Company recognized an additional charge of $7.5 million in its 1991 financial statements, which after applicable income taxes, reduced net earnings by $6.1 million ($0.93 per share). Similar provisions in 1990 and 1989, which amounted to $4,645,000 ($0.70 per share) and $800,000 ($0.12 per share), respectively, after income taxes, related primarily to defense costs and losses associated with liquidating an affiliated partnership which was a principal party to the litigation.

The Company is involved in various other legal actions arising in the normal course of business. After taking into consideration legal counsel's evaluation of such actions, management is of the opinion that their outcome will not have a significant effect on the Company's consolidated financial position or results of operations.

Environmental Cleanup Costs

HERCULES INCORPORATED (DEC)

	1991	1990	1989
	(Dollars in thousands)		
Net Sales	$2,928,940	$3,199,932	$3,091,669
Cost of sales	2,157,286	2,411,801	2,382,741
Estimated contract completion costs in excess of future revenues	68,000	—	323,000
Selling, general and administrative expenses	410,566	454,211	426,434
Research and development	86,126	92,201	78,457
Other operating expenses, net (Note 6)	19,721	51,598	2,330
Income (loss) from operations	187,241	190,121	(121,293)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Environmental Expenditures

Environmental expenditures that pertain to current operations and relate to future revenues are expensed or capitalized consistent with the company capitalization policy. Expenditures that result from the remediation of an existing condition caused by past operations, that do not contribute to current or future revenues, are expensed. Liabilities are recognized for remedial activities when the cleanup is probable and the cost can be reasonably estimated. The timing of liability recognition generally coincides with the need for Hercules' commitment to a formal plan of action.

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

6. Other Operating Expenses, Net

During 1991, the net charge includes environmental cleanup costs for nonoperating sites of $11,141, restructur-

ing costs of $11,209 and a pension curtailment gain of $2,629 relating to restructurings. The charge in 1990 represents facility shutdown costs of $22,125, severance benefits of $17,891 for personnel reductions (principally corporate staff) and environmental cleanup costs of $6,336.

THE INTERLAKE CORPORATION (DEC)

	1991	1990	1989
		(in thousands)	
Net Sales of Continuing Operations	$714,742	$786,279	$827,739
Cost of products sold	521,803	578,173	618,719
Selling and administrative expense	128,056	135,973	143,545
Unusual items	3,344	13,482	26,146
Operating Income	61,539	58,651	39,329
Interest expense	58,654	65,671	23,432
Interest income	(2,508)	(3,634)	(4,000)
Dividend income	(220)	(900)	(1,350)
Nonoperating (income) expense (1991 includes a $6,000,000 charge for environmental matters —see Note 11)	5,186	(2,378)	365
Income (Loss) from Continuing Operations Before Taxes on Income and Minority Interest	427	(108)	20,882

Note 11—Environmental Matters

Some of the Company's past and present operations involve activities which are subject to extensive and changing federal and state environmental regulations and can give rise to environmental issues. As a result, the Company is from time to time involved in administrative and judicial proceedings and administrative inquiries related to environmental matters.

The Company has been identified by the United States Environmental Protection Agency as a potentially responsible party in connection with an ongoing investigation of a site on the St. Louis River in Duluth, Minnesota, where a predecessor of the Company had owned and operated a facility. The facility related to the predecessor's iron and steel division and was shut down in 1961 and is unrelated to the ongoing business of the Company. The site has been placed on the national priorities list (also known as the "Superfund" list) of the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980. In March 1991, the Minnesota Pollution Control Agency ("MPCA") issued a Request for Response Action ("RFRA") to the Company and two other corporations identifying each of them as a "responsible person" with respect to specific portions of the Duluth site. Under the RFRA, the Company believes it will be responsible for only small tar seep areas and contiguous soil areas located at that portion of the Duluth site for which it has been designated responsible by the MPCA. The RFRA does not cover underwater sediments in areas adjacent to the Duluth site. No governmental agency has made any determination as to whether any remediation of underwater sediments will be required. Based on investigations and studies completed during 1991, the Company's present estimate of potential costs related to that portion of the Duluth site for which it believes it will have liability is $4,500,000. In making this estimate, the Company has not assumed any recoveries from insurance or third parties. During 1991, the Company also reviewed several other environmental matters involving nonoperating locations and estimated total costs of $1,500,000 related to these matters. As a result, the Company made a special charge of $6,000,000 to nonoperating expenses to provide for all these matters.

Based on information available as of December 29, 1991, including an evaluation of all locations where the Company may have environmental liability, including without limitation, the evaluation relating to the Duluth site referred to above, the Company believes that the costs of known environmental matters either have been fully provided for or are unlikely to have a material adverse effect on the Company's business or consolidated financial condition.

Sales Of Accounts Receivable

CULBRO CORPORATION (NOV)

	1991	1990	1989
		(dollars in thousands)	
Net sales and other revenue	$1,104,272	$908,295	$945,531
Costs and expenses			
Cost of goods sold	965,208	792,265	818,760
Selling, general and administrative expenses	110,680	98,568	105,612
Restructuring charges	—	—	4,800
Loss on sale of business	3,300	—	—
Other expense (income), net	900	(2,264)	—
Operating income	24,184	19,826	16,359
Equity in net loss (income) of Centaur	1,940	(260)	(1,332)
Fees on sales of accounts receivable	1,063	—	—
Interest expense, net	15,271	14,904	16,076
Income before income taxes	5,910	5,182	1,615

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

Note 3—Sales of Accounts Receivable

On June 25, 1991, the Corporation entered into a three year agreement with a major bank to sell, without recourse, up to $35 million of undivided fractional interests in a designated pool of receivables of the Corporation's consumer products businesses. As receivables are collected, new receivables are sold to replace them. At November 30, 1991, $30 million of outstanding accounts receivable had been sold under this agreement. The Corporation

pays certain fees at the time of each sale. On September 25, 1991, the Corporation entered into a two year swap agreement with a major bank to fix the fees at 6.4% for $20 million of accounts receivable sales. Management believes that the risk of loss due to nonperformance by the bank is minimal.

Terminated Equity Transaction

MAGNETEK, INC. (JUN)

	1991	1990	1989
	(Amounts in thousands)		
Net sales	$1,134,321	$1,055,420	$961,649
Cost of sales	845,597	790,087	737,715
Gross profit	288,724	265,333	223,934
Selling, general and administrative expenses	173,134	157,520	134,613
Income from operations	115,590	107,813	89,321
Interest expense	41,924	43,874	47,763
Other expense, net	8,919	7,611	6,812
Expenses from terminated equity transaction	2,900	—	—
Income before provision for income taxes and extraordinary item	61,847	56,328	34,746

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Expenses from terminated equity transaction

On January 30, 1991, the Company announced an agreement in principle with Kelso & Company, Inc., a private merchant banking firm ("Kelso"), contemplating the purchase by Kelso of 4.58 million shares of the Company's authorized but unissued Common Stock for a net purchase price of $12.00 per share and the purchase by Kelso, pursuant to separate agreements, of approximately 7.9 million shares of MagneTek Common Stock from two original MagneTek investors (collectively the "Partnerships"). Net proceeds to the Company were expected to be approximately $55 million. The Company and Kelso entered into a definitive stock purchase agreement (the "Kelso Agreement") on April 16, 1991. The Agreement was conditioned upon, among other things, Kelso receiving certain assurances which it desired that no suits or claims would be brought against Kelso as a result of the stock purchases from the Partnerships (the "Assurances"). Kelso sought such Assurances from litigants in various pending lawsuits against the Partnerships (including the Federal Depositary Insurance Corporation, Columbia Savings and Loan Association and the Resolution Trust Corporation), and Drexel Burnham Lambert Incorporated ("DBL"). As a result of these transactions, Kelso would have acquired a controlling interest in the Company.

The Kelso Agreement and the Partnership Agreements were terminated by their terms on May 31, 1991 and April 15, 1991, respectively. These terminations resulted from the failure of the litigants and DBL to furnish the Assurances to Kelso. Notwithstanding the termination of the Kelso Agreement, the Company was obligated, subject to certain exceptions, to pay the reasonable fees and expenses incurred by Kelso in connection with the foregoing agreements. Such expenses, when aggregated with the expenses incurred by the Company in connection with the Kelso Agreement, aggregated $2.9 million and were charged against income in the fourth quarter of fiscal 1991.

Nonrecurring/Special/Unusual Losses

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

	1991	1990	1989
	(Dollars in thousands)		
Net sales	$533,565	$501,498	$504,752
Cost of sales	395,747	371,766	377,223
Gross profit	137,818	129,732	127,529
Selling, administrative & general expenses	80,835	69,606	68,773
Operating income	56,983	60,126	58,756
Other income (expenses):			
Interest expense	(14,853)	(14,075)	(15,769)
Interest income	2,685	2,775	3,643
Gain on exchange of debentures	—	—	535
Other, net	(1,058)	(87)	(4,401)
Nonrecurring charge (Note 9)	(4,162)	—	—
	(17,388)	(11,387)	(15,992)
Income from continuing operations before income taxes and minority interest	39,595	48,739	42,764

Note 9

Research and development expenditures for the development of new products and for improvements of existing products were $2,757,000 in 1991, $3,578,000 in 1990 and $2,776,000 in 1989.

During 1989, $1,726,000 of pre-tax charges were incurred related to a plant consolidation in the Company's tobacco business and $1,203,000 of charges related to fixed asset write-offs in the Company's corn processing business. These items are included in Other income (expense), net.

Interest costs incurred during 1991, 1990 and 1989 were $15,110,000, $16,428,000 and $17,739,000, respectively. Interest capitalized in those years was $257,000, $2,353,000 and $1,970,000, respectively.

During 1991, a nonrecurring charge of $4,162,000 was incurred by the Company for legal fees and related expenses regarding the settlement of shareholder litigation.

CONSTAR INTERNATIONAL INC. (DEC)

	1991	1990	1989
	(Amounts in thousands)		
Net Sales	$548,169	$504,706	$542,580
Costs and Expenses:			
Cost of sales	461,772	431,978	458,324
Selling and administrative expenses	50,153	44,466	52,775
Interest expense	5,175	5,028	6,181
Non-recurring charges (Note 9)	3,658	3,500	—
Equity in (earnings) loss of joint venture	480	(950)	(225)
Other (income) and expense, net	(633)	(701)	(667)
	520,605	483,321	516,388
Income from Operations before Income Taxes	27,564	21,385	26,192

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Non-recurring Charges:

In August 1986, the Company's CONSTAR Plastics subsidiary commenced a lawsuit in the United States 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 competition laws. CONSTAR Plastics sought damages and an injunction. Southeastern Container filed counterclaims against CONSTAR Plastics arising out of CONSTAR Plastics' commencement of the lawsuit and its 1986 settlement with one of the bottler defendants, Wilmington Coca-Cola Bottling Co., seeking damages.

CONSTAR Plastics' claims were dismissed by the court in August 1989. In August 1991, the open issues relating to the counterclaims were resolved by settlement with the plastic beverage container manufacturer and its bottler owners. The Company paid a total of $3.7 million in court costs and settlement expenses to resolve the counterclaims of the plastic beverage container manufacturer and its bottler owners, representing a $2.3 million non-recurring, after-tax charge, or $.30 per share.

In August 1990, the Company announced its CONSTAR Plastics subsidiary's plans to combine two of its polyethylene container production facilities. Accordingly, in the third quarter of 1990, the Company recorded a plant consolidation charge of $3.5 million before taxes and $2.2 million after taxes, which is equivalent to $.29 per share.

CARPENTER TECHNOLOGY CORPORATION (JUN)

	1991	1990	1989
	(in thousands)		
Net sales	$562,476	$584,351	$634,272
Costs and expenses:			
Cost of sales	409,225	416,907	474,246
Selling and administrative expenses	79,959	74,042	70,439
Interest expense	19,795	19,732	18,235
Special charges	7,000	—	22,500
Other expense (income)	(201)	471	466
	515,778	511,152	585,886
Income before income taxes	46,698	73,199	48,386

NOTES TO FINANCIAL STATEMENTS

9. Special Charges:

In 1991, a special charge of $4,300,000 after taxes ($7,000,000 before taxes) or $.50 per share was recorded for increased cost estimates to close and dispose of a Bridgeport, Connecticut plant. In 1989, the Company recorded a special charge of $13,800,000 after taxes ($22,500,000 before taxes) or $1.50 per share for this plant closing. In the opinion of management, costs incurred, if any, in excess of the amounts accrued will not be material to the Company's financial position.

EATON CORPORATION (DEC)

	1991	1990	1989
	(Millions of Dollars)		
Net Sales	$3,381	$3,639	$3,671
Costs and expenses:			
Cost of products sold	2,608	2,751	2,728
Selling and administrative expenses	475	467	444
Research and development expenses	124	128	124
Unusual items	39	(2)	-0-
	3,246	3,344	3,296
Income From Operations	135	295	375

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unusual Items

In the first quarter of 1991, as a result of the Company's review of its operating strategies and in order to improve competitiveness and future profitability, the Company recorded a restructuring charge of $39 million, before income taxes of $14 million. This charge reduced income from continuing operations by $25 million, or $.75 per Common Share. The charge includes provisions for the restructuring, relocation and rationalization of product lines and operations and permanent workforce reductions involving a significant number of the Company's operations, primarily in the United States and Europe.

During the third quarter of 1990, the Company settled a portion of its obligation under several of its domestic pension plans through the purchase of annuity contracts by

the pension funds. As a result, income from continuing operations included a settlement gain of $26 million, before income taxes of $9 million. Also included in income from continuing operations for the third quarter of 1990 was a provision of $24 million, before income tax credits of $9 million, for the estimated costs of closing several manufacturing plants.

GOULDS PUMPS, INCORPORATED (DEC)

	1991	1990	1989
	(Dollars in thousands)		
Net sales	$566,566	$554,667	$506,988
Cost of goods sold	396,793	392,216	360,816
Selling, general and administrative expenses	115,673	108,174	98,207
Gain on disposition of Gaso Pump Division	—	—	2,613
Income from operations	54,100	54,277	50,578
Interest expense	6,351	9,367	9,727
Interest income	2,225	3,910	3,088
Income from investments and affiliates	2,479	2,397	2,350
Provision for estimated environmental costs	2,000	—	—
Other income (expense)—net	839	(2,614)	(186)
Income from continuing operations before income taxes	51,292	48,603	46,103

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Non-recurring Charge

In the fourth quarter of 1991, the Company recorded a $2 million provision for estimated environmental costs. This charge reflects anticipated costs to remediate an inactive Company landfill site in Seneca Falls, New York. The remediation is expected to occur through late 1994 or early 1995 and the Company does not currently expect any additional material expenses in future years associated with this site.

TRINOVA CORPORATION (DEC)

	1991	1990	1989
	(in thousands)		
Net sales	$1,681,212	$1,955,424	$1,942,280
Cost of products sold	1,309,094	1,477,676	1,441,368
Manufacturing Income	372,118	477,748	500,912
Selling and general administrative expenses	286,727	289,530	264,961
Engineering, research and development expenses	74,867	75,413	75,663
Special charges	166,400	—	53,000
Operating Income (Loss)	(155,876)	112,805	107,288

NOTES TO FINANCIAL STATEMENTS

Note 2 (In Part): Special Charges and Other Transactions

In 1991, the Company recorded a special charge of $166,400,000 for the write-off of certain intangibles and other charges. The write-off of intangibles, primarily goodwill, amounted to $105,300,000. The intangibles written off resulted from the acquisition of a number of businesses since 1970. The recent end to the Cold War and changes in worldwide economics and competition since these companies were acquired have caused a major redirection in the markets served and products produced by these businesses. These factors led the Company to the conclusion that the purchased goodwill for these businesses no longer has value and should be written off. Other charges totaled $61,100,000 and consisted of writedowns to anticipated sales prices due to worldwide declines in economic conditions for certain properties included in the 1989 provision for restructuring, as well as provisions for new initiatives for additional facility closures and personnel reductions. The special charge increased the net loss for 1991 by $156,400,000, or $5.54 per share.

WESTVACO CORPORATION (OCT)

	1991	1990	1989
	(In thousands)		
Sales	$2,301,204	$2,410,751	$2,284,059
Other income	20,563	29,224	43,517
	2,321,767	2,439,975	2,327,576
Cost of products sold [excludes depreciation shown separately below]	1,606,112	1,667,936	1,547,572
Selling, research and administrative expenses	213,743	220,100	208,466
Depreciation and amortization	179,354	168,948	155,684
Special charge	25,000	—	—
Interest expense	71,660	55,955	43,264
	2,095,869	2,112,939	1,954,986
Income before taxes	225,898	327,036	372,590

NOTES TO FINANCIAL STATEMENTS

A. Special Charge

In response to the softening of the U.S., Brazilian and world economies which became visible during the first quarter of our fiscal year, the company implemented plans to reduce capital expenditures and accelerated programs for reduction of many categories of cost. At the end of the first quarter, the company established a special $25 million pretax charge, equal to $.24 per share, to cover the one-time financial aspects of the cost reduction programs. The charge includes costs associated with the relocation and consolidation of certain administrative and operating activities and with the extension of completion dates on certain capital jobs.

TABLE 3-8: ASSUMED DISCOUNT RATE

%	1991	1990	1989	1988
4.5 or less	—	—	—	—
5	—	—	—	—
5.5	—	—	—	—
6	—	—	—	—
6.5	2	2	3	3
7	12	6	8	7
7.5	25	16	25	13
8	117	88	96	74
8.5	182	137	137	118
9	107	154	152	167
9.5	23	54	44	73
10	4	17	12	31
10.5	—	—	1	2
11	—	—	—	1
11.5 or greater	1	1	1	—
Not disclosed	8	8	9	12
Companies Disclosing Defined Benefit Plans	**481**	**483**	**488**	**501**

TABLE 3-9: ASSUMED RATE OF COMPENSATION INCREASE

%	1991	1990	1989	1988
4.5 or less	22	21	18	22
5	108	89	90	85
5.5	94	82	83	74
6	158	162	162	168
6.5	37	52	56	52
7	22	37	31	39
7.5	5	5	7	12
8	4	3	3	8
8.5	—	—	1	2
9	3	2	2	2
9.5	—	—	2	—
10	—	—	—	—
10.5	—	1	—	—
11	—	—	—	—
11.5 or greater	—	—	—	—
Not disclosed	28	29	33	37
Companies Disclosing Defined Benefit Plans	**481**	**483**	**488**	**501**

TABLE 3-10: EXPECTED RATE OF RETURN

%	1991	1990	1989	1988
4.5 or less	—	—	—	—
5	—	—	—	—
5.5	—	—	—	—
6	2	1	1	2
6.5	—	—	3	1
7	7	7	7	14
7.5	9	10	10	12
8	51	57	66	77
8.5	39	43	55	48
9	139	135	130	141
9.5	80	81	68	56
10	87	88	87	92
10.5	19	17	17	18
11	20	18	22	15
11.5 or greater	16	14	9	10
Not disclosed	12	12	13	15
Companies Disclosing Defined Benefit Plans	**481**	**483**	**488**	**501**

EMPLOYEE POSTRETIREMENT BENEFITS

PENSION PLANS

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.

Examples of pension plan disclosures follow.

Defined Benefit Plans

ALUMINUM COMPANY OF AMERICA (DEC)

NOTES TO FINANCIAL STATEMENTS
(dollars in millions)

N. Pension Plans

Alcoa and certain subsidiaries maintain pension plans covering most U.S. employees and certain other employees. Pension benefits generally depend upon length of service, job grade and renumeration. Substantially all benefits are paid through pension trusts that are sufficiently funded to ensure that all plans can pay benefits to retirees as they become due.

Pension costs include the following components which were calculated as of January 1 of each year:

	1991	1990	1989
Benefits earned	$ 82.6	$ 76.2	$ 66.2
Interest accrued on projected benefit obligation	240.9	229.6	220.1
Net amortization	21.2	16.8	15.0
	344.7	322.6	301.3
Less: expected return on plan assets*	249.0	236.7	211.1
	$ 95.7	$ 85.9	$ 90.2

*The actual returns were higher (lower) than the expected returns by $253.9 in 1991, $(183.7) in 1990 and $185.4 in 1989 and were deferred as actuarial gains (losses).

The following table describes the funded status of the pension plans. Overfunded plans are those in which the amount provided for future benefits exceeds the accumulated benefit obligation (actuarial present value of benefits earned to date based on present pay levels).

	December 31, 1991		December 31, 1990	
	Over-funded plans	Under-funded plans	Over-funded plans	Under-funded plans
Actuarial present value of benefit obligation:				
Vested	$2,806.6	$ 88.9	$1,239.7	$1,363.5
Non-vested	287.5	4.7	114.3	118.5
Accumulated benefit obligation	$3,094.1	$ 93.6	$1,354.0	$1,482.0
Plan assets, primarily stocks and bonds, at market	$3,159.9	$ 19.5	$1,441.6	$1,353.8
(Prepaid) accrued pension costs	1.8	30.7	(48.8)	64.6
Amount provided for future benefits	3,161.7	50.2	1,392.8	1,418.4
Projected benefit obligation	3,347.2	107.9	1,418.5	1,621.1
Projected benefit obligation in excess of amount provided for future benefits	$ 185.5	$ 57.7	$ 25.7	$ 202.7
Consists of:				
Unamortized initial obligations (assets) of plans	$ 6.8	$ 8.9	$ (62.0)	$ 78.8
Unamortized prior service costs	53.5	29.1	45.3	20.1
Unrecognized net actuarial losses	125.2	19.7	42.4	103.8
	$ 185.5	$ 57.7	$ 25.7	$ 202.7

For the underfunded plans at December 31, 1991 and 1990, Alcoa recorded a deferred charge of $43.4 and $63.6, respectively. These amounts are the difference between the accumulated benefit obligation and the amount provided for future benefits.

The following assumptions were used to determine the projected benefit obligation and plan assets.

December 31	1991	1990	1989
Settlement discount rate	7.25%	8.0%	8.0%
Long-term rate for compensation increases	5.5%	5.5%	5.5%
Long-term rate of return on plan assets	9.0%	9.0%	9.0%

THE BOEING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars in millions)

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

Retirement Benefits

The Company's funding policy is to contribute, at a minimum, the statutory required amount to an irrevocable trust. Benefits under the plans are generally based on years of credited service, age at retirement and average of last five years' earnings. The actuarial cost method used in determining the net periodic pension cost is the projected unit credit method.

Postretirement health care benefits are accrued (but not funded) for eligible retirees including qualifying dependents.

Note 9. Retirement Benefits

The Company has various noncontributory plans covering substantially all employees. The majority of the pension plans have plan assets that exceed accumulated benefit obligations. The following table summarizes the funded status of these plans and the amounts recognized in the Consolidated Statements of Financial Position at December 31.

	1991	1990
Actuarial present value of benefit obligations:		
Vested	$(5,636)	$(5,103)
Nonvested	(489)	(451)
Accumulated benefit obligation	(6,125)	(5,554)
Effect of projected future salary increases	(1,231)	(1,151)
Projected benefit obligation	(7,356)	(6,705)
Plan assets at fair value—primarily bonds, real estate, other fixed income obligations, equities and equity equivalents	7,945	6,583
Plan assets in excess of (less than) projected benefit obligation	589	(122)
Unrecognized net loss (gain)	(264)	59
Unrecognized prior service cost	425	421
Unrecognized net asset at January 1, 1987, being recognized over the plans' average remaining service lives	(105)	(116)
Prepaid pension cost recognized in the Consolidated Statements of Financial Position	$ 645	$ 242

The pension provision included the following components:

Year ended December 31	1991	1990	1989
Service costs (benefits earned during the period)	$299	$289	$249
Interest cost on projected benefit obligation	561	511	452
Actual return on plan assets	(972)	(361)	(752)
Net amortization and deferral	427	(135)	281
Net periodic pension provision	$315	$ 304	$ 230

The actuarial present value of the projected benefit obligation at December 31, 1991, 1990 and 1989, was determined using a weighted average discount rate of 8.25%, 8.5% and 8.25%, respectively, and a rate of increase in future compensation levels of 6.0%, 6.5% and 6.5%, respectively. The expected long-term rate of return on plan assets was 8.5% at December 31, 1991, 1990 and 1989.

The retirement plans have been amended to provide that, in the event there is a change in control of the Company which is not approved by the Board of Directors and the plans are terminated within five years thereafter, the assets in the plans first will be used to provide the level of retirement benefits required by the Employee Retirement Income Security Act, and then any surplus will be used to fund a trust to continue present and future payments under the postretirement medical and life insurance benefits in the Company's group insurance programs.

Although the Company has no intention of doing so, should it terminate certain of its retirement plans under conditions where the plan's assets exceed the plan's obligations, the Company has an agreement with the Government whereby the Government is entitled to a fair allocation of any of the plan's reverted assets based on plan contributions that were reimbursed under Government contracts. Also, the Revenue Reconciliation Act of 1990 imposes a 20% nondeductible excise tax on the gross assets reverted if the Company establishes a qualified replacement plan or amends the terminating plan to provide for benefit increases, otherwise a 50% tax is applied. Any net amount retained by the Company is treated as taxable income.

The Company has a number of defined contribution plans, principally the Voluntary Investment Plans and the Financial Security Plan. Under the terms of the Voluntary Investment Plans, eligible employees are allowed to contribute up to 12% of their base pay. The Company contributes amounts equal to 50% of the employee's contribution to a maximum of 4% of the employee's pay subject to statutory limitations. The provision for these defined contribution plans in 1991, 1990 and 1989 were $205, $193 and $166, respectively.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, effective for fiscal years beginning after December 15, 1992. In summary, this new standard requires that employers accrue the cost of postretirement benefits, such as health care, over the employee's service period to the point of full eligibility for the benefits. The Company's primary postretirement benefit, applicable essentially to all employees, consists of health care coverage for all eligible employees including qualifying dependents from the date of the employee's retirement to age 65. The Company is still evaluating the standard to determine its impact on annual postretirement health care expense and reviewing the appropriate method and timing for its implementation; however, based on a preliminary assessment, the Company estimates that its additional liability at December 31, 1991, would equate to an after-tax earnings charge in the $900 to $1,200 range. The application of deferred tax benefits to the postretirement health care charge is dependent upon the adoption by the Financial Accounting Standards Board of proposed amendments to SFAS No. 96, *Account-*

ing for Income Taxes. After adoption, the standard will also result in a significantly higher provision for postretirement health care expense than the $105, $75 and $61 for 1991, 1990 and 1989, respectively, as required by the Company's current accounting method.

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Pension and Retirement Plans.

The Corporation and its U.S. subsidiaries have contributory and non-contributory defined benefit pension and retirement plans covering substantially all employees. Employees of foreign operations participate in various local plans. The contributory plans' benefits are generally based on length of service and on the highest five consecutive years' compensation during the last ten years of service prior to retirement. Benefit payments for employees covered under non-contributory provisions of the plans are based on fixed amounts for each year of service. Employees are eligible to participate in domestic plans at the time of employment and are vested after five years of service.

Effective December 31, 1991, Curtiss-Wright Corporation's Pension Plan was merged into the Curtiss-Wright Corporation Contributory Retirement Plan. The assets and liabilities of the Plans were merged and the resulting Plan will continue as the Curtiss-Wright Corporation Contributory Retirement Plan. As a result of this merger, there is no change in benefit levels, accrued benefits, or other rights and entitlements as previously given under each Plan prior to the merger.

The Corporation's funding policy is to provide stable contributions within the limits of deductibility under current tax regulations, thereby accumulating funds adequate to provide for all accrued benefits. At December 31, 1991 all domestic plans are overfunded with plan assets exceeding accumulated benefit obligations.

The Corporation had pension credits in 1991, 1990 and 1989 of $3,287,000, $3,064,000 and $1,902,000, respectively for domestic plans, and had foreign pension costs in 1991, 1990 and 1989 under defined contribution retirement plans of $150,000, $137,000 and $124,000, respectively. The funded status of the Corporation's domestic plans at December 31, 1991 and at December 31, 1990 are set forth in the following table:

	1991	1990	
(In thousands)	Overfunded Plans	Overfunded Plans	Underfunded Plans
Actuarial present value of benefit obligations:			
Vested	$115,074	$ 68,305	$53,341
Non-vested	1,852	921	373
Accumulated benefit obligation	116,926	69,226	53,714
Impact of future salary increases	2,010	4,824	62
Projected benefit obligation	118,936	74,050	53,776
Plan assets at fair value	179,223	120,216	47,011
Plan assets in excess of (less than) projected benefit obligation	60,287	46,166	(6,765)
Unrecognized net gain	(28,775)	(7,388)	(2,943)
Unrecognized prior service cost	100	79	44
Unrecognized net transition (asset) obligation	(14,650)	(24,086)	8,282
Adjustment required to recognize minimum liability			(5,321)
Prepaid (accrued) pension cost	$ 16,962	$ 14,771	$ (6,703)

At December 31, 1991, approximately 62% of the plans' assets are invested in debt securities, including a substantial portion in U.S. Government issues. The remainder of the assets are primarily in equity securities.

The net periodic pension credit for 1991, 1990 and 1989 includes the following:

(In thousands)	1991	1990	1989
Service costs—benefits earned during the period	$ 1,125	$ 836	$ 977
Interest cost on projected benefit obligations	7,644	8,142	8,614
Actual return on plan assets	(19,515)	(1,940)	(27,648)
Net amortization and deferral	7,459	(10,102)	16,155
Net period pension credit	$ (3,287)	$ (3,064)	$ (1,902)

The discount rate and rate of increase in future compensation levels used in determining the projected benefit obligation were 6.5% and 4.5%, respectively for each reported period. The expected long-term rate of return on plan assets used in each year was 7.0%.

DIGITAL EQUIPMENT CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D—Pension Plans and Other Postretirement Benefits

The Company and its subsidiaries have defined benefit and defined contribution pension plans covering substantially all employees. The benefits are based on years of service and compensation during the employee's career. Pension cost is based on estimated benefit payment formulas.

It is the Company's policy to make contributions to the plans in accordance with local laws and to the extent that such contributions are tax deductible. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. For the U.S. pension plan, there were no contributions in any of the fiscal years 1991, 1990, or 1989 due to the full funding limit of the Omnibus Budget Reconciliation Act of 1987. The assets of the plans include corporate equity and debt securities, government securities and real estate.

As a result of restructuring activities, curtailment gains of $157,000,000 and $65,000,000 are reflected in the net amortization and deferral component of net periodic pension cost for fiscal years 1991 and 1990, respectively.

The following table provides information on the status of the U.S. pension plan and certain non-U.S. plans which, in aggregate, represent approximately 91% of the total pension expense before curtailment gains. In the year ended June 29, 1991, the net periodic pension cost for defined contribution pension plans was $11,398,000. The measurement dates for all plans were within 90 days of year-end.

Net periodic pension cost for fiscal years 1991, 1990, and 1989 included the following components:

(In thousands)	1991	1990	1989
Service cost-benefits earned during the period	$239,238	$219,499	$188,068
Interest cost on projected benefit obligation	163,007	137,850	111,095
Actual return on plan assets	(38,524)	(185,555)	(230,671)
Net amortization and deferral	(317,731)	(48,130)	84,129
Net periodic pension cost for defined benefit pension plans	$ 45,990	$123,664	$152,621
Total net periodic pension cost for all pension plans	$ 67,102	$137,597	$166,848

The significant actuarial assumptions as of the year-end measurement date were as follows:

	1991	1990	1989
U.S. pension plan:			
Discount rate	9.0%	9.0%	9.0%
Expected long-term rate of return on plan assets	9.5%	9.5%	9.5%
Rate of increase in future compensation levels	6.8%	6.8%	6.8%
Non-U.S. pension plans:			
Discount rate	5.0- 9.5%	5.0-12.5%	5.0-12.5%
Expected long-term rate of return on plan assets	6.0-10.0%	5.5-10.0%	5.0-10.0%
Rate of increase in future compensation levels	5.0- 8.0%	5.0- 9.5%	4.0- 9.5%

The funded status as of the year-end measurement date was as follows:

(In thousands)	1991	1990
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ (859,130)	$ (692,386)
Accumulated benefit obligation	$ (972,090)	$ (785,533)
Projected benefit obligation	$(2,069,628)	$(1,949,220)
Plan assets at fair value	2,297,578	2,219,322
Plan assets in excess of projected benefit obligation	227,950	270,102
Contributions made after measurement date but before end of fiscal year	4,479	5,983
Unrecognized net (gain)	(158,015)	(161,394)
Unrecognized prior service cost	40,204	28,388
Unrecognized transition asset, net	(119,008)	(128,400)
Pension cost recognized on the balance sheet	$ (4,390)	$ 14,679

In addition to providing pension benefits, the Company provides certain medical, dental and life insurance benefits for retired employees. Substantially all of the Company's domestic employees may become eligible for those benefits if they reach normal retirement age while working for the Company. The cost of retiree health care and life insurance benefits is recognized as an expense as claims are paid. These costs totaled $6,400,000, $3,005,000, and $1,565,000 for the years ended June 29, 1991, June 30, 1990, and July 1, 1989, respectively. The majority of the Company's foreign subsidiaries do not offer such benefits to retirees. Of those that do, the amounts are immaterial.

In December 1990, the Financial Accounting Standards Board issued a new accounting standard, Statement of Financial Accounting Standards (SFAS) No. 106—Employers' Accounting for Postretirement Benefits Other Than Pensions, which will require the Company to change accounting for postretirement benefits from a pay-as-you-go (cash) basis to an accrual basis. The Company must adopt SFAS No. 106 no later than fiscal year 1994 for its U.S. plans and fiscal year 1996 for its non-U.S. plans.

THE DUN & BRADSTREET CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Dollar amounts in millions

Note 4. Retirement Plans

The Company has defined benefit pension plans covering substantially all associates in the United States. The benefits to be paid to associates under these plans are based on years of credited service and average final compensation. Pension costs are determined actuarially and funded to the extent allowable under the Internal Revenue Code. Supplemental plans in the United States are maintained to provide retirement benefits in excess of levels allowed by ERISA. The Company's foreign subsidiaries provide retirement benefits for associates consistent with local practices, primarily using defined benefit or termination indemnity plans. All unfunded plans are located outside of the United States.

The components of net periodic pension cost are summarized as follows:

	1991	1990	1989
Service Cost	$ 37.8	$ 36.3	$ 31.9
Interest Cost	78.4	75.1	66.1
Actual Return on Plan Assets	(208.4)	17.1	(192.7)
Net Amortization and Deferral	100.9	(118.8)	98.0
Net Periodic Pension Cost	$ 8.7	$ 9.7	$ 3.3

The status of defined benefit plans at December 31, 1991 and 1990, is as follows:

	Funded		Unfunded	
	1991	1990	1991	1990
Fair Value of Plan Assets	$1,202.7	$1,056.3	$ —	$ —
Actuarial Present Value of Benefit Obligations:				
Vested Benefits	747.7	678.5	59.3	61.4
Non-Vested Benefits	45.1	46.5	1.2	4.0
Accumulated Benefit Obligations	792.8	725.0	60.5	65.4
Effect of Projected Future Salary Increases	137.6	134.5	.1	.1
Projected Benefit Obligations	930.4	859.5	60.6	65.5
Plan Assets in Excess of (Less than) Projected Benefit Obligations	272.3	196.8	(60.6)	(65.5)
Unrecognized Net (Gain) Loss	(51.6)	17.1	(.8)	(.8)
Unrecognized Prior Service Cost	43.4	41.2	1.1	1.4
Unrecognized Net Transition Asset	(141.9)	(162.7)	—	—
Adjustment to Recognize Minimum Liability	—	—	(.2)	(.5)
Prepaid (Accrued) Pension Cost	$ 122.2	$ 92.4	$(60.5)	$(65.4)

The weighted average expected long-term rate of return on plan assets was 9.75% for 1991, 1990 and 1989. At December 31, 1991 and 1990, the projected benefit obligations were determined using weighted average discount rates of 8.65% and 8.75%, respectively, and a weighted average rate of increase in future compensation levels of 6%. Plan assets are invested in diversified portfolios that consist primarily of equity and debt securities.

In addition to providing pension benefits, the Company provides various health-care and life-insurance benefits for retired associates. Substantially all of the Company's associates in the United States become eligible for these benefits if they reach normal retirement age while working for the Company. The costs of providing such benefits are expensed as paid and were not material to the Company's results of operations for 1991, 1990 and 1989.

In December 1990, the Financial Accounting Standards Board issued Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires employers to accrue the cost of retiree health and other post-retirement benefits over the period associates render services. The Company expects to adopt this Statement in 1993. Adoption of this Statement is expected to result in a one-time, non-cash, after-tax charge to earnings in the range of $100 million to $125 million. It will not significantly affect ongoing operating expenses.

ITT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts are in millions unless otherwise stated)

Employee Benefit Plans (In Part)

The Corporation and its subsidiaries sponsor numerous pension plans. The plans, with trustees, are funded except in some countries outside the U.S. where funding is not required.

Total pension expenses were:

	1991	1990	1989
Defined Benefit Plans			
Service cost	$121	$116	$100
Interest cost	272	250	231
Return on assets	(450)	35	(412)
Net amortization and deferral	210	(250)	214
Net periodic pension cost	153	151	133
Other Pension Cost			
Defined contribution (savings) plans	42	38	30
Other	5	6	7
Total Pension Expense	$200	$195	$170

U.S. pension expenses included in the net periodic pension costs in the table above were $87, $91 and $77 for 1991, 1990 and 1989.

The following table describes the funded status of the pension plans, amounts recognized in the Corporation's consolidated balance sheet at December 31, 1991 and 1990, and the principal weighted average assumptions inherent in their determination.

	December 31, 1991		December 31, 1990	
	Domestic	Foreign	Domestic	Foreign
Actuarial present value of benefit obligations—				
Vested benefit obligation	$2,261	$ 622	$2,022	$ 604
Accumulated benefit obligation	$2,352	$ 663	$2,126	$ 630
Projected benefit obligation	$2,765	$ 771	$2,495	$ 751
Plan assets at fair value	2,690	345	2,254	288
Projected benefit obligation (in excess of) plan assets	(75)	(426)	(241)	(463)
Unrecognized net (gain) or loss	259	(67)	391	40
Unrecognized net obligation (asset)	(56)	41	(62)	37
Pension asset (liability) recognized in the balance sheet	$ 128	$(452)	$ 88	$(386)
Discount rate	8.50%	8.68%	8.75%	8.00%
Rate of return on invested assets	9.75%	8.39%	9.75%	8.37%
Salary increase assumption	5.6%	5.0%	5.6%	5.2%

For most domestic plans, assets exceed accumulated benefits and, for most foreign plans, accumulated benefits exceed the related assets.

PEPSICO, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(tabular dollars in millions)

Pension Plans

PepsiCo has noncontributory defined benefit pension plans covering substantially all full-time domestic employees as well as contributory and noncontributory defined benefit pension plans covering certain international employees. Benefits generally are based on years of service and compensation or stated amounts for each year of service. PepsiCo funds the domestic plans in amounts not less than minimum statutory funding requirements nor more than the maximum amount that can be deducted for federal income tax purposes. International plans are funded in amounts sufficient to comply with local statutory requirements. The plans' assets consist principally of equity securities, government and corporate debt securities and other fixed income obligations. Capital Stock of PepsiCo accounted for approximately 19% and 18% of the total market value of the plans' assets at year-end 1991 and 1990, respectively.

In 1989, PepsiCo acquired the U.K. operations, the employees of which were covered by various plans including multiemployer plans. As the preliminary allocation of these plans' assets and the transfer of relevant employees to separate plans were not completed until late 1990, the 1991 and 1990 information presented below includes both the domestic plans and the U.K. operations' plans, while the 1989 information includes only the domestic plans. Other international plans are not significant in the aggregate and therefore are not included in the following disclosures.

The net pension expense (credit) for company-sponsored plans (the Plans) included the following components:

	1991	1990	1989
Service cost of benefits earned	$ 46.8	$ 48.1	$ 32.0
Interest cost on projected benefit obligations	69.2	63.3	47.1
Return on Plan assets:			
Actual	(224.1)	(27.0)	(154.6)
Deferred gain (loss)	134.2	(55.9)	89.9
	(89.9)	(82.9)	(64.7)
Amortization of net transition gain	(19.0)	(19.0)	(19.0)
Pension expense (credit)	$ 7.1	$ 9.5	$ (4.6)

The disclosures below have been aggregated for all Plans, as the amounts for certain small plans with accumulated benefit obligations exceeding the assets were not significant. Reconciliations of the funded status of the Plans to the prepaid pension liability included in the Consolidated Balance Sheet are as follows:

	1991	1990
Actuarial present value of benefit obligations:		
Vested benefits	$ (717.1)	$ (549.9)
Nonvested benefits	(96.8)	(90.8)
Accumulated benefit obligation	(813.9)	(640.7)
Effect of projected compensation increases	(133.0)	(101.9)
Projected benefit obligation	(946.9)	(742.6)
Plan assets at fair value	1,199.3	985.7
Plan assets in excess of projected benefit obligation	252.4	243.1
Unrecognized prior service cost	48.7	42.4
Unrecognized net gain	(103.4)	(84.6)
Unrecognized net transition gain	(129.1)	(148.1)
Prepaid pension liability	$ 68.6	$ 52.8
Included in:		
"Investments in Affiliates and Other Assets"	$ 106.5	$ 85.3
"Other current liabilities"	(22.6)	(17.0)
"Other Liabilities and Deferred Credits"	(15.3)	(15.5)
	$ 68.6	$ 52.8

The assumptions used in computing the information above were as follows:

	1991	1990	1989
Discount rate-pension expense (credit)	9.5%	9.1	10.1
Expected long-term rate of return on plan assets	10.2%	10.2	10.0
Discount rate-projected benefit obligation	8.6%	9.5	9.0
Future compensation growth rate	3.3%-7.4%	5.0-7.0	5.0-7.0

The 1991 and 1990 discount rates and rates of return represent weighted averages, reflecting the combined assumptions for domestic and the U.K. operations' plans.

Full-time domestic employees not covered by the Plans generally are covered by multiemployer plans as part of collective-bargaining agreements. Pension expense for these multiemployer plans was not significant in the aggregate.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

NOTES TO THE FINANCIAL STATEMENTS

Note 2 (In Part): Pensions and Other Postretirement Benefits

The Corporation has various pension arrangements covering substantially all employees. Most plan benefits are based on either years of service and compensation levels at the time of retirement or a formula based on career earnings. Pension benefits are paid from trusts funded by contributions from employees and the Corporation. The pension funding policy is consistent with the funding requirements of U.S. federal and other government laws and regulations. Plan assets consist primarily of listed stocks, fixed income securities, and real estate investments.

The projected benefit obligation is the actuarial present value of that portion of the projected benefits attributable to employee service rendered to date. Service cost is the actuarial present value of that portion of the projected benefits attributable to employee service rendered during the year.

Net Periodic Pension Costs

(in millions)	1991	1990	1989
Service cost	$ 65	$ 65	$ 69
Interest cost on projected benefit obligation	439	438	432
Amortization of unrecognized net obligation	48	44	46
Amortization of unrecognized prior service cost	8	11	12
	560	558	559
Return on plan assets:			
Actual return on plan assets	(699)	53	(662)
Unrecognized return on plan assets	216	(525)	212
Recognized return on plan assets	(483)	(472)	(450)
Net periodic pension cost	$ 77	$ 86	$109

For the principal plans, a 9% discount rate and a 6% rate of increase in future compensation levels was used in determining the actuarial present value of the projected benefit obligation. The expected long-term rate of return on plan assets was 11%.

For financial reporting purposes, a pension plan is considered underfunded when the fair value of plan assets is less than the accumulated benefit obligation. When that is the case, a liability must be recognized for the sum of the underfunded amount plus the amount of any prepaid pension contributions. In recognizing such a liability, an intangible asset is usually recorded. However, the amount of the intangible asset may not be greater than the sum of the prior service costs not yet recognized and the unrecognized transition obligation as shown in the Funding Status table. When the liability to be recognized is greater than the intangible asset limit, a charge must be made to shareholders' equity for the difference, net of any tax effects which could be recognized in the future.

At December 31, 1991, no pension liability was provided since the fair value of plan assets was in excess of the accumulated benefit obligation due to the improved investment performance of plan assets plus the October 1991 contribution of the Corporation's common stock (note 17).

At December 31, 1990, a liability of $1,018 million was recognized for the sum of the underfunded amount of $572 million plus the prepaid pension contribution of $446 million. Offsetting the liability was an intangible asset for the maximum allowed amount of $592 million and a charge to shareholders' equity of $426 million which was reduced to $352 million due to tax deferrals of $74 million (notes 10, 15, and 17).

The prior service cost not yet recognized for 1991 reflects a decrease from the prior year due to plan amendments for the Older Workers Benefit Protection Act and plan design.

Funding Status

(in millions) At December 31	1991	1990
Actuarial present value of benefit obligation:		
Vested	$(4,365)	$(4,323)
Nonvested	(409)	(347)
Accumulated benefit obligation	(4,774)	(4,670)
Effect of projected future compensation levels	(324)	(436)
Projected benefit obligation for service rendered to date	(5,098)	(5,106)
Plan assets at fair value	4,856	4,098
Projected benefit obligation in excess of plan assets	(242)	(1,008)
Unrecognized net loss	643	862
Prior service cost not yet recognized in net periodic pension cost	13	98
Unrecognized transition obligation at January 1, net of amortization	450	494
Prepaid pension contribution	$ 864	$ 446

Defined Contribution Plans

ATHLONE INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Pension and Retirement Plans

The Company sponsors defined contribution plans for two of its subsidiaries (one plan began on January 1, 1991). The cost recognized in 1991, 1990 and 1989 for the defined contribution plans, based on compensation of or hours worked by the covered employees, was $198,000, $44,000 and $50,000, respectively.

FLUOR CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Benefits (In Part)

The company sponsors defined contribution retirement and contributory and noncontributory defined benefit pension plans for eligible employees. Contributions to defined contribution retirement plans are based on a percentage of the employee's compensation. Expense recognized for these plans is primarily related to domestic Engineering and Construction operations and totaled $56 million in 1991, $52 million in 1990, and $47 million in 1989. Contributions to defined benefit pension plans are generally at the minimum annual amount required by applicable regulations. Payments to retired employees under these plans, which are primarily related to international Engineering and Construction and natural resource operations, are generally based upon length of service and/or a percentage of qualifying compensation. During 1990, the company adopted Statement of Financial Accounting Standards No. 87 "Employers' Accounting for Pensions" for its international defined benefit pension plans, resulting in a pretax benefit of approximately $5 million.

GENCORP INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Employee Benefit Plans

The Company also sponsors a number of defined contribution pension plans. Participation in one of these plans is available to substantially all salaried employees and to certain groups of hourly employees. Company contributions to these plans are based on either a percentage of employee contributions or on a specified amount per hour based on the provisions of each plan. The cost of these plans was $14 million in 1991, $15 million in 1990 and $13 million in 1989.

MAXUS ENERGY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Postretirement Benefits Pensions

In addition to the defined benefit plans, the Company has a new defined contribution plan which covers Indonesian nationals. Employee contributions of 2% of each covered employee's compensation are matched 6% by the Company. During 1991, contributions to the plan totaled $2.9 million, of which $2.5 million was for past services. Funds were transferred to an Indonesian insurance company.

Supplemental Retirement Plans

EG&G, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Employee Benefit Plans

The Company also sponsors a supplemental executive retirement plan to provide senior management with benefits in excess of normal pension benefits. At December 29, 1991 and December 30, 1990, the projected benefit obligation was $5.7 million and $5.2 million, respectively. Assets of $3.5 million and $3.4 million, segregated in a trust, were available to meet this obligation as of December 29, 1991 and December 30, 1990. Pension expense for this plan was approximately $0.7 million in 1991, $0.6 million in 1990 and $0.7 million in 1989.

The Company also has an incentive compensation plan for certain officers and key employees. Awards under this plan are approved annually by the Board of Directors and are limited by certain predetermined criteria.

MCGRAW-HILL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 (In Part): Retirement Plans

The Company also has an unfunded supplemental benefits plan to provide senior management with supplemental retirement, disability and death benefits. Supplemental retirement benefits are based on final monthly earnings. Pension cost was $1.9 million for 1991, $1.8 million for 1990, and $1.6 million for 1989. The accumulated benefit obligation as of December 31, 1991 was $10.7 million including vested benefits of $7.4 million and the projected benefit obligation was $13.0 million.

THE UNITED STATES SHOE CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Employee Benefit Plans

The company maintains an unfunded supplement retirement plan for participants in its penion plans to provide benefits in excess of amounts permitted to be paid from such plans under the provisions of the tax law. Additionally, the company provides supplemenal retirement benefits to certain retired executives in accordance with individual retirement agreements. At February 1, 1992 and February 2, 1991, the projected benefit obligation for these plans totaled $3.6 million and $3.9 million, respectively, of which the accumulated benefit obligation of $3.3 million in 1991 and $3.2 million in 1990 is accrued as a liability in the consolidated balance sheets. Pension expense for these plans was $.4 million in 1991, $1.0 million in 1990 and $1.1 million in 1989.

Multiemployer Plans

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M (In Part): Retirement Plans and Benefits

Certain of the Company's employees are covered under the ILGWU National Retirement Fund ("Fund"), a multiemployer, union-sponsored, collectively-bargained, defined benefit plan. The Company's contributions to the Fund during three years ended June 30, 1991, 1990 and 1989 amounted to $406,000, $878,000 and $1.6 million, respectively. Provisions of the Multiemployer Pension Plan Amendments Act of 1980 require contributing employers to a multiemployer pension plan to pay "withdrawal liability" in the event of "withdrawal" (as defined in the Act) from such plan. The Fund has estimated that the Company's share of the unfunded vested benefits of the Fund, as of the latest date for which such information is available, would be approximately $28 million. The Company has no intention of "withdrawing" from the plan.

UNIVERSAL VOLTRONICS CORP. (DEC)

NOTES TO FINANCIAL STATEMENTS

5 (In Part): Pension Plan

Approximately 28% of the Company's employees are covered by a union-sponsored, collectively bargained, multiemployer, defined benefit pension plan. With respect to this plan, the Company contributed and charged to expense $22,000, $13,000, $31,000, and $31,000 in fiscal 1991, the six months ended December 29, 1990, and fiscal 1990 and 1989, respectively.

WESTMORELAND COAL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Retirement Plan

With respect to union employees, the Company is required under the national contract with the United Mine Workers of America (UMWA) to pay amounts based on hours worked or tons processed (depending on the source of the coal) to the UMWA Retirement Funds. These are multiemployer plans which are not controlled or administered by the Company. The amounts charged to expense, including payments made by the Company on behalf of certain contract miners, were $1,238,000, $995,000 and $855,000 for the years ended December 31, 1991, 1990 and 1989, respectively. Under ERISA, as amended by the Multiemployer Pension Plan Amendment Act of 1980, a contributor to a multiemployer plan is liable, upon termination of the plan or its withdrawal from the plan, for its share of the multiemployer plan's unfunded vested liabilities. The Company estimates that its share of the unfunded vested liabilities amounted to approximately $9,800,000 at June 30, 1991 and zero at June 30, 1990. The reasons for the increase in unfunded vested liabilities of the Plans were the poor market performance of the Plans' investments, a decrease in the interest rate used to value the liabilities and a negotiated increase in past service liabilities.

Settlement Of Pension Obligations

WESTVACO CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies (In Part)

Employee Retirement Plans: Retirement benefits, covering substantially all domestic employees, are provided under several noncontributory trusteed plans. Benefits are based on a final average pay formula for the salaried plans and a unit benefit formula for the hourly-paid plans. Prior service costs are amortized on a straight-line basis over the average remaining service period for active employees. Contributions are made to the plans in accordance with ERISA requirements.

N. Employee retirement plans

The 1991 net pension credit relating to employee pension and retirement benefits was $30,118,000 (1990—$24,354,000, 1989—$17,018,000). The net pension credits reflect cumulative favorable returns on plan assets. Investment management and other administrative fees which were previously paid by the company were paid by the plans in 1990 and 1991.

The components of the net pension credit for 1991, 1990 and 1989 are as follows:

In thousands	1991	1990	1989
Service cost—benefits earned during the period	$ 22,445	$ 19,833	$ 15,853
Interest cost on projected benefit obligation	47,484	43,573	39,110
Actual return on plan assets	[106,146]	[59,588]	[196,005]
Net amortization and deferrals	6,099	[28,172]	[124,024]
Net pension credit	$ [30,118]	$[24,354]	$ [17,018]

The following table sets forth the funded status of the plans and amounts recognized in the consolidated balance sheet at October 31, based on a valuation date of July 31:

In thousands	1991	1990
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $[512,519] (1990—$[501,224])	$[535,246]	$[522,619]
Projected benefit obligation	$[655,255]	$[642,640]
Plan assets at fair value:		
Mainly listed stocks, including $88 million of company stock, and money market and fixed income investments	929,791	872,288
Plan assets in excess of projected benefit obligation	274,536	229,648
Unrecognized net gain from past experience different from that assumed	[101,049]	[88,979]
Unrecognized prior service cost	32,444	33,854
Unrecognized net transition asset	[70,785]	[77,870]
Prepaid pension cost included in the consolidated balance sheet	$ 134,946	$ 96,653

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.5% and 6% in 1991, 1990 and 1989. The expected long-term rate of return on plan assets used in determining net pension cost for 1991 was 11.5% (1990–11.5%, 1989–10%).

During the second quarter of 1991, the company settled a portion of its retirement benefit obligations to certain retirees through the purchase of annuity contracts, resulting in a pretax gain of $8.2 million, which increased net income by $.08 per share. A similar transaction in 1989 resulted in a pretax gain of $17.7 million, an increase in net income of $.17 per share.

Financial Accounting Standards Board Statement No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," was issued in December 1990. The statement, which must be adopted no later than our fiscal year 1994, requires that the cost of providing postretirement medical and life insurance benefits be accrued over the average period of eligibility for those benefits. The effects of adopting the new requirement will not be material.

The company provides life insurance for substantially all retirees and medical benefits to some retirees in limited circumstances. The annual cost of providing these benefits is not significant.

Termination Of Plan

AEL INDUSTRIES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Employee Benefit Plans

In October 1990, the Board of Directors authorized the termination of the Company's noncontributory flat-benefit pension plan which covered all eligible employees. The termination was effective December 31, 1990 and all participants in the plan became fully vested retroactive to January 1, 1990. At December 31, 1990, the plan's projected benefit obligation was essentially equivalent to the plan's net assets available for benefits of approximately $11,900,000, and such assets were invested in U.S. Government obligations and cash equivalents. The settlement of the vested benefit obligation by the purchase of nonparticipating annuity contracts for, or the lump-sum payments to, each covered employee is expected to be completed in fiscal year 1992. The Company recognized no curtailment gain or loss in fiscal year 1991 as a result of the plan termination and no gain or loss is anticipated when the plan's benefit obligation is settled.

Prior to the plan termination, pension benefits were based on years of service, and the Company's policy was to fund at a minimum the amount required under the Employee Retirement Income Security Act of 1974. Net pension income of approximately $232,000, $93,000 and $107,000 has been included in operating results for fiscal years 1991, 1990 and 1989, respectively. The weighted average discount rate, used to determine the actuarial present value of the projected benefit obligation, and the expected long-term rate of return on plan assets were each 8% for all three fiscal years.

Under the Company's Retirement Savings Plan, the Company makes a matching contribution for one-half of an employee's contribution up to three percent of the employee's annual compensation. In addition, for fiscal year 1991, 1990 and 1989, the Company contributed to the plan, for all eligible employees, two percent of their compensation until it exceeded the Federal Insurance Contributions Act maximum taxable wage base, at which point the Company increased its contribution to four percent of compensation. Effective January 1991, the Company's two percent/four percent contributions became discretionary, and it is the Company's intent to suspend such contributions effective January 1992 while continuing the matching contribution. The Company's contributions to the Retirement Savings Plan for fiscal years 1991, 1990 and 1989 were $1,595,000, $2,238,000 and $2,233,000, respectively. The Company's fiscal year 1991 contribution was reduced by $716,000 due to nonrecurring employer contribution forfeitures which had accumulated in the plan.

Certain officers have agreements under which the Company will provide supplemental retirement benefits payable in installments over ten years upon retirement or death based on a percentage of compensation at that time. The Company recognizes the costs associated with the agreements over the service lives of the participating officers. For fiscal years 1991, 1990 and 1989, the supplemental retirement benefits costs recognized were $343,000, $361,000 and $351,000, respectively.

WALBRO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Pension Plans.

The Company sponsors pension plans covering substantially all domestic and certain foreign employees. Plans covering domestic salaried employees provided benefits that were based on an employee's years of service and compensation during the five year period prior to retirement. Plans covering domestic hourly employees provide benefits of stated amounts for each year of service. Plans covering certain foreign employees provide payments at termination which are based upon length of service, compensation rate and whether termination was voluntary or involuntary. The Company annually contributes to the plans covering domestic employees amounts which are actuarially determined to provide the plans with sufficient assets to meet future benefit payment requirements. The plans covering foreign employees are generally not funded.

Total pension expense amounted to $726,000 in 1991, $585,000 in 1990 and $541,000 in 1989. The Company recognizes currently the amount which would be payable if all employees covered by its foreign plan terminated voluntarily. Pension expense for plans covering domestic employees is comprised of the following:

	1991	1990	1989
	(In thousands)		
Benefits earned	$ 311	$ 325	$ 325
Interest on projected benefit obligations	372	333	276
Actual return on assets	(250)	(244)	(378)
Net amortization and deferral	(114)	(90)	71
	$ 319	$ 324	$ 294

The following table summarizes the funded status of the Company's domestic defined benefit pension plans and the related amounts recognized in the Company's consolidated balance sheets as of December 31, 1991, 1990 and 1989.

	1991	1990	1989
		(In thousands)	
Actuarial present value of benefit obligations—			
Vested	$(3,990)	$(3,314)	$(2,497)
Nonvested	(109)	(233)	(146)
Accumulated benefit obligations	$(4,099)	$(3,547)	$(2,643)
Effects of salary progression	—	(1,145)	(1,448)
Projected benefit obligations	$(4,099)	$(4,692)	$(4,091)
Plan assets—			
Equity securities	$ 1,077	$ 726	$ 809
Fixed income securities	3,207	3,269	2,825
	$4 ,284	$ 3,995	$ 3,634
Projected benefit obligation under (over) plan assets	$ 185	$ (697)	$ (457)
Pension asset (liability) recognized in the consolidated balance sheet	$ 683	$ (307)	$ (241)
Amounts not recognized—			
Net asset upon transition to new accounting standards	370	428	486
Net loss	(750)	(694)	(690)
Prior service cost	(118)	(124)	(12)
	$ 185	$ (697)	$ (457)

The information above reflects the termination in December 1991, of the Company's defined benefit plan covering certain salary and non-union employees. The terminated plan has been replaced by an amended defined contribution plan. Employees are eligible to receive their vested benefits from the old plan in the form of cash which may be rolled into the amended plan. Under the amended plan, the Company will make contributions based on an employee's annual income. A curtailment gain of $1,177,000 was recognized in the fourth quarter as a result of the plan termination.

The assumptions used as of December 31, 1991, 1990 and 1989 in determining the pension expense, settlement gain and funded status information shown above were as follows:

	1991	1990	1989
Discount rate	8.0%	8.0%	8.3%
Rate of salary progression	4.0%	4.0%	6.0%
Long-term rate of return on assets	8.0%	8.0%	8.0%

Certain non-union employees, excluding officers, are eligible to participate in the Walbro Corporation Employee Stock Ownership Plan (ESOP). The Company will make annual contributions to a trust in the form of either cash or common stock of the Company. The amount of the annual contribution is discretionary, except that it must be sufficient to enable the trust to meet its current obligations. In June 1989, the trust purchased 236,250 shares of the Company's common stock at a price of $14.75 per share. There were no additional purchases during 1990 and 1991. The Company has guaranteed the ESOP's loan and is obligated to contribute sufficient cash to the trust to repay the loan. Contribution expense related to the ESOP amounted to $401,000, $321,000 and $384,000 in 1991, 1990 and 1989, respectively. Contribution expense is net of dividends of $26,000, $105,000 and $50,000 in 1991, 1990 and 1989, respectively.

Amendment Of Plan

LUBRIZOL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS
(In Thousands of Dollars Unless Otherwise Indicated)

Note 10 (In Part): Postretirement Benefits

The company has retirement plans, including non-contributory defined benefit pension plans and a profit sharing plan, covering most full-time employees in the United States and at non-U.S. subsidiaries. Pension benefits are based on years of service and the employee's compensation. The company's funding policy in the United States is to contribute amounts to satisfy the Internal Revenue Service funding standards and elsewhere to fund amounts in accordance with local regulations. Several defined benefit plans are unfunded. Plan assets are invested principally in listed equity securities and fixed income instruments including insurance contracts.

The U.S. benefit pension plan was amended effective October 1, 1991, resulting in an increase in the projected benefit obligation at December 31, 1991 of $19.6 million and an increase in net periodic cost of $.9 million for the period October to December 1991.

Expense for all retirement plans was $13.3 million in 1991, $12.7 million in 1990 and $8.9 million in 1989, including profit sharing contributions in the U.S. of $4.7 million in 1991, $6.6 million in 1990 and $3.6 million in 1989.

Net periodic pension cost of the U.S. and significant international defined benefit plans consists of:

	1991	1990	1989
Service cost—benefits earned during period	$ 7,820	$ 6,540	$ 6,007
Interest cost on projected benefit obligations	11,480	9,578	8,402
Actual return on plan assets	(28,630)	6,816	(19,554)
Net amortization and deferral	15,830	(18,816)	8,235
Net periodic pension cost	$ 6,500	$ 4,118	$ 3,090

The weighted average assumptions used at December 31 were:

	1991	1990	1989
Assumed discount rate	8.1%	8.0%	8.0%
Assumed rate of compensation increase	5.8%	5.8%	5.7%
Expected rate of return of plan assets	8.9%	8.2%	8.2%

The funded status of such defined benefit pension plans and the amounts recognized in the consolidated balance sheets at December 31 are as follows:

	1991		1990	
	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets	Assets Exceed Accum. Benefits	Accum. Benefits Exceed Assets
Fair value of plan assets	$ 154,506	$ 4,040	$ 132,333	$ 3,236
Projected benefit obligation	(150,669)	(24,139)	(114,437)	(21,183)
Plan assets in excess of (less than) projected benefit obligation	3,837	(20,099)	17,796	(17,947)
Unrecognized net transition obligation (asset)	(22,051)	3,228	(24,074)	3,366
Unrecognized net loss (gain)	(3,803)	3,053	5,044	3,468
Unrecognized prior service cost	22,468	2,198	3,889	1,745
Minimum liability adjustment		(1,831)		(2,235)
Accrued pension assets (liability)	$ 451	$(13,451)	$ 2,655	$(11,603)
Actuarial present value of accumulated benefit obligation	$ 110,450	$ 16,009	$ 83,896	$ 13,410
Vested benefits	$ 107,194	$ 13,259	$ 80,417	$ 10,861

Merger Of Plans

CHOCK FULL O'NUTS CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Pension Plans

Effective July 1, 1991, the overfunded defined benefit plan of Greenwich Mills Company, a former subsidiary which was merged into the Company, was merged into an underfunded benefit plan of the Company. The plans were merged incident to recent changes in the tax laws regarding tax qualified pension plans, resulting in increased future service benefits, effective January 1, 1991, for employees of Greenwich Mills Company to equalize those of the Company. Net periodic pension cost for the year ended July 31, 1991 was increased by approximately $102,000 as a result of this change in benefits. As a result of the merger of the plans, the pension liability of $2,554,000 for unfunded liabilities recorded as of July 31, 1990 and the corresponding $747,000 intangible asset and $1,807,000 reduction of stockholders' equity for unfunded pension losses have been substantially reversed as of July 31, 1991.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Four hundred nineteen survey companies disclosed that they provide postretirement health care benefits to employees. Most of the survey companies accounted for the cost of such benefits on the cash basis. Effective for fiscal years beginning after December 15, 1992, *Statement of Financial Accounting Standards No. 106* requires publicly held companies to accrue the cost of postretirement benefits other than pensions. In 1991, 39 survey companies began to accrue postretirement costs in accordance with the requirements of *SFAS No. 106*.

Examples of postretirement benefit disclosures follow. Additional examples of companies adopting *SFAS No. 106* are presented on pages 43–45.

BRIGGS & STRATTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Prepaid Employee Health Care: During the 1991 and 1990 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 $3,700,000 in 1991 and $5,500,000 in 1990 were made to the Trust.

7 (In Part): Retirement Plans and Post-Retirement Costs:
The Company provides certain health care and life insurance benefits for retired employees, in addition to providing pension benefits. The life insurance benefit has been provided for as described in Note 1 to these financial statements. The cost of retiree health care benefits recognized as expense, when claims are paid, totaled $2,398,000 in 1991, $2,195,000 in 1990 and $1,973,000 in 1989.

In December 1990, the Financial Accounting Standards Board issued a new standard on accounting for postretirement 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 the year ending June 30, 1994, 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 it will adopt the new standard or whether it will adopt the new accounting method prospectively or by recording a cumulative catch-up adjustment in the year of adoption. The Company has made preliminary estimates of the postretirement benefit obligation. These amounts range from $35,000,000 to $44,000,000 depending on the various assumptions used in the estimating process. If a cumulative catch-up adjustment is made by the Company, the annual expense will be increased by a range from $1,750,000 to $3,090,000. If this catch-up adjustment is not made, the postretirement benefit obligation will be amortized over 20 years and thus, the annual expense will be increased by a range from $3,480,000 to $5,300,000. The new accounting method will have no effect on the Company's cash outlays for these retiree benefits.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Pensions and Other Postretirement Plans
The Company currently provides certain health care and life insurance benefits for eligible retired employees. The Company accounts for and funds the majority of costs of such benefits as they are incurred. The total of such costs were approximately $631,000, $589,000 and $592,000 for the years 1991, 1990 and 1989, respectively.

Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS No. 106) requires, not later than 1993, the accrual of the expected costs of providing these benefits during the years that the employee renders the necessary service. Under the Company's current postretirement program, the accumulated benefit obligation under FAS No. 106 is estimated to be approximately $12.5 million net of the income tax benefit. When adopted, the Company has the option of recognizing the accumulated benefit obligation through a charge to earnings in the year of implementation, or amortizing the obligation over a minimum of 20 years or the average remaining service period to retirement date of active plan participants. If the provisions of the existing program do not change, upon the implementation of FAS No. 106, the Company's annual after tax earnings are expected to decrease by approximately $1.2 million, excluding the effect of recognizing the accumulated benefit obligation. Since the Company can continue to fund its post-retirement benefits program on a pay-as-you-go basis, adoption of FAS No. 106 need not have an adverse impact on the cash position of the Company significantly different from that in previous years. The Company has neither decided if it will implement FAS No. 106 early nor has it determined what changes may be warranted to its postretirement program. The Company is currently evaluating a number of adjustments to its postretirement program and will likely adopt changes in 1992 which will reduce the accumulated benefit obligation as compared to its existing program.

DANA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Health Care And Life Insurance Benefits
Dana and certain of its subsidiaries provide health care and life insurance benefits for certain of its active and retired employees. These benefits are provided through various insurance carriers whose charges are based on the benefits paid during the year. Total cost to provide these benefits for active and retired employees amounted to $173,498,000, $157,887,000 and $137,568,000 in 1991, 1990 and 1989, respectively. The cost of providing these benefits for retirees amounted to $41,513,000, $35,654,000 and $28,445,000 in 1991, 1990 and 1989, respectively. Substantially all of the retiree health care cost relates to United States retirees since most international retirees are covered by government-sponsored programs.

In December 1990, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The provisions of this statement are effective beginning in 1993. This statement will require Dana to recognize the estimated cost of providing these benefits during the working careers of those employees who could become eligible for such benefits when they retire. Upon adoption, the Company will be required to either recognize the transition obligation immediately as the effect of an accounting change or on a prospective basis as a component of net periodic benefit cost. Dana has not decided whether it will adopt the statement prior to 1993, or if it will recognize the transition obligation on an immediate or prospective basis. Dana's analysis of this liability has not been finalized, however, preliminary estimates of the transition obligation's effect on income upon adoption of SFAS No. 106 range from as low as $300,000,000 to as high as $450,000,000 after tax, assuming that the currently-proposed changes in accounting for income taxes are adopted by the FASB and Dana is able to tax effect the entire liability at an effective tax rate of 44%. Annual expense is estimated to increase by an amount as low as $18,000,000 to as high as $50,000,000 after tax due to the adoption of this statement. While the adoption of this statement will have an unfavorable effect

on reported net income, there will be no direct impact on cash flows. The actual amounts to be recorded and the annual expense will depend on a number of variables which are subject to change, some of which are outside the control of Dana. These variables include health care cost trend rates, benefits levels, discount rates, accounting for income taxes and the timing and method of adoption of SFAS No. 106.

DEERE & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension and Other Retirement Benefits (In Part)

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 United States and Canadian employees may become eligible for these benefits if they reach retirement age while still working for the company. These benefits are either self-insured or are provided through the company's insurance and health care subsidiaries. The company recognizes the cost of the self-insured benefits as the claims are incurred and recognizes the cost of the benefits provided through the insurance and health care subsidiaries by expensing the annual premiums. The cost of health care benefits for retired United States and Canadian employees in 1991, 1990 and 1989 was $71 million, $60 million and $55 million, respectively; and the cost of life insurance benefits for retired employees was $7 million in 1991 and $6 million in both 1990 and 1989.

Most retirees outside the United States and Canada are covered by governmental health care programs and the company's cost is not significant.

In December 1990, the FASB issued Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. This statement must be adopted no later than the company's 1994 fiscal year, and generally requires the accrual of retiree health care and other postretirement benefits during employees' years of active service. Deere & Company currently expenses the costs of these benefits when paid.

Upon adoption, the new standard requires the recognition of a transition obligation which represents that portion of future retiree benefit costs related to service already rendered by both active and retired employees up to the date of adoption. This initial liability can either be recognized immediately as a one-time charge to earnings in the year of adoption, or amortized through charges to earnings over a 20-year period. Although Deere & Company continues to evaluate the impact of this new standard, the company's preliminary estimates of the transition obligation range from $1.2 billon to $1.7 billion. Preliminary estimates of incremental annual expense for Deere & Company and its consolidated subsidiaries following adoption range from $60 million (if the entire transition obligation were recognized in the year of adoption) to $200 million (if the transition obligation were accrued over a 20-year period). The foregoing amounts have been reduced by income tax benefits expected to be recognized in accordance with a FASB exposure draft of a new accounting standard. These preliminary estimates are subject to change and are dependent upon a number of variables including future medical inflation rates, health care trends, benefit plan changes the discount factor used in determining the initial liability, when the standard is adopted, whether the transition obligation is recognized immediately or amortized over 20 years, whether or not the tax benefits are in fact available, etc.

Although implementation of the standard is expected to have a adverse effect on Deere & Company's future reported net income, it will not affect the company's cash flows because the company plans to continue paying the cost of post-employment benefits when incurred. The company has not determined when the statement will be adopted or how the transition obligation will be recognized.

GEORGIA-PACIFIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Retirement Plans

Retiree Health Care and Life Insurance Benefits—The Corporation provides certain health care and life insurance benefits to eligible retired employees. Salaried participants generally become eligible for retiree health care benefits after reaching age 55 with 10 years of service or after reaching age 65. Benefits, eligibility and cost-sharing provisions for hourly employees vary by location and/or bargaining unit. Generally, the medical plans pay a stated percentage of most medical expenses reduced for any deductible and payments made by government programs and other group coverage. The plans are unfunded.

The cost of providing most of these benefits has been shared with retirees. The Corporation began transferring its share of the cost of post-age 65 health care benefits to future salaried retirees in 1991. The Corporation will continue to reduce the percentage of the cost of post-age 65 benefits that it will pay on behalf of salaried employees who retire in each of the years 1992 through 1999. The Corporation will continue to share the pre-age 65 cost with future salaried retirees, but will no longer pay any of the post-age 65 cost for salaried employees who retire after 1999.

The Corporation adopted Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," as of January 1, 1991. This statement requires the accrual of the cost of providing postretirement benefits, including medical and life insurance coverage, during the active service period of the employee. The Corporation elected to immediately recognize the accumulated liability, measured as of January 1, 1991. This resulted in a one-time, after-tax charge of $119 million (after reduction for income taxes of $73 million) which does not include amounts accrued in prior years for business acquisitions. The effect of this change on 1991 operating results, after recording the cumulative effect for years prior to 1991, was to recognize additional pretax expense of $23 million. The pro forma effect of the change on years prior to 1991 was not determinable. Prior to 1991, the Corporation recognized expense in the year the benefits were provided. Postretirement health care and life insurance costs charged to expense in 1990 and 1989 were not material.

The following table sets forth the funded status of the plans, reconciled to the accrued postretirement benefit cost recognized in the Corporation's balance sheet at December 31, 1991:

(Millions)	
Accumulated postretirement benefit obligation:	
Retirees	$221
Fully eligible active plan participants	41
Other active participants	100
	362
Unrecognized net loss	(20)
Accrued postretirement benefit cost	$342

Net periodic postretirement benefit cost for 1991 included the following components:

(Millions)	
Service cost of benefits earned	$ 8
Interest cost on accumulated postretirement benefit obligation	30
Net periodic postretirement benefit cost	$ 38

For measuring the expected postretirement benefit obligation, a 15 percent annual rate of increase in the per capita claims cost was assumed for 1991. This rate was assumed to decrease 1 percent per year to 7 percent in 1999 and remain at that level thereafter. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 8.5 percent at January 1, 1991 and 8.0 percent at December 31, 1991.

If the health care cost trend rate were increased 1 percent, the accumulated postretirement benefit obligation as of December 31, 1991 would have increased by 13 percent. The effect of this change on the aggregate of service and interest cost for 1991 would be an increase of 15 percent.

During 1991, the corporation recognized a pretax settlement gain of $43 million resulting from postretirement benefit obligations assumed by the purchaser in certain asset divestitures (Note 4).

INLAND STEEL INDUSTRIES, INC. (DEC)

SUMMARY OF ACCOUNTING AND FINANCIAL POLICIES

Benefits for Retired Employees

Pension benefits are provided by the Company to substantially all employees under a trusteed non-contributory plan. Life insurance and certain medical benefits are provided for substantially all retired employees.

The estimated costs of pension and life insurance benefits are determined annually by consulting actuaries, while the costs of medical benefits are recognized as incurred. With the adoption of Financial Accounting Standards Board ("FASB") Statement No. 106, which must be adopted no later than the first quarter of 1993, the cost of health care benefits for retirees must be accrued over their term of employment (See Note 10). Pension cost is computed as provided by FASB Statement Nos. 87 and 88. Pensions are funded in accordance with ERISA requirements in a trust established under the plan. Costs for retired employee life insurance are provided for during the employee's active years of service, but these costs are not funded until claims are submitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Retirement Benefits

The cost of life insurance benefits for retired employees, which is accounted for under an accrual method, was $6.8 million in 1991, $7.4 million in 1990, and $6.0 million in 1989. The unfunded portions of these amounts are included on the balance sheet as "Deferred Employee Benefits." At year-end 1991 and 1990, these amounts totaled $65 million and $62 million, respectively.

The cost of medical benefits for retired employees, which are expensed as incurred, was, $37.5 million in 1991, $33.8 million in 1990, and $28.6 million in 1989. Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," issued in December 1990, will require the Company to begin accruing for these medical benefits by the first quarter of 1993. Furthermore, implementation of the new standard will require the recognition of a "transition obligation" (as defined in that statement) based on the aggregate amount that would have been accrued in prior years had the new standard been in effect for those years. The standard, however, permits the Company to recognize the entire "transition obligation" in the year of adoption or to amortize it over a period of years. The Company currently estimates that under the standard, the pretax amount of its "transition obligation" is in the range of $500 million to $1 billion and that upon adoption, assuming amortization of the transition obligation over 20 years, annual provisions for these medical benefits would increase by approximately $50 million to $150 million. Determination of the precise amount of this obligation at the date of adoption and of the effect on future operating results will depend upon a number of factors which are under study by the Company and subject to change, including potential modifications of plan benefits, changes in employment levels and refinements in actuarial assumptions. At this point, the Company has decided neither the timing nor method of adoption. While adoption of the new standard will have a material adverse effect on the Company's reported results of operations and stockholders' equity, cash flows will not be affected.

KUHLMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Employee Retirement Plans

Employees retiring from the Company on or after attaining age 55 who have rendered specific years of service as outlined in the appropriate agreement are entitled to

postretirement health care and medical coverage. These benefits are subject to deductibles, copayment provisions and other limitations. The Company may amend or change the plan periodically. The cost of these benefits, which were not significant during the period presented, is recognized as expense as claims are paid.

In December 1990, the Financial Accounting Standards Board issued a new standard on accounting for postretirement 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 it will adopt the new standard but it expects to adopt the new accounting method by recording a cumulative catch-up adjustment in the year of adoption. The Company has engaged an actuarial consultant who has made a preliminary review using the terms of plans currently in place. Their estimates are subject to significant change based on a number of factors, including changes in the assumed health care cost trend rate, retiree contribution percentages and other assumptions used in the calculations.

Adoption of the new standard through a cumulative catch-up adjustment will result in the Company recording a charge to expense equal to the discounted present value of expected future benefits attributed to employees' service rendered prior to the date the new standard is adopted. Preliminary estimates indicate the adjustment will be in the range of $9 to $11.5 million (pre-tax) and will have a significant adverse impact on reported financial position and results of operations. On an ongoing basis, after the cumulative catch-up adjustment, the change to the new accounting standard is expected to result in reported annual expense amounts that are substantially higher than the amounts reported under the Company's current accounting policy.

Although adoption of the new accounting standard will not affect the Company's cash outlay for retiree benefits, the Company will continue to evaluate ways in which it can better manage these benefits and control the costs. Any changes in the plans or revisions to assumptions that affect the amount of expected future benefits may have a significant effect on the amounts of the reported obligation and annual expense.

THE MEAD CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

P—Postretirement Benefits Other than Pensions

In 1991, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The company elected to immediately recognize the cumulative effect of the change in accounting for postretirement benefits of $93.5 million ($58.7 million net of income tax benefit) which represents the accumulated postretirement benefit obligation (APBO) existing at January 1, 1991, of $107.9 million, less $14.4 million recorded in prior years. The impact of the change on 1991 operations is not material and is included in the APBO at January 1, 1991. The pro forma effects of the application of Statement No. 106 on prior years is not presented as the effect on each year is not significant. The company continues to fund benefit costs principally on a pay-as-you-go basis, with the retiree paying a portion of the costs. In situations where full-time employees retire from the company between age 55 and age 65, most are eligible to receive, at a cost to the retiree equal to Mead's cost for an active employee, certain health care benefits identical to those available to active employees. After attaining age 65, an eligible retiree's health care benefit coverage becomes coordinated with Medicare, with the retiree paying substantially all of the cost of the coverage. Certain retired employees of businesses acquired by the company are covered under other health care plans that differ from current plans in coverage, deductibles and retiree contributions.

Summary information on the company's plans is as follows:

(All dollar amounts in millions)

December 31	1991
Financial status of plans:	
Accumulated postretirement benefit obligation as of December 31, 1991:	
Retirees	$ 62.1
Fully eligible, active plan participants	18.0
Other active plan participants	26.9
	107.0
Less plan assets at fair value	12.6
Accrued postretirement benefit cost	$ 94.9

The APBO for the unfunded plan at December 31, 1991, was $95.7 million.

The components of net periodic postretirement benefit cost are as follows:

(All dollar amounts in millions)

Year Ended December 31	1991
Service cost, benefits attributed to employee service during the year	$ 2.0
Interest cost on accumulated postretirement benefit obligation	8.5
Actual return on plan assets	(.9)
Net periodic postretirement benefit cost	$ 9.6

The discount rate used in determining the APBO was 8.5%. The expected longterm rate of return on plan assets used in determining the net periodic postretirement benefit cost was 8.0% in 1991. The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 16% in 1991, declining by 1% per year to an ultimate rate of 6%

If the health care cost trend rate assumptions were increased by 1%, the APBO as of December 31, 1991,

would be increased by 9.0%. The effect of this change on the sum of the service cost and interest cost components of net periodic postretirement benefit cost for 1991 would be an increase of 10.3%

PENNZOIL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Benefit Plans

Postretirement Health Care and Life Insurance Benefits—

Pennzoil and Purolator sponsor several unfunded defined benefit postretirement plans covering most salaried and hourly employees. The plans provide medical and life insurance benefits and are, depending on the type of plan, either contributory or non-contributory. The accounting for the health care plans anticipates future cost-sharing changes that are consistent with Pennzoil's expressed intent to increase, where possible, contributions from future retirees to a minimum of 30% of the total annual cost. Furthermore, Pennzoil's future contributions for both current and future retirees have been limited, where possible, to 200% of the average 1992 benefit cost.

In December 1991, Pennzoil announced its decision to change its method of accounting for postretirement benefit costs other than pensions by adopting the new requirements of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective as of January 1, 1991. Previous 1991 interim period results were restated as a result of the adoption. Pennzoil recorded a charge of $49.0 million ($74.2 million before tax), or $1.21 per share, as of the first quarter of 1991 to reflect the cumulative effect of the change in accounting principle for periods prior to 1991. In addition to the cumulative effect, Pennzoil's 1991 postretirement health care and life insurance costs increased $1.7 million ($2.6 million before tax), or $.04 per share, as a result of adopting the new standard.

Net periodic postretirement benefit cost for 1991 included the following components:

	Expressed in Thousands
Service cost—benefits attributed to service during the periods	$ 1,176
Interest cost on accumulated postretirement benefit obligation	10,578
Net periodic postretirement benefit cost	$ 11,754

The following table sets forth the plans' combined status reconciled with the amount included in the consolidated balance sheet at December 31, 1991:

	Expressed in Thousands
Accumulated postretirement benefit obligation:	
Retirees	$ 96,522
Fully eligible active plan participants	9,633
Other active plan participants	17,939
Total accumulated postretirement benefit obligation	124,094
Unrecognized net loss from changes in assumptions	(3,939)
Accrued postretirement benefit cost	$120,155

For measurement purposes, a 14% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1992; the rate was assumed to decrease gradually to 7% through the year 2001 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amount of the obligation and periodic cost reported. An increase in the assumed health care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation as of December 31, 1991 by $10.4 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by $1.0 million.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation as of December 31, 1991 was 8.5%.

Prior to 1991, the cost of providing health care and life insurance benefits to retired employees was recognized as expense primarily as claims were paid. These costs totaled approximately $6,078,000 and $6,941,000 for 1990 and 1989, respectively.

QUANEX CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Pension Plans and Retirement Benefits

The Company provides certain health care and life insurance benefits for eligible retired employees. Employees may become eligible for those benefits if they reach normal retirement age while working for the Company. The cost of retiree health care and life insurance benefits is recognized as expense as claims are paid. For the 1991, 1990 and 1989 periods, these costs were approximately $2,883,000, $1,800,000 and $2,000,000, respectively.

In December 1990, the Financial Accounting Standards Board issued a new accounting standard for postretirement employee benefits other than pensions, principally health care. Beginning in fiscal year ending 1994, this new standard requires that all employers account for these benefits on an accrual basis rather than the pay-as-you-go (cash) method. These new accounting requirements, however, will not change the cash funding of these benefits. The new standard allows two alternatives in accounting for the unrecognized, unfunded Accumulated Postretirement Benefit Obligation (APBO). On or before November 2, 1993, the unfunded APBO can be recognized immediately or it can be amortized over 20 years. The Company has not yet decided which of these two methods the Company will adopt. Immediate recognition of the unfunded APBO would require a liability to be recognized on the Company's balance sheet with a corresponding reduction in stockholders' equity. Alternately, amortizing the unfunded APBO over 20 years combined with accruing postretirement benefit costs for current employees would increase annual expense for these benefits. While the Company does not know the amount of the APBO at November 1, 1993, the Company anticipates that the amount will be significant to the Company and may result in a reduction in the equity of the Company or a charge to income if the Company elects to amortize the unfunded APBO over 20 years. The Company is exploring possible methods to reduce the

impact of the new accounting standard for postretirement employee benefits on the financial statements of the Company. In any event, such new standards will not adversely affect the Company's cash flow or the covenants under the Company's credit agreements which contain provisions which exclude the effects of changes in accounting standards adopted after the date of such credit agreements.

VULCAN MATERIALS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 recorded the full amount of its estimated accumulated postretirement benefit obligation, which represented 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 accrual method amounted to $3,749,000 in 1991, $2,985,000 in 1990 and $2,549,000 in 1989. If the 1991, 1990 and 1989 costs had been determined under the previous method, which recognized the cost of providing postretirement benefits by expensing the contributions when made, the amounts would have been $1,275,000, $1,157,000 and $1,064,000, respectively.

In December 1990 the Financial Accounting Standards Board issued Statement 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 Compay expects to modify its methodology to fully comply with SFAS No. 106 before the effective date of that standard. 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 insurer.

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.

Stock Award Plans

HEWLETT-PACKARD COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholders' Equity (In Part)

Incentive Compensation Plans

Under the 1985 Incentive Compensation Plan and the 1990 Incentive Stock Plan, certain key employees may be granted cash or restricted stock awards. Cash and restricted stock awards are independent of option grants and are subject to restrictions considered appropriate by the company's Executive Compensation and Stock Option Committee. The majority of the shares of restricted stock outstanding at October 31, 1991 are subject to forfeiture if employment terminates prior to five years from the date of grant. During that period, ownership of the shares cannot be transferred. Restricted stock has the same dividend and voting rights as other common stock and is considered to be currently issued and outstanding. The cost of the awards, determined as the fair market value of the shares at the date of grant, is expensed ratably over the period the restrictions lapse. Such expense amounted to $12 million, $17 million and $20 million in 1991, 1990 and 1989, respectively. At October 31, 1991 and 1990, the company had 1,415,000 and 1,463,000 shares, respectively, of restricted stock outstanding. Beginning in 1992, discounted stock options will generally be granted in place of restricted stock.

HONEYWELL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in Millions)

Note 16 (In Part): Capital Stock

Restricted Stock Plan—Restricted common stock is issued to certain key employees as compensation. Restricted shares are awarded with a fixed restriction period, usually five years, or a restriction period 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 this plan revert to Honeywell at no cost. Shares issued under the restricted stock plan totaled 87,259 in 1991, 435,714 in 1990 and 13,052 in 1989. The cost of the stock plan, which is charged to income over the restriction period, amounted to $6.4 in 1991 and $7.0 in 1990. Cost in 1989 was not material. Restricted shares outstanding for the plan totaled 484,475, 475,844 and 162,872 at December 31, 1991, 1990, and 1989, respectively.

HERMAN MILLER, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted Stock Grant Plan

On July 12, 1988, the company adopted a restricted stock plan whereby key employees were granted restricted shares of the company's stock. Shares were awarded in the name of the employee, who has all rights of a shareholder, subject to certain restrictions or forfeitures. Restrictions on the award expire annually, over a period not to exceed five years, as certain financial goals are achieved. During 1991, the restrictions expired on 7,250 shares. No shares were forfeited or granted. As of June 1, 1991, there were no shares available for award, and 14,500 shares remain subject to restrictions.

The market value of shares awarded under the plan has been recorded as unearned stock grant compensation and is presented as a separate component of shareholders' equity. The unearned compensation is being charged to selling, general, and administrative expense over the five-year vesting period and was $.2, $.4, and $.3 million in 1991, 1990, and 1989, respectively.

PREMARK INTERNATIONAL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Incentive Compensation Plans

Restricted Stock Plan

The company's Restricted Stock Plan authorizes the issuance of restricted stock to retain key employees, including officers. The maximum number of shares of common stock that may be issued under the plan may not exceed 1,000,000. Restrictions on awards to date lapse incrementally at varying rates. The holding periods, prior to any vesting occurring on restricted shares, range from one to five years. With respect to those shares granted in October 1989 and subject to a five-year holding period, the vesting may be accelerated based on attaining certain performance goals. Generally, restrictions shall lapse on all shares awarded to date by 1995. Compensation expense is determined by reference to the market value on the date of award and is being amortized over the period the restrictions lapse. The expense was $2.4 million in 1991, $2.9 million in 1990, and $4.4 million in 1989. Restricted stock activity in 1991 and 1990 is summarized below:

	Shares	
	Outstanding	Available for Issuance
Balance at December 30, 1989	675,289	118,100
Shares awarded	64,400	(64,400)
Shares forfeited	(71,520)	71,520
Shares released	(209,507)	—
Balance at December 29, 1990	458,662	125,220
Shares awarded	25,300	(25,300)
Shares forfeited	(3,600)	3,600
Shares released	(330,353)	—
Balance at December 28, 1991	150,009	103,520

TABLE 3-11: COMPENSATORY PLANS

	Number of Companies			
	1991	1990	1989	1988
Stock award	236	235	219	179
Savings/investment	203	181	153	139
Employee stock ownership	158	145	140	78
Incentive compensation	84	85	71	76
Profit-sharing	67	80	80	86
Deferred compensation	33	30	33	30

DAYTON HUDSON CORPORATION (JAN)

NOTES TO FINANCIAL STATEMENTS
(Millions of Dollars, Except Per-Share Data)

Stock Options and Performance Shares

The Corporation has a stock option plan for key employees. Grants have included stock options, performance shares or both. Options have included Incentive Stock Options, Non-Qualified Stock Options or a combination of the two. Twelve months after the grant date, 25% of the majority of options granted become exercisable with another 25% becoming exercisable each succeeding 12 months. These options are cumulatively exercisable and expire no later than 10 years after the date of the grant. Stock options are awarded at fair market value on the grant date and when exercised, proceeds are credited to common shareholders' investment and no expense is incurred.

Performance shares pay cash and stock if certain pre-selected performance goals are met at the end of a four-year period. Compensation expense on performance shares is recorded based on the current market price of the Corporation's common stock and the extent to which the performance goals are being met. Expense of $1 million, $3 million and $2 million was recorded in 1991, 1990 and 1989, respectively.

The number of shares of unissued common stock reserved for future grants under the plan was 3,625,333 at the end of 1991 and 3,804,464 at the end of 1990.

Options and Performance Shares Outstanding

	Options			
	Number of Shares	Price Per Share	Shares Exercisable	Performance Shares
January 28, 1989	1,177,333	$ 9.97-$53.25	740,593	138,868
Granted	240,111	46.63- 62.56		
Cancelled	(55,674)	30.25- 53.19		
Exercised	(263,885)	9.97- 53.19		
February 3, 1990	1,097,885	12.36- 62.56	634,249	174,556
Granted	174,679	69.56- 75.50		
Cancelled	(3,034)	35.19- 53.00		
Exercised	(197,181)	12.36- 53.19		
February 2, 1991	1,072,349	14.30- 75.50	571,948	219,091
Granted	190,513	73.81- 75.19		
Cancelled	(49,706)	30.25- 75.50		
Exercised	(141,990)	14.30- 69.56		
February 1, 1992	1,071,166	$17.44-$75.50	561,774	190,215

FLOWERS INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Common Stockholders' Equity

Performance Share Plan

Under the Performance Share Plan, the Board of Directors granted 217,229 and 175,319 performance shares to key employees in fiscal 1991 and 1989, respectively. Performance shares represent rights to receive common stock and cash provided the Company achieves specified income goals over a four-year period. The Compensation Committee of the Board of Directors has the authority to adjust certain elements of the plan where circumstances warrant. Common stock distributions and payments to participants are to be made four years after the date of the grant.

The cost of the Plan is limited to twice the grant price at the grant dates of the maximum number of performance shares issuable. The grant price is determined by averaging the closing price of the Company's common stock for ninety calendar days prior to the grant date. The grant prices of the performance shares at the grant dates were $18.44 and $18.38 for the 1991 and 1989 grants, respectively. The estimated costs of the Plan are charged to income over the applicable four year period. During fiscal 1991 and 1990 the Company reduced its accrued liability and expense by approximately $136,000 and $4,026,000, respectively for these grants to reflect the estimated amounts to be paid based on the Company's performance. For fiscal 1989, the charge for these grants amounted to $3,013,000.

LUBY'S CAFETERIAS, INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Note 5 (In Part): Employee Benefit Plans and Agreements

Performance Unit Plan

The Company also has a performance unit plan for executive and other key salaried employees. Performance unit awards granted under the performance unit plan, not to exceed 360,000 units, are payable in varying amounts in cash or, at the discretion of the Compensation Committee, in shares of common stock not to exceed 180,000 shares at the market price of the common stock on the last trading day of the month preceding delivery of the shares. Unit awards are payable at the conclusion of a three-year performance cycle if certain performance goals established on the basis of growth in earnings per share of the Company are met. Performance units of 17,620, 21,325 and 25,355 were granted in 1991, 1990 and 1989, respectively, and a total of 624 and 4,629 performance units expired in 1991 and 1990, respectively. In 1991, 1990 and 1989, 23,553, 21,493 and 17,048 units matured, respectively.

Under the performance unit plan, charges to income of $-0- in 1991, $40,000 in 1990, and $40,000 in 1989 were made for pro rata portions of the anticipated payout due at the end of the performance cycle based on cumulative performance goals realized in each year and preceding years. No payments were made with respect to awards granted for the three-year performance cycles which ended August 31, 1991 and 1989. For the three-year performance cycle which ended August 31, 1990, payments of $235,000 were made during the year ended August 31, 1991, comprised of cash and 8,700 shares of common stock.

The number of options, grant prices, and performance units are adjusted for changes in the common stock resulting from stock splits.

MAYTAG CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Plans (In Part)

In April 1991, the shareowners approved the 1991 Stock Incentive Award Plan For Key Executives. This plan authorized the issuance of up to 2,500,000 shares of Common stock to certain key employees of the Company, of which 1,918,539 shares are available for future grants as of December 31, 1991. Under the terms of the plan, the granted stock vests three years after the award date and is contingent upon pre-established performance objectives. In the event of a change in Company control, all incentive stock awards become fully vested. No incentive stock awards may be granted under this plan on or after May 1, 1996. Based upon 1991 results, the Company does not believe that the pre-established performance objectives will be met. Accordingly, no expense was recognized during 1991 for shares granted under this plan.

VALERO ENERGY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Common Stock

Stock Option and Bonus Plans

The Company also maintains a Restricted Stock Bonus and Incentive Stock Plan ("Bonus Plan") for certain key executives of the Company. Under the Bonus Plan, 750,000 shares of Energy Common Stock are reserved for issuance. During 1991, 25,600 shares were awarded under this plan, while 161,877 shares were available for award at December 31, 1991. The Bonus Plan provides for two types of awards, Bonus Stock grants and Incentive Stock contracts. Bonus Stock grants involve the grant of a specific number of shares of Energy Common Stock subject to certain restrictions. Incentive Stock contracts involve the conditional award of a specified number of shares of Energy Common Stock issuable at the end of a specified period if certain predefined performance objectives covering a predefined performance period are met. The amounts of such Bonus Stock and the terms governing the removal of the applicable restrictions, and the amount of such Incentive Stock and the terms establishing predefined performance objectives and periods, are established pursuant to individual written agreements between Energy and each participant in the Bonus Plan. Compansation expense recognized in connection with the Bonus Plan for 1991 was $819,000.

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock and Stock Equivalent Unit Plans (In Part)

The Stock Equivalent Unit Plan provides for awards of basic stock units to key employees, excluding officers who are directors. Each unit is treated as equivalent to one share of the Company's common stock. However, the employee only receives appreciation, if any, in the market value of the stock and dividend equivalent units as dividends are paid. Appreciation on basic stock units is limited to 100% of the original market value. For awards made after 1983, benefits accrue over seven years and vesting commences in the third year. For prior awards, the accrual period is 10 years and vesting begins in the fourth year.

Stock Equivalent Unit Plan expense amounted to $31.5 million in 1991, $24.4 million 1990 and $12.4 million in 1989.

Savings/Investment Plans

ALCO STANDARD CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Pension, Postretirement and Stock Purchase Plans

The majority of the Company's employees are also eligible to participate in the Company's Stock Participation Plan. They may invest 2 to 6% of regular compensation before taxes. The Company contributes an amount equal to two-thirds of the employees' investments and all amounts are invested in the Company's common shares. The Company's contributions fully vest to employees upon the completion of five years of service. There is a similar plan for eligible management employees. The cost of these plans charged to continuing operations amounted to $10,165,000 in 1991, $8,770,000 in 1990 and $7,216,000 in 1989.

JOHNSON & JOHNSON (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 (In Part): Savings Plan

The Company has a voluntary 401(k) savings plan designed to enhance the existing retirement program of eligible domestic employees. In August 1990, the Company formed an employee stock ownership plan (ESOP) as part of the 401(k) savings plan. The Company match, which is based on employee contributions of up to 6% of base salary, was increased from 50 cents on the dollar to 75 cents on the dollar effective January 1, 1991. The incremental match is paid in Company stock, except that employees age 55 or older may choose alternative investments. The ESOP was established to satisfy this incremental portion of the Company's obligation.

To establish the ESOP, the Company loaned $100 million to the ESOP Trust in exchange for a note. The note was recorded in 1990 as a reduction of stockholders' equity. The ESOP Trust used the proceeds from the note to purchase 1,554,800 shares of the Company's stock on the open market. The Company funded its loan to the ESOP with U.S. commercial paper borrowings, which were subsequently paid down.

Company contributions to the savings plan were $34 million in 1991, $20 million in 1990 and $18 million in 1989.

VF CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Benefit Plans

The Corporation also sponsors a 401(k) savings plan covering most domestic salaried employees. During 1990, the Corporation adopted an Employee Stock Ownership Plan (ESOP) as part of this plan. Contributions made by the Corporation to the 401(k) plan are based on a specified percentage of employee contributions. Expense recorded for the savings plan totaled $6.5 million in 1991, $6.0 million in 1990 and $2.0 million 1989.

Employee Stock Ownership Plans

CPC INTERNATIONAL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Employee Stock Ownership Plan

In December 1989, the Company implemented an Employee Stock Ownership Plan (ESOP) as part of its employees Savings/Retirement Plan covering substantially all United States salaried employees. The ESOP is designed to provide employees with increased ownership in the Company's stock. To accomplish this the ESOP borrowed $200 million in a public offering and used the proceeds to buy a like amount of the Company's Series A ESOP convertible preferred stock. The preferred stock is convertible into approximately 2.2 million shares of the Company's common stock at $89.21 per share. The preferred stock is entitled to an annual dividend of $7.14 per share which will be used by the ESOP together with the Company's contributions to service the ESOP notes. The ESOP is intended to satisfy the Company's obligation to match employees' contributions to the Savings/Retirement Plan on a $1 for $1 basis. Since the ESOP notes are guaranteed by the Company, they are reflected in the consolidated balance sheet as short-term and long-term debt with a corresponding amount shown in the stockholders' equity section as unearned ESOP compensation.

In 1991 and 1990, 116,578 shares and 107,154 shares, respectively, of preferred stock valued at $10.4 million and $9.6 million, were allocated to Plan participants based on the semi-annual payments of both principal and interest due on the ESOP notes. The notes have a fifteen year maturity and a fixed interest rate of 7.78%. In 1991, $2.7 million and in 1990, $1.1 million of principal was paid on the ESOP notes.

In conjunction with the implementation of the ESOP, the Company reacquired 3 million shares of its common stock. At December 31, 1989, the Company had acquired 2.8 million shares for approximately $182.7 million and in January 1990 bought the remaining shares so that the total equaled the proceeds obtained from the sale of preferred stock.

CHEVRON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Millions of dollars

Note 16 (In Part): Employee Benefit Plans

Employee Stock Ownership Plan (ESOP). In December 1989, the company established an ESOP as part of the Profit Sharing/Savings Plan. The ESOP Trust Fund borrowed $1,000 and purchased 14.1 million previously unissued shares of the company's common stock. The creation of the ESOP did not change the number of shares employees receive by their participation in the Profit Sharing/Savings Plan. The ESOP provides a partial pre-funding of the company's future commitments to the profit sharing part of the plan, which will result in annual income tax savings for the company. As interest and principal payments are made on the ESOP debt, shares are released from a suspense account and allocated to profit sharing accounts of plan participants.

In October 1991, the Chevron Corporation Profit Sharing/Savings Plan Trust Fund refinanced $970 of ESOP variable-interest-rate bank loans with new fixed-interest-rate public debt issues with the same maturities as the original bank loans. As with the previous bank loans, the debt is fully guaranteed by Chevron Corporation.

The ESOP is expected to satisfy most of the company's obligations to the profit sharing part of the Profit Sharing/Savings Plan during the next 13 years. Other company obligations to the profit sharing part of the plan will be satisfied by cash contributions. Common stock allocations by the ESOP began in 1990. The company recorded $69, $85 and $6 of interest expense in 1991, 1990 and 1989, respectively, related to the ESOP loan. All dividends paid on the shares held by the ESOP are used to service the ESOP debt. These dividends were $46 and $42 in 1991 and 1990, respectively.

EXXON CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Leveraged Employee Stock Ownership Plan (LESOP)

In 1989, the corporation's employee stock ownership plan trustee borrowed $1,000 million, under the terms of notes guaranteed by the corporation, maturing between 1990 and 1999. The principal due on the notes increases from $75 million in 1990 to $125 million in 1999. As further described in note 11, the LESOP trustee used the proceeds of the borrowing to purchase shares of convertible Exxon Class A Preferred Stock.

Employees eligible to participate in the corporation's thrift plan may elect to participate in the LESOP. Corporation contributions to the plan, plus dividends, are used to make principal and interest payments on the notes. As contributions and dividends are credited, shares of preferred stock are proportionately converted into common stock, with no cash flow impact to the corporation, and allocated to participants' accounts. During 1991, 1.4 million shares of preferred stock, totaling $88 million, were converted to common stock and allocated. In 1990, 0.8 million shares of preferred stock, totaling $51 million, were converted and allocated. No amounts were so allocated in 1989. Preferred dividends of $69 million, $75 million, and $34 million were paid during 1991, 1990 and 1989, respectively, and essentially covered interest payments on the notes. The balance was covered by the corporation. The 1991 and 1990 principal payments were made from employer contributions and dividends reinvested within the LESOP trust and payments by Exxon as guarantor.

GERBER PRODUCTS COMPANY (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Long-Term Debt

In October, 1989, the Company established an employee stock ownership plan (ESOP) covering the majority of parent company employees. The ESOP was temporarily funded by a $21,000,000 loan from the Company. The proceeds from this loan were used to purchase 460,273 shares of common stock from the Company's treasury at an average cost of $45⅝ per share, the then quoted market value.

On May 9, 1990, the ESOP borrowed $20,300,000 from an insurance company and repaid the unpaid balance of the loan from the Company. The loan is unconditionally guaranteed by the Company as to principal and interest. The ESOP Note, which is reflected as long-term debt in the Company's consolidated financial statements, was initially offset by a like amount of unearned ESOP compensation in shareholders' equity. As Company contributions plus the dividends on the shares held by the ESOP are used to meet interest and principal payments, shares are released for allocation to eligible employees. The unearned ESOP compensation in shareholders' equity represents the Company's payment of future compensation expenses related to the ESOP program and is reduced as shares are allocated. During fiscal 1991, the Company made cash contributions to the ESOP of $2,711,000, of which $1,134,000 was recognized as compensation expense and $1,577,000 as interest expense. Dividends paid on ESOP shares, which reduce the Company's required contribution, were $555,000 in 1991. Company contributions to the ESOP, dividends on shares held by the ESOP, and related amounts of expense recognized, were not material in fiscal 1990.

H.J. HEINZ COMPANY (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Shareholders' Equity

Employee Stock Ownership Plan (ESOP): The company established an ESOP in 1990 to replace in full or in part the company's cash-matching contributions to the H.J. Heinz Company Employees Savings Plan, a 401(k) plan for salaried employees. Matching contributions to the ESOP are based on a percentage of the participant's contributions, subject to certain limitations.

To finance the plan, the ESOP borrowed $50 million directly from the company. The loan is in the form of a 15-year variable-rate interest-bearing note (9.4% average and 7.5% average for Fiscal 1991 and 1990, respectively) and is included in the company's balance sheet as unearned compensation. The proceeds of the note were used to purchase 1,577,908 shares of treasury stock from the company at approximately $31.70 per share.

The stock held by the ESOP is released for allocation to the participants' accounts over the term of the loan as company contributions to the ESOP are made. The contributions are reported as compensation and interest expense. Compensation expense related to the ESOP for Fiscal 1991 and 1990 was $3.1 million and $1.1 million, respectively. Interest expense was $4.4 million and $2.5 million for Fiscal 1991 and 1990, respectively. The company's contributions to the ESOP and the dividends on the unallocated company stock held by the ESOP will be used to repay loan interest and principal.

The dividends on the company stock held by the ESOP in Fiscal 1991 and 1990 were $1.4 million and $1.0 million, respectively. The ESOP may refinance the loan with third-party debt guaranteed by the company.

TANDEM COMPUTERS INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Benefits (In Part)

The Company has a long-standing policy of encouraging all employees to become stockholders through various stock programs. This policy is based on a belief that all stockholders benefit from the higher productivity, lower turnover, and improved customer satisfaction realized by providing employees with a personal stake in the Company's success.

Employee Stock Ownership Plan

In 1989, the Company adopted the ESOP for eligible U.S. employees. In exchange for a $49.9 million note from the ESOP Trustee and an initial cash contribution of $.1 million, the Company issued 2.8 million shares of Common Stock to the ESOP at a price of $17.81 per share and recorded $50.0 million of Deferred ESOP compensation as a reduction of stockholders' investment. The note bears interest at 9.375 percent and is secured by unallocated shares held by the ESOP Trustee. Principal repayments are variable, at the Company's option, but must aggregate $5 million by July 15, 1996, and the total borrowing must be repaid by July 15, 2001. Company cash contributions to the ESOP are used to repay the loan to the Company. As the loan is repaid, Common Stock is allocated to ESOP participants based on the proportion of the loan repayment to total principal and interest payments required over the remaining loan term. Shares allocated under the ESOP vest over periods of up to one year, depending on the participant's length of service. Compensation expense is recognized in direct proportion to share allocations that occur from the 2.8 million shares initially acquired by the ESOP.

In 1991, the Company contributed 482,000 shares of treasury stock to the ESOP. During 1990, the Company made cash contributions to the ESOP that resulted in 258,000 shares being allocated to participants' accounts, and contributed 136,000 shares of treasury stock. Total compensation expense for 1991 and 1990 from all contributions to the ESOP was $6.2 million and $6.1 million, respectively, representing 1.5 percent of the participants' eligible compensation. In 1989, the Company made a cash contribution to allow the ESOP Trustee to purchase 38,500 shares of Common Stock for immediate allocation to participants' accounts. Compensation expense related to the ESOP during 1989 was $.7 million. Currently, the Company intends to continue to make contributions to the ESOP such that the shares allocated to participants have a cost value of at least 1.5 percent, but a market value limited to 5 percent, of the participants' eligible compensation.

Profit Sharing Plans

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension and Profit Sharing Plans (In Part)

Profit Sharing Plan:

The Company's profit sharing plan covers substantially all domestic employees of the Company and its participating subsidiaries, other than those employees covered by a union retirement plan. The plan provides that, unless the Board of Directors decides otherwise, the Company contribute annually the lesser of (a) the amount which, when added to forfeitures for the year, equals 7½% of the amount by which the consolidated net operating income before income taxes of the Company and its participating subsidiaries exceeds $500,000, or (b) the amount deductible for Federal income tax purposes. The provisions for fiscal years 1991, 1990 and 1989 were $2,967,000, $2,771,000 and $2,373,000, respectively.

TEXAS INSTRUMENTS INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Profit Sharing and Pension Plans (In Part)

Profit sharing: There was no profit sharing expense in 1991, 1990 or 1989. Under the plans, unless otherwise

provided by local law, the company and certain of its subsidiaries contribute a portion of their net profits according to certain formulas, but not to exceed the lesser of 25% of consolidated income (as defined) before profit sharing and income taxes or 15% of the compensation of eligible participants. Unless otherwise provided by local law, such contributions are invested in TI common stock. Also, under the U.S. plan, a tax credit stock ownership account is invested in TI common stock.

Except in the event of company contributions in stock, investments in TI common stock are made by the trustees through purchases of outstanding shares or through purchases of shares offered from time to time by the company. The board of directors has authorized the issuance of previously unissued shares for purposes of the plans; 921,868 of such shares were available for future issuance at December 31, 1991.

The trustees of the profit sharing plans purchased 310,256 outstanding shares of TI common stock in 1991 (311,716 shares in 1990 and 227,699 shares in 1989) and no previously unissued shares in 1991 and 1990 (548,891 shares in 1989).

TULTEX CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 10 (In Part): Employee Benefits

A new profit sharing plan was implemented January 1, 1991 which provides for a quarterly payment to employees if a profit was reported in the most recently completed quarter and was sufficient to recover any previously reported quarterly losses. This replaces the employee bonus plan that was in effect in the previous years. The employee profit sharing/bonus expense was $2,446,000 in 1991, $8,861,000 in 1990 and $3,753,000 in 1989.

AMERICAN BUILDING MAINTENANCE INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Employee Benefit Plans

Profit Sharing and Employee Savings Plan

The Company and its subsidiaries have a discretionary noncontributory profit sharing and employee savings plan covering all nonmanual employees (earning less than $50,000) not covered under collective bargaining agreements, which includes employer participation in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plan allows participants to make pretax contributions and the Company matches certain percentages of employee contributions depending on the participant's length of service. All amounts contributed to the plan are deposited in a trust fund with a national bank and administered by independent trustees.

The Company made profit sharing provisions of $1,151,000, $647,000 and $1,427,000 for fiscal years 1991, 1990 and 1989, respectively. The Company's matching contributions required by the employee savings plan for 1991, 1990 and 1989 were approximately $551,000, $437,000 and $600,000, respectively.

CHAMPION ENTERPRISES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Profit Sharing and Savings Plan

The Company makes two types of contributions under the Profit Sharing and Savings Plan (the Plan):

(1) Contributions, in an amount determined annually by the Board of Directors, and
(2) Employer matching contributions, in shares of Company stock, equalling one-fourth of the first 4% of compensation contributed by participating employees.

Participating employees may make qualified cash or deferred arrangement contributions ranging from 1% to 6% of compensation. The Company has no other retirement or pension program.

Generally, all eligible full-time employees of the Company may participate in the Plan after completing years of service requirements. These requirements are two fiscal years for profit sharing participation and one year for employer matching participation. Contributions to the Plan are 100% vested. The charges to expense in connection with the Plan were $269,000 in fiscal 1991, $298,000 in fiscal 1990 and $349,000 in fiscal 1989.

JUNO LIGHTING, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Profit Sharing Plan

The Company has a profit sharing plan pursuant to Section 401 of the Internal Revenue Code, whereby participants may contribute a percentage of compensation, but not in excess of the maximum allowed under the Code. The plan provides for a matching contribution by the Company which amounted to approximately $105,000, $87,000 and $58,000 in 1991, 1990 and 1989, respectively. In addition, the Company may make additional contributions at the discretion of the Board of Directors. The Board authorized additional contributions of $358,000, $374,000 and $260,000 in 1991, 1990 and 1989, respectively.

SUNRISE MEDICAL INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands)

Profit Sharing/Savings Plan

The company has a 401(k) profit sharing/savings plan covering most of its U.S. employees ("Associates"). Under the profit sharing portion of the plan, the company will contribute to Associates' accounts a percentage of their salary for the fiscal year. The percentage amount is based upon attainment of certain earnings targets by the company as a whole in the case of corporate Associates, or by the subsidiary of the company for which the Associate works. The plan is discretionary as the amounts are determined based on earnings targets set by the Board of

Directors. During 1991, 1990 and 1989, accruals of $1,320, $931 and $727, respectively, for this plan are included in the consolidated financial statements. Under the savings feature, individual Associates may contribute to the plan. The company will match Associate contributions in an amount determined by the Board of Directors. During 1991, 1990 and 1989, $359, $196 and $212, respectively, of Associate contributions were matched by the company.

Incentive Compensation Plans

AMERICAN HOME PRODUCTS CORPORATION (DEC)

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 8,504,998 have been awarded through December 31, 1991. Deferred contingent common stock awards plus accrued dividends for a total of 1,018,427 shares were outstanding at December 31, 1991. Awards for 1991 amounted to $25,870,716, which included deferred contingent common stock of $14,323,653 (168,911 shares). 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 similar plan, amounted to $21,401,000, which included deferred contingent common stock of $8,991,000 (170,150 shares).

R.R. DONNELLEY & SONS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock and Incentive Programs for Management Employees (In Part)

Incentive Compensation Plans—The Company has incentive compensation plans covering selected officers. Amounts charged to expense for supplementary compensation, which is determined from participants' base salaries and factors relating to various performance measures, were $700,000 in 1991, $2,700,000 in 1990 and $2,500,000 in 1989.

GANNETT CO., INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Capital Stock, Stock Options, Incentive Plans

The Company's 1978 Executive Long-term Incentive Plan (the 1978 Plan) provides for the granting of stock options, performance units, stock incentive rights and option surrender rights to executive officers and other key employees.

Stock options are granted to purchase common stock of the Company at not less than 100% of the fair market value on the day the option is granted. The exercise period is eight years with the options becoming exercisable at 25% per year after a one-year waiting period.

Performance units may be awarded alone or related to a stock option. They are to have a stated value not to exceed 75% of the fair market value of a share of common stock on the date of award. Performance units will be earned to the extent that performance targets (expressed in terms of cumulative average growth of the Company's earnings per share or other criteria established by the Committee) have been met at the end of the four-year award period. Payments for performance units earned are made at the discretion of the Committee and reduce the number of shares subject to related stock options on a one-for-one basis. At the discretion of the Committee, payments in cash, stock, or a combination of both, will be made up to a maximum equal to the stated value of the units. The Company did not award performance units in 1991.

Stock incentive rights entitle the employee to receive for each such right, without payment, one share of common stock at the end of an incentive period, conditioned upon the employee's continued employment throughout the incentive period. The incentive period, which is determined by the Committee, is normally four years. During the incentive period, the employee receives cash payments for each incentive right equivalent to the cash dividend the Company would have paid had the employee owned the shares of common stock issuable under the incentive rights.

In July 1989, the Board of Directors approved an amendment to the 1978 Plan to provide that all outstanding awards will be vested if there is a change in control of the Company. Under the amendment, stock options become 100% exercisable immediately upon a change in control. Option surrender rights related one-for-one for all outstanding stock options have been awarded, which are effective only in the event of a change in control and entitle the employee to receive cash for stock options equal to 100% of the difference between the exercise price of the related stock option and the change-in-control price (which is the highest price paid for a share of stock as part of the change in control). The amendment also provides for the payment in cash of the value of stock incentive rights based on the change-in-control price.

Awards made under the 1978 Plan were as follows:

Fiscal year	1991	1990	1989
Stock options	547,815	480,520	579,570
Stock incentive rights	319,715	248,305	249,335

At the beginning of the Company's 1992 fiscal year, 135,509 shares of common stock were issued in settlement of previously granted stock incentive rights. In December 1990, the Committee canceled 392,000 previously awarded stock options and in fiscal 1991 payments totaling $6.1 million were made in settlement of the related performance units.

In December 1991, the Committee canceled 405,000 performance units. The related stock options continue in effect according to their terms.

With respect to awards under the 1978 Plan, the Company has recorded as compensation expense $4 million for 1991, $1 million for 1990 and $9 million for 1989. Under the 1978 Plan, the Company has accrued liabilities aggregating $19 million at December 29, 1991 and $27 million at December 30, 1990.

HUNT MANUFACTURING CO. (NOV)

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

10 (In Part): Stock Options, Stock Grant, Long-Term Incentive Compensation and Bonus Plans:

The Company's 1988 Long-Term Incentive Compensation Plan provides for the granting to management-level employees of long-term incentive awards, which are payable in cash and/or common shares at the end of a designated performance period of from two to five years, based upon the degree of attainment of pre-established performance standards during the performance period. The Company has granted awards for a maximum of 78,767 shares under this plan, of which 8,127 and 15,424 shares vested in January 1992 and 1991, respectively, and a maximum of 47,495 shares will vest in January 1993 subject to the attainment of such performance standards for the applicable performance periods. A maximum of 180,000 shares are authorized for issuance under this plan.

There is no stated limitation on the aggregate amount of cash payable under the plan, but the maximum amount (in cash and/or shares) which may be paid to a participant under all long-term incentive awards with respect to the same performance period may not exceed 125% of the participant's base salary in effect at the time the award initially was made. The charge (credit) to administrative and general expenses relating to this plan was $228, $(227) and $610 in fiscal years 1991, 1990 and 1989, respectively.

MURPHY OIL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (In Part): Thrift and Employee Incentive Plans and Postemployment Benefits—Certain employees of the Company may participate in thrift plans after stated periods of service by alloting up to a specified percentage of their base pay. The Company also contributes a stated percentage of each employee's allotment based on length of participation in the plans. Aggregate Company contibutions to these plans for 1991, 1990, and 1989 were $2,996,000, $2,651,000, and $2,712,000, respectively. Of these amounts, $793,000 in 1991, $637,000 in 1990, and $462,000 in 1989 were allocated to discontinued operations.

Murphy Oil Corporation and two subsidiaries have incentive bonus plans for key employees. Each plan provides for accruing an amount not to exceed a specified percentage of the amount by which "net income" exceeds an expressed percentage of "capital employed in the business," as defined by each plan. Provisions of $623,000, $1,542,000, and $439,000 were recorded in 1991, 1990, and 1989, respectively, in anticipation of future awards. Awards may be paid-only in cash under one plan. The other two plans provide for awards in cash, treasury stock, or a combination of both.

Deferred Compensation Plans

AMERON, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Employee Benefit Plans—

During 1991, the Company implemented an Executive Life Insurance Plan wherein eligible executives are provided with life insurance protection based upon three times base salary. Upon retirement, the executive is provided with life insurance protection based upon final salary. Benefits may be paid as a lump sum or as an annual income to the identified survivor over ten years.

Also during 1991, the Company implemented a Deferred Compensation Plan providing officers and key executives with the opportunity to participate in an unfunded, deferred compensation program. Under the program, participants may defer up to 50% of their base compensation and 100% of bonuses earned, and earn a guaranteed interest rate on their deferred amounts. The program is not qualified under Section 401 of the Internal Revenue Code. At November 30, 1991, the total of net

participant deferrals which is reflected in accrued liabilities was $1,077,000. The expense for this plan in 1991 was $271,000.

In connection with the above plans, whole life insurance contracts were purchased on the related participants. Insurance premiums of $1,467,000 were paid during 1991, of which $1,122,000 have been capitalized to reflect the cash surrender value of these contracts net of loan balances.

JACOBS ENGINEERING GROUP INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Pension, Savings and Deferred Compensation Plans

Deferred Compensation Plans

The Company's Executive Security Plan ("ESP") and Executive Deferral Plan ("EDP") are nonqualified deferred compensation programs that provide benefits payable to directors, officers and certain key employees or their designated beneficiaries at specified future dates, or upon retirement or death. Admissions to the ESP were suspended in December 1983 and there are no current intentions to lift the suspension. Benefit payments under both plans are funded by a combination of contributions from participants and the Company and most of the participants are covered by life insurance policies with Jacobs designated as the beneficiary. Amounts charged to expense relating to these programs for the years ended September 30, 1991, 1990 and 1989 were $1,473,000, $1,200,000 and $1,200,000, respectively.

SAVANNAH FOODS & INDUSTRIES, INC. (DEC)

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 1991, 1990, and 1989 includes $1,196,000, $946,000 and $768,000, respectively, related to this plan. The Company has included in "Deferred employee benefits" $9,436,000 at the end of 1991 and $7,688,000 at the end of 1990 to reflect its liability under this plan. To fund this plan, the company purchased whole-life insurance contracts on the related directors and employees. The Company has included in "Other assets" $9,815,000 at the end of 1991 and $8,156,000 at the end of 1990 which represents cash surrender value of these policies. 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.

SPEIZMAN INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Deferred Compensation Plans

The Company has deferred compensation agreements with two employees providing for payments amounting to $1,334,880 upon retirement and from $1,250,280 to $1,484,280 upon death prior to retirement. One agreement, as modified, has been in effect since 1972. The second agreement was placed in effect in October 1989. Both agreements provide for monthly payments on retirement or death benefits over fifteen year periods. Both agreements are funded under trust agreements whereby the Company pays to the trust amounts necessary to pay premiums on life insurance policies carried to meet the obligations under the deferred compensation agreements.

Expenses applicable to those agreements charged to operations were approximately $31,250, $25,400 and $10,400 for the three years in the period ended June 29, 1991, respectively. In subsequent years, such expenses are projected at $35,000 per annum.

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			
	1991	**1990**	**1989**	**1988**
Straight-line	558	560	562	563
Declining-balance	28	38	40	44
Sum-of-the-years-digits	8	11	16	11
Accelerated method—not specified	70	69	69	70
Units-of-production	50	50	50	53
Other	7	8	8	9

Straight-Line Method

BOWNE & CO., INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Real estate, equipment and leasehold improvements

Real estate, equipment and leasehold improvements are carried at cost. Maintenance and repairs are expensed as incurred.

Depreciation for financial statement purposes, which is provided on the straight-line method, was $10,819,000 (1991), $10,772,000 (1990) and $10,164,000 (1989). Depreciation is calculated for tax purposes using accelerated methods.

Estimated lives used in the calculation of depreciation for financial statement purposes are:

Buildings	20–40 years
Machinery and plant equipment	5–12½ years
Furniture and fixtures	5–12½ years
Vehicles	3-5 years
Leasehold improvements	Shorter of useful life or term of lease

COOPER INDUSTRIES, INC. (DEC)

	1991	1990	1989
		(in millions)	
Costs and Expenses			
Cost of sales	$4,129.4	$4,187.9	$3,451.3
Depreciation and amortization	258.0	238.5	188.9
Selling and administrative expenses	945.4	953.0	831.9
Interest expense	161.2	214.2	182.6
	5,494.0	5,593.6	4,654.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary Of Major Accounting Policies

Plant and Equipment

Depreciation is provided over the estimated useful lives of the related assets using primarily the straight-line method. This method is applied to group asset accounts which in general have the following lives: buildings—10 to 40 years; machinery and equipment—3 to 18 years; and office furniture and equipment—5 to 10 years. No provision is made for depreciation of tooling, dies, patterns, and similar assets related to general operations, as replacement of these items is charged to expense.

THE NEW YORK TIMES COMPANY (DEC)

Consolidated Statements Of Cash Flows

	1991	1990	1989
CASH PROVIDED (USED):		*(Dollars in thousands)*	
OPERATING ACTIVITIES			
Net income	$46,993	$64,836	$266,623
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	72,441	73,613	58,836
Amortization	44,399	52,624	40,209

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary Of Significant Accounting Policies

Property, Plant and Equipment. Property, plant and equipment is recorded at cost, and depreciation is computed by the straight-line method over estimated service lives. The Company capitalizes interest costs as part of the cost of constructing major facilities and equipment.

SYNTEX CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Property, plant and equipment and related depreciation and amortization—Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed generally using the straight-line method based on estimated useful lives of twelve to forty years for land improvements; four to forty years for buildings and improvements; and three to twenty years for machinery, equipment and furniture. Leasehold improvements are amortized over the lives of the related leases or their estimated useful lives, whichever is shorter, using the straight-line method.

3. Property, Plant and Equipment

Property, plant and equipment consist of the following:

($ In Millions)	1991	1990	1989
Land and improvements	$ 31.3	$ 24.9	$ 24.6
Buildings and improvements	373.8	348.1	338.4
Machinery, equipment and furniture	600.2	511.7	415.0
Leasehold improvements	36.2	36.3	31.1
Construction in progress	167.3	77.5	57.7
Total	1,208.8	998.5	866.8
Less accumulated depreciation and amortization	(423.8)	(372.9)	(321.4)
Property, plant and equipment—net	$785.0	$625.6	$545.4

The provision for depreciation and amortization was $76.9 million in fiscal 1991, $63.8 million in fiscal 1990 and $51.7 million in fiscal 1989.

Units-Of-Production Method

FEDERAL PAPER BOARD COMPANY, INC. (DEC)

	1991	1990	1989
		(In thousands)	
COSTS AND EXPENSES:			
Cost of products sold	$1,008,508	$957,831	$829,892
Depreciation, amortization and cost of timber harvested	122,695	88,400	73,013
Selling and administrative expenses	64,144	57,858	47,421
Interest expense	90,243	43,111	28,332
Other—net	5,231	24,722	3,572
TOTAL COSTS AND EXPENSES	1,290,821	1,171,922	982,230

NOTES TO FINANCIAL STATEMENTS

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

Depreciation And Cost Of Timber Harvested

Depreciation is computed on the straight-line method based on the estimated useful lives of related assets except for the Augusta paperboard mill, where the units-of-production method is used.

The approximate rates of annual depreciation are as follows:

Buildings	3%-10%
Machinery and equipment	5%-33%

Cost of timber harvested is computed at unit cost rates calculated annually based on the estimated volume of recoverable timber and the related costs.

FINA, INC. (DEC)

	1991	1990	1989
		(in thousands)	
Costs and expenses			
Costs of raw materials and products purchased	$2,526,811	$3,010,004	$2,205,150
Direct operating expenses	353,701	368,492	330,460
Selling, general, and administrative expenses	84,827	98,474	82,496
Taxes, other than on income	53,933	53,876	43,493
Dry holes and abandonments	14,124	14,722	7,177
Depreciation, depletion, amortization, and lease impairment	185,445	173,887	168,314
Interest	79,178	87,928	83,552
Less interest capitalized	(12,371)	(16,353)	(5,743,)
	3,285,648	3,791,030	2,914,899

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(f) Property, Plant, and Equipment

The Company accounts for oil and gas properties in accordance with Statement of Financial Accounting Standards No. 19. Costs to acquire mineral interests in oil and gas properties, to drill exploratory wells which find proved reserves, and to drill and equip development wells are capitalized and geological and geophysical costs and costs to drill exploratory wells which do not find proved reserves are expensed.

Unproved oil and gas properties which are individually significant are periodically assessed for impairment of value and a loss is recognized at the time of impairment by providing an impairment allowance. The remaining unproved oil and gas properties are aggregated and an overall impairment allowance is provided based on the Company's prior experience. Capitalized costs of proved oil and gas properties are depreciated and depleted by the unit-of-production method based on proved oil and gas reserves as estimated by the Company's engineers.

Substantially all other property, plant, and equipment is depreciated by the straight-line method at rates based on the estimated useful lives of the classes of property. Depreciation rates used are as follows:

Refining and marketing facilities	5% to 33⅓%
Chemical facilities	6⅔% to 33⅓%
Pipelines	4% to 18¾%
Other	6⅔% to 33⅓%

The Company capitalizes interest as a component of the cost of construction and development projects in progress.

Repairs and maintenance are charged to earnings as incurred. Renewals and betterments are capitalized. When assets are sold, retired, or otherwise disposed of, the applicable costs and reserves are removed from the accounts and the resulting gain or loss is recognized.

Declining-Balance Method

DONALDSON COMPANY, INC. (JUL)

Consolidated Statements Of Cash Flows

	1991	1990	1989
	(Thousands of dollars)		
Operating Activities			
Net earnings	$24,048	$21,026	$15,434
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	12,187	10,857	10,583
Equity in (earnings) losses of affiliates	(912)	1,369	3,772
Deferred taxes	(2,157)	(1,633)	2,074

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of dollars)

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

Property, Plant and Equipment: Property, plant and equipment is stated at cost. Depreciation is computed principally by use of declining balance methods over estimated useful lives: buildings—10 to 40 years and machinery and equipment—3 to 10 years. Depreciation expense includes the amortization of capital lease assets.

LEE ENTERPRISES, INCORPORATED (SEP)

	1991	1990	1989
	(In Thousands)		
Operating Expenses:			
Compensation costs	$114,478	$101,427	$ 93,442
Newsprint and ink	25,844	24,082	23,259
Depreciation	12,995	11,226	9,904
Amortization of intangibles	10,873	6,110	4,416
Other	111,611	75,065	70,216
	$275,801	$217,910	$201,237

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Property and equipment:

Property and equipment is carried at cost. Equipment, except for newspaper presses and broadcast towers, is depreciated primarily by declining-balance methods. The straight-line method is used for all other assets. The estimated useful lives in years are as follows:

	Years
Buildings and improvements	5-25
Newspaper:	
Presses	15-20
Other major equipment	3-11
Broadcasting:	
Towers	15-20
Other major equipment	3-10
Manufacturing equipment	5-8

The Company capitalizes interest as part of the cost of constructing major facilities.

Sum-Of-The-Years'-Digits Method

E.I. DU PONT DE NEMOURS AND COMPANY (DEC)

	1991	1990	1989
	(Dollars in millions)		
Cost of Goods Sold and Other Operating Charges	$22,528	$22,945	$19,604
Selling, General and Administrative Expenses	3,576	3,718	3,377
Depreciation, Depletion and Amortization	2,640	2,625	2,530
Exploration Expenses, Including Dry Hole Costs and Impairment of Unproved Properties	602	560	430
Research and Development Expense	1,298	1,428	1,387
Interest and Debt Expense	752	773	586
Taxes Other Than on Income	4,872	4,356	3,716
Gain from Sale of an Interest in Coal Business	(391)	—	—
Cost Reduction Programs Expense	828	—	—
Total	36,705	36,405	31,630

NOTES TO FINANCIAL STATEMENTS (Dollars in millions)

1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment—Property, plant and equipment (PP&E) is carried at cost and, except for petroleum and coal PP&E, is generally classified in depreciable groups and depreciated by accelerated methods that produce results similar to the sum-of-the-years' digits method. Depreciation rates range from 4 percent to 12 percent per annum on direct manufacturing facilities and from 2 percent to 10 percent per annum on other facilities; in some instances, appropriately higher or

lower rates are used. Generally, for PP&E acquired prior to January 1, 1991, the gross carrying value of assets surrendered, retired, sold or otherwise disposed of is charged to accumulated depreciation and any salvage or other recovery therefrom is credited to accumulated depreciation. For disposals of PP&E acquired after December 31, 1990, the gross carrying value and related accumulated depreciation are removed from the accounts and included in determining gain or loss on such disposals.

Petroleum and coal PP&E, other than that described below, is depreciated on the straight-line method at various rates calculated to extinguish carrying values over estimated useful lives. Generally, when petroleum and coal PP&E is surrendered, retired, sold or otherwise disposed of, the gross carrying value is charged to accumulated depreciation, depletion and amortization; any salvage or other recovery therefrom is credited to accumulated depreciation, depletion and amortization.

Maintenance and repairs are charged to operations; replacements and betterments are capitalized.

Oil and Gas Properties—The company's exploration and production activities are accounted for under the successful-efforts method. Costs of acquiring unproved properties are capitalized, and impairment of those properties, which are individually insignificant, is provided for by amortizing the cost thereof based on past experience and the estimated holding period. Geological, geophysical and delay rental costs are expensed as incurred. Costs of exploratory dry holes are expensed as the wells are determined to be dry. Costs of productive properties, production and support equipment and development costs are capitalized and amortized on a unit-of-production basis.

Coal Properties—Costs of undeveloped properties and development costs applicable to the opening of new coal mines are capitalized and amortized on a unit-of-production basis. Costs of additional mine facilities required to maintain production after a mine reaches the production stage, generally referred to as "receding face costs," are expensed as incurred; however, costs of additional air shafts and new portals are capitalized and amortized.

Production-Variable Method

BETHLEHEM STEEL CORPORATION (DEC)

	1991	1990	1989
		($ Millions)	
Cost and Expenses:			
Cost of sales	$4,059.7	$4,327.2	$4,399.1
Depreciation (Note A)	241.4	305.7	325.3
Selling, administrative and general expense	171.0	159.6	154.1
Estimated restructuring losses—net	575.0	550.0	105.0
Total Costs and Expenses	5,047.1	5,342.5	4,983.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Depreciation—Depreciation, which includes amortization of assets under capital leases, is based upon the estimated useful lives of each asset group. The estimated useful life is 18 years for most steel producing assets. Steel, other than blast furnace linings, and most raw material producing assets are depreciated on a straight-line basis adjusted by an activity factor. This factor is based on the ratio of production and shipments for the current year to the average production and shipments for the current and preceding four years at each operating location. Annual depreciation after adjustment for this activity factor is not less than 75% nor more than 125% of straight-line depreciation. Depreciation after adjustment for this activity factor was $21.9 million less than straight-line in 1991, $9.8 million less in 1990 and $17.3 million more in 1989. Through December 31, 1991, $44.6 million less accumulated depreciation has been recorded under this method than would have been recorded under straight-line depreciation.

The cost of blast furnace linings is depreciated on a unit-of-production basis. All other assets are depreciated on a straight-line basis.

Depletion

MARTIN MARIETTA CORPORATION (DEC)

Statement of Cash Flows

	1991	1990	1989
		(Add 000)	
Cash Flows from Operating Activities:			
Net earnings	$313,149	$327,591	$306,943
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation, depletion and amortization	225,072	215,836	207,036
Deferred income taxes	(327,180)	(48,350)	(590)

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies

Properties and Depreciation—Property, plant and equipment, including capital leases, are carried at cost, including interest cost capitalized during construction on significant capital programs.

Depreciation and amortization of properties are computed over estimated service lives generally using accelerated methods, except for Materials and other businesses that utilize the straight-line method.

Depletion of mineral deposits is calculated over estimated recoverable quantities by the unit-of-production method.

TEMPLE-INLAND INC. (DEC)

STATEMENTS OF CASH FLOWS

	1991	1990	1989
	(In Thousands)		
CASH PROVIDED BY (USED FOR) OPERATIONS			
Net income	$138,418	$232,473	$207,374
Adjustments to reconcile net income to net cash:			
Depreciation and depletion	157,675	139,798	126,487
Deferred taxes	5,209	23,285	36,197

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property and Equipment

Property and equipment are stated at cost less allowances for accumulated depreciation and depletion. Depreciation is generally provided on the straight-line method based on estimated useful lives as follows:

Classification	Estimated Useful Lives
Buildings	5 to 40 years
Machinery and equipment:	
Manufacturing and production equipment	2 to 25 years
Automobiles and aircraft	2 to 12 years
Office and other equipment	2 to 25 years

Certain properties are being depreciated based on operating hours because they depreciate primarily through use rather than merely through elapsed time.

Timberlands, including long-term timber harvesting rights, are stated at cost, less accumulated cost of timber harvested. The portion of the cost of timberlands attributed to standing timber is charged against income as timber is cut at rates determined annually, based on the relationship of unamortized timber costs to the estimated volume of recoverable timber. The costs of seedlings and reforestation of timberlands are capitalized.

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* was to have superseded *APB Opinion No. 11* as the authoritative pronouncement on accounting for and reporting income tax liabilities and expense. *SFAS No. 96* was in turn superseded by *SFAS No. 109* which has the same effective date of fiscal years beginning after December 15, 1992. Paragraphs 43–49 of *SFAS No. 109* set forth standards for financial presentation and disclosure of income tax liabilities and expense. During 1991, 16 survey companies adopted *SFAS No. 109*; 190 survey companies had previously 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

	1991	1990	1989	1988
Descriptive Terms				
Income taxes	547	538	536	535
Federal income taxes	35	43	45	42
United States (U.S.) income taxes	7	4	11	13
	589	**585**	**592**	**590**
Other or no current year amount	11	15	8	10
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-14: TIMING DIFFERENCES—REASONS

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Depreciation	425	444	454	462
Pensions	121	109	111	119
Other employee benefits	162	161	134	146
Inventory valuation	166	162	164	146
Discontinued operations	85	83	81	92
Long-term contracts	50	56	61	63
Unremitted earnings	50	48	47	63
Leases	37	35	43	39
Interest and taxes during construction	30	30	33	33
Installment sales	24	36	68	72
Intangible drilling costs	19	25	24	30
Warranties	21	22	17	22

Expense Provision

ALLEGHENY LUDLUM CORPORATION (DEC)

	1991	1990	1989
		($000)	
Income before Income Taxes	$72,391	$109,844	$217,887
Income taxes	31,281	40,908	84,121
Net Income	$41,110	$68,936	$133,766

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of significant accounting policies

Taxes on Income

Provisions for income taxes include deferred taxes resulting from temporary differences in income for financial and tax purposes, using the liability method. Such temporary differences result primarily from differences in the carrying value of assets and liabilities.

Note 7—Taxes on Income

Income taxes (credits) consist of the following:

(In thousands of dollars)	1991	1990	1989
Current:			
Federal	$20,928	$29,259	$70,801
State	6,432	5,655	16,872
	27,360	34,914	87,673
Deferred:			
Federal	(388)	5,389	(3,879)
State	4,309	605	327
	3,921	5,994	(3,552)
	$31,281	$40,908	$84,121
Income taxes paid	$25,434	$50,278	$84,043

On August 4, 1991, Pennsylvania increased its Corporate Net Income Tax rate from 8.5% to 12.25%, retroactive to January 1, 1991. The liability method of accounting for income taxes requires the effect of a tax rate increase on current and accumulated deferred income taxes to be reflected in the period in which the rate increase was enacted. Accordingly, in the third quarter, the Company recorded an additional tax expense of approximately $3.2 million, or $.10 per share. The required adjustment to prior year's accumulated deferred income tax liabilities represents $2.7 million of the total adjustment.

The following is a reconciliation of the statutory federal income tax rate to the actual effective income tax rate:

Percent of pretax income	1991	1990	1989
Federal tax rate	34.0%	34.0%	34.0%
Increase (decrease) in taxes resulting from:			
State and local income taxes, net of federal tax benefit	9.8	3.8	5.2
Net change attributable to temporary differences classified as current which reversed during the year	—	—	.5
Other	(0.6)	(0.6)	(1.1)
	43.2%	37.2%	38.6%

Deferred taxes result from temporary differences in the recognition of income and expenses for financial and income tax reporting purposes and differences between the fair value of assets acquired in business combinations accounted for as purchases and their tax bases. The income tax effects of items comprising the deferred income tax expense (credit) are as follows:

(In thousands of dollars)	1991	1990	1989
Depreciation	$4,784	$(402)	$205
Inventory valuation—net	1,436	(269)	(2,432)
Deferred compensation and other benefit plans	(598)	5,208	(1,563)
Other items	(1,701)	1,457	238
	$3,921	$5,994	$(3,552)

AMERADA HESS CORPORATION (DEC)

	1991	1990	1989
	Thousands of dollars		
COSTS AND EXPENSES			
Cost of products sold and operating expenses	$4,409,832	$4,708,925	$3,837,800
Exploration expenses, including dry holes	301,183	276,200	164,925
Selling, general and administrative expenses	582,549	512,805	422,491
Interest expense	177,850	224,200	187,811
Depreciation, depletion and amortization	765,877	687,064	492,510
Lease impairment	62,888	56,403	53,424
Provision for income taxes	31,854	132,788	44,017
Total costs and expenses	6,332,033	6,598,385	5,202,978

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary Of Significant Accounting Policies

Income Taxes: Deferred income taxes are determined on the liability method in accordance with Statement of Financial Accounting Standards (FAS) No. 96.

No provision is made for U.S. income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations.

9. Provision For Income Taxes

The provision for income taxes consisted of the following:

Thousands of dollars	1991	1990	1989
United States Federal			
Current	$(39,020)*	$ 43,316	$ 12,000
Deferred	31,657	4,701	—
State	2,894	20,020	3,756
	(4,469)	68,037	15,756
Foreign			
Current	43,450	74,067	23,782
Deferred	1,717	(9,316)	4,479
	45,167	64,751	28,261
Adjustment of deferred tax liability for rate changes	(8,844)	—	—
Total	$ 31,854	$132,788	$ 44,017

*Includes $39,991 from the refund of prior years' income taxes and related adjustments.

The provision for income taxes was reduced by the benefit of net operating loss carryforwards as follows:

Thousands of dollars	1991	1990	1989
United States	$ —	$ 50,320	$120,878
Foreign	—	—	28,580
Total	$ —	$ 50,320	$149,458

Income before income taxes consisted of the following:

Thousands of dollars	1991	1990	1989
United States	$ 43,865	$332,839	$376,388
Foreign*	72,297	282,662	143,978
Total	$116,162	$615,501	$520,366

*Foreign income includes the Corporation's Virgin Islands, shipping and other operations located outside of the United States.

The provision for deferred income taxes is based on the liability method prescribed by FAS No. 96 and represents the change in the Corporation's deferred income tax liability during the year, including the effect of enacted tax rate changes. Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. A summary of the components of the provision for deferred income taxes follows:

Thousands of dollars	1991	1990	1989
Depreciation	$ 15,082	$(48,422)	$ 9,064
Intangible drilling and related costs	(1,589)	11,833	5,535
Reinstatement (reduction) of deferred income taxes attributable to tax credits and net operating loss carryforwards	(25,243)	57,279	—
Accrued liabilities	29,755	(11,678)	—
Inventory valuation	38,976	(20,058)	(4,499)
Petroleum revenue tax—United Kingdom	(24,470)	5,634	3,982
Rate changes	(8,844)	—	—
Other items	863	797	(9,603)
Total	$ 24,530	$ (4,615)	$ 4,479

The difference between the Corporation's effective income tax rate and the United States statutory rate is reconciled below:

	1991	1990	1989
United States statutory rate	34.0%	34.0%	34.0%
Effect of foreign operations, including foreign tax credits	23.2	(5.6)	1.5
State income taxes, net of Federal income tax benefit	1.6	2.2	.7
Alternative minimum tax	2.5	3.3	1.3
Investment tax credit carryforwards	(14.8)	(3.3)	—
Losses for which no U.S. tax benefit was recorded	20.8	—	—
Refund of prior years' income taxes and related adjustments	(34.4)	—	—
Net operating loss carryforwards	—	(8.2)	(28.7)
Other items	(5.5)	(.8)	(.3)
Total	27.4%	21.6%	8.5%

The Corporation has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings amounted to approximately $700 million at December 31, 1991, excluding amounts which, if remitted, generally would not result in any additional U.S. income taxes because of available foreign tax credits. If the earnings of such foreign subsidiaries were not indefinitely reinvested, a deferred liability of approximately $180 million would have been required.

At December 31, 1991, the Corporation had investment tax credit carryfowards for United States income tax purposes of approximately $24 million, expiring in years through 2001. In addition, the Corporation had alternative minimum tax credit carryforwards for income tax and financial reporting purposes of approximately $61 million. The Corporation also had a net operating loss carryforward applicable to a foreign subsidiary for financial reporting purposes of approximately $150 million ($210 million for income tax purposes), expiring in 2006.

Income taxes paid (net of refunds) in 1991, 1990 and 1989 amounted to $155,161,000, $89,424,000 and $42,595,000, respectively.

In February 1992, the Financial Accounting Standards Board issued FAS No. 109, Accounting for Income Taxes. This standard will require that the Corporation recognize income tax benefits for loss carryforwards, credit carryforwards and certain temporary differences for which tax benefits have not previously been recorded. The tax benefits recognized must be reduced by a valuation allowance in certain circumstances. FAS No. 109 will be effective in 1993; however, earlier application is allowed. The Corporation has not determined the amount of benefit that will be recognized upon adoption of the new standard or the effects on future results of operations.

ARMADA CORPORATION (DEC)

	1991	1990	1989
Income (loss) from continuing operations before income taxes	$1,513,000	$(104,000)	$(497,000)
Provision for income taxes	140,000		
Income (loss) from continuing operations	1,373,000	(104,000)	(497,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Income Taxes

In 1991, the Company elected early adoption of the method of accounting for income taxes pursuant to the Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (SFAS 109). SFAS 109 requires a change from the deferred to the liability method of computing deferred income taxes. This change had no effect on reported net income for 1991, 1990 or 1989.

Components of income (loss) before income taxes are as follows:

	1991	1990	1989
United States			
Continuing operations	$1,346,000	$ (338,000)	$ (43,000)
Discontinued operations	—	(2,019,000)	(569,000)
Foreign	167,000	234,000	(454,000)
	$1,513,000	$(2,123,000)	$(1,066,000)

The Company's provision for income taxes for 1991 consists of $100,000 in state taxes and $40,000 in U.S. alternative minimum tax.

The following is a reconciliation for the U.S. federal statutory rate and the apparent tax rate.

	1991	1990	1989
U.S. federal statutory rate (benefit)	34%	(34%)	(34%)
State taxes, net of federal tax benefit	4.4	1.9	4.3
Loss producing no current tax benefit		30.9	33.0
Utilization of net operating loss carryforward	(30.0)		
Other, net	.9	1.2	(3.3)
Apparent tax rate	9.3%	0%	0%

At December 31, 1991, the Company had deferred tax liabilities of $2,057,000, deferred tax assets of $5,378,000 and a valuation allowance of $3,321,000. The principal temporary differences included above are net operating loss carryforwards ($3,583,000), investment tax credits ($800,000), depreciation ($1,173,000) and financial statement accruals related to discontinued operations ($584,000).

The Company has net operating loss carryforwards for U.S. tax purposes of $11,000,000 and investment tax credit carryforwards of $800,000. The tax loss carryforward (if not utilized against taxable income) and investment tax credit carryforwards expire beginning in 1993 and continuing through 2005.

BRUNSWICK CORPORATION (DEC)

	1991	1990	1989
		(in millions)	
Earnings (loss) before income taxes	$(22.2)	$122.7	$(77.4)
Income tax provision (benefit)	1.5	51.8	(6.1)
Net earnings (loss)	$(23.7)	$ 70.9	$(71.3)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

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

14. Income Taxes

The income tax provision (benefit) consisted of the following:

(in millions)	1991	1990	1989
Current			
Federal	$ (1.4)	$ 43.3	$ 20.1
State and local	(4.4)	2.6	(2.9)
Foreign	15.0	13.0	11.3
	9.2	58.9	28.5
Deferred			
Federal			
Litigation	(11.8)	(4.2)	—
Restructuring charge	5.3	(1.6)	(23.3)
Long-term contract accounting	0.4	1.4	(16.7)
Deferred compensation	0.1	0.1	4.2
Dealer allowances and discounts	(2.0)	(2.8)	1.1
Uniform capitalization costs	0.9	(0.5)	(1.6)
State and local taxes	2.0	0.4	—
Sales of businesses	2.2	(1.6)	—
Insurance	(2.3)	(2.4)	(1.2)
Excess of tax over book depreciation	(1.7)	3.4	7.5
Other accurals	—	—	6.0
Miscellaneous	(1.2)	1.2	(8.7)
	(8.1)	(6.6)	(32.7)
Foreign	.4	(0.5)	(1.9)
	(7.7)	(7.1)	(34.6)
Income tax provision (benefit)	$ 1.5	$ 51.8	$ (6.1)

Deferred taxes have been provided, as required, on the undistributed earnings of foreign subsidiaries and unconsolided affiliates.

Although the Company reported a pretax loss for 1991, a tax provision of $1.5 million was recorded, primarily due to the inability to utilize $9.3 million of foreign tax credits in the calculation of the consolidated tax provision. Such tax credits, which expire in 1996, will be carried forward to future years for possible utilization.

The sources of earnings (loss) before income taxes are presented as follows:

(in millions)	1991	1990	1989
United States	$ (51.1)	$ 92.2	$(103.6)
Foreign	28.9	30.5	26.2
Earnings (loss) before income taxes	$ (22.2)	$ 122.7	$ (77.4)

The difference between the actual income tax provision (benefit) and the tax provision (benefit) computed by applying the statutory Federal income tax rate to earnings (loss) before taxes is attributable to the following:

(in millions)	1991	1990	1989
Income tax provision (benefit), at 34%	$ (7.6)	$ 41.7	$(26.3)
State and local income taxes, net of Federal income tax effect	(2.9)	0.4	(1.9)
Foreign sales corporation benefit	(1.5)	(2.2)	(2.4)
Taxes related to foreign income, net of credits	10.4	(1.9)	(1.3)
Goodwill and other amortization	1.6	1.8	15.8
Sales of businesses	—	8.9	—
Other accruals	—	—	6.0
Miscellaneous	1.5	3.1	4.0
Actual income tax provision (benefit)	$ 1.5	$51.8	$ (6.1)
Effective tax rate	N/M	42.2%	(7.9)%

The effective tax rate calculation for 1991 is not meaningful.

In 1991, the Company received from agents of the U.S. Internal Revenue Service, Notices of Proposed Adjustments for the years 1985 and 1986, proposing to increase substantially the U.S. taxable income of the Company through the reclassification to non-deductible of virtually all of the approximately $500 million of deductible intangible assets acquired in those years. Through December 31, 1991, approximately one-half of the value of these assets had been deducted for tax purposes. The Company, after due consideration, strongly disagrees with the proposed adjustment and will contest it vigorously. Although the outcome cannot be predicted with certainty, in the opinion of management, the resolution of this matter will not have a material adverse effect on the Company's consolidated financial position and results of operations.

The Financial Accounting Standards Board's Statement No. 109, (which supersedes statement No. 96) "Accounting for Income Taxes," will require the Company to change its method of accounting for income taxes when the Statement becomes effective, currently for fiscal years beginning after December 15, 1992. When the Company adopts the new accounting rule, it may retroactively restate prior financial statements, including financial statements presented in this annual report. The Company will adopt the new standard when required and is continuing to study whether to restate prior year financial statements. Based on preliminary estimates, management does not believe that the new standard will have a material effect on the consolidated financial statements of the Company.

NORTHROP CORPORATION (DEC)

	1991	1990	1989
		In millions	
Income (loss) before income taxes and cumulative effect of accounting principle changes	$277.2	$312.5	$(111.5)
Federal and foreign income taxes (benefit)	9.0	102.1	(31.0)
Income (loss) before cumulative effect of accounting principle changes	268.2	210.4	(80.5)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Income Taxes

Provisions (Benefits) for federal, state and local income taxes are calculated on reported financial statement pretax income (loss) based on current tax law and also include, in the current period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions (benefits) differ from the amounts currently payable because certain items of income and expense, known as temporary differences, are recognized in different time periods for financial reporting purposes than for income tax purposes.

The company reports certain contracts using different methods of tax accounting for contracts in process and, thus, provides deferred taxes on the difference between the financial and taxable income reported during the performance of such contracts.

State and local income and franchise taxes are included in administrative and general expenses.

Income Taxes

Income tax expense (benefit), both federal and foreign (which arises primarily from work performed abroad by domestic operations), was composed of the following:

		$ in millions	
	1991	1990	1989
Currently payable:			
Federal income taxes	$10.8	$ 9.1	$ 3.0
Foreign income taxes	.1	.1	.6
	10.9	9.2	3.6
Change in deferred federal income taxes	(1.9)	92.9	(34.)
	$9.0	$102.1	$(31.0)

Income tax expense (benefit) differs from the amount computed by multiplying the statutory federal income tax times the income (loss) before income taxes (benefit) due to the following:

		$ in millions	
	1991	1990	1989
Income tax expense (benefit) at statutory rate	$ 94.2	$106.3	$(37.9)
Provision for nondeductible expenses	7.6	.8	7.3
Benefit from ESOP dividends	(3.0)	(6.0)	
Research and experimentation tax credit	(90.0)		
Targeted jobs tax credit		(.1)	(.1)
Investment tax credit, net		1.1	.2
Benefit from sale of subsidiaries			(.5)
Other, net	.2		
	$ 9.0	$102.1	$(31.0)

The research and experimentation tax credit shown for 1991 was the outgrowth of completing the internal company study disclosed in the 1990 annual report to shareholders. This amount was determined to have been earned over the years 1981 through 1990 in excess of the amount previously recognized for those years pending final government regulations which were not issued until 1989.

Deferred income taxes arise because of differences in the treatment of income and expense items for financial reporting and income tax purposes. Effective January 1, 1991, the company adopted FASB Statement No. 109. Details of this change in accounting are disclosed on page 51. The effects of the new tax accounting relate to state and local income taxes, which are included in administrative and general expenses.

The approximate effect of temporary differences and carryforwards that gave rise to deferred tax balances at December 31, 1991, were as follows:

	Termporary Differences		Tax Carry-	
	Deductible	Taxable	Forwards	Total
		$ in millions		
Recognition of income on contracts reported on different methods for tax purposes than for financial reporting	$ 7.6	$		$ 7.6
Retiree benefit plans expense (income)	16.3	(7.1)		9.2
Administrative and general expenses period-costed for tax purposes		(6.3)		(6.3)
Provision for estimated expenses	26.3			26.3
Other	3.7			3.7
Net deferred tax assets	$ 53.9	$ (13.4)		$ 40.5
Recognition of income on contracts reported on different methods for tax purposes than for financial reporting	$	$ 771.5	$	$ 771.5
Excess tax over book depreciation		93.0		93.0
Retiree benefit plans (expense) income	(75.8)	33.1		(42.7)
Administrative and general expenses period-costed for tax purposes		19.4		19.4
Provision for estimated expenses	(116.3)			(116.3)
Other	(17.4)			(17.4)
Tax operating and capital loss carryforwards			(151.2)	(151.2)
Tax credit carryforwards			(149.7)	(149.7)
Alternative minimum tax (AMT) credit carryforward			(20.6)	(20.6)
Net deferred tax liabilities	$(209.5)	$ 917.0	$ (321.5)	$ 386.0
Gross deferred tax (assets) liabilities	$(263.4)	$ 930.4	$ (321.5)	

The tax carryforward benefits will be used in the periods that net deferred tax liabilities mature. The expiration dates for these tax carryforward benefits are: tax operating and capital loss carryforwards—$76.6 million in 2002 and $74.6 million in 2004, and tax credit carryforwards in various amounts over the years 1992 through 2005. The AMT can be carried forward indefinitely.

LYONDELL PETROCHEMICAL COMPANY (DEC)

	1991	1990	1989
	millions of dollars		
Income before income taxes	$340	$537	$558
Provision for income taxes	118	181	184
Net income	$222	$356	$374

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Significant Accounting Policies

Income Taxes

Deferred taxes result from timing differences in the recognition of revenues and expenses for tax and financial reporting purposes.

15. Income Taxes

The components of the provision for income taxes for the years ended December 31, 1991, 1990 and 1989 were as follows:

Millions of Dollars	1991	1990	1989
Federal:			
Current	$89	$170	$168
Deferred	17	10	13
	106	180	181
State:			
Current	11	1	3
Deferred	1	—	—
	12	1	3
Total	$118	$181	$184

The sources of deferred income tax for the years ended December 31, 1991, 1990, 1989 were as follows:

Millions of Dollars	1991	1990	1989
Depreciation and amortization	$19	$24	$15
Other	(1)	(14)	(2)
Total	$18	$10	$13

The Company's effective tax rate in 1991 was 34.7 percent and in 1990 the rate was 33.7 percent. The increase in the effective tax rate for 1991 was due to the accrual of the new Texas franchise tax that was effective January 1, 1992. The new franchise tax will affect future net income and is calculated under a formula containing both capital-based and income-based components. The accrual in 1991 was related to the portion of the new tax based on income.

During the first quarter of 1992, the Financial Accounting Standards Board issued SFAS No. 109, Accounting for Income Taxes, that superseded SFAS No. 96. The primary changes incorporated in SFAS No. 109 include, among other things, relaxation of the criteria for recognizing deferred tax assets and reduction in the complexity of calculating deferred taxes by reducing the need to schedule the reversal of temporary differences year-by-year. The statement will be effective for fiscal years beginning after December 15, 1992. The Company plans to adopt SFAS No. 109 in the first quarter of 1993. The adoption of SFAS No. 109 will require the Company to change to the liability method for financial accounting and reporting for income taxes. The Company currently estimates that its deferred tax liability would be reduced by approximately $7 million. The resulting benefit will be recorded through the income statement and reported as a cumulative effect of a change in accounting principle.

UNISYS CORPORATION (DEC)

	1991	1990	1989
		(Millions)	
Loss before income taxes	$(1,288.3)	$(337.3)	$(554.3)
Estimated income taxes	105.0	99.4	85.0
Net loss	(1,393.3)	(436.7)	(639.3)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. (In Part): Summary of significant accounting policies

Income taxes

Income taxes are provided on taxable income at the statutory rates applicable to such income. Deferred taxes have not been provided on the cumulative undistributed earnings of foreign subsidiaries since such amounts are considered by management to be permanently reinvested.

6. Estimated income taxes

Cumulative undistributed earnings of foreign subsidiaries for which no deferred taxes have been provided approximated $425 million at December 31, 1991. The additional taxes payable on the earnings of foreign subsidiaries, if remitted, would be substantially offset by U.S. tax credits for foreign taxes already paid.

Cash paid during 1991, 1990 and 1989 for income taxes was $105.5, $80.6 and $162.5 million, respectively.

At December 31, 1991, the Company had U.S. net operating loss carryforwards of approximately $1.3 billion for financial reporting purposes. For tax purposes, the loss carryforwards were approximately $900 million. The Company had foreign tax credit and general business credit carryforwards of approximately $300 million and $12 million, respectively, for financial reporting purposes. For tax purposes, the foreign tax credit and general business credit carryforwards approximated $320 million and $160 million, respectively. Net operating loss and general business credit carryforwards are available to reduce future Federal income taxes through year 2006. Foreign tax credit carryforwards are available to reduce future Federal income taxes through year 1996. The Company also had, for tax purposes, Alternative Minimum Tax credit carryforwards of approximately $35 million, which have an indefinite expiration date.

At December 31, 1991, net operating loss carryforwards for certain foreign subsidiaries were approximately $650 million for financial reporting purposes and approximately $550 million for tax purposes. The majority of such carryforwards expire after 1995.

Year ended December 31 (Millions)	1991	1990	1989
Income (loss) before income taxes			
United States	$(1,226.3)	$(302.0)	$(641.7)
Foreign	(62.0)	(35.3)	87.4
Total loss before income taxes	$(1,288.3)	$(337.3)	$(554.3)
Estimated income taxes			
Current			
United States	$ 28.1	$ (33.9)	$ 38.5
Foreign	91.7	122.5	45.7
State and local	.6	(12.3)	3.1
Total	120.4	76.3	87.3
Deferred—Foreign	(15.4)	23.1	(2.3)
Total estimated income taxes	$ 105.0	$ 99.4	$ 85.0
Tax effects of timing differences			
Interest	$ (4.7)	$ 14.6	
Other	(10.7)	8.5	$ (2.3)
Total	$ (15.4)	$ 23.1	$ (2.3)

Reconciliation of estimated income taxes at United States statutory tax rate to estimated income taxes as reported follows:

Year ended December 31 (Millions)	1991	1990	1989
United States statutory income tax (benefit)	$ (438.0)	$(114.7)	$(188.5)
Tax benefit of U.S. losses not recognized	417.0	102.7	218.2
Foreign withholding taxes	45.9	45.7	48.7
Difference in estimated income taxes on foreign earnings and remittances	64.9	157.6	3.7
State taxes	.6	(12.3)	3.1
Tax refund claims	(3.7)	(79.7)	
Other	18.3	.1	(.2)
Estimated income taxes	$ 105.0	$ 99.4	$ 85.0

The Internal Revenue Service continued its audits of Sperry Corporation for the years ended March 31, 1982–1984, and Timeplex, Inc. for the period July 1, 1984 to January 22, 1988. The Company is currently contesting issues in connection with Sperry Corporation for the years ended March 31, 1980–1981, Convergent, Inc. for the years 1981–1988, and for Memorex Corporation for the years 1980–1981. In management's opinion, adequate provisions for income taxes have been made for all years.

The Financial Accounting Standards Board ("FASB") has recently issued Statement 109, "Accounting for Income Taxes," which is required to be adopted by January 1, 1993 and which supersedes Statement 96. This standard establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. The Company expects to adopt this statement on January 1, 1993. The impact of this standard on the Company's consolidated financial position and results of operations has not been determined at this time.

Credit Provision

CRYSTAL BRANDS, INC. (DEC)

	1991	1990	1989
		($000)	
Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principle	$(52,535)	$46,564	$43,932
Income tax provision (benefit)	(20,360)	17,671	16,539
Income (loss) from continuing operations before cumulative effect of change in accounting principle	(32,175)	28,893	27,393

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

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

G. Income Taxes

In 1991, 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. In 1990 and 1989, the provision for deferred income taxes represents the tax effect of differences in the timing of income and expense recognition for tax and financial reporting purposes.

The Company does not provide for federal income taxes on the accumulated earnings considered permanently reinvested in its foreign subsidiaries.

H. Cumulative Effect on Prior Years of Change in Accounting Principle

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires a change from the deferred method to the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Under SFAS No. 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Under the deferred method, deferred taxes were recognized using the tax rate applicable to the year of the calculation and were not adjusted for subsequent changes in tax rates.

The Company elected to adopt SFAS No. 109 in 1991 and has reported the cumulative effect of the change in the method of accounting for income taxes as of the beginning of the 1991 fiscal year in the consolidated statement of operations.

Note 10: Income Taxes

Income (loss) from continuing operations before income taxes and the cumulative effect of the change in accounting principle consists of:

	1991	1990	1989
Domestic	$(58,004)	$36,772	$31,192
Foreign	5,469	9,792	12,740
	$(52,535)	$46,564	$43,932

The income tax provision (benefit) consists of:

	1991	1990	1989
Current income taxes:			
Federal taxes	$ (6,740)	$12,441	$ 7,409
State and local taxes	(1,087)	3,840	2,920
Foreign taxes	1,181	490	3,420
	(6,646)	16,771	13,749
Deferred income taxes	(13,714)	900	2,790
	$(20,360)	$17,671	$16,539

As discussed in Note 1, Summary of Significant Accounting Policies, the Company adopted SFAS No. 109 as of the beginning of fiscal year 1991. The cumulative effect on prior years of this change in accounting principle increased 1991 net loss by $39,219, or $4.31 per share, and is reported separately in the consolidated statement of operations for the year ended December 28, 1991. In addition to the impact of the cumulative effect on prior years, the effect of adoption of SFAS No. 109 increased the net loss in 1991 by $672, or $0.07 per share. Prior years' financial statements have not been restated to apply the provisions of SFAS No. 109.

In 1991, the change in the deferred income tax liability represents the effect of changes in the amounts of temporary differences from December 29, 1990 to December 28, 1991. The types of temporary differences that give rise to significant portions of the deferred tax liability at December 28, 1991 are $28,782 attributed to purchase price allocations, $7,498 to property, plant and equipment, $2,008 to inventory offset by $10,891 attributed to restructure charges.

For 1990 and 1989, the deferred income tax liability results from timing differences in the recognition of income and expense for tax and financial reporting purposes.

The deferred tax provision for 1990 is primarily comprised of tax benefits of $1,174 attributable to inventory offset by $747 attributable to accelerated depreciation and amortization of intangibles, $847 to receivables, $240 to prepaid advertising and $198 to foreign taxes.

The deferred tax provision for 1989 is primarily comprised of tax benefits of $776 attributable to receivables offset by $1,684 attributable to inventory, $898 to accelerated depreciation and amortization of intangibles and $807 to foreign taxes.

In non-cash operating transactions in 1989, the Company reduced goodwill by $11,500 representing the tax benefit of the utilization of an acquired tax loss carryforward. The carryforward is primarily due to previously unrecorded differences in the book and tax basis of inventories obtained in the Palm Beach Company acquisition.

A reconciliation setting forth the differences between the effective tax rate of the Company and the U.S. Federal statutory tax rate is as follows:

	1991	1990	1989
Federal statutory rate	34.0%	34.0%	34.0%
State and local income taxes, net of Federal tax benefits	5.0	5.4	4.4
Effect of foreign tax rates	(2.5)	(3.8)	(3.0)
Other items, net, none of which individually exceeds 5% of Federal taxes at statutory rates	2.3	2.3	2.2
Effective income tax rate	38.8%	37.9%	37.6%

Net income includes income of two domestic subsidiaries operating in Puerto Rico under industrial development grants whose partially tax-exempt status in Puerto Rico will expire in 1996 and 1999. Net income tax relief resulting from the exemptions for 1991, 1990 and 1989 totaled $990, $1,591 and $2,545, respectively. On a per share basis, the relief was $0.11, $0.17 and $0.28 for 1991, 1990 and 1989, respectively.

No Federal income taxes have been provided on approximately $17,000 of undistributed earnings of the Company's foreign subsidiary. These earnings are expected to be reinvested indefinitely. Such earnings would become taxable upon the sale or liquidation of the foreign subsidiary or upon the remittance of dividends. It is not practicable to estimate the amount of the deferred tax liability on such earnings.

EASTMAN KODAK COMPANY (DEC)

	1991	1990	1989
		(in millions)	
Earnings before income taxes	$11	$1,257	$925
Provision (benefit) for income taxes	(6)	554	396
NET EARNINGS	$17	$ 703	$529

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Income Taxes. Deferred income taxes are recognized for differences in the time of recording significant items of income and expense in the financial accounting records and their inclusion in or deduction from taxable income.

Income Taxes

The components of earnings (losses) before income taxes and the provision (benefit) for United States and other income taxes are as follows:

(In millions)	1991	1990	1989
Earnings (losses) before income taxes			
United States	$(461)	$ 328	$ 78
Outside the U.S.	472	929	847
Total	$ 11	$1,257	$925
United States income taxes			
Current (benefit) provision	$(111)	$ 364	$ 87
Deferred (benefit) provision	(112)	(168)	(17)
Non-U.S. income taxes			
Current provision	286	321	290
Deferred (benefit) provision	(35)	3	17
State and other income taxes (benefit) provision	(34)	34	19
Total	$ (6)	$ 554	$396

The differences between the provision (benefit) for income taxes and income taxes computed using the U.S. federal income tax rate were as follows:

(In millions)	1991	1990	1989
Amount computed using the statutory rate	$ 4	$427	$315
Increase (reduction) in taxes resulting from:			
State and other income taxes	(22)	22	13
Purchase accounting adjustments	50	59	54
Export sales and manufacturing credits	(68)	(57)	(49)
Operations outside the U.S.	72	65	59
Other, net	(42)	38	4
Provision (benefit) for income taxes	$ (6)	$554	$396

The items which give rise to the deferred tax provision (benefit) shown above are as follows:

(In millions)	1991	1990	1989
Restructuring costs and separation programs	$(526)	$ 92	$(35)
Litigation judgment	324	(324)	—
Depreciation	64	58	59
U.S. pension income	22	15	37
Alternative minimum tax (benefit)	(80)	19	(65)
Other, net	49	(25)	4
Total	$(147)	$ (165)	$ 0

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," must be adopted no later than the fiscal year beginning after December 15, 1992. The Company does not believe that adoption of the Standard will have a material effect on its financial statements.

No Provision

ELCOR CORPORATION (JUN)

	1991	1990	1989
	($ In thousands)		
Income (Loss) From Continuing Operations Before Federal Income Taxes	$(8,684)	$5,039	$(3,776)
Provision (benefit) for federal income taxes	—	1,713	(24)
Income (Loss) From Continuing Operations	(8,684)	3,326	(3,752)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

The provision (benefit) for federal income taxes is based on transactions included in the determination of pretax accounting income or loss, including appropriate provision for deferred income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

The statutory federal tax rate was 34% for fiscal years 1991, 1990, and 1989. The effective tax rate was zero in 1991 and 1989 due to the Company incurring a net operating loss in those years. The Company's effective tax rate was 34% in 1990.

At June 30, 1991, the Company had, for tax reporting purposes, an operating loss carryforward of $5,759,000 and a general business tax credit carryforward of $2,723,000 available to reduce future payments of federal income taxes. These carryforward benefits expire beginning in 1994. For financial reporting purposes, an operating loss carryforward for regular tax of $17,969,000 and general business tax credits of $99,000 were available at June 30, 1991. The Tax Reform Act of 1986 created new limitations on the utilization of tax credit and net operating loss carryforwards. Therefore, the Company may be required to pay taxes even though significant carryforward amounts exist. The federal income tax provision (benefit), including amounts in discontinued operations, consist of the following:

	(In thousands)		
	1991	1990	1989
Current	$ —	$ 623	$ 106
Deferred, net	—	306	(140)
	$ —	$ 929	$ (34)

The current tax provision represents estimated taxes to be paid for those years. The offsetting income tax benefits resulting from the utilization of the operating loss carryforwards in 1990 are reported as an extraordinary item in the Consolidated Statement of Operations.

The deferred income tax provisions result from timing differences related to the following:

	(In thousands)		
	1991	1990	1989
Provision for shutdown of subsidiary operations and asset writedowns	$(1,341)	$ —	$ 2
Completed contract revenue recognition	93	93	93
Product warranty	(170)	723	(1,784)
Self-insurance	(157)	(182)	102
Compensated absences	(81)	(17)	(6)
Depreciation	(422)	(490)	(147)
Bad-debt provision	(10)	(97)	(7)
Inventory cost capitalization	(14)	(54)	(66)
Product installation	29	62	(71)
Relocation	17	93	7
Other items	(90)	49	365
Deferred provision before credits	(2,146)	180	(1,512)
General business credits and operating loss carryforwards	2,146	126	1,372
Deferred provision, net	$ —	$ 306	$ (140)

RYMER FOODS INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Income Taxes

In 1991, 1990 and 1989, no provision for income taxes was recorded due to the loss from operations.

The Company's Federal income tax returns are subject to review by the Internal Revenue Service, the results of which cannot be predicted with certainty. At October 26, 1991, the Company has an operating loss carryforward for tax reporting purposes approximating $51,000,000 (expiring $700,000 in 1992; $9,300,000 in 1993; $7,700,000 in 1994; $9,400,000 in 1995; $2,500,000 in 1996; $1,600,000 in 1997; $12,700,000 in 1998; $700,000 in 2000; $2,800,000 in 2001; $150,000 in 2002; $120,000 in 2003; $300,000 in 2004; $1,600,000 in 2005; and $1,430,000 in 2006) which is available to offset future Federal taxable income. Operating loss carryforwards on a book basis are approximately $14,200,000 at October 26, 1991. The variance between the operating loss carryforward on a tax basis and a book basis is due principally to additional tax deductions as a result of the Company's election under Internal Revenue Code Section 338, relating to the Rymer Meat Inc. acquisition.

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 for tax purposes should be disclosed. Paragraph 48 of *Statement of Financial Accounting Standards No. 109* reiterates this disclosure requirement. Examples of operating loss and tax credit carryforward disclosures follow.

DRAVO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (In Part): Income Taxes

At December 31, 1991, the company had, for financial reporting purposes, net operating loss carryforwards of approximately $146.5 million and, for tax reporting purposes, net operating loss carryforwards that expire from 2002 to 2005 amounting to approximately $147.1 million. The difference between the book and tax net operating loss carryforwards results primarily from the timing of deductibility of engineering and construction contract losses and discontinuance accruals. Tax benefits of $10.7 million for investment tax credits expiring in 1992 and later are also being carried forward. Tax effects of net operating losses and investment tax credits were recognized to the extent of existing available net deferred tax credits. These deferred tax credits will be reinstated, to the extent they would not have reversed, as the loss carryforwards and investment tax credits are realized. In addition, capital losses of approximately $10.6 million expiring in 1993 are being carried forward.

The company recorded an extraordinary credit of $3.9 million and $3.1 million for the years ended December 31, 1990 and 1989, respectively, representing the recognition of income tax benefits resulting from the utilization of net operating loss carryforwards for financial reporting purposes.

The Financial Accounting Standards Board issued in February, 1992, Statement 109, "Accounting for Income Taxes." The company currently accounts for income taxes under APB 11. Statement 109 will change the company's method of accounting for income taxes from the deferred method required under APB 11 to the asset and liability method. Under the deferred method, annual income tax expense is matched with pretax accounting income by providing deferred taxes at current tax rates for timing

differences between the determination of net income for financial reporting and tax purposes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The company presently does not know and cannot reasonably estimate the impact of Statement 109 on its financial statements.

Statement 109 is effective for fiscal years beginning after December 15, 1992 and earlier adoption is permitted. Statement 109 can be adopted by retroactively restating financial statements for any number of consecutive years before the effective date. In the earliest year restated, or in the year of adoption if no years are restated, the effect of initially applying this new pronouncement shall be reported as the cumulative effect of a change in accounting principle in the results of operations. The company has not made a determination whether it will restate any prior years or adopt Statement 109 in 1993 on a prospective basis.

EKCO GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part) Income Taxes

At December 29, 1991, the Company had U.S. net operating loss carryforwards ("NOLs") which may be applied against future taxable income and which expire as follows:

(Amounts in thousands)	U.S. net operating loss carryforwards
Fiscal Year	
1999	$ 2,000
2000	1,900
2001	2,900
2002	16,200
	$23,000

At December 29, 1991, the Company had approximately $11 million of expenses recorded for financial reporting purposes, which will be recognized for tax purposes in future years. The Company's U.S. federal alternative minimum tax net operating loss carryforwards are substantially the same as its NOLs at December 29, 1991.

The Company's ability to use its NOLs to offset future income is subject to restrictions enacted in the United States Internal Revenue Code of 1986 as amended (the "Code"). These restrictions would limit the Company's future use of its NOLs if there had occurred certain stock ownership changes described in the Code (referred to herein as an "Ownership Change").

Based on the information available to the Company, the Company does not believe, although there can be no assurances, that any recent or historical changes in stock ownership have resulted in an Ownership Change through the date of these financial statements. However, changes in stock ownership may occur which would limit the Company's future use of its NOLs.

The Company's federal income tax returns for all years subsequent to December 1987 are subject to review by the Internal Revenue Service.

As part of the sale of the Company's printer business in 1987, the Company indemnified the purchaser with respect to foreign tax liabilities of the Company's former foreign subsidiaries relating to periods prior to the sale. As of December 29, 1986, the Company's former wholly-owned Canadian subsidiary had claimed approximately $2.1 million of expenditures (for a tax benefit of $1.1 million) as qualifying scientific research expenditures. The deductibility of these expenditures is subject to audit by Revenue Canada.

In February 1992, the Financial Accounting Standards Board adopted Financial Accounting Standard No. 109 ("FAS 109"), "Accounting for Income Taxes," which will supersede FAS 96. Under FAS 109 the Company is allowed to recognize currently the future benefit of its net operating loss carry forwards and future tax deductions for expenses previously recorded for financial reporting purposes.

FAS 109 must be adopted by fiscal 1993 with earlier adoption encouraged. FAS 109 can be adopted by restating any number of prior years presented or applied on a prospective basis only with the effect of adoption shown as the cumulative effect of a change in accounting principle in results of operations. The Company has not determined whether it will adopt FAS 109 in fiscal 1992 or fiscal 1993; however, when adopted, the Company intends to restate all prior years presented.

Income tax expense restated as if FAS 109 had been adopted at the end of Fiscal 1988 would reflect an additional expense of approximately $2.6 million, $1.4 million and $4 million for Fiscal 1989, Fiscal 1990 and Fiscal 1991, respectively. Earnings per share restated would be $.08, $.02 and $.36 for Fiscal 1989, Fiscal 1990 and Fiscal 1991, respectively. At December 29, 1991, the Company would have recognized a deferred tax asset of approximately $12 million to $14 million and a corresponding increase in retained earnings. Subsequent years' earnings per share would be reduced due to the loss of the tax benefit derived from the utilization of net operating losses when realized as opposed to earlier as permitted under FAS 109.

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

H. Income Taxes—In 1988, the Company prospectively adopted the liability method of computing deferred income taxes. The benefits of investment tax credits are recognized on a flow-through basis in the year they are available to reduce the income tax provision. In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which supersedes existing accounting standards for income taxes which the Company adopted in 1988, and must be adopted not later than December 31, 1993. Adoption of this new standard is not expected to have a material effect on the Company's financial statements.

Note 6 (In Part): Income Taxes

At December 31, 1991, the Company has tax basis net operating loss carryovers available to offset future regular taxable income, and investment and business tax credit carryovers available to offset future regular or alternative minimum federal income taxes payable. These carryovers expire as follows *(in thousands)*:

	Net Operating Losses	Investment and Business Tax Credits
1993	$ 599	$ —
1994	11,009	—
1995	12,585	—
1997	1,325	—
1998	10,696	—
1999	5,217	—
2000	4,380	—
2001	5,542	—
2002	1,359	—
2003	1,150	661
2004	12,815	—
2005	11,578	—
2006	30,322	—
	$108,577	$661

Substantially all of the Company's net operating loss carryovers are attributed to preference related items, and therefore are not available to offset alternative minimum taxable income. However, they are available to offset future regular taxable income. Because these net operating losses are only available to offset regular taxable income, deferred taxes have been provided based on alternative minimum taxable income. At December 31, 1991, the Company has an alternative minimum tax credit carryforward of approximately $1,105,000 available to offset future regular income taxes payable to the extent such regular taxes exceed alternative minimum taxes payable. At December 31, 1991, for income tax purposes, the Company has approximately $7,142,000 of capital loss carryovers available to offset future capital gains. Approximately $4,304,000 and $2,838,000 will expire in 1994 and 1996, respectively. At December 31, 1991, for income tax purposes, the Company has approximately $3,400,000 of alternative minimum tax net operating losses generated by CoCa prior to the merger with the Company. Due to the merger, there will be limitations on the amount of net operating losses that can be utilized in any given year to reduce future taxable income.

For financial statement purposes, the Company has unused regular corporate tax net operating loss carryovers of approximately $89,210,000, and investment tax credit carryovers of approximately $109,000.

LABARGE, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Income Taxes

As a result of losses incurred prior to 1987, the Company has net operating loss carryforwards for financial reporting purposes of approximately $23,539,000. Such carryforwards for income tax purposes are approximately $27,782,000 and expire $4,385,000 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 minimum taxable income which is determined by making statutory adjustments to the corporation's regular taxable income. Net operating loss carryforwards may be used to offset only 90% of a corporation's alternative minimum taxable income. The net operating loss carryforwards for alternative minimum tax purposes are approximately $24,940,000 and $24,416,000 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 $50,800 in 1991, $33,000 in 1990, and $55,000 in 1989. Alternative minimum tax paid 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.

THE TJX COMPANIES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

E (In Part): Income Taxes

The Company has $5,958,000 of available U.S. net operating loss carryforwards and $327,000 of U.S. investment tax credit carryforwards for tax and financial reporting purposes. These carryforwards were acquired through business combinations. The Company also has a foreign operating loss carryforward of $2,392,000 for financial reporting purposes and $4,895,000 for tax reporting purposes. Utilization of both the U.S. and foreign carryforwards is dependent upon future earnings and they expire for tax purposes as follows:

	In Thousands		
	Net Operating Loss		U.S. Investment
Fiscal Years	U.S.	Foreign	Tax Credits
1996	$ —	$ 200	$ —
1997	—	156	—
1998	—	1,589	13
1999	4,470	2,950	153
2000	1,488	—	155
2001	—	—	6
Total carryforwards	$5,958	$4,895	$327

WESTMORELAND COAL COMPANY (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

The Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109) retroactive to January 1, 1991. SFAS 109 requires a company to recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in a company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The Company has not recognized the benefit of any net operating loss carryforwards as the result of adopting SFAS 109.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Income Taxes

The Company and subsidiaries, excluding Resources which is not included in the consolidated Federal income tax return of the Company, have available tax basis net operating loss carryforwards to reduce future taxable income, and investment tax credit carryforwards to offset future taxes payable. The net operating loss carryforwards of $142,000,000 expire over the period from 1995 through 2006. Included in the above mentioned net operating loss carryforwards are alternative minimum tax net operating loss carryforwards of $24,600,000 which expire over the period from 2001 through 2006. The Company also has investment tax credit carryforwards for regular tax and alternative minimum tax of $4,500,000 which expires over the period from 1997 through 2000 for both.

Total financial statement net operating loss carryforwards of $168,000,000 are in excess of the tax basis net operating loss carryforwards because these amounts include the amount of temporary differences that will result in future net deductible amounts for which a tax benefit has not yet been recognized. The expiration dates of the portion of these net operating loss carryforwards in excess of the tax amounts are determined based on the years in which these future net deductible amounts are scheduled to occur and by the carryforward provisions of the tax law.

The Company received tax refunds of $1,561,000 from the Internal Revenue Service in 1989, plus interest of $1,381,000, as a result of a recalculation of taxes which were paid for the 1983 and 1982 tax years.

Also in 1989, Resources received a tax refund from the Internal Revenue Service in the amount of $381,000 plus interest of $458,000. The refund was the result of a recalculation of taxes which were paid during the years 1981 through 1984. Only $150,000 of the total refund received was recognized in 1989 earnings; the remaining $231,000 had been recognized in a prior year.

The Company's Federal consolidated income tax returns have been examined and settled by the Internal Revenue Service through 1979. Resource's Federal income tax returns have been examined and settled through 1987.

TAXES ON UNDISTRIBUTED EARNINGS

Paragraph 10 of *APB Opinion No. 23*, as amended by *Statement of Financial Accounting Standards No. 109*, requires, except in certain specified situations, that undistributed earnings of a subsidiary included in consolidated income be accounted for as a temporary difference. If a deferred tax liability is not recognized, paragraph 44 of *SFAS No. 109* specifies what information should be disclosed. Examples of disclosures concerning undistributed earnings follow.

Taxes Accrued On Undistributed Earnings

GENERAL MOTORS CORPORATION (DEC)

	1991	1990	1989
	(Dollars in Millions)		
Income (Loss) before Income Taxes	$(5,892.3)	$(2,217.1)	$6,398.3
United States, foreign, and other income taxes (credit) (Note 9)	(900.3)	(231.4)	2,174.0
Income (Loss) before cumulative effect of accounting changes	(4,992.0)	(1,985.7)	4,224.3

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Income Taxes

Investment tax credits are generally deferred and are being amortized over the lives of the related assets (the "deferral method").

Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes, was issued by the Financial Accounting Standards Board (FASB) in February 1992, effective January 1, 1993 with earlier adoption encouraged. GM elected to adopt the new standard effective January 1, 1991. The significant components of deferred tax assets and liabilities are principally related to depreciation, sales and product allowances, policy and warranty, benefit plans, lease transactions, the alternative minimum tax, capitalized research and experimentation, and the special provision for scheduled plant closings and other restructurings. Provisions are made for estimated United States and foreign income taxes, less available tax credits and deductions, which may be incurred on the remittance of the Corporation's share of subsidiaries' undistributed earnings less those deemed to be indefinitely reinvested.

Note 9. United States, Foreign, and Other Income Taxes (Credit)—Deferred and Payable

(Dollars in Millions)	1991	1990	1989
Taxes estimated to be payable (refundable) currently			
United States Federal	($ 83.8)	$ 274.4	$1,017.0
Foreign	1,532.2	1,856.7	1,180.3
State and local	3.9	62.3	93.6
Total	1,452.3	2,193.4	2,290.9
Taxes deferred—net			
United States Federal	(1,936.3)	(1,946.9)	(314.3)
Foreign	(65.1)	(27.6)	472.0
State and local	(275.1)	(255.4)	(28.5)
Total	(2,276.5)	(2,229.9)	129.2
Investment tax credits amortized—net			
United States Federal	(58.6)	(176.1)	(225.3)
Foreign	(17.5)	(18.8)	(20.8)
Total	(76.1)	(194.9)	(246.1)
Total taxes (credit)	($ 900.3)*	($ 231.4)	$2,174.0

*Excluding effect of accounting changes.

As discussed in Note 1, the Corporation adopted SFAS No. 109 as of January 1, 1991, and the cumulative effect of this change is reported in the 1991 Statement of Consolidated Income. Prior years' financial statements have not been restated to apply the provisions of SFAS No. 109.

Deferred income taxes (credit) for 1991 reflect the impact of "temporary differences" between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. These temporary differences are determined in accordance with SFAS No. 109 and are more inclusive in nature than "timing differences" as determined under previously applicable accounting principles.

Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities for 1991 are as follows:

(Dollars in Millions)	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation	$ 68.7	$ 4,029.1
Sales and product allowances	1,754.2	1,530.8
Profits on long-term contracts	30.8	444.8
Financing losses	392.4	2.2
Policy and warranty	1,637.2	—
Benefit plans	876.7	686.4
Lease transactions	5.5	1,128.0
Alternative minimum tax	580.4	—
Tax on unremitted profits	—	337.6
Minimum pension liability adjustment	501.9	—
Capitalized research and experimentation	820.7	—
Special provision for scheduled plant closings and other restructurings	1,841.4	—
Miscellaneous overseas and Canadian	781.5	796.8
All other	2,580.3	2,523.3
Subtotal	11,871.7	11,479.0
Valuation allowance	(48.3)	—
Total Deferred Taxes	$11,823.4	$11,479.0

During 1990 and 1989, deferred income taxes were provided for significant timing differences in the recognition of revenue and expenses for tax and financial statement purposes. Principally, these items consisted of the following: 1990—$672.6 million for depreciation, ($1,059.8) million for sales and product allowances, ($583.0) million for the Alternative Minimum Tax, ($552.5) million for vehicle instalment sales, ($124.8) million for profits on long-term contracts, ($116.6) million for provision for financing losses, and $105.1 million for policy and warranty; and 1989—$797.3 million for depreciation, ($111.8) million for vehicle instalment sales, ($547.1) million for benefit plans expense, ($159.9) million for profits on long-term contracts, and ($340.0) million for lease transactions.

Income (loss) before income taxes include the following components:

(Dollars in Millions)	1991	1990	1989
Domestic income (loss)	($9,875.4)	($6,490.8)	$2,967.3
Foreign income	3,983.1	4,273.7	3,431.0
Total	($5,892.3)	($2,217.1)	$6,398.3

The consolidated income tax (credit) was different than the amount computed using the United States statutory income tax rate for the reasons set forth in the following table:

(Dollars in Millions)	1991	1990	1989
Expected tax (credit) at U.S. statutory income tax rate	($2,003.4)	($753.8)	$2,175.4
State and local income taxes	(179.5)	(127.9)	45.7
Investment tax credits amortized	(160.6)	(211.8)	(277.0)
Utilization of loss carry-forwards at certain foreign operations	(0.9)	(6.6)	(220.7)
U.S. tax effect of foreign earnings and dividends	296.7	315.1	418.8
Foreign rates other than 34%	13.7	192.2	191.4
Tax rate changes on reversing timing differences	—	(164.3)	(117.9)
Taxes on unremitted earnings of subsidiaries	322.6	10.0	17.4
Equity effect in pre-tax income	246.2	143.1	14.4
Other adjustments	564.9	372.6	(73.5)
Consolidated income tax (credit)	($ 900.3)*	($231.4)	$2,174.0

*Excluding effect of accounting changes.

THE PITTSTON COMPANY (DEC)

	1991	1990	1989
	(In thousands)		
Income (loss) before income taxes, extraordinary credit and cumulative effect of accounting changes	$(36,759)	$73,462	$9,619
Provision (credit) for income taxes (Note 4)	(7,924)	27,270	5,824
Income (loss) before extraordinary credit and cumulative effect of accounting changes	(28,835)	46,192	3,795

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Income Taxes:

In 1991, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse (see Note 4).

Prior to 1991, the provision for income taxes was based on income and expenses included in the accompanying consolidated statements of operations. Differences between taxes so computed and taxes payable under applicable statutes and regulations were classified as deferred taxes arising from timing differences.

4. Income Taxes

The provision (credit) for income taxes consists of the following:

	U.S. Federal	Foreign	State	Total
		(In thousands)		
1991:				
Current	$ 11,820	3,011	3,403	18,234
Deferred	(30,674)	3,257	1,259	(26,158)
Total	$(18,854)	6,268	4,662	(7,924)
1990:				
Charge in lieu of income taxes	$ 14,876	—	—	14,876
Current	1,800	3,100	4,366	9,266
Deferred	—	3,128	—	3,128
Total	$ 16,676	6,228	4,366	27,270
1989:				
Current	$ 250	4,975	1,500	6,725
Deferred	—	(901)	—	(901)
Total	$ 250	4,074	1,500	5,824

Effective January 1, 1991, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and

assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. As of January 1, 1991, the Company recorded a tax credit of approximately $10,061,000 or $.27 per share, which amount represents the net decrease to the deferred tax liability as of that date. Such amount has been reflected in the consolidated statement of operations as the cumulative effect of an accounting change.

For the year 1991, income (loss) before extraordinary credit and cumulative effect of accounting changes includes an additional income tax credit of approximately $27,075,000 or $.73 per share resulting from the adoption of SFAS 109.

The charge in lieu of income taxes in 1990 is the tax expense incurred but offset by book loss carryforwards for financial reporting purposes. The benefit from utilizing such loss carryforwards is reported as an extraordinary credit in the statement of operations.

For the years ended December 31, 1991, 1990 and 1989, cash payments for income taxes, net of refunds received, were $15,285,000, $6,935,000 and $5,304,000, respectively.

The significant components of the deferred tax benefit in 1991 were as follows:

	(In thousands)
Deferred tax benefit, exclusive of the components listed below	$(41,786)
Utilization of investment tax credit carryforwards	5,898
Utilization of net operating loss carryforwards	31,420
Recognition of alternative minimum tax credit	(21,690)
	$(26,158)

The sources of significant timing differences for 1990 and 1989 which gave rise to deferred taxes and their effects were as follows:

	1990	1989
	(In thousands)	
Depreciation and amortization	$2,115	1,643
Provision for future repatriation of foreign earnings	1,033	(2,949)
Other, net	(20)	405
	$3,128	(901)

The components of the net deferred tax asset as of December 31, 1991 were as follows:

	(In thousands)
Deferred tax assets:	
Accounts receivable	$ 6,190
Postretirement benefits other than pensions	84,261
Workers' compensation and other claims	66,699
Other liabilities	56,319
Miscellaneous	8,949
Net operating loss carryforwards	9,438
Alternative minimum tax credits	24,879
Investment tax credits	10,160
Valuation allowance	(8,908)
Total deferred tax asset	257,987
Deferred tax liabilities:	
Property, plant and equipment	70,676
Pension assets	39,775
Other assets	10,673
Investment in foreign affiliates	11,958
Miscellaneous	40,712
Total deferred tax liability	173,794
Net deferred tax asset	$ 84,193

The following table accounts for the difference between the actual tax provision and the amounts obtained by applying the statutory U.S. Federal income tax rate of 34% to the income (loss) before income taxes.

	Years Ended Dec. 31		
	1991	1990	1989
	(In thousands)		
Income (loss) before income taxes:			
United States	$(53,472)	51,046	(15,471)
Foreign	16,713	22,416	25,090
	$(36,759)	73,462	9,619
Tax provision computed at statutory rate	$(12,498)	24,977	3,270
Increases (reductions) in taxes due to:			
U.S. tax attributable to repatriation of foreign earnings	4,690	3,522	5,391
Percentage depletion	(6,001)	(7,121)	(2,516)
Equity in earnings of foreign affiliates	(1,993)	(373)	(3,041)
State income taxes (net of Federal tax benefit)	3,077	2,881	990
Goodwill amortization	2,219	2,104	2,062
Difference between U.S. Federal statutory rate and foreign effective rates	2,971	669	(324)
Miscellaneous	(389)	611	(8)
Actual tax provision (credit)	$ (7,924)	27,270	5,824

It is the policy of the Company to accrue deferred income taxes on temporary differences related to the financial statement carrying amounts and tax bases of investments in foreign subsidiaries and affiliates which are expected to reverse in the foreseeable future. The unrecognized deferred tax liability for temporary differences of approximately $34,185,000 related to investments in foreign subsidiaries and affiliates that are essentially permanent in nature and not expected to reverse in the foreseeable future was approximately $11,623,000 as of December 31, 1991.

The Company and its domestic subsidiaries file a consolidated U.S. Federal income tax return. Such returns have been audited and settled through the year 1981.

As of December 31, 1991, the Company had approximately $24,879,000 of alternative minimum tax credits available to offset future U.S. Federal income taxes on an indefinite carryforward basis. In addition, the Company had approximately $10,160,000 of investment tax credit carryforwards that expire between the years 1996-2000.

Taxes Not Accrued On Undistributed Earnings

ARMCO INC. (DEC)

NOTES TO FINANCIAL STATEMENTS
(Dollars in millions)

3 (In Part): Income Taxes

No U.S. provision for income taxes has been made for approximately $68.9 of unremitted earnings of Armco's foreign subsidiaries (of which $17.6 are attributable to entities which Armco plans to divest) as of December 31, 1991 ($72.2 at December 31, 1990), in that such earnings have been or are intended to be permanently reinvested by Armco's foreign subsidiaries in working capital and property, plant and equipment or eliminated as a result of Armco's planned divestitures of certain foreign entities. The determination of the amount of U.S. tax which would be payable if such unremitted foreign earnings were repatriated through dividend remittances is not practicable in that any U.S. taxes payable on such dividends would be offset, at least in part, by foreign tax credits. Approximately $14.0 of foreign withholding taxes at December 31, 1991 ($14.4 as of December 31, 1990), would be payable in the event such unremitted foreign earnings were actually repatriated.

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands)

4 (In Part): Income Taxes

Provision has not been made for U.S. or additional foreign taxes on $43,300 of undistributed earnings of foreign subsidiaries 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. Estimated deferred tax liability on such earnings is about $15,000. 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. The amount of withholding tax that would be payable upon remittance of the entire amount of undistributed earnings would be about $2,000.

BROWN GROUP, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Income Taxes

In fiscal 1991, the corporation adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109 requires the adjustment of previously deferred taxes for changes in tax rates under the liability method. The corporation chose to reflect the cumulative effect of adopting this pronouncement as a change in accounting principle at the beginning of fiscal 1991 with a charge to earnings of $500,000. Prior years' financial statements were not restated. This charge represents the writedown of net deferred tax assets and liabilities from tax rates in effect when they arose to current statutory tax rates. As required, previously reported First Quarter 1991 results have been restated to reflect this adjustment. The adoption of the new standard had no effect on the tax provision for 1991.

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There is approximately $27,000,000 of accumulated unremitted earnings from the corporation's Canadian subsidiary and approximately $30,000,000 from other foreign entities on which deferred taxes have not been provided. Based on the current United States and Canadian income tax rates, it is anticipated that no additional United States tax would be incurred if the accumulated Canadian earnings were distributed. In the event that the other foreign entities' earnings were distributed, it is estimated that U.S. taxes, net of foreign tax credits, of approximately $10,000,000 would be due. Of this amount, the current taxability of approximately $3,000,000 is in dispute with the Internal Revenue Service. The company is vigorously protesting the assessment and believes that it will prevail.

IMO INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Income Taxes

At December 31, 1991, unremitted earnings of foreign subsidiaries were approximately $21.2 million. Since it is the Company's intention to indefinitely reinvest these earnings, no U.S. taxes have been provided. Determination of the amount of unrecognized deferred tax liability on these unremitted earnings is not practicable. The amount of foreign withholding taxes that would be payable upon remittance of those earnings is approximately $1.5 million.

POLAROID CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Income Taxes

Undistributed earnings of foreign subsidiaries held for reinvestment in overseas operations amounted to $352.8 million at December 31, 1991. Additional U.S. income taxes may be due upon remittance of those earnings (net of foreign tax reductions because of the distribution), but a determination of the amount has not been made because it is impractical to do so. If all those earnings were distributed as dividends, foreign withholding taxes of approximately $19.0 million would be payable.

SEARS, ROEBUCK AND CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies (In Part)

Income taxes

Effective Jan. 1, 1991 the Company adopted SFAS No. 109, "Accounting for Income Taxes." Adoption of this statement reduced income tax expense by $134.0 million in 1991, primarily due to the recognition of deferred tax assets previously not recorded under SFAS No. 96. No cumulative effect adjustment was required for the adoption of SFAS No. 109 due to the Company's previous use of the liability method.

The consolidated federal income tax return of Sears, Roebuck and Co. includes results of the domestic operations of the business groups. Tax liabilities and benefits are allocated as generated by the respective business groups, whether or not such benefits would be currently available on a separate return basis. U.S. income and foreign withholding taxes are not provided on unremitted earnings of international affiliates which the Company considers to be permanent investments. The cumulative amount of unremitted income and the taxes which would be paid upon remittance of those earnings totaled $534.9 and $216.8 million, respectively, at Dec. 31, 1991.

UNIFI, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

Deferred income taxes of $4,185,076 and $4,206,131 at June 30, 1991 and June 24, 1990, respectively, have been provided as a result of differences between accounting for financial statement versus tax purposes. U.S. deferred income taxes have not been recognized on $22,532,778 at June 30, 1991 ($13,092,357 at June 24, 1990) of undistributed earnings of foreign subsidiaries, because assets representing those earnings are permanently invested. The amount of foreign withholding taxes and U.S. taxes that would be payable upon the repatriation of assets that represent those earnings would be approximately $7,300,000 at June 30, 1991 ($4,200,000 at June 24, 1990).

WM. WRIGLEY JR. COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

Applicable U.S. income and foreign withholding taxes have not been provided on $120,224,000 of undistributed earnings of international wholly owned associated companies at December 31, 1991. These earnings are considered to be permanently invested and, under the tax laws, are not subject to such taxes until distributed as dividends. If the earnings were not considered permanently invested, approximately $7,299,000 of deferred income taxes, consisting primarily of foreign withholding taxes, would have been provided in 1991. Such taxes, if ultimately paid, may be recoverable as foreign tax credits in the U.S.

LONG-TERM CONTRACTS

Accounting and disclosure requirements for long-term contracts are discussed in *ARB No. 45*, Chapter 11 of *ARB No. 43* and AICPA *Statement of Position 81-1.*

Table 3-15 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-six companies used both of the aforementioned methods. Examples of disclosures for long-term contracts follow.

TABLE 3-15: METHOD OF ACCOUNTING FOR LONG-TERM CONTRACTS

	Number of Companies			
	1991	1990	1989	1988
Precentage-of-completion	92	91	92	86
Units-of-delivery	36	34	33	37
Completed contract	8	9	6	8
Not determinable	2	4	2	3

ARVIN INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Contract Revenue Recognition: Revenues on short and long-term service contracts for both government and industry are recorded on the percentage of completion method. Provisions for anticipated losses are made in the period in which they first become determinable. Unbilled receivables at both year-end 1991 and 1990 are $40 million.

GENCORP INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition—Generally, sales are recorded when products are shipped or services are rendered. Sales and income under most government fixed price and fixed price incentive production type contracts are recorded as deliveries are made. For contracts where relatively few deliverable units are produced over a period of more than two years, revenue and income are recognized at the completion of measurable tasks rather than upon delivery of the individual units. Sales under cost reimbursement contracts are recorded as costs are incurred and include estimated earned fees in the proportion that costs incurred to date bear to total estimated costs. Certain government contracts contain cost or performance incentive provisions which provide for increased or decreased fees or profits based upon actual performance against established targets or other criteria. Penalties and cost incentives are considered in estimated sales and profit rates. Performance incentives are recorded when measurable or when awards are made and provisions for estimated losses on contracts are recorded when such losses become evident.

JOHNSON CONTROLS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary Of Significant Accounting Policies (In Part)

Revenue Recognition

The company recognizes revenue from long-term contracts of the controls segment over the contractual period under the percentage-of-completion method of accounting (see "Long-Term Contracts"). In all other cases, the company recognizes revenue at the time products are shipped or as services are performed.

Long-Term Contracts

The percentage-of-completion method of accounting is used by the controls segment for long-term contracts. Sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. Sales and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified. Claims against customers are recognized as revenue upon settlement. The amount of accounts receivable due after one year is not significant.

NUCLEAR METALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Significant Accounting Policies

Revenue Recognition

Revenues are recorded when products are shipped, except for revenues on long-term contracts which are recorded on the percentage-of-completion method. The percentage-of-completion method is used for research and development contracts and for production contracts which require significant amounts of initial engineering and development costs. The percentage-of-completion is determined by relating the actual number of contract units completed to date to the total units to be completed under the respective contract. When the estimated total cost on a contract indicates a loss, the Company's policy is to record the entire loss currently. Performance incentives incorporated in certain government contracts are recognized when incentives are earned or awarded or when penalties are incurred or assessed. Contract revenues include fees resulting from facilitization contracts with the U.S. Army (contracts to establish production capacity through the purchase and installation of equipment to be owned by the U.S. Army). Costs associated with these contracts, exclusive of the costs to purchase the equipment ($227,000 in 1991, $577,000 in 1990, and $2,877,000 in 1989) are included in cost of sales. The consolidated balance sheets do not include the cost of this U.S. Army-owned equipment.

PARKER HANNIFIN CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Long-Term Contracts—The Company enters into long-term contracts for the production of products. For financial statement purposes, sales are recorded as deliveries are made (units of delivery method of percentage-of-completion). Unbilled costs on these contracts are included in inventory. Progress payments are netted against the inventory balances. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The Company also enters into research and development contracts to develop or produce prototypes of various products. Effective July 1, 1988, the Company changed its accounting procedures to provide for the anticipated losses on such contracts in the period in which it becomes contractually committed. The change was to adopt the accounting required in the American Institute of Certified Public Accountants' "Industry Audit and

Accounting Guide for Audits of Government Contractors." The cumulative effect of this change for the periods prior to July 1, 1988 of $13.0 million (after a tax benefit of $9.5 million) is shown separately in fiscal 1989.

ROHR INDUSTRIES, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Sales and Earnings

In accordance with industry practice, the company follows Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*, on certain commercial programs and all government programs. Other commercial programs, wherein the program includes the right to sell spares and provide technical product support direct to airlines, are accounted for under the program method of accounting. Under the program method of accounting, the costs and contractual values of all elements of a program, which encompass pre-production, production and product support, are combined to arrive at an overall profit margin. Using the program method of accounting, the average unit cost is based on the estimated costs of all units, including spares which historically carry a significant margin, expected to be produced under initial and follow-on contractual arrangements but not to exceed what management believes is a reasonable market projection.

The company's sales are primarily under fixed-price contracts many of which contain escalation clauses and require delivery of products over several years. Sales of products and profits on each contract or program are recognized primarily in accordance with the percentage-of-completion method of accounting, using the units-of-delivery method. Revisions of estimated profits on contracts or programs are included in earnings by the reallocation method, which spreads the change in estimate over current and future deliveries. Any anticipated losses on contracts or programs are charged to earnings when determined.

Included in sales are amounts arising from contract terms that provide for invoicing a portion of the contract price at a date after delivery. Also included are negotiated values for units delivered and anticipated price adjustments for contract changes and claims, escalation and costs, and estimated earnings in excess of billing provisions resulting from the percentage-of-completion method of accounting.

Contract costs are estimated based on the learning curve concept which recognizes that repetition of the same manufacturing operation results in less time or effort expended on that operation over time. For programs under the program method of accounting, contract revenues include spares which have historically sold at significantly increased prices which accommodate additional costs related to technical and customer support activities. Profit is estimated based on the total estimated revenue and cost over the entire contract or program and is recognized evenly on all remaining units to be delivered. As the early units are charged to work-in-process inventory at a cost in excess of the amount relieved through cost of sales, a segment of inventory described as the excess of production costs over estimated average unit cost (excess over average) is created. Excess over average inventory builds during the early years of the contract or program as the efficiencies resulting from learning are not fully realized and production deliveries exceed spare deliveries, and declines as the program matures.

SUNDSTRAND CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary Of Significant Accounting Policies (In Part)

Sales Under Long-Term Contracts, a portion of which are with the U.S. government, are accounted for under the percentage of completion method. The Company enters into long-term contracts which require it to develop or advance state-of-the-art technology products. Sales on developmental contracts are recorded as the related costs are incurred and include estimated profits calculated on the basis of the relationship between costs incurred and total estimated costs (cost-to-cost method of percentage-of-completion). The Company also enters into long-term contracts for the production of products. Sales on production-type contracts are recorded as deliveries are made (units of delivery method of percentage-of-completion). Marketing and administrative costs are expensed as incurred.

On a selective basis, the Company may enter into a contract to research and develop or produce a product with a loss anticipated at the date the contract is signed. These contracts are entered into in anticipation that profits will be obtained from future contracts for the same or similar products. These loss contracts often provide the Company with exclusive data rights which, in effect, establish it as the sole producer of certain products. Such losses are recognized at the date Sundstrand becomes contractually obligated, with revisions made as changes occur in the related estimates to complete.

Certain contracts and subcontracts are subject to government audit and review. Information related to government contract matters is presented on page 51.

Government Contract Matters

In connection with U.S. government contracts and subcontracts, the Company has received notifications of defective pricing claims. While Sundstrand believes that its existing provisions for these claims are adequate, the amounts due upon final resolution may differ from the recorded provisions.

As previously disclosed, the government notified Sundstrand that it was not in compliance with Cost Accounting Standards 404 and 409, which deal with capitalization and depreciation of tangible assets. Sundstrand has taken corrective action and paid $5.9 million to the government in 1991 in settlement of this matter, for which a provision was recorded in a prior year.

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 discontinued operations should be separately disclosed in the related notes.

An *AICPA Accounting Interpretation* published in the November 1973 issue of the *Journal of Accountancy* provides illustrations of transactions which should and should not be accounted for as a business segment disposal. These examples are reprinted in Section I13 of *FASB Accounting Standards—Current Text.*

In 1991, 51 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

DYNAMICS CORPORATION OF AMERICA (DEC)

	1991	1990	1989
	(dollar amounts in thousands)		
Income from continuing operations	$2,738	$2,653	$2,809
Discontinued operation—Note 3			
Operating losses, net of income tax benefit of $739, $862 and $1,778	(1,393)	(1,550)	(455)
Provision for disposition, net of income tax benefit of $1,322	(2,678)		
Loss from discontinued operation	(4,071)	(1,550)	(455)
Net income (loss)	($1,333)	$ 1,103	$2,354

Note 3: Discontinued Operation—Fermont Division

The Company determined to discontinue operations at its Fermont Division, a manufacturer of electrical power systems for government and commercial markets, effective as of September 30, 1991, and put the assets and business up for sale. Fermont's sales for the years ended December 31, 1991, 1990 and 1989 were $5,257,000, $11,107,000 and $10,064,000, respectively. In conjunction with the discontinuance, the Company recorded a provision for disposition of $5,600,000 for costs estimated to be incurred prior to Fermont's disposition, including $3,629,000 for operating losses during the phaseout period. The provision for disposition in the Consolidated Statements of Operations was reduced by $1,600,000 before taxes for the favorable settlement of a court action involving a contract for the sale of 60 KW engine generator sets to the Government.

The Company will fulfill all contract obligations of Fermont, including its obligations under its contract with the U.S. Government to supply 3 KW engine generator sets, currently scheduled to be completed in 1993, unless a buyer for the business assumes performance of its contracts. The Company is preparing and will be filing a claim for several million dollars against the Government for delay damages and added costs of obtaining first article approval of the prototype 3 KW genset arising out of the improper conduct of first article testing by the Government and other related matters. No amounts are included in the provision for disposition for a recovery on the claim or for Government claims or counterclaims, if any.

Purchase commitments aggregating $1,900,000 at December 31, 1991, entered into in connection with the 3 KW contract, are denominated in Italian Lira.

Current assets of the discontinued operation consist primarily of accounts receivable and inventories. Accounts payable and accrued expenses and sundry liabilities include $952,000 and $3,276,000 at December 31, 1991 and 1990, respectively, related to the division's operations.

KERR GLASS MANUFACTURING CORPORATION (DEC)

	1991	1990	1989
	(in thousands)		
Loss from continuing operations	$(2,146)	$(1,410)	$ (69)
Discontinued operations:			
Earnings from discontinued operations (after applicable income taxes of $1,314 in 1991, $100 in 1990, $219 in 1989)	1,663	158	350
Loss on sale of Commercial Glass Container Business (after applicable income tax benefit of $1,877)	(2,982)	—	—
Cumulative effect of change in accounting related to discontinued operations (after applicable income taxes of $552)	886	—	—
Earnings (loss) related to discontinued operations	(433)	158	350
Net earnings (loss)	(2,579)	(1,252)	281

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Discontinued Operations

On February 28, 1992, the Company sold its commercial glass container business to Ball Corporation (Ball) for a cash payment of approximately $68,000,000. The Company's glass container manufacturing facilities located in Plainfield, Illinois, and Sand Springs, Oklahoma were purchased by Ball. The Company's other two glass container facilities located in Santa Ana, California and Dunkirk, Indiana were leased to Ball with options to purchase. The Company sold to Ball the machinery, equipment and inventory associated with the Commercial Glass Container Business.

The sale resulted in a pre-tax loss of $4,859,000 ($2,982,000 after-tax or $0.81 per common share), which is included in accrued expenses in the accompanying Consolidated Balance Sheets. This loss includes both a gain on the sale of assets and accruals for other estimated costs to be incurred in connection with the sale. The Company used the proceeds from the sale to repay all debt outstanding under the Company's Bank Credit Agreement and the ESOP I and II Term Loans of approximately $68,000,000.

The results of the Commercial Glass Container Business, previously included in the Glass and Metal Products segment, have been reported separately as discontinued operations in the Consolidated Statements of Earnings (Loss). Prior year consolidated financial statements have been restated to present the Commercial Glass Container Business as a discontinued operation. Summarized results of the Commercial Glass Container Business are as follows:

Years Ended December 31,	1991	1990	1989
	(in thousands)		
Net sales	$148,211	$152,861	$140,066
Costs and expenses	140,470	146,877	133,625
Allocated interest expense	4,764	5,726	5,872
Earnings before income taxes	2,977	258	569
Provision for income taxes	1,314	100	219
Earnings from discontinued operations	1,663	158	350
Loss on sale of Commercial Glass Container Business	(2,982)	—	—
Cumulative effect of change in accounting related to discontinued operations	886	—	—
Total earnings (loss) related to discontinued operations	$ (433)	$ 158	$ 350

THE PENN CENTRAL CORPORATION (DEC)

	1991	1990	1989
		(In Millions)	
Income from continuing operations	$ 63.4	$74.4	$101.2
Discontinued operations			
Income (loss) from operations	(60.8)	23.4	4.4
Gain on disposal of businesses	—	—	68.5
Net income	$ 2.6	$97.8	$174.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisitions And Divestitures

Spin-off of Principal Manufacturing Operations

On February 12, 1992, the Board of Directors approved in principle a plan to spin-off to shareholders (the "Spin-off") substantially all of the stock of a newly formed subsidiary, General Cable Corporation ("General Cable"), which will own the wire and cable, materials handling equipment and marine equipment manufacturing businesses. The Spin-off is to be accomplished by the distribution to Company shareholders of one share of General Cable Common Stock for each four shares of the Company's Common Stock outstanding at the record date for the distribution. It is expected that the Spin-off will be taxable as a dividend to Company shareholders for Federal income tax purposes. The Spin-off is expected to be completed in July 1992 after formal declaration of the distribution by the Board of Directors.

As part of the Spin-off, the Company will retain a $230 million, 9.98 percent senior subordinated note to be issued by General Cable, and expects to retain approximately 12 percent of the General Cable shares ("Retained Shares") for distribution from time to time under the Company's 1978 Plan of Reorganization and satisfaction of General Cable options to be granted by the Company to holders of Company stock options and Career Shares. Implementation of the Spin-off will result in a reduction of Common shareholders' equity by an amount which approximates the carrying value of General Cable and its subsidiaries at the time of the Spin-off (less the value of the Retained Shares). After giving pro forma effect to the issuance to the Company of the aforementioned $230 million note as if it had occurred on December 31, 1991, the carrying value of the businesses which will comprise General Cable and its subsidiaries after the Spin-off would have been $290.2 million.

The principal pro forma effect on the Company's pre-tax income from continuing operations, assuming the Spin-off had occurred on January 1, 1991, is the inclusion of interest income of $23.0 million, or $.32 per share of Common Stock from the General Cable note.

As a result of the Board action regarding the Spin-off, the aforementioned operations have been classified as discontinued for all periods presented. Revenues for discontinued operations for years ended December 31, 1991, 1990 and 1989 were $1,024.5 million, $1,068.0 million and $778.5 million, respectively. The loss from discontinued operations of $60.8 million in 1991 includes provisions for restructuring and consolidation of facilities and the write-down of goodwill within the wire and cable operations totaling $57.7 million, or $1.18 per share. Income from discontinued operations for 1989 includes a gain of $68.5 million, or $.97 per share, from the sale of certain wire and cable manufacturing operations. The 1991 loss from discontinued operations is net of a tax benefit of $30.4 million and income from discontinued operations for 1990 and 1989 are net of tax expense of $11.2 million and $7.6 million, respectively.

PITNEY BOWES INC. (DEC)

	1991	1990	1989
		(Dollars in thousands)	
Income from continuing operations	$287,859	$206,649	$180,110
Discontinued operations	7,440	6,646	6,609
Income before cumulative effect of a change in accounting for income taxes	295,299	213,295	186,719

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data or as otherwise indicated)

10. Acquisitions and discontinued operations

In October 1989, the company acquired all of the outstanding stock of Pandick Technologies, Inc. ("Pandick") for approximately $95 million in cash. Pandick, a nationwide provider of on-site contract services for reprographics and mailroom management, had revenue of approximately $100 million for its fiscal year ended August 31, 1989. The transaction was accounted for by the purchase method and its pro forma effect on results was immaterial.

The company has 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	1991	1990	1989
Revenue	$70,284	$71,434	$74,018
Income before income taxes	$12,230	$11,008	$10,915
Provision for income taxes	4,790	4,362	4,306
Net income	$ 7,440	$ 6,646	$ 6,609

ROBBINS & MYERS, INC. (AUG)

	1991	1990	1989
		($000)	
Income From Continuing Operations	$ 8,670	$ 7,110	$ 4,690
From Discontinued Operations			
Loss from operations, net of income tax benefit of $177 in 1991, $93 in 1990 and provision of $150 in 1989	(2,097)	(1,702)	(488)
Loss on disposal, net of income tax benefit of $41	(1,561)	0	0
Loss From Discontinued Operations	(3,658)	(1,702)	(488)
NET INCOME	5,012	5,408	4,202

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Discontinued Operations

During 1991 the company sold the assets and business of its former Motion Control Group for cash. The sale was recorded in two separate transactions in February and August. These transactions have been recorded as the disposal of a segment of business. Accordingly the net assets and operating results of the Motion Control Group have been classified as discontinued operations for all periods presented in the consolidated financial statements. Net sales of the discontinued operations were $40,306,000 in 1991, $38,627,000 in 1990 and $45,631,000 in 1989.

WINNEBAGO INDUSTRIES, INC. (AUG)

	1991	1990	1989
		Dollars in thousands	
Loss from continuing operations	$(16,271)	$(14,566)	$(3,178)
Discontinued Operations:			
Loss from discontinued Commercial Vehicle Division operations (less applicable credits for income taxes of $0, $2,509 and $1,163, respectively)	(4,992)	(3,269)	(1,497)
Loss on disposal of Commercial Vehicle Division, including a provision of $1,042 for operating losses during phase-out period (less applicable income taxes of $0)	(8,118)	—	—
Loss from discontinued operations	(13,110)	(3,269)	(1,497)
Net loss	$(29,381)	$(17,835)	$(4,675)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Discontinued Operations

In September 1991, the Company adopted a formal plan to discontinue the Commercial Vehicle Division which manufactures delivery vans and shuttle buses. As part of such plan, the Company intends to discontinue production by December 1991 and either sell or liquidate the operations during fiscal 1992.

As a result, the Company recorded a fourth quarter charge of $8.1 million to write-down the division's assets to their estimated net realizable values and to accrue for operating losses through the anticipated phase-out period ($7.1 million and $1.0 million, respectively). No income tax benefits have been allocated to the division's fiscal 1991 losses because there are no realizable taxable benefits available to allocate to the discontinued operation. Such fiscal 1991 losses are included in the Company's net operating loss carryforwards disclosed in Note 11.

Revenues for the discontinued Commercial Vehicle Division were $760,000, $2,265,000 and $0 for fiscal 1991, 1990 and 1989, respectively. The assets and liabilities of the discontinued operations have been reclassified on the balance sheet from their historic classification to separately identify them as net assets of discontinued operations and principally consist of inventory, tooling, equipment and accrued losses for the phase-out period.

Adjustment Of Loss Reported In Prior Period

AMPCO-PITTSBURGH CORPORATION (DEC)

	1991	1990	1989
		($000)	
Income (loss) from continuing operations before extraordinary credit	$(8,367)	$(3,084)	$8,238
Discontinued operations:			
Income from operations, net of an income tax provision of $240 in 1989	—	—	348
Gain (loss) on disposal, net of a a tax benefit of $2,700 in 1991 and an income tax provision of $180 in 1989	(5,300)	—	745
	(5,300)	—	1,093
Income (loss) before extraordinary credit	(13,667)	(3,084)	9,331

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Dollars stated in thousands)

Note 3 (In Part): Discontinued Operations

The Corporation periodically reevaluates the adequacy of its accruals associated with prior restructuring transactions and the realizability of the remaining assets. Any changes in those estimates are included in discontinued operations in the accompanying financial statements. In 1991 and in 1989, the Corporation increased its loss provision for discontinued operations by $8,000 (of which $2,000 was provided in the fourth quarter) and $1,500, respectively. These additional provisions were based on management's estimates of expenses, holding costs of assets, future realizability of those assets, and the liquidation of certain obligations in excess of prior estimates.

DRAVO CORPORATION (DEC)

	1991	1990	1989
		(In thousands)	
Earnings from continuing operations	$ 12,250	$15,841	$14,699
Loss on discontinued operations, net of benefit for income taxes of $3,568 (Note 2)	38,537	—	—
Earnings (loss) before extraordinary item	(26,287)	15,841	14,699

Note 2 (In Part): Discontinued Operations

In December, 1987, Dravo's Board of Directors approved a major restructuring program which concentrated the company's future direction exclusively on opportunities involving its natural resources business. The plan included the sale or other disposition of the former Engineering and Construction segment. Provision for losses on the disposal of these discontinued operations and their estimated operating results until the assumed dates of disposal were recorded in 1987 and 1988.

During 1991, the loss provision, after tax benefits, was increased by $38.5 million to recognize certain events and management's current estimates of future discontinued operations costs. These costs included legal expenses required to pursue the company's rights and protect its interests; close-out expenses and claims related to several construction projects; insurance claims and premiums; real estate leases; environmental matters; costs associated with the marine equipment lease discussed below; and provision for settlement of a lawsuit. No provision has been made, except as noted, for the ultimate outcome of the matters in litigation which are disclosed in Note 9: Contingent Liabilities of these notes to consolidated financial statements, because the outcome of these matters cannot be predicted or reasonably estimated. A ruling by the courts or a settlement of the disputes that is adverse to Dravo's position, or other unforeseen developments, could require a future additional provision for discontinued operations.

TENNECO INC. (DEC)

	1991	1990	1989
		(millions)	
Income (loss) from continuing operations	$(674)	$561	$584
Loss from discontinued operations, net of income tax	(58)	—	—
Net income (loss)	(732)	561	584

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Disposition of Assets and Discontinued Operations

A loss of $58 million from discontinued operations, net of a $31 million tax benefit, was recorded in 1991 to reflect additional costs estimated to be incurred in connection with the sale of Tenneco's oil and gas businesses in 1988. The costs are primarily attributable to (a) the settlement in December 1991 of litigation instituted by approximately 380 employees of Tenneco's former oil and gas businesses claiming additional compensation and damages as a result of the sale of such businesses; (b) the excess of presently estimated settlement costs of additional claims by the purchasers and others arising out of the sales of such businesses over accruals initially established for such claims; and (c) a July 1991 decision of a federal appellate court refusing to reconsider a ruling that lessors under oil and gas leases are entitled to royalty payments on compression, gathering and other miscellaneous charges collected by natural gas producers pursuant to Federal Energy Regulatory Commission Order No. 94, against which royalty payments Tenneco has agreed to indemnify the purchasers of certain of its oil and gas assets.

GENERAL HOST CORPORATION (JAN)

	1991	1990	1989
		(In thousands)	
Income from continuing operations	$ 8,703	$3,303	$ 1,423
Income (loss) from discontinued operations	5,940		(3,424)
Income (loss) before extraordinary loss	14,643	3,303	(2,001)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Discontinued Operations

In prior years the Company has sold businesses which have been treated as discontinued operations for financial statement presentation.

As of January 26, 1992 and January 27, 1991 there were no remaining assets of such businesses. The liabilities for discontinued operations sold in prior years were as follows:

(In thousands)	1991	1990
Accrued expenses	$2,263	$3,001
Other liabilities	2,094	3,624
Total	$4,357	$6,625

Income from discontinued operations in 1991 of $5,940,000 represents the elimination of income tax accruals no longer required that are related to businesses sold in 1987 which were treated as discontinued operations.

In 1989 the Company charged to discontinued operations a loss of $3,424,000 or $.17 per share after income tax benefit for settlement of a saltwater pollution lawsuit concluded in 1988 (Note 11).

CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

Table 3-16 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.

LITTON INDUSTRIES, INC. (JUL)

	1991	1990	1989
		($000)	
Earnings before Taxes on Income and Minority Interest	$183,585	$319,795	$314,520
Taxes on Income	101,146	127,923	127,095
Minority Interest In Earnings of Consolidated Subsidiary (Note A)	(18,936)	(13,060)	(9,153)
Net Earnings	$ 63,503	$178,812	$178,272

Note A (In Part): Significant Accounting Policies

Principles of Consolidation—The accounts of Litton Industries, Inc. and all its majority-owned subsidiaries (the Company) are included in the accompanying consolidated financial statements. The minority interest separately disclosed herein reflects the non-Company owned shareholder interest in Western Atlas International, Inc. Investments in finance subsidiaries, which had been substantially liquidated by July 31, 1989, were included on the equity method. All material intercompany transactions have been eliminated. Certain reclassifications of prior period information were made to conform to the 1991 presentation.

TABLE 3-16: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Minority interest	64	55	58	54
Equity in earnings or losses of investees	36	40	36	42
Cumulative effect of accounting change	47	15	22	68
Other	9	7	3	5

ECOLAB INC. (DEC)

	1991	1990	1989
		(thousands)	
Income from Continuing Operations Before Income Taxes and Equity in Earnings of Joint Venture	$80,097	$90,535	$51,886
Provision for Income Taxes	28,994	32,411	19,360
Equity in Earnings of Henkel-Ecolab Joint Venture	4,573		
Income from Continuing Operations	55,676	58,124	32,526

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Transaction with Henkel KGaA

The company's equity in earnings of the Henkel-Ecolab joint venture for its initial five months of operations was:

(thousands)	1991
Joint venture	
Net sales	$314,452
Income before income taxes	18,078
Net income	10,314
Ecolab equity interest	50%
Ecolab equity in net income	5,157
Ecolab royalty income from joint venture, net of income taxes	2,698
Amortization expense for the excess of cost over the underlying net assets of the joint venture	(3,282)
Equity in earnings of Henkel-Ecolab joint venture	$ 4,573

DIXIE YARNS, INC. (DEC)

	1991	1990	1989
		($000)	
Income (loss) before income taxes, extraordinary gain, and cumulative effect of accounting change	$(31,550)	$12,672	$24,145
Income tax provision (benefit)	(6,179)	5,843	12,430
Income (loss) before extraordinary gain, and cumulative effect of accounting change	(25,371)	6,829	11,715
Extraordinary gain from debt retirement (less applicable income taxes of $288 in 1991 and $428 in 1990)	451	699	—
Cumulative effect of accounting change (less applicable income taxes of $898)	(1,497)	—	—
Net income (loss)	$(26,417)	$ 7,528	$11,715

THE WASHINGTON POST COMPANY (DEC)

	1991	1990	1989
		(In thousands)	
Income before Income Taxes and Cumulative Effect of Change in Accounting Principle	$190,221	$291,426	$333,993
Provision for Income Taxes	71,500	116,850	136,100
Income before Cumulative Effect of Change in Accounting Principle	118,721	174,576	197,893
Cumulative Effect of Change in Method of Accounting for Other Postretirement Benefits (net of taxes of $30,311)	(47,897)	—	—
Net Income	$ 70,824	$174,576	$197,893

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 3-17 shows the nature of items classified as extraordinary by the survey companies. Paragraph 61 of *APB Opinion No. 11* specified that realized loss carryforwards be reported as extraordinary items. *SFAS No. 109*, effective for fiscal years beginning after December 15, 1992, requires that realized loss carryforwards be classified as a component of income tax expense.

Examples of extraordinary items follow.

TABLE 3-17: EXTRAORDINARY ITEMS

	1991	1990	1989	1988
Nature				
Debt extinguishments	33	36	16	26
Operating loss carryforwards	20	24	26	35
Litigation settlements	1	2	3	6
Other	4	5	9	6
Total Extraordinary Items	**58**	**67**	**54**	**73**
Number of Companies				
Presenting extraordinary items	55	63	49	67
Not presenting extraordinary items	545	537	551	533
Total Companies	**600**	**600**	**600**	**600**

Debt Extinguishments

DEP CORPORATION (JUL)

	1991	1990	1989
Income before extraordinary item and cumulative effect of accounting change	$4,080,000	$ 701,000	$1,203,000
Extraordinary item—gain from retirement of debt (net of income taxes of $501,000 in 1991 and $743,000 in 1990)	752,000	1,181,000	—
Cumulative effect of accounting change for income taxes	—	—	318,000
Net income	$4,832,000	$1,882,000	$1,521,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14.

Gain from Retirement of Debt:

In 1991 and 1990, the Company purchased at a discount and retired an aggregate $3,080,000 and $6,648,000, respectively, par value of its Debentures. These transactions resulted in net gains of $752,000 and $1,181,000, respectively, and have been reflected in the Consolidated Statements of Income as extraordinary items.

SAFEWAY INC. (DEC)

	1991	1990	1989
	(in millions)		
Income before extraordinary loss	79.0	87.1	2.5
Extraordinary loss related to early retirement of debt, net of income tax benefit of $14.9	(24.1)	—	—
Net income	$54.9	$87.1	$2.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C (In Part): Financing

Notes and debentures were composed of the following at year-end (in millions):

	1991	1990
Bank Credit Agreement	$ 375.0	
Working Capital Credit Agreement	526.2	$ 423.0
11.75% Senior Subordinated Notes due 1996	450.0	750.0
10% Senior Subordinated Notes due 2001	300.0	—
12% Subordinated Debentures due 1998	250.0	250.0
14.5% Junior Subordinated Debentures due 2006	—	565.4
Mortgage notes payable	585.3	533.0
Other notes payable	279.3	298.1
Other bank borrowings	59.8	—
	2,825.6	2,819.5
Less current maturities	135.1	58.1
Long-term portion	$2,690.5	$2,761.4

In 1991 the Company recorded an extraordinary loss of $24.1 million after taxes ($0.21 per share) for the early retirement of debt. The extraordinary loss consists primarily of redemption premiums paid to holders of the $565 million of the 14.5% Merger Debentures and $300 million of the 11.75% Notes, and the write-off of deferred finance costs associated with the retired 11.75% Notes.

GUILFORD MILLS, INC. (JUN)

	1991	1990	1989
Income (loss) before extraordinary item	$13,557,000	$(8,041,000)	$26,273,000
Extraordinary item, gain on acquisition of convertible subordinated debentures (net of income taxes of $1,485,000) (Note 3)	2,360,000	—	—
Net income (loss)	$15,917,000	$(8,041,000)	$26,273,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Long-Term Debt And Short-Term Borrowings:
During 1991, the Company acquired $8,820,000 of face value of the Company's convertible subordinated debentures resulting in an extraordinary gain of $2,360,000 (net of income taxes of $1,485,000).

Sale Of Investment

ABBOTT LABORATORIES (DEC)

	1991	1990	1989
		(Dollars in thousands)	
Earnings Before Extraordinary Gain and Accounting Change	$1,088,677	$965,774	$859,832
Extraordinary Gain, Net of Tax of $74,068	128,182	—	—
Cumulative Effect of Accounting change, Net of Tax of $78,151	(128,114)	—	—
Net Earnings	$1,088,745	$965,774	$859,832

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Extraordinary Gain
On February 6, 1991, the Company sold its investment in the common stock of Amgen Inc. for an after-tax gain of $128 million. The investment had been included in deferred charges and other assets in the consolidated balance sheet.

Insurance Settlement

PHILLIPS PETROLEUM COMPANY (DEC)

	1991	1990	1989
		(Millions of Dollars)	
Income before Extraordinary Items and Cumulative Effect of Changes in Accounting Principles	$ 98	$541	$219
Extraordinary items	213	101	—
Cumulative effect of changes in accounting principles	(53)	137	—
Net Income	$258	$779	$219

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Extraordinary Items and Accounting Changes
During 1991, the company incurred before-tax extraordinary losses of $65 million on the early retirement of high-interest-rate debt. The company repurchased the debt on the open market, using internally generated funds and the proceeds from recent debt issues. The after-tax losses were $43 million ($.16 per share).

During fourth quarter 1991, the company recognized a before-tax extraordinary gain of $388 million from a settlement that concludes all claims under the company's replacement cost property insurance related to an accident which destroyed polyethylene facilities at the Houston Chemical Complex (HCC) in October 1989. The after-tax gain was $256 million ($.98 per share).

In January 1990, the company recognized a $101 million extraordinary gain ($.40 per share) from the settlement of litigation with the Government of Iran and the National Iranian Oil Company, which concludes all claims and counterclaims. The dispute was over the 1979 expropriation of Phillips' interest in two producing offshore Iranian oil fields.

Effective January 1, 1991, the company adopted FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its U.S. plans and elected immediate recognition of the $81 million net transition obligation. There was no effect on income before extraordinary items and cumulative effect of changes in accounting principles. The cumulative effect of the change on prior years decreased 1991 net income by $53 million ($.21 per share). The company is not required to adopt Statement No. 106 for foreign retirees until 1995, and the effect is not expected to be material.

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.

TABLE 3-18: EARNINGS PER SHARE—1991

	Additional shares issuable for			
	Debt	Preferred Stock	Options	Warrants
Included in primary per share calculation . . .	10	18	242	22
Included in fully diluted per share calculation	42	41	23	2
No dilution	46	46	146	14
Not disclosed	20	18	142	7
No additional shares issuable	482	477	47	555
Total Companies . . .	**600**	**600**	**600**	**600**

AVON PRODUCTS INC. (DEC)

	1991	1990	1989
	(In millions, except per share data)		
Income applicable to common stock	$117.5	$159.3	$18.6
Income (loss) per share of common stock—assuming full dilution*			
Continuing operations	$ 2.94	$ 2.60	$ 2.10
Discontinued operations	(1.05)	—	(1.76)
Net income	$ 1.89	$ 2.60	$ .34
Average shares outstanding			
Primary	66.00	56.75	55.41
Assuming full dilution	71.68	75.08	72.23

*In management's opinion, per share amounts assuming full dilution provide the most meaningful comparison of per share data because they show the full effect of the conversion of 18.0 preferred shares into approximately 12.96 common shares on June 3, 1991.

Because of this conversion, the 4 percent increase in primary income per share from continuing operations is less than the 8 percent increase in income from continuing operations. Primary income per share from continuing operations for 1991 was $2.92 compared with $2.81 in 1990 and $2.10 in 1989. Primary income per share for 1991 was $1.78 compared with $2.81 in 1990 and $.34 in 1989. In 1989, the calculation of income per share assuming full dilution is antidilutive and, accordingly, primary income per share amounts are reported as "income (loss) per share of common stock assuming full dilution." Primary income per share for 1990 and 1989 have not been adjusted to reflect the additional common shares issued and, accordingly, the basis of calculating primary income per share for 1991 is not comparable to 1990 and 1989.

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

1 (In Part): Significant Accounting Policies

Income per Share

In management's opinion, per share amounts assuming full dilution provide the most meaningful comparison of per share data because they show the full effect of the conversion of 18.0 million preferred shares into approximately 12.96 million common shares on June 3, 1991. The weighted average number of shares outstanding for the computation of income per share assuming full dilution includes common stock equivalents which would arise from the exercise of stock options and assumes that all of the preferred shares have been converted to common shares at the beginning of each period. If the calculation of income per share assuming full dilution is antidilutive, primary income per share amounts are reported as "income (loss) per share of common stock assuming full dilution." Income per share amounts included in the Notes to Consolidated Financial Statements are calculated assuming full dilution.

Primary income per share of common stock is based on the weighted average number of shares outstanding. Common stock issued June 3, 1991 for the conversion of the preferred stock has been included in the weighted average number of shares outstanding subsequent to that date. Dilution that could result from the exercise of stock options is not material. Net income used in this computation has been reduced by preferred stock dividends.

As required by APB Opinion No. 15, supplementary income per share data is presented for each of the years in the three-year period ended December 31, 1991. For the computation of supplementary income per share, shares issued June 3, 1991 for the conversion of preferred stock are included in the weighted average shares outstanding from the beginning of each period and, accordingly, net income has not been reduced by preferred dividends.

Supplementary income per share is as follows:

Years ended December 31	1991	1990	1989
Income (loss) per share of common stock			
Continuing operations	$ 2.95	$ 2.80	$ 2.23
Discontinued operations	(1.05)	—	(1.43)
Net income	$ 1.90	$ 2.80	$ .80
Average shares outstanding	71.43	69.71	68.37

CBI INDUSTRIES, INC. (DEC)

	1991	1990	1989
	(Thousands of dollars, except per share amounts)		
Net Income to Common Shareholders	$53,408	$47,604	$26,883
Net Income per Common Share			
Primary	$ 1.54	$ 1.58	$ .94
Fully diluted	1.38	1.41	.86

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Net Income per Common Share—Primary earnings per common share are computed by dividing net income to common shareholders by the weighted average number of common shares outstanding during each year, as restated for the three-for-two stock split (34,683,000 in 1991, 30,142,000 in 1990 and 28,665,000 in 1989). Fully diluted earnings per common share are computed by dividing net income, adjusted for the after-tax additional company contribution to the ESOP that would be required under the assumption that the Series C preferred stock had been converted to common stock, by the weighted average number of common and common equivalent shares outstanding plus the additional common shares resulting from the assumed conversion of the leveraged Series C preferred shares (40,006,000 in 1991, 35,319,000 in 1990 and 33,657,000 in 1989).

THE COASTAL CORPORATION (DEC)

	1991	1990	1989
	(Millions of dollars except per share)		
Net earnings available to common stockholders	$95.8	$225.1	$169.6
Net earnings per common and common equivalent share	$ .92	$ 2.15	$ 1.81

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Earnings Per Share

Earnings per common and common equivalent share amounts are based on the average number of common and Class A common shares outstanding during each period, assuming conversion of preferred stocks which are common stock equivalents and exercise of all stock options having exercise prices less than the average market price of the common stock using the treasury stock method.

Average shares entering into the computations are:

1991	104,651,450
1990	104,750,844
1989	93,809,270

CONTROL DATA CORPORATION (DEC)

	1991	1990	1989
	(Dollars in millions, except per share data)		
Net earnings (loss)	$ (9.8)	$ 2.7	$ (680.4)
Earnings (Loss) per common share	$ (0.24)	$ 0.05	$ (16.11)
Weighted average common shares outstanding (in thousands)	42,526	42,517	42,256

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Earnings (Loss) Per Share

Earnings (Loss) per share has been computed by dividing net earnings (loss), after reduction for preferred stock dividends, by the weighted average number of common shares and equivalents outstanding. Common share equivalents included in the computation represent shares issuable upon assumed exercise of stock options which would have a dilutive effect in years where there are earnings. Equivalents had no material effect on the computation in 1991, 1990 or 1989.

LUKENS INC. (DEC)

	1991	1990	1989
	(Dollars and shares in thousands except per share)		
Net Earnings Applicable to Common Stock	$21,353	42,486	40,157
Earnings Per Common Share (Note 1)			
Primary	$ 2.52	5.07	4.73
Fully diluted	$ 2.40	4.64	4.53
Common Shares and Equivalents Outstanding			
Primary	8,466	8,381	8,488
Fully diluted	9,569	9,495	9,054

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Earnings Per Share

Primary earnings per common share are calculated by dividing net earnings applicable to common stock by the average of common stock outstanding and common stock equivalents. On a fully-diluted basis, both net earnings and shares outstanding are adjusted to assume the conversion of convertible preferred stock from the date of issue.

As discussed in Note 11, an employee stock ownership plan (ESOP) was established at the end of the second quarter of 1989. Had the ESOP been established at the beginning of the year, 1989 primary and fully diluted earnings per common share would have been $4.58 per share and $4.23 per share, respectively.

During 1990, the Financial Accounting Standards Board's Emerging Issues Task Force (EITF) reached a consensus on the earnings per share treatment of the tax benefits related to dividends on preferred stock held by an ESOP. The consensus indicated that the dividend requirements for preferred stock should be net of the income tax benefit when computing net earnings applicable to common stock. This approach has been followed in our 1991 and 1990 calculations. In 1989, we did not recognize the tax benefit.

STANDARD MOTOR PRODUCTS, INC. (DEC)

	1991	1990	1989
	(Dollars in Thousands, Except Per Share Amounts)		
Net earnings	$6,667	$7,734	$13,143
Net earnings per common and common equivalent share (Note 1)	$ .51	$ .59	$ 1.00
Average number of common and common equivalent shares	13,121,229	13,120,375	13,166,203

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Net Earnings Per Common and Common Equivalent Share—Net earnings per common and common equivalent share are calculated using the weighted average number of common share outstanding during each year and on the net additional number of shares which would be issuable upon the exercise of stock options, assuming that the Company used the proceeds received to purchase additional shares at market value. Shares held by the ESOP are considered outstanding and included in the calculation to determine earnings per share.

THE UPJOHN COMPANY (DEC)

	1991	1990	1989
	Dollar amounts in thousands, except per-share data		
Net earnings on common stock	$525,063	$443,306	$176,020
Earnings per common share:			
Primary - Continuing operations	$2.96	$2.48	$1.74
- Net earnings	$2.96	$2.47	$ .95
Fully diluted - Continuing operations	$2.87	$2.41	$1.74
- Net earnings	$2.87	$2.40	$ .95

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

E. Earnings Per Common Share

Primary earnings per share for 1991 and 1990 have been computed by dividing net earnings available to holders of common stock by the sum of the weighted average number of shares of common stock outstanding plus common share equivalents principally in the form of employee stock option awards.

Fully diluted earnings per share have been computed based on the assumption that all of the convertible preferred stock is converted into common shares. Under this assumption, the weighted average number of common shares outstanding is increased accordingly, and net earnings is reduced by the amount of an incremental Employee Stock Ownership Plan (ESOP) contribution. This incremental contribution is the net-of-tax difference between the income the ESOP would have received on the preferred stock and the assumed dividend yield to be earned on the common shares.

In 1989, the preferred stock was treated as an unpaid subscription. As a result the company reported only earnings per common share and common share equivalent.

The number of shares used for computing primary and fully diluted earnings per share was as follows (in thousands):

	1991	1990	1989
Primary	177,527	179,426	186,228
Fully diluted	184,963	186,868	N/A

Proceeds from the ESOP financing (refer to Note M) were used to purchase outstanding shares of common stock. These purchases were completed in April 1990 and resulted in the decline in the average number of shares outstanding.

SOCIAL AWARENESS EXPENDITURES

Certain survey companies disclosed contributions to charitable organizations, grants to community related activities, expenditures to aid minority groups or enterprises, and other forms of social awareness or responsibility. Such disclosures of social awareness or responsibility are almost always made in the annual report narrative which is not part of the financial statements; accordingly, no attempt was made to tabulate those disclosures. Examples of such disclosures follow.

ALUMINUM COMPANY OF AMERICA (DEC)

ALCOA FOUNDATION

Alcoa Foundation, through nearly four decades of philanthropic funding, has helped people cope with diasters, improved their quality of life and supported educational programs, primarily in communities near Alcoa operations worldwide. Since its founding in 1952, Alcoa Foundation has made grants totaling over $186 million to nonprofit efforts.

In 1991, 2,600 recipients shared $11.9 million in grants, including $1.4 million to double-match nearly 3,000 employee and retiree gifts to 528 educational institutions.

The Foundation supports educational institutes and programs, health and welfare projects, and cultural, youth, civic and community groups. Here are examples of the programs supported by the Foundation in 1991:

A grant to Georgia Institute of Technology gives high school minority students the opportunity to spend a day on campus with a minority engineering student. Prospective students experience college life by attending classes, participating in discussions about life at Georgia Tech, and attending counseling, career planning and financial aid sessions.

The Western Pennsylvania Caring Foundation, Inc. received a grant to provide medical services for low-income children. Services include treatment for illnesses, preventive care, immunizations, diagnostic testing, emergency care and out-patient surgery.

Community Colleges for International Development, Inc. is using a Foundation grant to train vocational high school teachers in Suriname. A shortage of qualified teachers in construction, chemistry, engineering, forestry and mining necessitated this program.

A grant was given to the National Organization on Disability for its "Calling on America" campaign to help communities meet requirements of the 1990 Americans with Disabilities Act. Education is accomplished through videotapes, speeches and information kits on how to include people with disabilities in employment, education, worship, voting and transportation, as well as social and recreational activities.

A grant to UNICEF's Child Survival and Basic Services program in Brazil is helping to improve health care and education for homeless children. UNICEF works directly with local government agencies to establish programs and services to care for street children who are victims of violence or drug abuse, or who are infected with the AIDs virus.

The Bettendorf Museum Foundation received a grant to establish a new interactive play area at the Children's Museum called "Tot Spot." It supports developmental growth for children under three years and provides families an opportunity to learn together through participatory exhibits and programs.

A grant to the East Tennessee Foundation is helping to fund a "Parents as Teachers" program in the Knox County School System. The program, designed to maximize a child's development during the first three years, focuses on language and intellectual development, curiosity and social skills. The program also provides support for single teenage mothers and low-income families.

The Puente Learning Center of East Los Angeles is using Foundation funds to provide educational opportunities for the least educated people in its community. The program provides basic education in literacy and in English as a second language.

As of December 31, 1991, the total market value of Alcoa Foundation's assets was $267 million, making it the largest asset-based corporate foundation in the United States.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY (DEC)

CORPORATE CITIZENSHIP

Sandy Smith is part of the "sandwich generation." She cares for an elderly wheelchair-bound mother and a preschooler. Sometimes she feels caught in the middle, but Sandy, who works for AT&T in Orlando, and her husband get help from two AT&T-funded programs. Twice a week, a trained volunteer from the Community Care Corps visits Sandy's mom to chat, help around the house, or take her to the doctor. And each day, Sandy drops off her son at an AT&T-funded child-care center that she found through a company referral service. AT&T work and family programs like these have been commended by the U.S. Department of Labor.

Our tradition of social responsibility extends beyond our commitment to employee welfare. When we act to protect the environment, improve education and health programs, celebrate diversity and stimulate artistic expression, we invest in the future of our communities and tomorrow's work force—in essence, the future of our business.

AT&T's support of nonprofit institutions reached nearly $60 million in 1991, including the donation of computer equipment valued at $22 million to colleges and universities. As our primary philanthropic arm, the AT&T Foundation supports education as well as projects in health, social action, public policy, and the arts and culture. The Foundation's $3 million "AT&T Teachers of Tomorrow" program helps prepare teachers for urban schools. AT&T aids science, engineering and manufacturing technology projects at the university level and seeks to increase the numbers of women and minorities in technical fields. For example, we supplemented cash and equipment donations to historically black universities with the loan of two dozen AT&T Bell Labs scientists. And the Foundation awarded its largest grant ever—$3.7 million—to enhance the libraries at 41 member colleges of the United Negro College Fund.

AT&T people provide the energy for corporate citizenship. They gave $26 million to nonprofit organizations through payroll deductions and the employee matching gift program. They raised money and volunteered as mentors to students and as care givers to the aged and disabled—many through involvement in the Telephone Pioneers of America.

One with the environment—We live on a "global commons," where our actions affect others. Committed to protecting the environment, we've taken aggressive steps to reduce waste and increase recycling. When the U.S. Environmental Protection Agency asked manufacturers to voluntarily reduce toxic emissions, AT&T accepted the challenge. We were the first company to meet both 1992 and 1995 goals, cutting by two-thirds our emissions of 17 chemicals. We're making good progress on our own goals: eliminating ozone-depleting chlorofluorocarbon (CFC) emissions from manufacturing operations by year-end 1994, and cutting toxic air emissions by 95 percent by 1995. Twelve AT&T plants around the world are already CFC-emission free. Our CFC-reduction efforts earned a U.S. Presidential Citation in 1991. Recycling is stressed in our offices as well as factories. And we're using more recycled paper, including for this annual report.

KMART CORPORATION (JAN)

CORPORATE RESPONSIBILITY

Contributions and Community Involvement

Kmart Corporation made contributions of $10 million nationwide in 1991. Programs funded addressed specific issues that affect children, the family and education. The corporate United Way campaign generated more than $7 million to agencies in Kmart communities across America.

Kmart received the Light of Hope Award from Gifts In Kind America, Inc. in recognition of its significant merchandise donations and the national 1991 Discounter in Service to Community (DISC) Award.

Voluntarism at Kmart continues to be strong among Kmart's Good News Committees.™ More than 44,000 food baskets were prepared and delivered to needy families in local communities by Kmart associates. In addition, associates have hosted special shopping sprees for needy children and have organized Giving Trees to provide presents for the less fortunate during the holidays.

Kmart continues to encourage its associates to walk each April for March of Dimes WalkAmerica. For the past seven consecutive years, Kmart associates have raised more money than any other team in WalkAmerica—averaging $1 million each year.

Education

In 1991, Chairman Joe Antonini led Michigan's National Business Roundtable Task Force on Education, which commissioned a policy paper by the University of Michigan, and conducted a statewide tour with Michigan Governor John Engler in support of Michigan's education reform. The reform effort will also include local level reform activity through Chambers of Commerce and school boards.

Kmart also continued its corporate support of INVENT AMERICA!, a non-profit education program for kindergarten through eighth grade students. Via the company's satellite network, more than 20,000 teachers learned about this program and how to implement it within their classrooms.

Unique pilot programs such as KEY (Kmart Employment for Youth) Workforce 2000 with the University of Missouri-St. Louis and Kmart's partnership at the Cadillac Middle School under the Detroit Compact School Program, continue to show promise for expansion in the future.

Environment

As environmental issues continued to gain public interest, Kmart strengthened its environmental efforts in 1991. A policy statement was issued (available by writing Kmart Headquarters Corporate Communications Department). In addition, Kmart established a Globe Award to encourage store associates to participate in programs addressing environmental issues.

Minority Affairs

Minority vendors have been important to Kmart for many years. In 1991, Kmart purchased more than $550 million of merchandise from minority-owned firms for the second consecutive year. Kmart continues to seek out new minority vendors and to develop programs to strengthen our relationships with current minority suppliers.

MEDTRONIC, INC. (APR)

PHILANTHROPY

Medtronics is committed to good corporate citizenship by enhancing the quality of life in communities where the company has a business presence and by supporting community programs where it can have a measurable impact.

Medtronic contributes to its communities primarily through the Medtronic Foundation, but also through corporate gifts, employee volunteerism, and product donations. The company contributes at least two percent of its U.S. pretax profits to programs and organizations in communities where it employs at least 75 persons. In fiscal 1991, contributions from the company and the Foundation totaled $1.8 million.

Medtronic's philanthropic activities address several important community challenges: increasing cultural diversity, a burgeoning older population, growing poverty among the young and very old, and a critical shortage of qualified employees. Our contributions are focused in the areas of education, health, and community. In all three areas, Medtronic gives preference to programs that benefit people of color and the economically disadvantaged, as well as to programs that involve older persons as resources for helping others.

• *Education.* Medtronic is striving to increase the number of people well prepared to work in scientific, medical, and technical fields with an emphasis on pre-college education and on college and university training for women and people of color. In 1991, Medtronic awarded 11 grants to help increase the number of pre-college students studying math and science. In higher education, Medtronic provided two grants totaling $70,000 to encourage students of color in scientific fields. In addition, the Medtronic Foundation matched more than $100,000 of employee contributions to accredited schools in the United States.

• *Health.* Medtronic is working to involve older adults in the maintenance and improvement of their physical health and to educate persons with or at high risk of cardiovascular or neurological problems. In 1991, three health promotion/education programs for older adults were funded which included a seniors expo and a media campaign on health services. Contributions were also made to support conferences for community leaders on heart disease in women and on racism and prejudice in health care.

• *Community.* The company supports major organizations that improve the quality of life in its communities with an emphasis on human services. In 1991, United Way organizations in seven Medtronic communities received more than $850,000 in contributions from the Medtronic Foundation and employees. A community impact fund supported employee volunteerism within non-profit organizations. Medtronic funded 13 programs that either serve older adults or involve them as volunteers. Cultural support included 10 arts organizations which received a total of $120,000. The International Special Olympics games, held in Minnesota, received a grant of $100,000, combined with more than 100 Medtronic employee volunteers.

A special educational exhibit, "Bionics & Transplants: The World of Replacement Medicine," concludes its three-year tour of selected U.S. communities in 1992. The 4,000-square-foot multimedia exhibit, sponsored by Medtronic and produced by the Science Museum of Minnesota, has been viewed by more than 1,200,000 persons in six cities.

"Bionics & Transplants" will be shown in Lansing, Michigan, through September 1991; in Columbus, Ohio, from September 1991 through January 1992; and in Charlotte, North Carolina, from February through April 1992.

Additional information about Medtronic's philanthropic activities and procedures is available on request from Medtronic Community Affairs, 7000 Central Avenue, N.E., Minneapolis, MN 55432 U.S.A.

MERCK & CO., INC. (DEC)

CORPORATE RESPONSIBILITY

Merck's primary mission is to discover and develp medicines that prevent and treat disease. However, our efforts to improve health and the quality of life do not end with our new drug therapies. We believe that as a responsible corporate citizen, we have have an obligation to use our resources to support public/private initiatives for a healthier, better educated society and a more stable economy—factors that benefit the Company and its stockholders as well as society.

Our initiatives in protecting the environment, in meeting affirmative action goals, in expanding work and family programs, in extending access to our medicines to the poor and in broadening our efforts in primary and secondary science education intensified in 1991.

Grants of over $10 million were made by The Merck Company Foundation, the philanthropic arm of Merck & Co., Inc. The principal focus was to enhance medical and scientific education from pre-college to postgraduate levels. Grants were also made to health and social service agencies and civic and cultural activities in Merck communities.

Merck has garnered many honors and awards for these efforts because they are perceived as exceeding what is required or even expected of a company. More important than the volume of projects we have initiated or funded, however, is the productive use we have made of limited funds in a climate where the numbers of endeavors and institutions worthy of support is virtually limitless.

Assuring Access to Our Medicines

In 1991, working with professional healthcare groups, we undertook several initiatives to expand access by the poor to healthcare. These efforts supplement our Equal Access to Medicines Program under which Merck was the first pharmaceutical company to offer its best price discount to state Medicaid programs.

We are funding a $5 million immunization initiative to help end the current measles epidemic and to improve the nation's delivery system for childhood vaccines.

In another initiative, Merck has helped form a coalition of five ethnic medical societies, known as the Urban Health Alliance, to improve the access and quality of healthcare for minorities. Collectively, these organizations represent 20% of U.S. physicians who will be providing healthcare to one fourth of all U.S. citizens by the year 2000.

The mass treatment program for river blindness using *Mectizan,* our medicine for this tropical disease, is now in its fourth year. We have reached more than 2.9 million people, with shipments of over 6.7 million tablets, in 28 countries in Africa and Central and South America where there is a high incidence of the disease. Initiated in the 1960s, Merck's Product Donation Program, of which the donation program of *Mectizan* is a component, has provided pharmaceutical and biological products valued at more than $132 million to U.S.-based private voluntary organizations for medical and emergency needs around the world. In 1991, Merck donated products totaling $28.6 million that included major donations to relief efforts directed to Eastern European countries.

The Children's Inn

In 1991, the Merck Company Foundation made a $500,000 challenge grant to establish a "Friends Fund" for The Children's Inn at the National Institutes of Health to mark its first anniversary.

Merck's gift of $3.7 million to The Children's Inn in 1990—our largest single grant ever—was used to build this home away from home for the children, and their families, who come to the National Institutes of Health for experimental treatment. The Inn is now in full operation and in one year has served over 700 patients from 49 states and 16 countries, who have made over 2,300 visits.

Equal Opportunity

Merck has made steady progress in meeting its affirmative action goals in recruiting, employing and promoting women and minorities. The Company has also responded to the needs of today's families with policies, such as parental leaves, and programs, such as childcare, that help alleviate some of the pressures on today's workers. (See People section on page 34.)

Merck has also increased its dealings with minority and women-owned businesses. Since 1986, purchases from such businesses have grown from nearly $9 million to $46.5 million.

Support for Education

Historically, 90% of the grants from The Merck Company Foundation for education have been targeted for higher education. In 1991 we began to address the crisis in U.S. pre-college education by increasing our support to secondary and primary schools.

We are also supporting the Business Roundtable Education Initiative in New Jersey, which is chaired by Merck Chairman P. Roy Vagelos. We are waging a quality of education "dissatisfaction campaign" with our New Jersey employees. They are encouraged to take an active role in improving education. The documentary on the "Teach for America" program, which we helped to fund, was shown on PBS stations across the country last September. The program recruits young college graduates who have majored in science and math and trains them to teach in rural and inner-city shools.

Support for the Handicapped

Merck has also taken an active role in supporting handicapped children through co-sponsorship of the Special Olympics Winter Games in New Jersey and sole sponsorship of the 1991 National Junior Wheelchair Championships held at Princeton University.

The Environment

In addition to the progress we have made in meeting our environmental goals (see page 35), we are building environmental safeguards into the design, construction and operation of all new Company sites, such as the world headquarters in Whitehouse Station, New Jersey, and the new research laboratories in Japan. At Whitehouse Station, the building site was modified to minimize impact on wetlands. Some 1,300 trees in the way of construction were moved to a nursery on the site, and, all, except the 26 that did not survive, have been replanted.

In 1991, Merck announced participation in an extraordinary conservation program undertaken by Costa Rica that may yield new products for Merck. Costa Rica possesses more biological diversity than any other country in the world and has set aside one quarter of its land for conservation. Merck has agreed to pay $1 million over the next two years to Instituto Nacional de Biodiversidad de Costa Rica (INBio), a national biodiversity institute, to screen and collect plant and animal species for analysis of new materials for potential development into medicines. As part of the agreement, INBio will receive royalties on sales of any new medicines that evolve from the arrangement. Through INBio, Costa Rica is aiming to put its national conservation program on a viable economic footing while protecting the environment.

Centennial Grants

We used the Merck Centennial to focus on the values, the promise and the contributions of Merck as a research-based company. A total of $6 million in special Centennial Grants was made in 1991 by The Merck Company Foundation for education and civic programs. The major grants included:

- $1 million to the Massachusetts General Hospital to fund the Merck Oncology Wing
- $1 million to the New Jersey Performing Arts Center
- $500,000 to the Harvard Medical School for fellowships in biological chemistry and molecular pharmacology
- $500,000 to Carnegie-Mellon University for freshman chemistry laboratory renovation
- $600,000 to Rockefeller University to fund a post-doctoral fellowship

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 1991 fiscal year transactions are presented throughout this section.

TABLE 4-1: PRESENTATION OF CHANGES IN RETAINED EARNINGS

	1991	1990	1989	1988
Statement of Stockholders' Equity	473	461	456	444
Separate statement of retained earnings	47	56	60	71
Combined statement of income and retained earnings	27	30	35	38
Changes shown in notes	53	53	49	47
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 63% of the survey companies paying cash dividends to common stock shareholders indicate the per share amount of such dividends in the statement of retained earnings; approximately 38% of the survey companies make a similar disclosure for cash dividends paid to preferred stock shareholders. Stock purchase rights enable the holder to purchase additional equity in a company if an outside party acquires or tenders for a substantial minority interest in the subject company. Rarely is an amount attributed to the distribution of such rights.

Examples of distributions to shareholders follow.

TABLE 4-2: DIVIDENDS

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statements	286	288	301	310
Per share amount not disclosed in retained earnings statements	170	175	174	165
Total	**456**	**463**	**475**	**475**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statements	52	53	63	60
Per share amount not disclosed in retained earnings statements	86	93	87	80
Total	**138**	**146**	**150**	**140**
Dividends Paid By Pooled Companies	**2**	**1**	**—**	**3**
Stock Dividends	**10**	**10**	**10**	**12**
Dividends in Kind	**7**	**5**	**7**	**11**
Stock Purchase Rights	**9**	**25**	**54**	**78**

Cash Dividends

ACME-CLEVELAND CORPORATION

Statement of Consolidated Shareholders' Equity

In thousands, except per share data

	Preferred Shares	Common Shares	Other Capital	Pension Adjustment	Foreign Currency Translation Adjustment	Retained Earnings
Balance at October 1, 1988	$3,631	$6,280	$53,554		$130	$1,332
Net earnings						7,004
Common shares issued under stock option plan		11	97			
Cash dividends:						
Series B Preferred Shares, $1.80						(290)
Common Shares, $.40						(2,514)
Foreign currency translation adjustments					(189)	
Balance at September 30, 1989	3,631	6,291	53,651		(59)	5,532
Net earnings						5,113
Cash dividends:						
Series B Preferred Shares, $1.80						(290)
Common Shares, $.40						(2,517)
Foreign currency translation adjustments					1,608	
Pension adjustments				$(5,237)		
Balance at September 30, 1990	3,631	6,291	53,651	(5,237)	1,549	7,838
Net loss						(2,963)
Cash dividends:						
Series B Preferred Shares, $1.80						(290)
Common Shares, $.40						(2,517)
Foreign currency translation adjustments					(866)	
Pension adjustments				2,324		
Balance at September 30, 1991	$3,631	$6,291	$53,651	$(2,913)	$683	$2,068

ALCO STANDARD CORPORATION

Consolidated Statements of Retained Earnings

	Fiscal Year Ended September 30 (In Thousands Except Per Share Data)		
	1991	1990	1989
Beginning of year	$719,417	$640,448	$508,490
Adjustment for pooling of interests	(13,787)	(1,150)	2,993
Beginning of year, restated	705,630	639,298	511,483
Net income	117,581	93,532	166,624
Dividends paid			
Serial preferred stock	(139)	(235)	(346)
Common stock: per share 1991-$.88; 1990-$.84 1989-$.76	(37,251)	(34,298)	(32,001)
Hillman companies, prior to merger	(5,680)		
(Charges) credits from issuance of treasury shares, redemption of preferred shares and other	(87,626)	3,289	(6,872)
Foreign currency translation adjustment	(2,584)	4,044	410
End of year	$689,931	$705,630	$639,298

WESTVACO CORPORATION

Consolidated Statement of Income and Retained Income

	In thousands, except per share		
Year ended October 31	1991	1990	1989
Net income	$ 137,398	$ 188,236	$ 223,090
Retained income at beginning of year	1,132,212	1,009,784	847,528
	1,269,610	1,198,020	1,070,618
Dividends:			
Common stock [1991—$1.06¼ per share; 1990—$1.01¼ per share; 1989—$.94 per share]	69,676	65,808	60,834
Retained income at end of year	$1,199,934	$1,132,212	$1,009,784
Net income per share of common stock	$ 2.10	$ 2.90	$ 3.45

SARA LEE CORPORATION

Consolidated Statement of Common Stockholders' Equity

(dollars in thousands except per share data)	Total	Common Stock	Paid-in Capital	Retained Earnings	Translation Adjustments	Unearned Restricted Stock	Treasury Stock
Balances at July 2, 1988	$1,575,097	$159,461	$24,212	$1,597,259	$15,337	$ —	$(221,172)
Net income	410,492	—	—	410,492	—	—	—
Cash dividends							
Common ($.69 per share)	(155,304)	—	—	(155,304)	—	—	—
Convertible adjustable preferred ($3.70 per share)	(3,714)	—	—	(3,714)	—	—	—
Auction preferred ($7,096.00 per share)	(10,644)	—	—	(10,644)	—	—	—
Stock issuances							
Business acquisitions	80,140	—	34,430	—	—	—	45,710
Stock option and benefit plans	33,066	716	11,956	—	—	—	20,394
Conversion of convertible preferred stock	44,650	—	16,299	—	—	—	28,351
Reacquired shares	(37,388)	—	—	—	—	—	(37,388)
Retirement of treasury stock	—	(8,606)	(72,067)	(87,128)	—	—	167,801
Translation adjustments	(21,717)	—	—	—	(21,717)	—	—
Other	238	(15)	3,949	—	—	—	(3,696)
Balances at July 1, 1989	1,914,916	151,556	18,779	1,750,961	(6,380)	—	—
Net income	470,341	—	—	470,341	—	—	—
Cash dividends							
Common ($.81 per share)	(185,912)	—	—	(185,912)	—	—	—
Convertible adjustable preferred ($3.78 per share)	(2,295)	—	—	(2,295)	—	—	—
Auction preferred (equivalent to $6,892.33 per share)	(11,519)	—	—	(11,519)	—	—	—
ESOP convertible preferred ($5.4375 per share)	(26,250)	—	—	(26,250)	—	—	—
Stock issuances							
Two-for-one stock split	—	152,878	(66,855)	(86,023)	—	—	—
Business acquisitions	1,208	52	1,156	—	—	—	—
Stock option and benefit plans	34,947	2,017	32,930	—	—	—	—
Restricted stock, less amortization of $4,778	4,778	794	33,985	—	—	(30,001)	—
Translation adjustments	81,415	—	—	—	81,415	—	—
ESOP tax benefit	10,238	—	—	10,238	—	—	—
Other	(211)	(218)	(1,397)	—	—	1,404	—
Balances at June 30, 1990	2,291,656	307,079	18,598	1,919,541	75,035	(28,597)	—
Net income	535,037	—	—	535,037	—	—	—
Cash dividends							
Common ($.915 per share)	(210,945)	—	—	(210,945)	—	—	—
Convertible adjustable preferred ($3.33 per share)	(2,020)	—	—	(2,020)	—	—	—
Auction preferred ($5,959.00 per share)	(17,877)	—	—	(17,877)	—	—	—
ESOP convertible preferred ($5.4375 per share)	(26,213)	—	—	(26,213)	—	—	—
Stock issuances							
Business acquisitions	18,846	844	18,002	—	—	—	—
Stock option and benefit plans	49,996	3,312	46,684	—	—	—	—
Restricted stock, less amortization of $4,903	4,903	99	2,027	—	—	2,777	—
Reacquired shares	(15,522)	(807)	(14,715)	—	—	—	—
Translation adjustments	(86,460)	—	—	—	(86,460)	—	—
ESOP tax benefit	10,223	—	—	10,223	—	—	—
Other	(1,293)	(359)	(2,398)	—	—	1,464	—
Balances at June 29, 1991	$2,550,331	$310,168	$68,198	$2,207,746	$(11,425)	$(24,356)	$ —

Stock Dividends

THE ALLEN GROUP INC.

Consolidated Statement of Stockholders' Equity

For the Years Ended December 31, 1991, 1990 and 1989 (Amounts in Thousands)

	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Translation Adjustment	Treasury Stock	Unearned Compensation
Balance, December 31, 1988	$2,300	$ 9,860	$126,258	$ 572	$ 411	$(22,692)	$(1,108)
Net income	—	—	—	19,025	—	—	—
Cash dividends	—	—	—	(4,025)	—	—	—
Exercise of stock options	—	37	359	—	—	(98)	—
Treasury stock reissued, 109,929 common shares, at cost	—	—	(880)	—	—	2,336	—
Restricted shares issued, net	—	39	327	—	—	—	(366)
Remeasurement of restricted shares	—	—	(417)	—	—	—	417
Adjustment from translating foreign financial statements into U.S. dollars	—	—	—	—	(412)	—	—
Balance, December 31, 1989	2,300	9,936	125,647	15,572	(1)	(20,454)	(1,057)
Net income	—	—	—	(1,262)	—	—	—
Cash dividends	—	—	—	(4,025)	—	—	—
Exercise of stock options	—	37	374	—	—	(17)	—
Treasury stock reissued, 51,718 common shares at cost	—	—	(324)	—	—	1,018	—
Restricted shares cancelled	—	(7)	(70)	—	—	—	77
Remeasurement of restricted shares	—	—	36	—	—	—	(36)
Amortization of unearned compensation	—	—	—	—	—	—	203
Adjustment from translating foreign financial statements into U.S. dollars	—	—	—	—	53	—	—
Balance, December 31, 1990	2,300	9,966	125,663	10,285	52	(19,453)	(813)
Net income	—	—	—	17,482	—	—	—
Cash dividends	—	—	—	(4,887)	—	—	—
Stock dividend	—	1,001	17,320	(18,339)	—	—	—
Exercise of stock options	—	22	309	—	—	—	—
Treasury stock reissued, 43,149 common shares, at cost	—	—	(201)	—	—	763	—
Restricted shares issued, net	—	32	497	—	—	—	(529)
Remeasurement of restricted shares	—	—	931	—	—	—	(931)
Amortization of unearned compensation	—	—	—	—	—	—	490
Adjustment from translating foreign financial statements into U.S. dollars	—	—	—	—	(153)	—	—
Balance, December 31, 1991	$2,300	$11,021	$144,519	$ 4,541	$(101)	$(18,690)	$(1,783)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Capital Stock

In December 1991, the Board of Directors declared a 10% stock dividend. Accordingly, amounts equal to the fair market value (based on quoted market prices, as adjusted) of the additional shares issued have been charged to retained earnings and credited to common stock and paid-in capital.

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, 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	(3,529,552)
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)	—	3,529,552
Foreign currency translation adjustment	—	—	—	228,471	—
Balance, June 30, 1990	7,836,922	2,526,404	43,678,759	862,564	—
Net income for 1991	—	—	5,479,248	—	—
Cash dividends	—	—	(2,664,356)	—	—
10 percent stock dividend (note 11)	784,374	4,412,103	(5,197,923)	—	—
Stock issued under stock option plan	24,900	150,463	—	—	—
Purchase of 73,759 shares of stock	(147,518)	—	(828,828)	—	—
Foreign currency translation adjustment	—	—	—	253,919	—
Balance, June 20, 1991	$8,498,678	$7,088,970	$40,466,900	$1,116,483	—

Note 11—Stockholders' Equity

On February 29, 1988, the Company acquired Feeny Manufacturing Company. Under the terms of the purchase agreement, the Company has a commitment to issue $1,418,819 in additional shares of common stock in fiscal year 1992. The agreement calls for the issuance of common stock at a per share price that is based on the average market value of the Company's stock in July and August 1991. The additional purchase price will be allocated as $705,101 of fixed assets and $713,718 of goodwill.

On August 17, 1990, the Board of Directors declared a 10 percent stock dividend on the Company's common stock and Class B common stock. On September 7, 1990, shareholders of record as of August 24, 1990 received one additional share of stock for each 10 shares held. Earnings per share, dividends per share and weighted average shares outstanding have been restated to reflect the 10 percent stock dividend.

Pursuant to a change in Michigan law, shares of common stock reacquired by a corporation constitute unissued shares. Accordingly, treasury shares were classified as reductions to issued common stock and retained earnings in the year ending June 30, 1990.

MET-PRO CORPORATION

Statement of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balances, January 31, 1989	$206,507	$4,239,781	$13,921,650	($401,778)	$17,966,160
Net income	—	—	3,421,547	—	3,421,547
Dividends paid, $.19 per share	—	—	(585,470)	—	(585,470)
Stock split, 50%	103,235	—	(103,235)	—	—
Cash in lieu of fractional shares	—	—	—	9	9
Balances, January 31, 1990	309,742	4,239,781	16,654,492	(401,769)	20,802,246
Net income	—	—	3,009,131	—	3,009,131
Dividends paid, $.24 per share	—	—	(733,270)	—	(733,270)
Exercise of stock options—Note 9	—	773,438	—	107,500	880,938
Balances, January 31, 1991	309,742	5,013,219	18,930,353	(294,269)	23,959,045
Net income	—	—	2,510,380	—	2,510,380
Stock dividends, 5% ($5,085 paid in lieu of fractional shares)	9,600	2,099,435	(2,226,060)	111,940	(5,085)
Exercise of stock options—Note 9	—	244,952	—	41,763	286,715
Balances, January 31, 1992	$319,342	$7,357,606	$19,214,673	($140,566)	$26,751,055

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary Of Significant Accounting Policies

Stock dividend

On May 3, 1991, the Company issued 148,065 shares of common stock in conjunction with a 5% stock dividend. Per share figures and other information included in the financial statements and notes are based on the increased number of shares of common stock after giving effect to the stock dividend.

Stock Purchase Rights

THE EASTERN COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E—Shareholders' Equity

On February 13, 1991, the Board of Directors declared a three-for-two split of the Company's Common Stock in the form of a 50% stock dividend, distributed to shareholders of record on February 27, 1991. Except for shares authorized and shares held in treasury, all references to number of shares and to per share information in the consolidated financial statements have been adjusted to reflect the stock split on a retroactive basis.

At the annual meeting of the shareholders held on April 24, 1991, amendments to the Company's Certificate of Incorporation were adopted to increase the number of authorized shares of Common Stock from 6,000,000 (no par value) shares to 25,000,000 (no par value) shares.

On September 16, 1991, the Company redeemed the rights under the 1986 Rights Plan and declared a dividend of one stock purchase right on each outstanding share of Common Stock. Under certain conditions, each right may be exercised to purchase one share of the Company's Common Stock at an exercise price of $35, subject to adjustment to prevent dilution. The rights become exercisable ten days after an individual or group acquires 10% of the Company's outstanding common shares or after commencement or announcement of an offer for 10% or more of the Company's Common Stock. The rights, which do not have voting rights, expire on October 15, 2001, and may be redeemed by the Company at a price of $.01 per right at any time prior to their expiration or the acquisition of 10 percent of the Company's Common Stock. In the event that the Company were acquired in a merger or other business combination transaction, provision shall be made so that each holder of a right 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. At December 28, 1991, there were 2,759,835 outstanding rights.

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Stockholders' Equity

In October 1990, the Board of Directors approved the redemption of the previously existing shareholder rights which were established in September 1986. The payment of the redemption price of $646,000 ($.05 per existing right) was made in November 1990. At the same time, the Board of Directors declared a dividend distribution of one preferred share purchase right on each outstanding share of common stock. The rights become exercisable only after a person or group (with certain exceptions) becomes the beneficial owner of 10 percent or more of the Company's outstanding common stock or announces a tender offer, the consummation of which would result in beneficial ownership by a person or group of 10 percent or more of the Company's outstanding common stock. Each right will entitle its holder to purchase one one-hundreth share of a new Series 1990 Junior Participating Preferred Capital Stock (consisting of 500,000 shares, $1.00 par value per share) at an exercise price of $100, subject to adjustment. If a person or group acquires beneficial ownership of 10 percent or more of the Company's outstanding common stock, each right will entitle its holder (other than such person or group) to purchase, at the then-current exercise price of the right, a number of shares of the Company's common (or, in certain circumstances, preferred) stock having a market value of twice the then-current exercise price of the right. In addition, if the Company is acquired in a merger or other business combination transaction, each right will entitle its holder to purchase, at the then-current exercise price of the right, a number of the acquiring company's common shares having a market value of twice the then-current exercise price of the right. Following the acquisition by a person or group of beneficial ownership of 10 percent or more of the Company's outstanding common stock and prior to an acquisition by any person or group of 50 percent or more of the Company's outstanding common stock, the Board of Directors may exchange the outstanding rights (other than rights owned by such person or group), in whole or in part, for common (or, in certain circumstances, preferred) stock of the Company. Prior to the acquisition by a person or group of beneficial ownership of 10 percent or more of the Company's outstanding common stock, the rights are redeemable for $.01 per right at the option of the Board of Directors.

SMITHFIELD FOODS, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Stockholders' Equity

Preferred Share Purchase Rights

In May 1991, the Company adopted a preferred share purchase rights plan (the "Rights Plan") and declared a dividend of one preferred share purchase right (a "Right") on each outstanding share of common stock. Under the terms of the Rights Plan, if the Company is acquired in a merger or other business combination transaction, each Right will entitle its holder to purchase, at the Right's then current exercise price, a number of the acquiring company's common shares having a market value of twice such price. In addition, if a person or group acquires 20% (or other applicable percentage, as summarized in the Rights Plan) or more of the outstanding common stock, each Right will entitle its holder (other than such person or members of such group) to purchase, at the Right's then current exercise price, a number of shares of common stock having a market value of twice such price.

Each Right will entitle its holder to buy five ten-thousandths of a share of Series A junior participating preferred stock, par value $1.00 per share, at an exercise price of $75, subject to further adjustment. Each share of Series A junior participating preferred stock will entitle its holder to 1,000 votes and will have an aggregate dividend rate of 1,000 times the amount, if any, paid to holders of common stock. Currently 25,000 shares of Series A junior participating preferred stock have been reserved. The Rights will expire on May 31, 2001 unless previously exercised or redeemed at the option of the board of directors for $.005 per Right. Generally, each share of common stock issued after May 31, 1991 will have one Right attached.

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 relating 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.

On January 23, 1991, 5,470,146 shares of common stock were reserved for future exercise under this Rights Agreement.

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. 109*, 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			
	1991	1990	1989	1988
Poolings of interests	7	1	2	8
Income taxes	6	3	4	12
LIFO discontinued	3	2	—	5
Other—Described	4	1	—	9

ERLY INDUSTRIES INC.

Consolidated Statements of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Cumulative Foreign Currency Adjustments	Total Stockholders' Equity
Balance					
April 1, 1988, as previously reported	$2,164,000	$ 7,374,000	$13,853,000	($84,000)	$23,307,000
Prior year effect of correction of error			(219,000)		(219,000)
Balance April 1, 1988, as restated	2,164,000	7,374,000	13,634,000	(84,000)	23,088,000
Net loss, restated			(15,041,000)		(15,041,000)
Foreign currency adjustments				102,000	102,000
Common stock issed	102,000	507,000			609,000
10% stock dividend	216,000	1,299,000	(1,515,000)		
Cash payments in lieu of fractional shares			(3,000)		(3,000)
Balance March 31, 1989	2,482,000	9,180,000	(2,925,000)	18,000	8,755,000
Net income, restated			455,000		455,000
Foreign currency adjustments				68,000	68,000
Common stock issued	71,000	414,000			485,000
10% stock dividend	253,000	1,755,000	(2,008,000)		
Cash payments in lieu of fractional shares			(4,000)		(4,000)
Balance March 31, 1990	2,806,000	11,349,000	(4,482,000)	86,000	9,759,000
Net income			3,260,000		3,260,000
Foreign currency adjustments				110,000	110,000
Common stock issued	3,000	12,000			15,000
10% stock dividend	280,000	1,402,000	(1,682,000)		
Cash payments in lieu of fractional shares			(3,000)		(3,000)
Balance March 31, 1991	$3,089,000	$12,763,000	($2,907,000)	$196,000	$13,141,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3—Correction of Errors and Restatement of Previously Issued Financial Results

Since August 1, 1987 the Company has included the financial statements of its subsidiary, Comet Rice of Puerto Rico, Inc., in its consolidated financial results. The subsidiary, which had operated prior to 1987 under arrangements with agencies of the government of Puerto Rico, was not previously significant to the overall accounts of the Company. In connection with the year-end accounting closing for the fiscal year ended March 31, 1991, it was discovered that inventory accounts were overstated and included capitalized operating losses generated from inefficiencies in rice milling and other production expenses which should have been charged to operations in the year incurred. Subsequent investigation revealed that previously reported results of operations were overstated as follows: 1988-$219,000; 1989-$1,047,000; 1990-$1,785,000; 1991-$321,000. Previously reported stockholders' equity was overstated as follows: 1988-$219,000; 1989-$1,266,000; 1990-$3,051,000; 1991-$3,372,000. Accordingly, the previously reported financial results for the fiscal years ended March 31, 1990, 1989 and 1988 and the first three quarters of fiscal year 1991 have been restated for the effects of the errors.

HOLNAM INC.

Consolidated Statements of Changes in Stockholders' Equity

For the three years ended December 31, 1991
(000's omitted, except per share amounts)

	Common Stock					
	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Cumulative Translation Adjustment	Total
Balance December 31, 1988, As Previously Reported	98,103,460	$ —	$249,625	$130,901	$10,554	$391,080
Restatement for change in accounting principle (Note 3)	—	—	—	4,026	—	4,026
Balance December 31, 1988, As Restated	98,103,460	—	249,625	134,927	10,554	395,106
Add (deduct)—						
Net income (Note 3)	—	—	—	8,652	—	8,652
Cash dividends, $.19 per share	—	—	—	(18,227)	—	(18,227)
Translation of foreign currency financial statements	—	—	—	—	6,096	6,096
Balance December 31, 1989	98,103,460	—	249,625	125,352	16,650	391,627
Add (deduct)—						
Net loss (Note 3)	—	—	—	(25,116)	—	(25,116)
Translation of foreign currency financial statements	—	—	—	—	390	390
Issuances of common stock	36,659,714	—	208,147	—	—	208,147
Conversion from no par to $.01 par of common stock	—	1,348	(1,348)	—	—	—
Balance December 31, 1990	134,763,174	1,348	456,424	100,236	17,040	575,048
Add (deduct)—						
Net loss	—	—	—	(95,054)	—	(95,054)
Translation of foreign currency financial statements	—	—	—	—	827	827
Issuances of common stock	86,861	1	386	—	—	387
Balance December 31, 1991	134,850,035	$1,349	$456,810	$ 5,182	$17,867	$481,208

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(3) Change In Accounting Principle

Effective January 1, 1991 Holnam changed from using a mixture of an average cost method and the Last-In, First-Out (LIFO) method of accounting for cement-related inventories to the exclusive use of an average cost method. Holnam has one business segment and product line, cement and cement-related products. This change was made because management of Holnam believes one method, the average cost method (which has heretofore been the method used to account for a majority of Holnam's inventories), should be used for valuing and reporting all its cement-related inventories. This change has also been made for income tax purposes.

The effect of the change on reported income (loss) for 1990 and 1989 is as follows (in thousands):

	1990	1989
Net income (loss) as previously reported	$(28,002)	$8,490
Restatement for effect of a change in accounting principle	2,886	162
Net income (loss) as restated	$(25,116)	$8,652
Net income (loss) per common share as previously reported	$ (.24)	$ .09
Restatement for effect of a change in accounting principle	.02	—
Net income (loss) per share as restated	$ (.22)	$ .09

INTERCO INCORPORATED

Consolidated Statement of Shareholders' Equity (Deficit)
(Dollars in thousands except per share data)

	Preferred Stock		Common Stock		Paid-in	Retained Earnings	
	Series D	Series E	Issued	Treasury	Capital	(Deficit)	Total
Balance February 29, 1988							
As originally reported	$57,113	$ —	$155,088	$(185,367)	$ 44,539	$ 1,179,964	$ 1,251,337
Adjustment for change in valuation of inventories						12,339	12,339
As restated	57,113	—	155,088	(185,367)	44,539	1,192,303	1,263,676
Net earnings						68,374	68,374
Cash dividends:							
Preferred stock						(1,944)	(1,944)
Common stock—$0.86						(31,086)	(31,086)
Common stock rights—$0.025						(875)	(875)
Special cash—$38.60						(1,422,257)	(1,422,257)
Securities dividends:							
Debentures—$21.66						(789,657)	(789,657)
Preferred stock—$5.79		3,321			210,160	(213,481)	—
Retirement of capital stock:							
Common—3,900,549 shares			(14,627)	150,552	(135,925)	—	—
Conversion of preferred stock:							
Series D—552,030 shares	(55,203)		11,388	43,808			(7)
Issuance of common stock:							
Options—564,820 shares			2,118		15,735		17,853
Restricted stock—299,011 shares			1,121		1,020		2,141
Purchase of 2,220,550 shares				(102,341)			(102,341)
Foreign currency translations						936	936
Balance February 25, 1989	1,910	3,321	155,088	(137,156)	179,337	(1,197,687)	(995,187)
Net earnings						32,254	32,254
Retirement of capital stock:							
Common—3,493,812 shares			(13,102)	137,156	(124,054)		—
Conversion preferred stock:							
Series D—7,360 shares	(736)		2,512		(1,776)		—
Issuance of common stock:							
Options—159,040 shares			596		(302)		294
Restricted stock—16,764 shares			63		4,567		4,630
Foreign currency translations						(949)	(949)
Balance February 24, 1990	1,174	3,321	145,157	—	57,772	(1,166,382)	(958,958)
Net loss						(176,336)	(176,336)
Conversion of preferred stock:							
Series D—227 shares	(23)		5		18		—
Reduction in stated value of common stock to $0.10 per share			(141,289)		141,289		—
Foreign currency transactions						83	83
Balance February 23, 1991	$ 1,151	$ 3,321	$ 3,873	$ —	$ 199,079	$(1,342,635)	$(1,135,211)

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

5 (In Part): Inventories
Effective in the second quarter of fiscal 1991, the company changed its method of determining the cost of certain footwear manufacturing inventories to the first-in, first-out (FIFO) method.

The use of the LIFO method has resulted in reporting certain footwear manufacturing inventories at amounts substantially less than their current replacement cost, which distorts the company's actual financial condition and restricts its borrowing capacity. The company's aggregate loans outstanding under the Borrowing Base Facility of the Secured Credit Agreement (as well as the debtor-in-possession financing facility) may not exceed the "borrowing base," as defined by these facilities as amended. The borrowing base is computed by reference to, among other things, the amount of inventory reflected in the company's consolidated balance sheet. Management believes the valuation of all its inventories using the FIFO method more appropriately reflects its financial condition. Under the current circumstances, the use of the LIFO method no longer has a significant impact on the company's statement of operations. Additionally, the change to FIFO for certain footwear manufacturing inventories will conform all the company's inventories to the same valuation method.

The change in the method of valuing inventories has been applied retroactively and comparative amounts for prior periods have been restated. This change increased inventories by approximately $12,920 and $17,934 as of February 24, 1990 and February 25, 1989, respectively, and reduced the previously reported accumulated deficit as follows:

	Feb. 24, 1990	Feb. 25, 1989
Accumulated deficit, as previously reported	$(1,173,992)	$(1,208,250)
Adjustment for change in method of valuing inventories, net of income taxes	7,610	10,563
Accumulated deficit, as restated	$(1,166,382)	$(1,197,687)

The effect of this change on the company's results of operations for fiscal years 1990 and 1989 was not material.

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			
	1991	**1990**	**1989**	**1988**
Charges				
Purchase or retirement of capital stock	66	81	87	62
Treasury stock issued for less than cost	40	37	36	30
Preferred stock accretion	9	9	9	11
Pension liability adjustment	8	12	6	—
Translation adjustments	7	6	12	8
Redemption of stock purchase rights	5	6	7	8
Other—Described	9	17	19	19
Credits				
Tax benefit on dividends paid to ESOP	12	6	—	—
Pension liability adjustment	9	—	—	—
Translation adjustments	7	13	14	11
Poolings of interests	6	2	4	3
Other—Described	20	27	31	20

Treasury Stock Transactions

HARRIS CORPORATION (JUN)

Consolidated Statement of Retained Earnings

(In thousands)	Years ended June 30 1991	1990	1989
Balance at beginning of year	$844,587	$752,024	$841,232
Net income for the year	19,455	130,691	21,316
Cash dividends ($1.04 per share in 1991, $.96 per share in 1990, and $.88 per share in 1989)	(40,612)	(38,128)	(34,058)
Treasury stock retired	(21,707)	—	(76,466)
Balance at end of year	$801,723	$844,587	$752,024

NOTES TO FINANCIAL STATEMENTS

Shareholders' Equity

Changes in shareholders' equity accounts other than retained earnings are summarized as follows:

(In thousands)	Common Stock Amount	Other Capital	Treasury Stock Amount	Unearned Compensation	Cumulative Translation Adjustments
Balance at July 1, 1988	$41,765	$165,539	$83,992	—	$7,627
Shares issued under Stock Option Plans (22,534 shares)	22	602	—	—	—
Purchase of Common Stock for treasury (270,600 shares)	—	—	7,629	—	—
Treasury stock retired (3,052,310 shares)	(3,052)	(12,103)	(91,621)	—	—
Foreign currency translation adjustments	—	—	—	—	(5,220)
Balance at June 30, 1989	38,735	154,038	—	—	2,407
Shares issued under Stock Option Plans (186,443 shares)	187	6,089	—	—	—
Shares sold under Employee Stock Purchase Plans (1,178,903 shares)	1,179	34,645	—	—	—
Foreign currency translation adjustments	—	—	—	—	1,489
Balance at June 30, 1990	40,101	194,772	—	—	3,896
Shares issued under Stock Option Plans (5,662 shares)	5	151	—	—	—
Shares granted under Stock Incentive Plans (284,900 shares)	285	9,333	—	$9,618	—
Compensation expense	—	—	—	(515)	—
Termination of shares granted under Stock Incentive Plans (4,960 shares)	(5)	(166)	—	(171)	—
Purchase of Common Stock for treasury (1,500,000 shares)	—	—	30,782	—	—
Treasury stock retired (1,500,000 shares)	(1,500)	(7,575)	(30,782)	—	—
Foreign currency translation adjustments	—	—	—	—	(3,726)
Balance at June 30, 1991	$38,886	$196,515	$ —	$8,932	$ 170

POLAROID CORPORATION

Consolidated Statement of Changes in Common Stockholders' Equity

(In millions, except number of shares)	Years ended December 31, 1991	1990	1989
Common stock			
Balance at January 1 (75,427,550 shares in 1991, 1990 and 1989)	$ 75.4	$ 75.4	$ 75.4
Balance at December 31	75.4	75.4	75.4
Additional paid-in capital			
Balance at January 1	379.5	379.5	379.5
Balance at December 31	379.5	379.5	379.5
Retained earnings			
Balance at January 1	1,038.3	955.8	877.5
Net earnings	683.7	151.0	145.0
Dividends declared—common stock	(29.9)	(30.8)	(34.7)
Dividends declared—preferred stock, Series B	(8.5)	(11.0)	(10.1)
Pay-in-kind dividends—preferred stock, Series C	(22.7)	(26.7)	(21.9)
Repurchase of preferred stock, Series B and C (Note 8)	(51.0)	—	—
Balance at December 31	1,609.9	1,038.3	955.8
Less:			
Treasury stock			
Balance at January 1 (25,357,689 shares in 1991, 23,317,989 shares in 1990 and 3,792,6000 in 1989)	1,053.1	997.5	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 (1,150,800 shares in 1991, 2,037,700 shares in 1990 and 3,424,800 shares in 1989)	30.6	55.6	145.2
Balance at December 31 (26,508,489 shares in 1991, 25,357,689 shares in 1990, and 23,317,989 shares in 1989)	1,083.7	1,053.1	997.5
Deferred compensation—ESOP			
Balance at January 1	232.4	264.4	274.0
Loan repayments from ESOP Trust	(24.2)	(32.0)	(9.6)
Balance at December 31	208.2	232.4	264.4
Total common stockholders' equity	$ 772.9	$ 207.7	$148.8

NOTES TO 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. Series B Stock paid cumulative cash divdends at the annual rate of 11%. Series C stock paid cumulative dividends in kind at the annual rate of 11.5%. Both the Series B and C dividends were paid quarterly. In addition, the Company issued to the preferred stock investor group warrants for 635,000 shares of common stock exercisable at any time up to January 30, 1996 at $50 per share. The Company issued pay-in-kind dividends of 220 Series C shares ($22.0 million) in 1991, 267 shares ($26.7 million) in 1990, and 219 shares ($21.9 million) in 1989.

On October 7, 1991, the Company retired all of its outstanding Series B and C preferred stock valued at $370.6 million and the related warrants in exchange for $280.0 million in cash and $140.0 million of Debentures (see Note 7). The $49.4 million payment over the recorded value of the preferred stock and $1.6 million in related expenses were recorded as reductions of retained earnings.

WORTHINGTON INDUSTRIES

Consolidated Statement of Shareholders' Equity

Dollars in thousands, except per share	1991	1990	1989
Common Shares			
Balance at beginning of year	$398	$401	$406
Sale of 130,440 common shares under stock option plan, (52,765 in 1990 and 42,300 in 1989)	1	1	—
Purchase and retirement of 595,734 common shares, (377,477 in 1990 and 595,100 in 1989)	(5)	(4)	(5)
Balance at May 31	$394	$398	$401
Additional Paid-In Capital			
Balance at beginning of year	$64,687	$63,689	$63,274
Sale of 130,440 common shares under stock option plan, (52,765 in 1990 and 42,300 in 1989)	1,745	592	470
Sale of 42,707 common shares under dividend reinvestment plan, (44,740 in 1990 and 41,124 in 1989)	955	1,003	889
Purchase and retirement of 595,734 common shares, (377,477 in 1990 and 595,100 in 1989)	(977)	(597)	(944)
Balance at May 31	$66,410	$64,687	$63,689
Retained Earnings			
Balance at beginning of year	$279,351	$256,361	$222,519
Net earnings	44,556	53,175	64,176
Cash dividends of $.61 per share, ($.57 in 1990 and $.46 in 1989)	(24,054)	(22,856)	(18,621)
Purchase and retirement of 595,734 common shares, (377,477 in 1990 and 595,100 in 1989)	(11,659)	(7,329)	(11,713)
Balance at May 31	$288,194	$279,351	$256,361

Redemption Of Stock Purchase Rights

CHAMPION INTERNATIONAL CORPORATION

Consolidated Retained Earnings

	Years Ended December 31		
In Thousands, Except Per Share Amounts	1991	1990	1989
Beginning Balance	$2,561,854	$2,469,299	$2,143,070
Net Income	40,343	222,623	432,421
Redemption of Preference Stock Purchase Rights (Note 8)	(5,041)	—	—
Cash Dividends Declared			
$92.50 Convertible Preference Stock—$92.50 per share in 1991 and 1990; $6.68 per share in 1989	(27,750)	(27,750)	(2,004)
Common Stock—$.20 per share in 1991: $1.10 per share in 1990 and 1989	(18,570)	(102,318)	(104,188)
Ending Balance	$2,550,836	$2,561,854	$2,469,299

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Capital Shares

Unissued Preference Stock

At December 31, 1991 and 1990, 6,731,431 preference shares for which no series has been designated were authorized and unissued. At December 31, 1991 and 1990, 1,500,000 additional authorized and unissued shares were designated and reserved for the issuance of the company's Preference Stock, Participating Cumulative Series or Participating Cumulative Series B, $1.00 par value ("Participating Preference Stock").

On February 20, 1991, the company redeemed, at $.05 per right, all of the rights to purchase Participating Preference Stock.

GERBER PRODUCTS COMPANY

Consolidated Statements of Shareholders' Equity

	Common Stock	Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustments	Unearned Restricted Stock Compensation	Unearned ESOP Compensation	Cost of Common Stock in Treasury
				(Thousands of Dollars)			
Balances at April 1, 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 upon exercise of 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	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 awards					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)
Net earnings for the year			112,818				
Cash dividends, $1.14 per share			(42,937)				
Stock rights redemption payment, $.05 per share—Note K			(1,892)				
Repurchase of 639,636 shares for treasury							(32,967)
ESOP compensation expense .						586	
Issuance of 229,997 shares of treasury stock upon exercise of stock options ...		(2,465)					8,872
Issuance of 105,097 shares of treasury stock under restricted stock plan, net of forfeitures		1,068			(4,307)		3,239
Compensation under restricted stock awards		389			1,461		
Tax benefit of dividends paid to ESOP			295				
Return of 4,261,162 treasury shares to unissued status ..	(10,653)		(123,931)				134,584
Foreign currency translation adjustments for the year ...				(1,408)			
Balances at March 31, 1991 ..	$ 93,481	$ 5,382	$ 322,121	$(3,598)	$(3,115)	$(19,714)	$ 0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—Shareholders' Equity

The Company is authorized to issue up to 5,000,000 shares of $1.00 par value, preferred stock. The rights of the preferred stock as to dividends, redemption, liquidation, and conversion, if any, will be determined by the Board of Directors upon issuance.

On July 25, 1990, the Board of Directors authorized the redemption of the common stock purchase rights distributed in 1986. Holders of record as of the close of business on August 13, 1990, received a redemption payment of $.05 per right for an aggregate payment of $1,892,000, which was charged to retained earnings. At the same time, the Board also declared a dividend distribution of one Right for each outstanding common share to shareholders of record at the close of business on August 13, 1990, as part of the adoption of a new Shareholder Rights Plan (the Plan).

Each Right entitles the registered holder to buy from the Company a unit consisting of 1/100 of a share of Series A Junior Participating Preferred Stock at a price of $180 a unit, subject to adjustment. The Rights will not be exercisable or separable from the common stock until the earlier of (1) ten days following a public announcement that a person or group has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the Company's outstanding common shares; (2) ten business days following the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning 15% or more of such outstanding common shares; or (3) ten business days (or such later date as the Board shall determine) after the Company's Board of Directors determines that a person or group having beneficial ownership of 10% or more of the Company's common stock then outstanding is an "Adverse Person" as defined in the Plan. If a person or group acquires 15% or more of the Company's shares, except pursuant to an offer for all outstanding common shares which the independent directors determine to be fair to and otherwise in the best interest of the shareholders or in certain other circumstances, the Rights will entitle the holder to purchase a number of the Company's common shares having a market value of twice the exercise price of each Right. Similarly, if the Company is involved in a merger or other business combination at any time after the Rights become exercisable, the Rights will be modified so as to entitle a holder to buy a number of shares of common stock of the surviving company having a market value of twice the exercise price of each Right.

The Rights expire on August 12, 2000, unless redeemed by the Company at a price of $.01 per Right, according to the terms and definitions of the Plan. Until exercised, the Right does not entitle the holder to any rights as a shareholder, including the right to vote or receive dividends.

Increase In Purchase Price of Common Stock

ROHM AND HAAS COMPANY

Statement of Retained Earnings

Years ended December 31, 1991, 1990 and 1989

(Millions of dollars, except per-share amounts)			
Retained earnings at beginning of year	$1,448	$1,320	$1,221
Net earnings for the year	163	207	176
	1,611	1,527	1,397
Cash dividends paid ($1.24, $1.22 and $1.16 per share in 1991, 1990 and 1989, respectively), net of tax benefits of $3 million and $2 million in 1991 and 1990, respectively, related to the ESOP	80	79	77
Increase in value of common stock to be purchased in 1995	3	—	—
Retained earnings at end of year	$1,528	$1,448	$1,320

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19: Common Stock To Be Purchased in 1995

On October 22, 1990, the company and the William Penn Foundation amended the terms of a prior agreement covering the purchase of shares from the foundation, which now holds about 4 million company shares. Under the revised agreement, the company will purchase approximately 2.5 million shares from the foundation on April 1, 1995. In accordance with Rule 5-02.28 of Securities and Exchange Commission Regulation S-X, the common stock subject to this agreement is recorded outside of stockholders' equity. The price to be paid for the shares will be the higher of the average market price of Rohm and Haas shares during the period April 1991 through March 1995, or a minimum purchase price which is increased each year the average market price of Rohm and Haas shares increases. The minimum purchase price for the shares was $96 million at December 31, 1990. A $3 million charge was made to retained earnings in 1991 to increase the balance of this stock to $99 million, the minimum purchase price determined as of December 31, 1991. The stock redemption will not affect the company's compliance with existing loan covenants, nor will it materially impact the company's available lines of credit. The company retains the right of first refusal on the remaining shares held by the foundation.

Tax Benefits From ESOP Dividends

LOCKHEED CORPORATION

Consolidated Statement of Stockholders' Equity

In millions, except per-share data	Common Stock	Additional Capital	Retained Earnings	Treasury Shares	Guarantee of ESOP Obligations	Total
At December 25, 1988	$66	$484	$2,205	$(279)		$2,476
Net earnings			2			2
Stock sold to ESOP	4	217		279		500
Guarantee of ESOP obligations at inception					$(500)	(500)
Reduction of ESOP obligations guaranteed					10	10
Tax benefits from dividends paid to ESOP			5			5
Stock options exercised		6				6
Dividends declared on common stock ($1.75 per share)			(109)			(109)
Treasury shares purchased				(328)		(328)
At December 31, 1989	70	707	2,103	(328)	(490)	2,062
Net earnings			335			335
Reduction of ESOP obligations guaranteed					18	18
Tax benefits from dividends paid to ESOP			8			8
Dividends declared on common stock ($1.80 per share)			(114)			(114)
At December 30, 1990	70	707	2,332	(328)	(472)	2,309
Net earnings			308			308
Reduction of ESOP obligations guaranteed					20	20
Tax benefits from dividends paid to ESOP			10			10
Stock options exercised		5				5
Dividends declared on common stock ($1.95 per share)			(124)			(124)
Treasury shares purchased				(25)		(25)
At December 29, 1991	$70	$712	$2,526	$(353)	$(452)	$2,503

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Employee Benefit Plans

The Salaried Plan

In 1989, a leveraged Employee Stock Ownership Plan (ESOP) was created and incorporated into the Salaried Plan. The ESOP purchased approximately 10.7 million shares of Lockheed stock with the proceeds from a $500 million note issue which is guaranteed by Lockheed (see Note 9). These shares are held in a suspense account until allocated to participants as described below.

Under provisions of the Salaried Plan, employees' eligible contributions are matched by the company at a 60 percent rate. The company's matching obligation is accounted for as compensation and was $85 million in 1991, $86 million in 1990, and $82 million in 1989. Since July 1989, the company match has been administered through an ESOP trust and has consisted entirely of Lockheed stock. Beginning in January 1992, as authorized by the board of directors, one half of the company match will consist of cash contributions to employee-selected investment options and one half of the company will consist of Lockheed stock. The Lockheed stock portion of the matching obligation is fulfilled, in part, with stock allocated from the suspense account (approximately 710,000 shares per year) through the year 2004. The balance of the stock portion of the matching obligation is fulfilled through open market purchases of Lockheed stock. Approximately 1.2 million, 2.1 million, and 640,000 shares of Lockheed stock were purchased on the open market by the ESOP trust in 1991, 1990, and 1989, respectively.

Company payments to the ESOP trust consist of dividends on the unallocated shares, and an amount sufficient to fully service the ESOP debt and meet the company's matching obligation to employees that is not otherwise covered through the allocation of suspense account shares.

In each of the last three years, the company paid an amount in excess of matching funds. The amount varied due to changes in the market value of company stock allocated from the suspense account. These additional payments were included in Lockheed's interest expense. However, in 1991 the impact of these payments on the company was more than offset by special tax benefits on dividends paid on ESOP shares and the tax deductibility of the payments themselves, resulting in a net favorable effect to the company of about $5 million. In 1990 and 1989, the tax benefits were not sufficient to fully offset the payments in excess of matching funds, resulting in net cost to the company of approximately $4 million and $1 million, respectively.

The ESOP trust requirements and the company's payments are shown in the following table:

In millions	1991	1990	1989
ESOP trust requirements:			
Debt service (including interest of $39 million in 1991, $41 million in 1990, and $24 million in 1989)	$ 59	$ 59	$34
Purchase of additional shares (required to meet company matching obligation)	55	64	28
	$114	$123	$62
Met by:			
Dividends on unallocated shares	$ 22	$ 18	$ 9
Company matching funds	85	86	44
Amount in excess of matching funds	7	19	9
	$114	$123	$62

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 earnings) and of the changes in the number of shares of equity securities during at least the most recent annual fiscal period and any subsequent interim period presented is required to make the financial statements sufficiently informative. Disclosure of such changes may take the form of separate statments 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

	1991	1990	1989	1988
Statement of stockholders' equity	392	394	390	373
Statement of additional paid-in capital	7	7	11	16
Schedule in notes	79	81	81	95
No statement or schedule but changes disclosed	9	12	11	10
Balance unchanged during year	49	38	40	38
Subtotal	**536**	**532**	**533**	**532**
Additional paid-in capital account not presented	64	68	67	68
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

	1991	1990	1989	1988
Ratio				
Less than three-for-two	5	4	8	4
Three-for-two (50%) to two-for-one	8	8	15	13
Two-for-one (100%)	29	31	20	23
Greater than two-for-one	2	7	5	6
Total Companies	**44**	**50**	**48**	**46**
Account charged				
Additional paid-in capital	19	19	17	19
Retained earnings	5	14	16	14
No charge	20	17	15	13
Total Companies	**44**	**50**	**48**	**46**

AMERICAN STORES COMPANY

Consolidated Statements of Common Shareholders' Equity

Fiscal years ended February 1, 1992, February 2, 1991 and February 3, 1990

(In thousands of dollars, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
Fiscal 1989					
Balances at January 29, 1989	$31,992	$133,197	$ 857,659	$(100,726)	$ 922,122
Net earnings—53 weeks ended February 3, 1990			118,129		118,129
Issuance of 298,768 shares of common stock for stock options and awards	3	(693)		8,562	7,872
Conversion of Series A $4.375 Preferred Stock to common stock	4,141	186,977			191,118
Common dividends $.50 per share			(32,231)		(32,231)
Preferred dividends:					
Series A $2.1875 per share			(8,601)		(8,601)
Purchase of 93,660 shares for treasury				(557)	(557)
Other		3,959			3,959
Balances at February 3, 1990	$36,136	$323,440	$ 934,956	$ (92,721)	$1,201,811
Fiscal 1990					
Net earnings—52 weeks ended February 2, 1991			182,387		182,387
Issuance of 133,994 shares of common stock for stock options and awards		(1,594)		3,927	2,333
Common dividends $.56 per share			(38,655)		(38,655)
Purchase of 666 shares for treasury				(21)	(21)
Other		2,966			2,966
Balances at February 2, 1991	$36,136	$324,812	$1,078,688	$ (88,815)	$1,350,821
Fiscal 1991					
Net earnings—52 weeks ended February 1, 1992			199,434		199,434
Issuance of 189,157 shares of common stock for stock options and awards		1,647		5,588	7,235
Issuance of 36,135,539 shares of common stock to effect a 2-for-1 common stock split	36,135	(36,135)			
Common dividends $.63 per share			(43,592)		(43,592)
Purchase of 348 shares for treasury				(28)	(28)
Other		1,702			1,702
Balances at February 1, 1992	$72,271	$292,026	$1,234,530	$ (83,255)	$1,515,572

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Split

Effective July 16, 1991, the Company effected a two-for-one stock split recorded in the form of a stock dividend. All references to the number of common shares and per common share amounts have been restated to reflect the split.

BAUSCH & LOMB INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capital Stock (In Part)

Changes in Common and Class B stock, capital in excess of stated value, and treasury stock are summarized below:

	Common And Class B		Capital In	Treasury Stock	
Amounts In Thousands	Shares	Amount	Excess Of Stated Value	Shares	Amount
Balance at December 31, 1988	30,295	$14,392	$75,418	494	$17,115
Shares issued under stock option plans and restricted stock awards	58	—	3,885	(245)	(7,984)
Repurchase of Common and Class B stock	—	—	—	274	14,971
Balance at December 30, 1989	30,353	14,392	79,303	523	24,102
Shares issued under stock option plans and restricted stock awards	24	—	4,640	(186)	(7,681)
Repurchase of Common and Class B stock	—	—	—	452	28,188
Balance at December 29, 1990	30,377	$14,392	83,943	789	44,609
Two-for-one stock split	30,410	9,737	(9,737)	757	—
Shares issued under stock option plans and restricted stock awards	124	7	271	(382)	(22,314)
Repurchase of Common and Class B stock	—	—	—	265	17,910
Balance at December 28, 1991	60,911	$24,136	$74,477	1,429	$40,205

On April 30, 1991 the company's board of directors approved a two-for-one split of the company's Common and Class B stock. This action became effective on July 1, 1991 for shareholders of record as of June 3, 1991. A total of 30,409,678 shares of Common and Class B stock were issued in connection with the split, including 756,875 shares issued for Common and Class B stock held in treasury. A total of $9,737,000 was reclassified from capital in excess of stated value to the stated value of Common and Class B stock in connection with the stock split. The par value of Common and Class B stock remains unchanged. All per share amounts have been adjusted to reflect the stock split on a retroactive basis.

KELLOGG COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 7 (In Part): Common stock and other capital

On December 3, 1991, shareholders approved an increase in the authorized shares of common stock from 165 million to 330 million and approved a two-for-one stock split to shareholders of record on December 4, 1991. The stated par value per share of common stock was not changed from $.25. All share and per share amounts have been restated to retroactively reflect the stock split.

In 1991 the Company purchased 1,515,600 shares of its common stock at an average cost of $52; in 1990, purchased 2,766,200 shares at an average cost of $31; and in 1989, purchased 2,464,200 shares at an average cost of $32. All purchases are included in treasury stock. A summary of capital stock transactions follows.

(millions)	Common stock	Capital in excess of par value	Treasury stock
Balance, January 1, 1989	$38.5	$63.3	$631.8
Stock options exercised	.1	9.5	
Treasury stock purchased			78.6
Balance, December 31, 1989	38.6	72.8	710.4
Stock options exercised		8.4	
Treasury stock purchased			86.9
Balance, December 31, 1990	38.6	81.2	797.3
Stock options exercised	.1	17.7	
Two-for-one stock split	38.7	(38.7)	
Treasury stock purchased			83.6
Balance, December 31, 1991	$77.4	$60.2	$880.9

MATTEL, INC.

Consolidated Statements of Shareholders' Equity

(In thousands)	Common Stock	Additional Paid-In Capital	Treasury Stock	Common Stock Warrants	Retained Earnings	Currency Translation Adjustments	Total Share-holders' Equity
Balance, December 31, 1988	$47,854	$60,197	$ —	$1,000	$ 35,924	$(14,115)	$130,860
Net Income					68,651		68,651
Utilization of net operating loss carryforwards		3,600					3,600
Exercise of stock options	647	3,740					4,387
Currency translation adjustment						6,172	6,172
Balance, December 30, 1989	48,501	67,537	—	1,000	104,575	(7,943)	213,670
Net Income					91,185		91,185
Utilization of net operating loss carryforwards		8,800					8,800
Acquisition of Corolle, S.A.	401	5,599					6,000
Exercise of stock options	347	2,361					2,708
Dividends declared					(4,420)		(4,420)
Purchase of treasury stock			(3,266)				(3,266)
Currency translation adjustment						13,289	13,289
Balance, December 29, 1990	49,249	84,297	(3,266)	1,000	191,340	5,346	327,966
Net Income					112,833		112,833
Utilization of net operating loss carryforwards		1,800					1,800
Five-for-four stock split	12,781	(12,781)					—
Exercise of stock options	1,105	12,367					13,472
Exercise of warrants	910	3,976		(1,000)			3,886
Dividends declared					(9,803)		(9,803)
Purchase of treasury stock			(15,100)				(15,100)
Reissuance of treasury stock		(1,105)	3,428				2,323
Currency translation adjustment						884	884
Balance, December 31, 1991	$64,045	$88,554	$(14,938)	$ —	$294,370	$ 6,230	$438,261

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Shareholders' Equity

Dividends and Capital Transactions—In October 1991, the Board of Directors declared a five-for-four stock split effected in the form of a 25% stock dividend on its common stock. Accordingly, the $12.8 million par value for additional shares issued was transferred from additional paid-in capital to common stock, and all share and per share data presented in these financial statements have been restated for the effects of the split.

Commencing in the second quarter of 1990, the Company reinstated payment of its quarterly cash dividends, which totaled $.07 per share for the year ($.09 per share on a pre-split basis). During 1991, the Board of Directors increased the quarterly cash dividend resulting in total dividends declared for the year of $.15 per share ($.19 per share on a pre-split basis).

PALL CORPORATION

Consolidated Statements of Stockholders' Equity

(In thousands)

Years Ended August 3, 1991, July 28,1990 and July 29, 1989	Common Stock	Capital in Excess of Par Value	Retained Earnings	Equity Adjustment From Foreign Currency Translation	Total Stockholders' Equity
Balance at July 30, 1988	$ 9,518	$29,799	$283,151	$ 7,231	$329,699
Net earnings			57,681		57,681
Cash dividends declared			(17,656)		(17,656)
Issuance of stock pursuant to exercise of stock options, 411 shares	103	5,626			5,729
Issuance of stock in satisfaction of contribution to pension and profit-sharing plans, 74 shares	18	2,123			2,141
Foreign currency translation adjustment				(3,902)	(3,902)
Balance at July 29, 1989	9,639	37,548	323,176	3,329	373,692
Net earnings			66,235		66,235
Cash dividends declared			(20,847)		(20,847)
Issuance of stock pursuant to exercise of stock options, 25 shares	6	582			588
Issuance of stock in satisfaction of contribution to pension and profit-sharing plan, 67 shares	17	2,389			2,406
Foreign currency translation adjustment				19,365	19,365
Balance at July 28, 1990	9,662	40,519	368,564	22,694	441,439
Net earnings			79,921		79,921
Cash dividends declared			(24,616)		(24,616)
Three-for-two stock split (including $20 paid for fractional shares)	4,833	(4,853)			(20)
Issuance of stock pursuant to exercise of stock options, 351 shares	88	7,002			7,090
Issuance of stock in satisfaction of contribution to pension and profit-sharing plans, 87 shares	22	3,112			3,134
Foreign currency translation adjustment				(18,950)	(18,950)
Balance at August 3, 1991	$14,605	$45,780	$423,869	$ 3,744	$487,998

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock (In Part)

Stock Split:

On January 15, 1991, the Board of Directors declared a three-for-two stock split effective February 15, 1991. The par value of the new shares issued totalled $4,833,000, and this amount was transferred from capital in excess of par value to the common stock account. All share and per share data for prior periods presented have been restated to reflect the stock split.

RUBBERMAID INCORPORATED

Consolidated Statement of Shareholders' Equity

(Dollars in thousands except per share amounts)

	Common Shares	Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustment	Total Shareholders' Equity
Transactions for 1989:					
Opening balance	$ 79,381	$ 21,138	$453,009	$ 5,252	$558,780
Net earnings	—	—	124,984	—	124,984
Cash dividends, $.23 per share	—	—	(35,975)	—	(35,975)
Employee stock plans	176	3,577	(670)	—	3,083
Foreign currency translation adjustment	—	—	—	1,910	1,910
Other, net	—	—	(306)	—	(306)
Balance at December 31, 1989	79,557	24,715	541,042	7,162	652,476
Transactions for 1990:					
Net earnings	—	—	143,520	—	143,520
Cash dividends, $.27 per share	—	—	(42,621)	—	(42,621)
Employee stock plans	436	13,142	(3,313)	—	10,265
Foreign currency translation adjustment	—	—	—	4,641	4,641
Other, net	—	—	(77)	—	(77)
Balance at December 31, 1990	79,993	37,857	638,551	11,803	768,204
Transactions for 1991:					
Net earnings	—	—	162,650	—	162,650
Cash dividends, $.31 per share	—	—	(49,643)	—	(49,643)
Employee stock plans	102	3,771	—	—	3,873
Foreign currency translation adjustment	—	—	—	756	756
Two-for-one stock split (note 11)	80,094	(41,569)	(38,525)	—	—
Other, net	—	—	(100)	—	(100)
Balance at December 31, 1991	$160,189	$ 59	$712,933	$12,559	$885,740

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Stock Split

On December 2, 1991, a two-for-one stock split was effected whereby one additional Common Share, par value $1, was issued for each share outstanding to shareholders of record on November 8, 1991. All share and per share data appearing in the consolidated financial statements and notes thereto have been retroactively adjusted for this stock split.

WAUSAU PAPER MILLS COMPANY

Consolidated Statements of Shareholders' Equity

	For the years ended August 31,		
(all dollar amounts in thousands)	1991	1990	1989
Capital Stock			
Preferred stock: $1.00 par value 500,000 shares authorized; no shares issued			
Common stock: $.50 par value (12,000,000 shares authorized) 7,945,250 shares issued at stated value of $1.40 per share			
Balance at beginning of year	$10,329	$ 9,391	$ 8,538
10% stock dividend: 577,463 shares in 1990, 524,990 in 1989		938	853
Five-for-four stock split, effected in the form of a dividend, 1,588,654 shares in 1991	794		
Balance at End of Year	$11,123	$10,329	$ 9,391
Additional Paid-in Capital			
Balance at beginning of year	$68,224	$ 48,007	$32,988
10% stock dividend, excess over stated value		19,995	15,028
Five-for-four stock split, effected in the form of a dividend	(794)		
Stock options exercised, excess paid over (under) cost or stated value		222	(9)
Balance at End of Year	$67,430	$68,224	$48,007
Retained Earnings			
Balance at beginning of year	$29,157	$ 38,413	$36,688
Net earnings for the year	30,475	15,870	20,912
Cash dividends declared	(4,565)	(4,193)	(3,306)
10% stock dividend		(20,933)	(15,881)
Balance at End of Year	$55,067	$ 29,157	$38,413
Treasury Stock			
Balance at beginning of year	$ 3,158	$ 3,400	$ 3,417
Stock options exercised; 22,627 shares in 1990 and 1,611 shares in 1989		(242)	(17)
Balance at End of Year	$ 3,158	$ 3,158	$ 3,400

CHANGES IN ADDITIONAL PAID-IN CAPITAL

Table 4-7 summarizes credits and charges to additional paid-in capital. Examples of such credits and charges follow.

Common Stock Issued In Connection With Employee Benefit Plans

CHESAPEAKE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Capital Stock and Additional Paid-In Capital

Changes in common stock and additional paid-in capital during 1989, 1990 and 1991 are:

	Common Stock		Additional
	Shares	Aggregate Par Value	Paid-In Capital
	(Dollar amounts in millions)		
Balances, January 1, 1989	20,440,161	$20.4	$33.8
Issuances of shares:			
Employee stock plans	177,887	.2	2.9
Purchases of shares	(54,500)	—	(1.0)
Balances, December 31, 1989	20,563,548	20.6	35.7
Issuances of shares:			
Employee stock plans	222,178	.2	3.3
Purchases of shares	(349,900)	(.4)	(5.3)
Balances, December 31, 1990	20,435,826	20.4	33.7
Issuances of shares:			
Employee stock plans	199,309	.2	3.5
Other	—	—	.3
Balances, December 31, 1991	20,635,135	$20.6	$37.5

TABLE 4-7: CHANGES IN ADDITIONAL PAID-IN CAPITAL

	Number of Companies			
	1991	**1990**	**1989**	**1988**
Credits				
Common stock issued for:				
Employee benefits	361	366	382	376
Debt conversions/ extinguishments	26	32	38	40
Preferred stock conversions	21	20	28	30
Business combinations	30	28	28	28
Public offerings	31	19	21	22
Purchase or retirement of capital stock	13	8	7	11
Stock option tax benefits	57	51	51	43
Warrants issued or exercised	13	10	14	11
Other—Described	27	54	33	30
Charges				
Purchase or retirement of capital stock	97	113	108	104
Treasury stock issued for less than cost	77	73	63	64
Conversion of preferred stock	11	10	12	14
Other—Described	45	46	47	54

MARTIN MARIETTA CORPORATION

Statement of Shareowners' Equity

for years ended December 31 *(add 000)*

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareowners' Equity
Balance at January 1, 1989	$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	14,085	—	14,458
Common stock purchased	(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	61	1,894	—	1,955
Other common stock issued	382	15,322	—	15,704
Common stock purchased	(2,391)	(87,170)	—	(89,561)
Balance at December 31, 1990	48,866	187,944	1,304,153	1,540,963
Net earnings for 1991	—	—	313,149	313,149
Cash dividends declared on common stock ($1.50 a share)	—	—	(74,680)	(74,680)
Stock awards and options exercised, net of stock tendered in payment	1,032	43,291	—	44,323
Other common stock issued	319	15,852	—	16,171
Common stock purchased	(687)	(35,336)	—	(36,023)
Balance at December 31, 1991	$49,530	$211,751	$1,542,622	$1,803,903

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 3,897,344 common shares as of December 31, 1991, under authorizations from the Board of Directors for repurchase of the Corporation's stock for employee stock option and award plans and 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, 1991, a total of 1,110,943 shares had been purchased in the open market pursuant to these authorizations.

The Corporation contributed 318,633 shares in 1991 and 381,853 shares in 1990 of its common stock to the Martin Marietta Performance Sharing Plan for Salaried Employees in accordance with provisions set forth in that plan.

NUCOR CORPORATION

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock (at cost)	
	Shares	Amount			Shares	Amount
Balance, December 31, 1988	21,842,660	$8,737,064	$30,542,937	$511,456,991	554,969	$18,455,543
Net earnings in 1989				57,835,844		
Employee stock options exercised	105,385	42,154	3,248,486			
Employee stock compensation	5,790	2,316	346,531			
Employee service awards			88,509		(4,000)	(133,097)
Acquisition of treasury stock					3,246	135,320
Cash dividends ($.44 per share)				(9,397,587)		
Balance, December 31, 1989	21,953,835	8,781,534	34,226,463	559,895,248	554,215	18,457,766
Net earnings in 1990				75,065,261		
Employee stock options exercised	70,159	28,064	2,392,156			
Employee stock compensation	15,442	6,177	951,227			
Employee service awards			99,386		(3,310)	(110,302)
Acquisition of treasury stock					857	43,322
Cash dividends ($.48 per share)				(10,297,514)		
Balance, December 31, 1990	22,039,436	8,815,775	37,669,232	624,662,995	551,762	18,390,786
Net earnings in 1991				64,716,499		
Employee stock options exercised	107,716	43,086	4,563,294			
Employee stock compensation	4,141	1,656	368,445			
Employee service awards			213,371		(4,920)	(163,976)
Cash dividends ($.52 per share)				(11,218,552)		
Balance, December 31, 1991	22,151,293	$8,860,517	$42,814,342	$ 678,160,942	546,842	$18,226,810

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Capital Stock

The par value of Nucor's common stock is $.40 per share and there are 35,000,000 shares authorized.

Nucor's Key Employees' Incentive Stock Option Plans provide that common stock options may be granted to key employees and officers at 100% of the market value on the date of the grant. During 1991, options were granted for 53,492 shares (69,903 in 1990 and 75,744 in 1989); and options for 3,115 shares (856 in 1990 and 2,528 in 1989) expired or were cancelled. At December 31, 1991, options for 225,430 shares (282,769 in 1990 and 283,881 in 1989) were outstanding at an aggregate price of $13,127,463 ($13,547,316 in 1990 and $11,911,569 in 1989); options for 198,030 shares (248,040 in 1990 and 251,208 in 1989) were exercisable; and 568,177 shares (618,554 in 1990 and 687,601 in 1989) were reserved for future grants.

Common Stock Issued in Debt Conversion

SUNRISE MEDICAL INC.

Consolidated Statements of Stockholders' Equity

(in thousands)	Common Stock Number of shares	Common Stock Amount	Additional paid-in capital	Retained earnings (deficit)	Foreign currency translation adjustment	Total stock-holders' equity
Balance at July 1, 1988	4,429	$4,429	$22,025	$ (2,069)	$ 630	$25,015
Net income	—	—	—	3,600	—	3,600
Foreign currency translation adjustment	—	—	—	—	(403)	(403)
Balance at June 30, 1989	4,429	4,429	22,025	1,531	227	28,212
Exercise of stock options	46	46	249	—	—	295
Tax benefit arising from early dispositions of stock issued upon exercise of stock options	—	—	61	—	—	61
Receipt of Section 16(b) common stock profits, net of tax	—	—	66	—	—	66
Net income	—	—	—	5,280	—	5,280
Foreign currency translation adjustment	—	—	—	—	720	720
Balance at June 30, 1990	4,475	4,475	22,401	6,811	947	34,634
Exercise of stock options	80	80	445	—	—	525
Tax benefit arising from early dispositions of stock issued upon exercise of stock options	—	—	362	—	—	362
Conversion of subordinated debentures	1,408	1,408	23,305	—	—	24,713
Net income	—	—	—	8,068	—	8,068
Foreign currency translation adjustment	—	—	—	—	(936)	(936)
Balance at June 28, 1991	5,963	$5,963	$46,513	$14,879	$ 11	$67,366

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

Convertible Subordinated Debentures

On June 26, 1986 the company issued $25,000 of convertible subordinated debentures, maturing at face value in 1996 with interest of 7¼% payable annually.

In March 1991 the company called for redemption all of its then outstanding convertible subordinated debentures, supported by a stand-by underwriting agreement. Holders of $24,830 in principal amount elected to convert their debentures into 1.4 million shares of common stock at the conversion price of $17 ⅝. The remaining principal balance of $170 plus accrued interest was redeemed by the company for $184 in cash.

Common Stock Issued in Preferred Stock Conversion

AVON PRODUCTS INC.

Consolidated Statement of Changes in Shareholders' Equity

(In millions, except share data)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Translation Adjustments	Treasury Stock	Total
Balance at December 31, 1988	$ 18.0	81,014,560	$40.5	$ 861.8	$ 104.1	$(126.1)	$(659.0)	$239.3
Net income					54.6			54.6
Dividends								
Common—$1.00 per share					(54.7)			(54.7)
Preferred—$2.00 per share					(36.0)			(36.0)
Translation adjustments						(21.5)		(21.5)
Exercise of stock options		1,513,526	.8	39.2				40.0
Grant and amortization of restricted stock		1,095,935	.5	6.1				6.6
Balance at December 31, 1989	18.0	83,624,021	41.8	907.1	68.0	(147.6)	(659.0)	228.3
Net income					195.3			195.3
Dividends								
Common—$1.00 per share					(56.3)			(56.3)
Preferred—$2.00 per share					(36.0)			(36.0)
Translation adjustments						18.4		18.4
Exercise of stock options, including tax benefits		336,695	.2	12.6				12.8
Grant, cancellation and amortization of restricted stock		4,722		26.5				26.5
Benefit plan contributions				2.7			1.7	4.4
Balance at December 31, 1990	18.0	83,965,438	42.0	948.9	171.0	(129.2)	(657.3)	393.4
Net income					135.7			135.7
Conversion of preferred stock to common stock	(18.0)			(298.9)			316.8	(.1)
Dividends								
Common—$1.40 per share					(90.6)			(90.6)
Common—$3.00 per share				(76.1)	(138.9)			(215.0)
Preferred—$1.011 per share					(18.2)			(18.2)
Translation adjustments						(2.5)		(2.5)
Exercise of stock options, including tax benefits		1,500,339	.8	50.4				51.2
Grant, cancellation and amortization of restricted stock		702,230	.3	6.2				6.5
Repurchase of common stock							(11.5)	(11.5)
Benefit plan contributions				2.5			.2	2.7
Balance at December 31, 1991	$ —	86,168,007	$43.1	$ 633.0	$ 59.0	$(131.7)	$(351.8)	$251.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Shareholders' Equity

Conversion of Preferred Stock

On June 3, 1991, Avon converted the 18.0 million shares outstanding of its $2.00 Preferred Equity-Redemption Cumulative Stock (the "PERCS") in exchange for shares of its common stock. The stated conversion price of $31.75 per share of PERCS plus accrued and unpaid dividends to the conversion date of $.011 per share of PERCS, resulted in a total conversion price of $31.761 per share of PERCS.

Each share of PERCS was converted into .719796 shares of common stock. The conversion ratio is the result of dividing the conversion price of $31.761 by the average closing price of the common stock of $44.125, as defined in Avon's Restated Certificate of Incorporation. Approximately 12.96 million shares of common stock were issued, from treasury stock, in exchange for the PERCS. The treasury shares issued had an average cost of $24.455 per share.

Public Offering Of Stock

COLGATE-PALMOLIVE COMPANY

Consolidated Statement of Changes in Capital Accounts

	Common Stock		Additional Paid-In	Treasury Stock	
Dollars in Millions	Shares	Amount	Capital	Shares	Amount
Balance, January 1, 1989	138,138,004	$168.2	$ 55.8	30,065,444	$475.3
Shares issued for stock options	1,655,110	1.7	36.9	—	—
Treasury stock acquired	(7,826,932)	—	—	7,826,932	229.8
Other	220,154	—	—	(215,468)	(6.4)
Balance, December 31, 1989	132,186,336	169.9	92.7	37,676,908	698.7
Shares issued for stock options	1,284,214	1.2	30.9	—	—
Treasury stock acquired	(472,868)	—	—	472,868	13.8
Other	209,534	—	—	(209,534)	(6.0)
Balance, December 31, 1990	133,207,216	171.1	123.6	37,940,242	706.5
Shares issued through public offering	11,500,000	—	230.9	(11,500,000)	(214.6)
Shares issued in connection with acquisitions	1,571,730	—	33.3	(1,571,730)	(29.3)
Shares issued for stock options	1,238,377	.4	14.6	(827,203)	(15.4)
Treasury stock acquired	(188,245)	—	—	188,245	.2
Other	14,258	—	9.0	(14,258)	.3
Balance, December 31, 1991	147,343,336	$171.5	$411.4	24,215,296	$447.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Capital Stock and Stock Option Plans

Common Stock

On March 14, 1991, the Company's Board of Directors approved a two-for-one common stock split. As a result of the split, the shareholders received one additional share of common stock for each share they held as of April 25, 1991. Par value remained $1. The consolidated financial statements have been adjusted to reflect the effects of the common stock split for all periods presented.

On May 2, 1991, the stockholders approved an increase in authorized shares of common stock from 250,000,000 to 500,000,000 authorized shares, $1 par value. In November 1991, the Company issued an additional 11,500,000 common shares through a public offering and simultaneously retired 11,500,000 shares of treasury stock. In connection with acquiring The Murphy-Phoenix Company, the Company also issued 1,571,730 shares of its common stock.

Income Tax Benefit From Issuance Of Stock To Employees

PARAMOUNT COMMUNICATIONS INC.

Consolidated Statement of Changes in Stockholders' Equity

Three Years Ended October 31, 1991	Common Stock	Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments	Total Stockholders' Equity
			(In millions)		
Balance at October 31, 1988, net of treasury	$116.2	$467.7	$1,673.8	$ 8.5	$2,266.2
Common Stock issued					
Exercise of stock options and grants to employees	3.7	68.2			71.9
Dividend reinvestment and stock purchase plan	0.1	3.2			3.3
Acquisition of stock for the treasury		(0.1)	(1.6)		(1.7)
Cash dividends					
Common Stock ($.70 per share)			(82.1)		(82.1)
Preferred stock			(0.8)		(0.8)
Translation adjustments				(12.7)	(12.7)
Realization upon sale of business				8.0	8.0
Net earnings for the year			1,465.4		1,465.4
Balance at October 31, 1989, net of treasury	$120.0	539.0	3,054.7	3.8	3,717.5
Common Stock issued					
Exercise of stock options and grants to employees	0.4	37.6			38.0
Dividend reinvestment and stock purchase plan	0.1	3.1			3.2
Acquisition of stock for the treasury	(3.1)	(14.6)	(110.0)		(127.7)
Common Stock dividends ($.70 per share)			(83.4)		(83.4)
Translation adjustments				11.7	11.7
Tax benefit from exercise of stock options		10.8			10.8
Net earnings for the year			259.1		259.1
Balance at October 31, 1990, net of treasury	117.4	575.9	3,120.4	15.5	3,829.2
Common Stock issued					
Exercise of stock options and grants to employees	1.0	51.8			52.8
Dividend reinvestment and stock purchase plan	0.1	3.3			3.4
Acquisition of stock for the treasury	(0.7)	(3.7)	(23.8)		(28.2)
Common Stock dividends ($.70 per share)			(82.4)		(82.4)
Translation adjustments				(4.4)	(4.4)
Tax benefit from exercise of stock options		2.2			2.2
Net earnings for the year			122.2		122.2
Balance at October 31, 1991, net of treasury	$117.8	$629.5	$3,136.4	$ 11.1	$3,894.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Capital Stock

The Company follows the practice of recording amounts received upon the exercise of options by crediting Common Stock and paid-in capital. No charges are reflected in the consolidated statement of earnings as a result of the grant or exercise of stock options. The Company records compensation expense related to stock appreciation rights of the 1973 Plan, 1984 Plan and 1989 Plan and share unit features of the 1973 Plan based on the change in the quoted market price of the Common Stock for the period. The exercise prices of options are subject to anti-dilution provisions. The Company realizes an income tax benefit from the exercise or early disposition of certain stock options. This benefit resulted in a decrease in current income taxes payable and an increase in paid-in capital.

PEERLESS MFG. CO.

Statements of Changes in Stockholders' Equity

Years ended June 30, 1991, 1990 and 1989

	Common stock	Additional paid-in capital	Retained earnings	Unamortized value of restricted stock grants
Balances as of July 1, 1988	$ 935,653	$2,471,364	$6,010,114	$(189,052)
Net earnings for the year	—	—	91,235	—
Issuance of 3,750 shares of common stock	3,750	33,750	—	(37,500)
Cash dividends paid ($.48 per share)	—	—	(675,020)	—
Amortization of restricted stock grants	—	—	—	62,750
Balances as of June 30, 1989	939,403	2,505,114	5,426,329	(163,802)
Net earnings for the year	—	—	2,736,372	—
Issuance of 10,000 shares of common stock	10,000	136,250	—	(146,250)
Cash dividends paid ($.48 per share)	—	—	(679,970)	—
Amortization of restricted stock grants	—	—	—	91,116
Balances as of June 30, 1990	949,403	2,641,364	7,482,731	(218,936)
Net earnings for the year	—	—	850,223	—
Three for two common stock split	474,664	(474,664)	—	—
Cash distribution for fractional shares	—	(1,086)	—	—
Issuance of 10,800 shares of common stock	10,800	153,899	—	(164,699)
Cash dividend paid ($.50 per share)	—	—	(712,035)	—
Amortization of restricted stock grants	—	—	—	75,152
Income tax benefit related to restricted stock plans	—	43,350	—	—
Balances as of June 30, 1991	$1,434,867	$2,362,863	$7,620,919	$(308,483)

NOTES TO FINANCIAL STATEMENTS

Note G—Restricted Stock Plans

The Company has a restricted stock plan whereby the Company can award up to 75,000 shares of common stock to employees. Sale of the stock awarded is restricted for five years from the date of grant. For the year ended June 30, 1990, the Company awarded 10,000 shares of common stock which had a fair value at the date of grant of $146,250. No shares were awarded under this plan for the year ended June 30, 1991. Compensation under the plan is charged to earnings over the five-year restriction period and amounted to $66,766, $91,116, $62,750 in 1991, 1990 and 1989, respectively. At June 30, 1991, 20,625 shares were available for issuance.

During 1991, the Company adopted a restricted stock plan for non-employee directors of the Company. Vesting is pro rata over a three-year period. Pursuant to the Plan, the maximum number of shares that may be granted is 16,200 shares. At June 30, 1991, the Company had awarded 10,800 shares of common stock which had a fair value at the date of grant of $164,699. Compensation under the plan is charged to earnings over the three years and amounted to $8,387 in 1991. At June 30, 1991, 5,400 shares were available for issuance.

Tax benefits realized by the Company for deductions in excess of compensation expense under these plans are credited to additional paid-in capital.

TANDEM COMPUTERS INCORPORATED

Consolidated Statements of Stockholders' Investment

For the years ended September 30

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Translation Adjustments	Treasury Stock	Deferred ESOP Compensation	Total Stockholders' Investment
Balances, September 30, 1988	96,108	$2,403	$403,241	$445,852	$ 5,365	$ —	$ —	$ 856,861
Sale of Common Stock under stock plans, including tax benefits	3,149	79	46,984	—	—	—	—	47,063
Acquisition of treasury stock	—	—	—	—	—	(26,937)	—	(26,937)
Issuance of Common Stock to ESOP	2,807	70	49,930	—	—	—	(50,000)	—
Translation adjustments	—	—	—	—	(6,185)	—	—	(6,185)
Net income	—	—	—	118,316	—	—	—	118,316
Balances, September 30, 1989	102,064	2,552	500,155	564,168	(820)	(26,937)	(50,000)	989,118
Sale of Common Stock under stock plans, including tax benefits	3,374	84	60,992	—	—	—	—	61,076
Reissuance of treasury stock under stock plans	—	—	(1,932)	—	—	17,784	—	15,852
ESOP compensation	—	—	—	—	—	—	5,085	5,085
Translation adjustments	—	—	—	—	10,357	—	—	10,357
Net income	—	—	—	121,832	—	—	—	121,832
Balances, September 30, 1990	105,438	2,636	559,215	686,000	9,537	(9,153)	(44,915)	1,203,320
Sale of Common Stock under stock plans	2,661	66	25,355	—	—	—	—	25,421
Reversal of tax benefits related to stock plans	—	—	(8,890)	—	—	—	—	(8,890)
Reissuance of treasury stock under stock plans	—	—	(2,768)	—	—	8,768	—	6,000
Acquisition of treasury stock	—	—	—	—	—	(9,296)	—	(9,296)
Translation adjustments	—	—	—	—	(3,781)	—	—	(3,781)
Net income	—	—	—	35,171	—	—	—	35,171
Balances, September 30, 1991	108,099	$2,702	$572,912	$721,171	$ 5,756	$ (9,681)	$(44,915)	$1,247,945

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income taxes (In Part)

In 1990 and 1989, the Company recognized certain tax benefits related to stock option plans in the amounts of $16.1 million and $9.9 million, respectively. Such benefits were recorded as a reduction of income taxes payable and an increase in additional paid-in capital. In 1991, income tax benefits of $8.9 million previously credited to additional paid-in capital were reversed as a result of the carryback to prior years of current-year tax credits. Recognition of such benefits is deferred until realized in future years.

TASTY BAKING COMPANY

Consolidated Statements of Changes in Capital Accounts

	Dec. 28, 1991		Dec. 29, 1990		Dec. 30, 1989	
	Shares	Amount	Shares	Amount	Shares	Amount
Common Stock:						
Balance, beginning of year	7,021,823	$ 3,510,912	6,950,573	$ 3,475,287	6,833,487	$ 3,416,744
Issuances:						
Stock Option Plan	85,264	42,632	71,250	35,625	117,086	58,543
Balance, end of year	7,107,087	$ 3,553,544	7,021,823	$ 3,510,912	6,950,573	$ 3,475,287
Capital in Excess of Par Value of Stock:						
Balance, beginning of year		$21,700,743		$20,485,226		$19,189,621
Issuances:						
Management Stock Purchase Plan		160,112		115,522		173,621
Stock Option Plan		743,660		662,957		790,760
Tax benefits related to Management Stock Purchase Plan and Stock Option Plan		553,508		437,038		331,224
Balance, end of year		$23,158,023		$21,700,743		$20,485,226
Treasury Stock:						
Balance, beginning of year	1,022,071	$10,489,464	728,758	$ 5,813,406	697,162	$ 4,952,202
Management Stock Purchase Plan:						
Reissued	(14,618)	(89,303)	(10,125)	(53,651)	(9,837)	(60,744)
Reacquired	5,632	87,101	4,018	55,937	3,156	31,477
Shares reacquired in connection with:						
Stock Option Plan	41,660	775,918	41,597	698,582	28,277	672,971
Repurchase program	—	—	257,823	3,975,190	10,000	217,500
Balance, end of year	1,054,745	$11,263,180	1,022,071	$10,489,464	728,758	$ 5,813,406
Management Stock Purchase Plan Receivables and Deferrals:						
Balance, beginning of year		$ 840,565		$ 889,598		$ 836,906
Common stock issued		249,414		169,173		234,365
Common stock repurchased		(73,735)		(54,761)		(25,892)
Note payments and amortization of deferred compensation		(170,747)		(163,445)		(155,781)
Balance, end of year		$ 845,497		$ 840,565		$ 889,598

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Management Stock Purchase Plan:

The Management Stock Purchase Plan provides that common shares may be sold to management employees from time to time at prices designated by the Board of Directors (not less than 50% of the fair market value at date of grant) and under certain restrictions and obligations to resell to the company. During 1991 and 1990, a total of 14,618 and 10,125 shares of common stock was sold at 50% of fair market value at date of grant. The aggregate sales price of these shares was $124,250 and $84,263, respectively, for which collateral judgment notes were obtained to be paid in equal quarterly installments (not to exceed 40) with interest on the unpaid balance at 4½% and 4¼% in 1991 and 5% in 1990. At December 28, 1991, a total of 745,254 common shares was authorized under the Plan, of which 202,991 shares remain available for issuance through December 31, 1996.

For accounting purposes, the difference between the fair market value of the stock at the date of grant and the purchase price, $125,164 in 1991 and $84,910 in 1990, represents compensation. The compensation is deferred and, together with the notes receivable, is shown as a deduction from shareholders' equity. The deferred compensation is amortized over a ten year period or the period the employees perform services, whichever is less. Amortization charged to income amounted to $98,147, $84,328 and $77,805 in 1991, 1990 and 1989, respectively.

In accordance with an Internal Revenue Service regulation, the company includes both the dividends paid on shares restricted under the Plan, and the difference between the purchase price of the stock at the date of the grant and the fair market value at the date the Plan restrictions lapse as employee compensation for federal income tax purposes. The tax benefits relating to the difference between the amounts deductible for federal income taxes over the amounts charged to income for book purposes have been credited to capital in excess of par value of stock.

Purchase Method Acquisitions

ASHLAND OIL, INC.

Statements of Consolidated Common Stockholders' Equity

(In thousands)	Common stock	Paid-in capital	Retained earnings	Deferred translation adjustments	Loan to LESOP	Prepaid contribution to LESOP	Total
Balance at October 1, 1988	$58,813	$107,602	$1,078,686	$(1,773)	$(34,519)	$(87,828)	$1,120,981
Net income			86,205				86,205
Dividends on common stock, $1.00 a share			(55,233)			(3,171)	(58,404)
Purchased and retired common stock	(821)	(27,889)					(28,710)
Issued common stock under stock incentive plans	108	1,132					1,240
Allocation of LESOP shares to participants						18,616	18,616
Other changes	43	729		(176)			596
Balance at September 30, 1989	58,143	81,574	1,109,658	(1,949)	(34,519)	(72,383)	1,140,524
Net income			182,059				182,059
Dividends on common stock, $1.00 a share			(55,433)			(2,621)	(58,054)
Purchased and retired common stock	(370)	(12,456)					(12,826)
Issued common stock under stock incentive plans	35	512					547
Allocation of LESOP shares to participants						18,531	18,531
Other changes	(5)	(123)		9,360			9,232
Balance at September 30, 1990	57,803	69,507	1,236,284	7,411	(34,519)	(56,473)	1,280,013
Net income			144,998				144,998
Dividends on common stock, $1.00 a share			(56,161)			(2,072)	(58,233)
Purchased and retired common stock	(152)	(4,203)					(4,355)
Issued 2,200 common shares in the acquisition of Permian	2,200	64,625					66,825
Issued common stock under stock incentive plans	28	347					375
Allocation of LESOP shares to participants						18,503	18,503
Other changes		38		(4,657)			(4,619)
Balance at September 30, 1991	$59,879	$130,314	$1,325,121	$ 2,754	$(34,519)	$(40,042)	$1,443,507

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (In Part): Acquisitions and Divestitures

Acquisitions

During 1989, Ashland acquired 66 7-Eleven properties in Minnesota and Wisconsin from The Southland Corporation, the highway construction operations of an Alabama company, a joint venture partner's interest in a methanol plant and a chemical distribution business. During 1990, Ashland acquired approximately 500,000 acres of Appalachian natural gas producing and undeveloped properties from Oxy USA, the water treatment services division of Olin Corporation, various quick-lube businesses, the used oil collection assets of an Indiana company, a foundry products business in Spain and various chemical and plastics distribution operations. These acquisitions were accounted for as purchases and did not have a significant effect on Ashland's consolidated financial statements.

On June 30, 1991, Ashland acquired, from National Intergroup, Inc. ("NII"), the stock of The Permian Corporation ("Permian") and Permian Producers, Inc. and NII's interests in Permian Partners, L.P. Permian is one of the nation's largest independent gatherers and marketers of crude oil, with operations in West Texas and the Rocky Mountain areas. The $223,366,000 purchase price consisted of $73,270,000 cash, 2,200,000 shares of Ashland common stock, which had a value of $66,825,000 based upon the closing price on Friday, June 28, and $83,271,000 in debt assumed. Ashland retired the debt outstanding on July 1. Had this purchase been reflected as of October 1, 1988, it would not have had a significant impact on Ashland's net income for the years ended September 30, 1989, 1990 and 1991. Ashland preliminarily recorded Permian's assets acquired at $489,563,000 and liabilities assumed at $349,468,000.

Also during 1991, Ashland purchased an asphalt storage and marketing terminal near Cincinnati from Chevron U.S.A., Inc. This acquisition was accounted for as a purchase and did not have a significant impact on Ashland's consolidated financial statements.

SNAP-ON TOOLS CORPORATION

Consolidated Statements of Shareholders' Equity

(Amounts in thousands) for fiscal years	1991	1990	1989
Common stock			
Amount at beginning of year	$ 41,277	$ 41,117	$ 40,911
Shares issued under incentive stock plans	230	160	206
Dividend reinvestment plan	15	—	—
Acquisition of Balco, Inc. (Note 11)	689	—	—
Amount at end of year	42,211	41,277	41,117
Additional contributed capital in excess of par value of common stock			
Amount at beginning of year	9,333	5,243	—
Additions from incentive stock plans	4,872	4,026	5,077
Tax benefit from certain stock options	440	64	166
Dividend reinvestment plan	457	—	—
Acquisition of Balco, Inc.	20,474	—	—
Amount at end of year	35,576	9,333	5,243
Retained earnings			
Amount at beginning of year	582,704	526,449	464,394
Net earnings for the year	34,277	100,760	104,710
Dividends per share paid in cash—$1.08 in 1991 and 1990, and $1.04 in 1989	(45,086)	(44,505)	(42,655)
Amount at end of year	571,895	582,704	526,449
Foreign currency translation adjustment			
Amount at beginning of year	3,089	(152)	(103)
Net currency translation adjustment for the year	(52)	3,241	(49)
Amount at end of year	3,037	3,089	(152)
Total shareholders' equity	$652,719	$636,403	$572,657

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Capital Stock

On May 21, 1991, the Company completed the acquisition of Balco, Inc., increasing its ownership from approximately 34% to 100%. The acquisition was made through the issuance of 689,082 shares of common stock. The common stock exchanged was valued at approximately $21.2 million, the average market value at the time of the acquisition. Goodwill of approximately $14.6 million was recorded as a result of this acquisition. Pro forma results of operations as if the transaction had occurred at the beginning of the year are not shown as the effect would not be material.

Warrants Exercised

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 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)
Exercise of stock options	90,484	23	884	—
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
Net loss	—	—	—	(62,985)
Benefit of federal net operating loss carryforward	—	—	(1,600)	—
Cash dividends on preferred stock	—	—	—	(28)
Issuances of Common Stock:				
Exercise of warrants by majority shareholder	4,319,760	1,080	24,839	—
Exercise of stock options	125,710	31	1,394	—
Balances, February 28, 1991	22,502,100	$5,625	$185,044	$(41,974)
Shares of Common Stock reserved for issuance at February 28, 1991 were as follows (not including 643,559 shares available for future grant under stock option plans):				
Conversion of Series B Preferred Stock	32,204			
Exercise of stock options outstanding	853,650			
Exercise of warrants	1,575,000			

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Shareholders' Equity

At February 28, 1991, there were warrants outstanding to purchase 1,575,000 shares of the Company's Common Stock at $6.00 per share which were issued in connection with a capital infusion transaction effected in February 1982. These warrants expire on February 8, 1992. An additional 4,319,760 of such $6.00 warrants were exercised on October 5, 1990 by the Company's majority shareholder (Note 9). Warrants to purchase 2,100,000 shares of Common Stock at a price of $20.50 per share which were issued in connection with the sale of the Company's 10% Subordinated Debentures due 1994 (Note 4) expired on February 1, 1989.

9 (In Part): Transactions with Majority Shareholder

On October 5, 1990, the Company's majority shareholder exercised warrants to purchase 4,319,760 shares of common stock at $6.00 per share, which resulted in the receipt by the Company on that date of approximately $25,919,000. Had these warrants been exercised on March 1, 1990, the Company's primary net loss per common share for fiscal 1991 would have been $(2.78) per share.

Warrants Purchased By Issuing Company

ATHLONE INDUSTRIES, INC.

Statements of Changes in Common Stockholders' Equity

(In thousands, except share amounts) Years ended December 31	1991	1990	1989
Shares of Common Stock			
Beginning of year	6,005,152	5,522,602	5,280,602
Exercise of stock options	—	283,150	—
Issuance of common stock	—	199,400	242,000
End of year	6,005,152	6,005,152	5,522,602
Common Stock, Par Value—End of Year	$ 600	$ 600	$ 552
Additional Paid-In Capital			
Beginning of year	$15,386	$10,463	$ 6,014
Exercise of stock options	—	2,750	—
Issuance of common stock	—	2,173	4,449
Purchase of warrants (note 5(c))	(1,282)	—	—
End of year	$14,104	$15,386	$10,463
Valuation Allowance for Investments			
Beginning of year	$ (861)	$ (675)	$ (1,773)
Valuation allowance	557	(186)	1,098
End of year	$ (304)	$ (861)	$ (675)
Retained Earnings			
Beginning of year	$23,622	$25,286	$17,110
Net earnings	3,769	4,479	13,862
Dividends declared on common stock	(6,005)	(5,572)	(5,122)
Dividends declared on preferred stock	(129)	(516)	(516)
Accretion of Series A first preferred stock	(221)	(55)	(48)
End of year	$21,036	$23,622	$25,286

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Common Stock

(c) The stock purchase warrants, held by an insurance company, were purchased by the Company for $1,282,000 during 1991. The price represented the difference between the market value of the Company's common stock and the exercise price of the warrants on the day agreement was reached on the purchase of the warrants. This amount was charged to additional paid-in capital.

Put Warrant Offering

INTEL CORPORATION

Consolidated Statements of Stockholders' Equity

Three years ended December 28, 1991 *(In thousands)*	Common stock Number of shares	Common stock Amount	Capital in excess of par value	Retained earnings	Total
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	1,383,427	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
Proceeds from sales of shares through employee stock plans, tax benefit of $35,246 and other	4,272	4	133,494	—	133,498
Proceeds from sales of put warrants	—	—	14,219	—	14,219
Reclassification of put warrant obligation	—	—	(79,836)	(60,164)	(140,000)
Net income	—	—	—	818,629	818,629
Balance at December 28, 1991	203,923	$204	$1,640,432	$2,777,216	$4,417,852

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Put Warrants

The Company sold 3.5 million put warrants in private placements during the fourth quarter of 1991. (See Stock Repurchase Program.) Each warrant obligates Intel to purchase one share of Common Stock at $40 per share if the purchaser exercises the warrant. The warrants expire in December 1992. The proceeds of the put warrant offerings of $14.2 million have been recorded in capital in excess of par value. The amount related to the Company's potential $140 million obligation to buy back 3.5 million shares of Common Stock has been removed from Stockholders' Equity and recorded as Put Warrants. This transaction resulted in a decrease of $80 million in capital in excess of par value and a decrease of $60 million in retained earnings. There is no impact on earnings per share in 1991 since the repurchase would be antidilutive at the current market price of the Company's Common Stock.

Treasury Stock Retired/Purchased

ANALOGIC CORPORATION

Consolidated Statements of Stockholders' Equity

(000 omitted, except share data)

Years Ended July 31, 1991, 1990 and 1989

	Common stock Shares	Common stock Amount	Capital in excess of par value	Retained earnings	Treasury stock Shares	Treasury stock Amount	Unearned compensation	Total stockholders' equity
Balance, July 31, 1988	16,001,376	$800	$38,641	$104,022	(408,388)	($2,931)	($2,007)	$138,525
Cancellation of shares issued pursuant to stock grants			(165)		(17,000)	(1)	166	
Shares issued pursuant to stock options					1,666	11		11
Purchases of treasury stock					(919,700)	(7,012)		(7,012)
Amortization of unearned compensation							411	411
Amounts related to employee stock purchase plan			4		10,402	68		72
Net income for the year				14,518				14,518
Balance, July 31, 1989	16,001,376	800	38,480	118,540	(1,333,020)	(9,865)	(1,430)	146,525
Cancellation of shares issued pursuant to stock grants			(454)		(50,000)	(2)	456	
Shares issued pursuant to stock options	12,125	1	106		5,487	35		142
Purchases of treasury stock					(610,479)	(5,901)		(5,901)
Amortization of unearned compensation							245	245
Amounts related to employee stock purchase plan					9,032	59		59
Net income for the year				12,431				12,431
Balance, July 31, 1990	16,013,501	801	38,132	130,971	(1,978,980)	(15,674)	(729)	153,501
Retirement of treasury shares	(1,978,980)	(99)	(15,575)		1,978,980	15,674		
Cancellation of shares issued pursuant to stock grants			(29)		(4,125)		29	
Shares issued pursuant to stock options	53,686	2	374		11,440	93		469
Purchases of treasury stock					(1,037,300)	(9,366)		(9,366)
Amortization of unearned compensation							300	300
Amounts related to employee stock purchase plan			(13)		9,633	81		68
Income tax reduction relating to stock options			105					105
Net income for the year				12,239				12,239
Balance, July 31, 1991	14,088,207	$704	$22,994	$143,210	(1,020,352)	($9,192)	($ 400)	$157,316

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Stockholders' equity:

As part of a program authorized by the Board of Directors, the Company made the following purchases of common stock for its treasury: 1,037,300 shares during fiscal 1991 at an aggregate cost of $9,366,000; 610,479 shares during fiscal 1990 at an aggregate cost of $5,901,000; and 919,700 shares during fiscal 1989 at an aggregate cost of $7,012,000. During fiscal 1991, 1,978,980 shares of treasury stock acquired in prior years were constructively retired at their aggregate cost.

WAXMAN INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity

	Common Stock	Class B Common Stock	Paid-In Capital	Retained Earnings
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 share				(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
Net income				2,228,000
Cash dividends:				
$.12 per common share and per Class B share				(1,149,000)
Common stock repurchase	(4,000)		(1,906,000)	
Currency translation adjustments				(345,000)
Balance, June 30, 1991	$ 72,000	$ 23,000	$ 7,684,000	$30,287,000

NOTES TO FINANCIAL STATEMENTS

7 (In Part): Stockholders' Equity

In August 1990, the Board of Directors authorized the Company to repurchase up to 750,000 shares of its common stock in open market purchases or privately negotiated transactions. During fiscal 1991, the Company purchased approximately 452,000 shares of its common stock at an aggregate cost of approximately $1,910,000.

Change In Par Value

COHERENT, INC.

Consolidated Statements of Shareholders' Equity

Years ended September 28, 1991, September 29, 1990 and September 30, 1989

(In thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Notes Receivable From Stock Sales	Retained Earnings	Accumulated Translation Adjustment
Balance, October 1, 1988	8,516	$ 1,876	$48,985	$ (552)	$31,172	$1,631
Sales of shares under employee stock option plans	213	45	1,744	(496)		
Productivity Incentive Plan distributions	18	4	228			
Sales of shares under Employee Stock Purchase Plan	165	36	1,363			
Tax benefit of stock option transactions			324			
Collection of notes receivable				156		
Translation adjustment						(242)
Net income					8,561	
Balance, September 30, 1989	8,912	1,961	52,644	(892)	39,733	1,389
Sales of shares under employee stock option plans	33	8	389	(82)		
Productivity Incentive Plan distributions	10	2	142			
Sales of shares under Employee Stock Purchase Plan	158	34	1,328			
Repurchases of common stock	(247)	(55)	(2,403)			
Tax benefit of stock option transactions			30			
Collection of notes receivable				88		
Translation adjustment						2,428
Net loss					(449)	
Balance, September 29, 1990	8,866	1,950	52,130	(886)	39,284	3,817
Change in par value of common stock (Note 1)		(1,862)	1,862			
Sales of shares under employee stock option plans	200	3	1,782	(481)		
Productivity Incentive Plan distributions	4		51			
Sales of shares under Employee Stock Purchase Plan	120	1	1,019			
Repurchases of common stock	(83)	(1)	(692)			
Tax benefit of stock option transactions			231			
Translation adjustment						(1,553)
Net income					227	
Balance, September 28, 1991	9,107	$ 91	$56,383	$(1,367)	$39,511	$2,264

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Reincorporation—On October 1, 1990, the Company changed its state of incorporation from California to Delaware. In connection with the reincorporation, the par value of common stock changed from $.22 per share to $.01 per share which resulted in a decrease in common stock and an increase in additional paid-in capital of $1,862,000.

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.

BRISTOL-MYERS SQUIBB COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Foreign Currency Translation

Cumulative translation adjustments which represent the effect of translating assets and liabilities of the company's non-U.S. entities, except those in highly inflationary economies, were:

(in millions of dollars)	1991	1990	1989
Balance, January 1	$61	$149	$114
Effect of balance sheet translations:			
Amount	38	(81)	33
Tax effect	(9)	(7)	2
Balance, December 31	$90	$ 61	$149

Losses resulting from foreign currency transactions and translation adjustments, primarily related to non-U.S. entities operating in highly inflationary economies, principally Brazil, of $44 million, $74 million and $40 million, net of applicable income taxes, are reflected in net earnings for 1991, 1990 and 1989, respectively.

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Translation Of Foreign Currencies

Most of the Company's foreign entities use the local currency as the functional currency and translate all assets and liabilities at year-end exchange rates, all income and expense accounts at average rates and record adjustments resulting from the translation in a separate component of common shareholders' equity. The following is an analysis of the cumulative translation adjustments reflected in common shareholders' equity:

(in millions)	1991	1990	1989
Balance at January 1	$12.2	$ 8.7	$9.6
Translation and other	(3.6)	7.3	(1.4)
Allocated income taxes	1.8	(3.8)	0.5
Balance at December 31	$10.4	$12.2	$8.7

The remaining foreign entities translate monetary assets and liabilities at year-end exchange rates and inventories, property and nonmonetary assets and liabilities at historical rates. Income and expense accounts are translated at the average rates in effect during the year, except that depreciation and cost of sales are translated at historical rates. Adjustments resulting from the translation of these entities are included in the results of operations. Gains and losses resulting from transactions of the Company and its subsidiaries which are made in currencies different from their own are included in income as they occur. Total currency losses of $0.7 million, $1.0 million and $5.7 million were recorded in 1991, 1990 and 1989, respectively.

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency Translation

Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries, except those in highly inflationary economies, are accumulated in a separate section of stockholders' equity titled, "Cumulative foreign currency translation adjustments." Also included are the effects of exchange rate changes on intercompany transactions of a long-term investment nature and transactions designated as hedges of net foreign investments.

An analysis of this account follows.

	(Millions of dollars)		
	1991	1990	1989
Balance at beginning of year	$(209.5)	$(183.9)	$(166.0)
Translation adjustments, including the effect of hedging	6.5	(36.6)	(12.8)
Related income tax effect	(13.9)	11.0	(5.1)
Balance at end of year	$(216.9)	$(209.5)	$(183.9)

Included in other charges were net exchange losses of $53.4 million, $49.2 million and $68.9 million for 1991, 1990 and 1989, respectively, primarily relating to translation of the assets and liabilities of subsidiaries in Argentina, Brazil and Mexico.

AVERY DENNISON CORPORATION

Consolidated Statement of Shareholders' Equity

(Dollars in millions)	Common stock $1 par value	Capital in excess of par value	Retained earnings	Cumulative foreign currency translation adjustment	Cost of unallocated ESOP shares	Treasury stock
Balance November 30, 1988	$61.6	$185.2	$588.6	$12.5	$ (78.3)	—
Stock issued under Performance Convertible Debenture Unit Plan	.1	.6				
Stock issued under option plan	.2	1.3				
Tax benefit arising from stock option transactions and dividends paid on stock held by leveraged ESOPs		2.5				
Net income			114.2			
Dividends: $.54 per share			(23.8)			
Dennison prior to merger			(20.8)			
Translation adjustments				(9.6)		
Income taxes allocated to translation adjustments				(.4)		
Leveraged ESOP borrowings, net					(22.6)	
Balance November 30, 1989	61.9	189.6	658.2	2.5	(100.9)	—
December 1989 net income			3.4			
Stock issued under option plan	.1	.2				
Tax benefit arising from stock option transactions and dividends paid on stock held by leveraged ESOPs		2.5				
Net income			5.9			
Dividends: $.64 per share			(31.6)			
Dennison prior to merger			(15.7)			
Translation adjustments				57.7		
Income taxes allocated to translation adjustments				1.9		
Leveraged ESOP borrowings, net					10.6	
Balance December 31, 1990	62.0	192.3	620.2	62.1	(90.3)	—
Repurchase of 980,180 shares for treasury						$(20.8)
Stock issued under option plan	.1	.4				2.0
Tax benefit arising from stock option transactions and dividends paid on stock held by leveraged ESOPs		2.3				
Net income			63.0			
Dividends: $.76 per share			(47.1)			
Translation adjustments				(32.9)		
Income taxes allocated to translation adjustments				(.4)		
Leveraged ESOP borrowings, net					12.1	
Balance December 31, 1991	$62.1	$195.0	$636.1	$28.8	$ (78.2)	$(18.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Summary of Significant Accounting Policies

Foreign Currency Translation

Foreign currency transactions and financial statements are translated into U.S. dollars at current rates, except that revenues, costs and expenses are translated at average current rates during each reporting period. Gains and losses resulting from foreign currency transactions, other than transactions used to hedge the value of investments in certain foreign subsidiaries, are included in income currently. Gains and losses resulting from hedging transactions and from translation of financial statements are excluded from the statement of income and are credited or charged directly to a separate component of shareholders' equity. Translation gains and losses of subsidiaries operating in hyperinflationary economies are included in net income currently.

Transaction and translation gains (losses) increased (decreased) net income in 1991, 1990 and 1989 by $.4 million, ($5.1) million, and ($3.5) million, respectively, or $.01, ($.08), and ($.06) per share, respectively.

TRINOVA CORPORATION

Statement of Shareholders' Equity

Period of three years ended December 31, 1991

(dollars in thousands, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Currency Translation Adjustments
Balance at January 1, 1989	$170,779	$ 97	$ 503,775	$ 4,554
Net income for the year			32,334	
Cash dividends paid ($.66 a share)			(22,522)	
Issuance of 30,603 shares, net of shares exchanged, under stock plans	153	137		
Redemption of shareholder rights issued in 1986			(642)	
Translation adjustments and losses from certain hedges and intercompany balances				(9,111)
Allocated income taxes				(586)
Purchase of 1,212,700 treasury shares	(6,063)		(21,645)	
Balance at December 31, 1989	164,869	234	491,300	(5,143)
Net income for the year			45,465	
Cash dividends paid ($.68 a share)			(20,523)	
Issuance of 2,374 shares under stock plans	12	32		
Translation adjustments and gains from certain hedges and intercompany balances				32,796
Allocated income taxes				4,069
Purchase of 4,757,600 treasury shares	(23,788)		(90,613)	
Balance at December 31, 1990	141,093	266	425,629	31,722
Net loss for the year			(184,079)	
Cash dividends paid ($.68 a share)			(19,190)	
Issuance of 7,470 shares under stock plans	37	70		
Translation adjustments and losses from certain hedges and intercompany balances				(21,318)
Allocated income taxes				417
Balance at December 31, 1991	$141,130	$336	$ 222,360	$ 10,821

NOTES TO FINANCIAL STATEMENTS

Note 14 (In Part): Non-U.S. Operations

The following summary of financial data pertains to the Company and its non-U.S. operations. The geographic groupings of non-U.S. operations have been based on similarities of business environments and geographic proximity.

U.S. sales include export sales to unaffiliated non-U.S. customers of $65,917,000, $58,076,000 and $69,814,000 in 1991, 1990 and 1989, respectively. Currency exchange losses included in Other—net amounted to $10,172,000, $14,578,000 and $21,244,000 in 1991, 1990 and 1989, respectively. The exchange losses principally result from translation of financial statements for the Company's operations in Brazil and are due, in part, to funds which have been invested. The currency exchange losses were substantially offset by investment income.

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.

PRESENTATION IN ANNUAL REPORT

TABLE 5-1: PRESENTATION IN ANNUAL REPORT

	1991	1990	1989	1988
Final statement	336	328	338	352
Follows income statement and balance sheet	228	232	218	201
Between income statement and balance sheet	36	40	43	45
First statement	—	—	1	2
Total Companies	**600**	**600**	**600**	**600**

Table 5-1 shows where in relation to other financial statements a Statement of Cash Flows is presented in an annual report. As shown in Table 5-1, a Statement of Cash Flows 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.

TITLE

TABLE 5-2: TITLE

	1991	1990	1989	1988
Cash Flows	590	589	590	528
Cash Flow	10	11	10	12
Changes in Financial Position	—	—	—	58
Other	—	—	—	2
Total Companies	**600**	**600**	**600**	**600**

As indicated in Table 5-2, the survey companies, with a few exceptions, used the title set forth in *SFAS No. 95* to identify a Statement of Cash Flows.

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 activites. 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 statements interest and income tax payments are disclosed. Those survey companies disclosing the amount of interest payments in the notes to financial statements did so usually in a note discussing debt or in a note discussing details about the Statement of Cash Flows. Those survey companies disclosing the amount of income tax payments in the notes to financial statements did so usually in a note discussing income taxes or in a note discussing details about the Statement of Cash Flows.

Examples of reporting cash flows from operating activities follow.

TABLE 5-3: METHOD OF REPORTING CASH FLOWS FROM OPERATING ACTIVITIES

	1991	1990	1989	1988
Indirect method	585	585	583	526
Direct method	15	15	17	16
Total Companies Presenting Statement of Cash Flows	**600**	**600**	**600**	**542**

TABLE 5-4: INTEREST AND INCOME TAX PAYMENTS

	1991	1990	1989	1988
Interest Payments				
Notes to financial statements	348	343	350	300
Bottom of Statement of Cash Flows	217	217	211	161
Within Statement of Cash Flows	18	17	19	24
Amount not disclosed	17	23	20	57
Total Companies	**600**	**600**	**600**	**542**
Income Tax Payments				
Notes to financial statements	353	350	351	315
Bottom of Statement of Cash Flows	216	217	212	164
Within Statement of Cash Flows	23	21	21	24
Amount not disclosed	8	12	16	39
Total Companies	**600**	**600**	**600**	**542**

Direct Method

COLLINS INDUSTRIES, INC.

Consolidated Statements of Cash Flows

For each of the three years in the period ended October 31, 1991

	1991	1990	1989
Cash flow from operations:			
Cash received from customers	$ 138,870,245	$ 144,770,135	$ 131,269,180
Cash paid to suppliers and employees	(133,747,096)	(130,525,771)	(127,053,481)
Interest received	188,842	203,836	210,356
Interest paid	(4,121,217)	(4,372,288)	(4,173,072)
Income taxes paid	(392,031)	(220,000)	—
Cash provided by operations	798,743	9,855,912	243,983
Cash flow from investing activities:			
Capital expenditures	(1,754,051)	(1,611,949)	(2,138,979)
Proceeds from sale of fixed assets and assets held for resale	645,250	19,759	159,946
Proceeds from collections of note receivable from sale of assets of discontinued operations	25,000	25,000	246,000
Other	27,197	(102,355)	(90,643)
Cash used in investing activities	(1,056,604)	(1,669,545)	(1,823,676)
Cash flow from financing activities:			
Net short-term borrowings (payments)	1,002,859	(3,584,856)	(5,390,926)
Principal payments of long-term debt	(2,557,778)	(3,306,673)	(3,988,208)
Principal payments of capitalized leases	(376,942)	(518,393)	(483,065)
Addition to long-term debt	1,250,000	—	1,250,000
Purchase and retirement of common stock	(115,000)	—	
Funds held from issue of Industrial Revenue Bonds for the purchase of facilities and equipment	—	—	(1,250,000)
Cash provided by (used in) financing activities	(796,911)	(7,409,922)	919,653
Net increase (decrease) in cash	(1,054,772)	776,445	(660,040)
Cash at beginning of year	1,924,014	1,147,569	1,807,609
Cash at end of year	$ 869,242	$ 1,924,014	$ 1,147,569

Reconciliation of Net Income to Net Cash Provided by Operating Activities

	1991	1990	1989
Net Income	$1,615,196	$2,025,094	$1,837,544
Non cash charges to net income	3,464,262	2,662,924	3,102,444
(Increase) in deferred taxes	(205,000)	—	—
(Gain) loss from sale of fixed assets	28,126	17,340	(7,514)
(Increase) decrease in accounts and notes receivable, net	(6,710,243)	4,724,713	(3,207,873)
(Increase) decrease in inventories	(5,041,507)	5,334,969	(4,801,942)
(Increase) decrease in prepaid expenses	162,848	36,872	(607,451)
Increase (decrease) in accounts payable	7,130,839	(4,664,487)	3,492,256
Increase (decrease) in accrued expenses	354,222	(281,513)	436,519
Cash provided by operations	$ 798,743	$ 9,855,912	$ 243,983

COMPAQ COMPUTER CORPORATION

Consolidated Statement of Cash Flows

	Year ended December 31,		
	1991	1990	1989
		(in thousands)	
Cash flows from operating activities:			
Cash received from customers	$ 3,325,465	$ 3,536,984	$ 2,771,724
Cash paid to produce inventories	(2,014,919)	(2,005,673)	(1,911,970)
Cash paid to other suppliers and employees	(807,729)	(715,397)	(521,863)
Interest received	32,301	26,889	22,269
Interest paid	(36,907)	(46,728)	(38,898)
Income taxes paid	(104,001)	(140,294)	(134,619)
Net cash provided by operating activities	394,210	655,781	186,643
Cash flows from investing activities:			
Purchases of property, plant and equipment	(188,746)	(324,859)	(367,151)
Investment in Silicon Graphics, Inc.	(135,000)		
Purchases of other assets	(16,636)	(1,747)	(3,886)
Proceeds from sale of stock of affiliated company			10,815
Net cash used in investing activities	(340,382)	(326,606)	(360,222)
Cash flows from financing activities:			
Proceeds from issuance of notes payable			30,000
Purchases of treasury shares	(82,275)		
Proceeds from sale of equity securities	22,637	22,645	14,820
Repayment of borrowings	(540)	(30,561)	(444)
Net cash provided by (used in) financing activities	(60,178)	(7,916)	44,376
Effect of exchange rate changes on cash	23,824	(47,872)	9,337
Net increase (decrease) in cash	17,474	273,387	(119,866)
Cash and short-term investments at beginning of year	434,700	161,313	281,179
Cash and short-term investments at end of year	$ 452,174	$ 434,700	$ 161,313
Reconciliation of net income to net cash provided by operating activities:			
Net income	$ 130,869	$ 454,910	$ 333,300
Depreciation and amortization	165,824	135,305	84,575
Provision for bad debts	8,542	3,878	1,014
Equity in net income of affiliated company	(19,765)	(29,682)	(13,771)
Unrealized gain on investment in affiliated company		(34,532)	(13,691)
Realized gain on investment in affiliated company			(7,621)
Deferred income taxes	(9,639)	40,443	29,315
Loss on disposal of assets	4,200	4,887	1,235
Exchange rate effect	(4,136)	21,422	5,727
Other changes in net current assets	118,315	59,150	(233,440)
Net cash provided by operating activities	$ 394,210	$ 655,781	$ 186,643

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Short-Term Investments:

The Company held the following short-term investments:

	December 31, 1991	December 31, 1990
	(in thousands)	
Money market instruments	$321,527	$383,621
Commercial paper	120,000	21,300
	$441,537	$404,921

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.

THE LUBRIZOL CORPORATION

Consolidated Statements of Cash Flows

(In Thousands of Dollars)	Year Ended December 31 1991	1990	1989
Cash provided from (used for):			
Operating activities:			
Received from customers	$ 1,480,776	$ 1,395,667	$ 1,220,978
Paid to suppliers and employees	(1,265,058)	(1,206,060)	(1,066,449)
Income taxes paid	(55,116)	(87,713)	(51,528)
Interest and dividends received	9,960	10,181	15,736
Interest paid	(7,129)	(6,058)	(6,193)
Tax refund received, including interest	20,418		
Received from the sale of investments			7,161
Other—net	8,266	8,302	5,200
Total operating activities	192,117	114,319	124,905
Investing activities:			
Proceeds from sale of Genentech		105,843	
Capital expenditures	(82,398)	(77,407)	(64,721)
Investments in non-consolidated companies	(751)	(6,690)	(1,723)
Acquisitions—net of cash acquired	(392)	(8,134)	(16,276)
Other—net	3,589	1,912	2,691
Total investing activities	(79,952)	15,524	(80,029)
Financing activities:			
Short-term borrowing	2,587	3,240	1,925
Long-term borrowing	18,400	34	
Long-term repayment	(18,660)		(195)
Dividends paid	(53,322)	(52,257)	(51,509)
Common shares purchased, net of options exercised	(10,327)	(86,980)	(37,022)
Total financing activities	(61,322)	(135,963)	(86,801)
Effect of exchange rate changes on cash	(796)	579	(670)
Net increase (decrease) in cash and short-term investments	50,047	(5,541)	(42,595)
Cash and short-term investments at the beginning of year	76,100	81,641	124,236
Cash and short-term investments at the end of year	$ 126,147	$ 76,100	$ 81,641

NOTES TO FINANCIAL STATEMENTS

(In Thousands of Dollars Unless Otherwise Indicated)

Note 9—Supplemental Cash Flow Information

The company generally invests its excess cash in short-term investments with various banks and financial institutions. Short-term investments are cash equivalents as they are part of the cash management activities of the company and are comprised primarily of investments having maturities of less than three month.

The following is a reconciliation of net income to net cash provided by (used for) operating activities:

	1991	1990	1989
Net income	$123,659	$ 190,046	$ 93,980
Depreciation and amortization	59,473	59,529	54,065
Deferred income taxes	(2,716)	3,749	1,128
Distributed (undistributed) earnings of non-consolidated companies	(3,743)	(4,178)	650
Write-down of assets		14,734	5,000
Gain on sale of Genentech		(101,921)	
Change in current assets and liabilities:			
Receivables	4,470	(57,034)	(6,932)
Inventories	(14,187)	(32,244)	(8,486)
Accounts payable and accrued expenses	1,780	39,716	(8,463)
Other current assets	15,304	(2,146)	(1,762)
Increase in non-current liabilities	1,554	4,126	3,317
Other items—net	6,523	(58)	(7,592)
Net cash provided by operating activities	$192,117	$ 114,319	$124,905

In 1990, net cash provided by operating activities is after deducting $31.2 million of income taxes paid resulting from the gain on sale of Genentech, the proceeds from which are included in investing activities.

Reconciliation Of Net Income To Net Cash Flow From Operating Activities

BELDING HEMINWAY COMPANY, INC.

Consolidated Statements of Cash Flows

All amounts in thousands	*Year ended December 31,* 1991	1990	1989
Net income	$ 2,125	$ 1,766	$ 5,873
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,874	3,090	3,369
Provision for doubtful accounts and other allowances	538	253	557
Increase in deferred taxes	520	130	200
Undistributed earnings of real estate partnerships and other entities	97	1,047	94
Loss (gain) on sale of equipment	13	(67)	(326)
Loss (gain) on sale of investments		2	(3,414)
Issuance of stock in connection with employee compensation plans and charitable contributions		217	490
Changes in operating assets and liabilities net of effects from acquisition of businesses:			
Decrease (increase) in accounts receivable	1,324	3,102	(989)
Decrease (increase) in inventories	3,512	2,739	(4,846)
Increase in other assets	(602)	(1,812)	(145)
Decrease in other assets and deferred charges	211	59	78
Increase (decrease) in accounts payable	447	(1,442)	526
Increase (decrease) in accrued expenses and other liabilities	17	(3,585)	312
Decrease in other liabilities	(24)	(163)	(32)
Net Cash Provided by Operating Activities	11,052	5,336	1,747
Investing Activities			
Purchase of fixed assets	(1,135)	(2,352)	(6,047)
Acquisition of businesses, net of cash acquired	(200)	(600)	(868)
Proceeds from sale of fixed assets	23	107	461
Proceeds from sale of investments		390	3,495
Distributions from real estate partnerships and other entities	122	1,024	96
Acquisitions and investments in real estate partnerships and other entities	(1,518)	(1,216)	(1,531)
Net Cash Used in Investing Activities	(2,708)	(2,647)	(4,394)
Financing Activities			
Proceeds from short-term borrowings from banks	15,000	20,000	6,900
Repayments of notes payable and short-term borrowings from banks	(18,500)	(17,400)	(250)
Repayment of long-term debt and capital lease obligation	(2,004)	(1,041)	(386)
Dividends paid	(1,210)	(1,230)	(1,091)
Acquisition of Treasury stock	(103)	(1,301)	(3,596)
Issuance of Stock in connection with stock option plan		8	
Net Cash (Used in) Provided by Financing Activities	(6,817)	(964)	1,577
Increase (decrease) in cash and cash equivalents	1,527	1,725	(1,070)
Cash and cash equivalents at beginning of year	3,854	2,129	3,199
Cash and cash equivalents at end of year	$ 5,381	$ 3,854	$ 2,129

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

7. Cash Flows

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Interest and income taxes paid (refunded) for the years ended December 31, 1991, 1990 and 1989 were approximately $3,540,000 and $(15,000); $3,942,000 and $1,814,000; $3,495,000 and $3,157,000, respectively.

PITTWAY CORPORATION

Consolidated Statement of Cash Flows

For The Years December 31, 1991, 1990 and 1989

(Dollars in Thousands)

	1991	1990	1989
Cash Flows From Operating Activities:			
Net income	$ 25,516	$ 24,063	$ 32,719
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	46,502	44,373	33,752
Minority interests	1,295	1,382	2,339
Deferred income taxes	122	(1,050)	7,678
Purchased tax benefits	(3,422)	(2,537)	(1,932)
Retirement and deferred compensation plans	4,446	(1,562)	2,248
Equity in net income of affiliates (in excess of) / less than cash distributions received	583	(2,224)	581
Provision for losses on accounts receivable	6,013	5,484	3,588
Change in assets and liabilities, excluding effects from acquisitions, dispositions and foreign currency adjustments:			
Increase in accounts and notes receivable	(12,360)	(6,559)	(37,614)
(Increase) decrease in inventories	(6,398)	(10,251)	5,258
Increase in accounts payable and accrued expenses	23,038	5,585	12,261
Increase (decrease) in income taxes and future income tax benefits	6,240	(764)	(12,688)
Other changes, net	(4,062)	1,620	3,090
Net cash flow provided by operating activities	87,513	57,560	51,280
Cash Flows From Investing Activities:			
Capital expenditures	(43,544)	(72,045)	(68,033)
Disposition of property and equipment	2,089	2,561	3,939
Decrease in non-current marketable securities			47,374
Additions to real estate investments and other ventures	(5,465)	(2,020)	(939)
Dispositions of businesses	5,295		
Collections of notes receivable	3,487	3,470	5,064
Noncash net assets of businesses acquired	(2,677)	(24,592)	(19,340)
Net cash used by investing activities	(40,815)	(92,626)	(31,935)
Cash Flows From Financing Activities:			
Net (decrease) increase in notes payable	(18,506)	30,201	(22,873)
Proceeds of long-term debt	9,899	23,852	33,853
Repayments of long-term debt	(10,500)	(5,572)	(4,242)
Dividends paid	(10,412)	(32,631)	(4,117)
Net cash (used in) provided by financing activities	(29,519)	(15,850)	2,621
Effect of exchange rate changes on cash	(386)	935	145
Net increase (decrease) in cash and equivalents	16,793	(18,281)	22,111
Cash and equivalents at beginning of period	16,094	34,375	12,264
Cash and equivalents at end of period	$ 32,887	$ 16,094	$ 34,375
Supplemental cash flow disclosure:			
Interest paid	$ 12,181	$ 13,812	$ 8,606
Income taxes paid	16,951	19,446	27,348

SUMMARY OF ACCOUNTING POLICIES

Cash Equivalents

Cash equivalents are generally comprised of highly liquid instruments with maturities of three months or less such as treasury bills, certificates of deposit, commercial paper and time deposits.

PLASMA-THERM INC

Consolidated Statements of Cash Flows

	Year Ended November 30,		
	1991	1990	1989
Cash flows from operating activities			
Net income (loss)	$(1,390,832)	$ 1,983,879	$ 1,478,825
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Acquired research and development	—	240,000	—
Compensation	24,922	58,326	125,890
Depreciation and amortization	759,033	578,225	766,333
Loss on disposal of assets	62,513	—	—
Loss of non-consolidated subsidiary	961,868	932,555	460,401
Tax benefit allocated to non-consolidated subsidiary	(65,000)	(171,124)	(18,414)
Translation loss on subsidiaries in liquidation	130,057	—	—
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	610,708	(344,167)	(376,905)
Increase in refundable income taxes	(73,700)	—	—
(Increase) decrease in inventories	67,330	1,259,745	(1,067,152)
(Increase) decrease in prepaid expenses and other	(24,678)	62,508	65,770
Increase (decrease) in accounts payable and accrued liabilities	(447,446)	140,629	387,715
Decrease in deferred income	—	—	(26,113)
Increase (decrease) in income taxes payable	(205,343)	105,717	(66,998)
Net cash provided by operating activities	409,432	4,846,293	1,729,352
Cash flows from investing activities			
Capital expenditures	(656,006)	(2,101,488)	(505,923)
Other	23,669	(25,458)	37,860
Proceeds from sale of assets	712,700	81,379	49,221
Increase in investment in non-consolidated subsidiary	(859,624)	(635,401)	(269,152)
Net cash used in investing activities	(779,261)	(2,680,968)	(687,994)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	$ —	$ 182,640	$ 254,340
Payments of long-term debt	(570,315)	(817,679)	(715,580)
Net (payments) proceeds under line of credit agreements	(384,961)	103,640	(52,822)
Sale of common stock	11,489	53,550	17,500
Net cash used in financing activities	(943,787)	(477,849)	(496,562)
Effect of exchange rate changes on cash	25,052	36,937	(12,724)
Net increase (decrease) in cash and cash equivalents	(1,288,564)	1,724,413	532,072
Cash and cash equivalents at beginning of year	3,435,396	1,710,983	1,178,911
Cash and cash equivalents at end of year	$ 2,146,832	$ 3,435,396	$ 1,710,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Equivalents

For purposes of the consolidated statements of cash flows, the company considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. At November 30, 1991, substantially all cash was invested in money market accounts.

Note 13: Cash Flow Information

The following is supplemental cash flow information for the years ended November 30:

	1991	1990	1989
Cash paid for:			
Interest	$212,760	$269,018	$411,559
Income taxes	223,696	336,531	47,341

STEEL TECHNOLOGIES INC.

Consolidated Statements of Cash Flows

For the Years Ended September 30, 1991, 1990 and 1989	1991	1990	1989
Cash Flows from Operating Activities:			
Net income	$ 3,501,180	$ 6,663,418	$ 5,905,895
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,437,627	2,955,956	2,230,292
Provision for losses on trade accounts receivable	1,038,010	256,000	78,000
Increase (decrease) in deferred income taxes	341,000	(105,000)	57,000
Equity in net loss (income) of corporate joint venture	80,888	(70,760)	(188,465)
Gain on sale of property, plant and equipment	(10,704)	(7,779)	(706,421)
Increase (decrease) in cash resulting from changes in:			
Trade accounts receivable	(67,978)	(4,870,263)	(471,220)
Inventories	11,468,365	(12,103,087)	2,498,323
Prepaid expenses and other assets	(243,680)	(320,194)	108,430
Accounts payable	2,895,370	6,075,568	(4,019,120)
Accrued compensation, accrued liabilities and income taxes	206,218	971,051	(792,017)
Net cash provided by (used in) operating activities	22,646,296	(555,090)	4,700,697
Cash Flows from Investing Activities:			
Purchases of property, plant and equipment	(10,126,455)	(9,018,475)	(12,548,934)
Investments in corporate joint ventures	(1,052,793)	—	(580,783)
Proceeds from sale of property, plant and equipment	16,310	92,233	2,767,886
Net cash used in investing activities	(11,162,938)	(8,926,242)	(10,361,831)
Cash Flows from Financing Activities:			
Principal payments on long-term debt	(12,938,658)	(750,647)	(12,975,873)
Proceeds from long-term debt	2,809,000	10,803,000	4,156,000
(Repurchase) sale of common stock	(76,300)	—	14,700,450
Cash dividends on common stock	(321,451)	(321,532)	(241,148)
Net cash (used in) provided by financing activities	(10,527,409)	9,730,821	5,639,429
Net increase (decrease) in cash and cash equivalents	955,949	249,489	(21,705)
Cash and cash equivalents, beginning of year	660,811	411,322	433,027
Cash and cash equivalents, end of year	$ 1,616,760	$ 660,811	$ 411,322

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents:

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

Consolidated Statements of Cash Flows:

Cash paid for interest was $1,446,000, $1,105,000 and $927,000 for 1991, 1990 and 1989. Cash paid for income taxes was $1,980,000, $3,503,000 and $3,639,000 for 1991, 1990 and 1989.

Interest And Income Tax Payments

ASTROSYSTEMS, INC.

Consolidated Statements of Cash Flows

	Year Ended June 30,		
	1991	1990	1989
Cash flows from operating activities:			
Net earnings (loss)	$ 107,000	$ (325,000)	$ (560,000)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	488,000	327,000	289,000
Realized (gain) on sale of securities	—	—	(39,000)
Unrealized loss on securities and long term investment	158,000	120,000	—
Equity in loss of investee	171,000	80,000	281,000
Shares issued to retirement plan	133,000	34,000	—
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(2,184,000)	(894,000)	2,603,000
(Increase) decrease in inventories	393,000	(907,000)	1,919,000
(Increase) decrease in prepaid and refundable income taxes	(451,000)	300,000	(232,000)
Decrease in prepaid expenses and other current assets	450,000	384,000	216,000
Increase (decrease) in accounts payable	310,000	49,000	(370,000)
Increase (decrease) in taxes payable	(1,101,000)	2,517,000	—
Increase (decrease) in interest payable	(1,047,000)	1,132,000	—
Increase (decrease) in accrued payroll, employee benefits and other accrued liabilities	(73,000)	(119,000)	122,000
Increase (decrease) in deferred taxes	34,000	(2,832,000)	(603,000)
Net cash provided by (used in) operating activities	(2,612,000)	(134,000)	3,626,000
Cash flows from investing activities:			
Sale and maturities of marketable securities	9,023,000	6,754,000	10,179,000
Purchases of marketable securities	(3,871,000)	(12,704,000)	(8,805,000)
Acquisition of net assets and business	(2,561,000)	—	—
Cash included in net assets exchanged for equity investment	—	—	(1,029,000)
Acquisition of equipment	(105,000)	(169,000)	(300,000)
Net cash provided by (used in) investing activities	2,486,000	(6,119,000)	45,000
Cash flows from financing activities:			
Purchase and retirement of shares	(535,000)	(1,265,000)	(497,000)
Net (Decrease) Increase in Cash and Cash Equivalents	(661,000)	(7,518,000)	3,174,000
Cash and cash equivalents, beginning of year	7,092,000	14,610,000	11,436,000
Cash and Cash Equivalents, End of Year	$ 6,431,000	$ 7,092,000	$14,610,000
Supplemental disclosures of cash flow information:			
Cash paid during the year for income taxes	$ 1,552,000	—	$ 448,000
Cash paid during the year for interest	$ 1,097,000	—	—

NOTES TO FINANCIAL STATEMENTS

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

2. 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.

GOLDEN ENTERPRISES, INC.

Consolidated Statements of Cash Flows

Years ended May 31, 1991, 1990 and 1989	1991	1990	1989
Cash flows from operating activities:			
Net income	$ 4,400,695	$ 4,438,894	$ 5,391,265
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,068,660	5,667,231	6,467,449
Compensation related to stock plan	(16,116)	361,676	—
Deferred income taxes	(304,000)	(480,000)	352,000
Gain on sale of equipment	(278,999)	(300,947)	(280,418)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	315,277	291,579	(413,807)
Decrease (increase) in inventories	(202,861)	(61,497)	(414,399)
Decrease (increase) in prepaid expenses	553,641	(573,371)	(11,074)
Decrease (increase) in other assets—long-term	(127,611)	(174,530)	(144,572)
Increase (decrease) in checks outstanding in excess of bank balances	689,806	782,621	(502,006)
Increase (decrease) in accounts payable	65,706	(1,229,129)	(196,403)
Increase (decrease) in accrued income taxes	4,505	258,658	(269,603)
Increase (decrease) in accrued expenses	60,702	(425,246)	(15,970)
Net cash provided by operating activities	10,229,405	8,555,939	10,355,268
Cash flows from investing activities:			
Purchase of property, plant and equipment	(1,359,958)	(5,241,153)	(3,623,206)
Proceeds from sale of equipment	473,051	465,912	395,430
Net (increase) decrease in marketable securities	(4,501,351)	7,202,793	(5,458,540)
Net cash provided by (used in) investing activities	(5,388,258)	2,427,552	(8,686,316)
Cash flows from financing activities:			
Payments of current installment of long-term debt	(63,808)	(63,808)	(63,808)
Purchase of treasury shares	(634,763)	(417,072)	(946,188)
Cash dividends paid	(4,956,509)	(10,873,129)	(3,972,058)
Net cash used in financing activities	(5,655,080)	(11,354,009)	(4,982,054)
Net (decrease) increase in cash and cash equivalents	(813,933)	(370,518)	(3,313,102)
Cash and cash equivalents at beginning of year	2,309,100	2,679,618	5,992,720
Cash and cash equivalent at end of year	$ 1,495,167	$ 2,309,100	$ 2,679,618
Supplemental information:			
Cash paid during the year for:			
Income taxes	$ 2,932,495	$ 2,407,130	$ 2,875,815
Interest	$ 14,576	$ 23,161	$ 34,790

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.

HONEYWELL INC.

Statement of Cash Flows

(Dollars in Millions)	Years Ended December 31		
	1991	1990	1989
Cash Flows from Operating Activities			
Net income	$ 331.1	$ 381.9	$ 604.1
Adjustment to reconcile net income to net cash flows from operating activities:			
Discontinued operations		(10.1)	(53.8)
Depreciation	238.5	236.1	247.8
Amortization of intangibles	47.5	46.9	47.0
Deferred income taxes	33.7	30.6	(150.2)
Gain on sale of assets		(21.7)	(340.1)
Equity income, net of dividends received	(12.3)	(9.5)	(30.2)
Loss on disposition of property, plant and equipment	4.4		4.4
Contributions to employee stock plans	34.3	31.1	
(Increase) decrease in receivables	(48.2)	174.8	(56.4)
(Increase) decrease in inventories	63.6	53.5	(96.1)
Increase in accounts payable	21.5	123.2	42.2
Increase (decrease) in accrued income taxes and interest	(38.7)	(199.4)	150.5
Other changes in working capital, excluding short-term investments and short-term debt	(150.9)	(121.2)	102.4
Other noncurrent items—net	(35.6)	5.1	14.4
Net cash flows from operating activities	488.9	721.3	486.0
Cash Flows from Investing Activities			
Proceeds from sale of assets and discontinued product lines	22.8	149.0	482.4
Capital expenditures	(240.2)	(251.5)	(268.0)
Proceeds from sale of property, plant and equipment	4.3	21.4	5.5
Discontinued operations		13.8	42.0
(Increase) decrease in short-term investments	26.4	(10.9)	13.6
Other—net	(10.6)	(8.7)	(8.1)
Net cash flows from investing activities	(197.3)	(86.9)	267.4
Cash Flows from Financing Activities			
Net increase (decrease) in short-term debt	66.9	(115.4)	(175.6)
Proceeds from issuance of long-term debt for spin-off		165.0	
Proceeds from issuance of other long-term debt	99.1	20.1	
Repayment of long-term debt	(81.5)	(29.3)	(102.5)
Purchase of treasury stock	(123.6)	(517.0)	(350.5)
Proceeds from employee stock plans	16.7	33.1	52.9
Dividends paid	(108.3)	(105.8)	(95.7)
Net cash flows from financing activities	(130.7)	(549.3)	(671.4)
Effect of exchange rate changes on cash	6.0	14.6	(5.6)
Increase in cash and cash equivalents	166.9	99.7	76.4
Cash and cash equivalents at beginning of year	330.3	230.6	154.2
Cash and cash equivalents at end of year	$ 497.2	$ 330.3	$ 230.6

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

Note 1 (In Part): Accounting Policies

Statement of Cash Flows—Cash equivalents are all highly liquid, temporary cash investments purchased with a maturity of three months or less.

Cash flows from contracts used to hedge cash dividends payments from subsidiaries are classified as part of the effect of exchange rate changes on cash.

Note 6 (In Part): Income Taxes

Taxes paid were $190.4 in 1991, $258.8 in 1990 and $98.2 in 1989. Additionally, Honeywell recorded $6.0, $10.0 and $10.0, in 1991, 1990 and 1989, respectively, of interest expense related to prior years' tax issues.

Note 14 (In Part): Debt

Interest Paid—Interest paid amounted to $96.9 in 1991, $127.8 in 1990 and $131.6 in 1989.

MAXUS ENERGY CORPORATION

Consolidated Statement of Cash Flows

Year Ended December 31,	1991	1990	1989
		(dollars in millions)	
Cash Flows From Operating Activities:			
Net income (loss)	$ (11.2)	$ 7.3	$ (31.0)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization	203.6	190.5	234.0
Dry hole costs	17.5	21.7	16.0
Income taxes	(7.6)	7.3	(7.5)
Interest expense on zero-coupon convertible notes	8.4	7.7	6.2
Net gain on sales of assets	(9.0)		(76.9)
Other	16.7	3.9	20.2
Changes in components of working capital:			
Receivables	23.3	.9	(42.8)
Inventories	3.8	(3.3)	1.9
Prepaids and other current assets	1.1	(.5)	(6.6)
Accounts payable	(12.4)	(20.4)	41.5
Accrued liabilities	(15.4)	15.7	(12.6)
Taxes payable	(2.9)	5.8	11.1
Deferred revenue	21.7		
Net cash provided by operating activities	237.6	236.6	153.5
Cash Flows From Investing Activities:			
Expenditures for properties and equipment—including dry hole costs	(272.3)	(272.9)	(165.8)
Expenditures for investments	(17.4)	(14.0)	(28.6)
Proceeds from sales of assets	76.6	10.9	316.8
Proceeds from sale/maturity of short-term investments	27.4	38.5	66.8
Purchases of short-term investments	(31.3)	(35.1)	(62.7)
Other	(14.0)	(24.0)	(20.5)
Net cash provided by (used in) investing activities	(231.0)	(296.6)	106.0
Cash Flows From Financing Activities:			
Proceeds from issuance of long-term debt	210.2	33.5	189.1
Repayment of long-term debt	(196.6)	(22.7)	(318.9)
Proceeds from issuance of Common Stock	17.0	89.8	
Repurchases and restructuring of $9.75 Preferred Stock		(69.0)	
Dividends paid	(41.7)	(44.0)	(46.6)
Net cash used in financing activities	(11.1)	(12.4)	(176.4)
Net increase (decrease) in cash and cash equivalents	(4.5)	(72.4)	83.1
Cash and cash equivalents at beginning of year	29.5	101.9	18.8
Cash and cash equivalents at end of year	$ 25.0	$ 29.5	$ 101.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Statement of Cash Flows

Investments with maturities of three months or less at the time of acquisition are considered cash equivalents for purposes of the accompanying Consolidated Statement of Cash Flows. The cash and cash equivalents balances at December 31, 1991 and 1990 include cash equivalents of $22.9 million and $20.7 million, respectively. Short-term investments are stated at cost which approximates market value.

Net cash provided by operating activities reflects cash payments for interest and income taxes as follows:

	1991	1990	1989
Interest, net of amounts capitalized	$ 78.0	$67.8	$88.9
Income taxes	143.1	52.3	49.7

Discontinued Operations

THE MEAD CORPORATION

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents (Note S)

(All dollar amounts in millions)

Year Ended December 31	1991	1990	1989
Cash flows from operating activities:			
Net earnings	$ 6.9	$ 38.5	$ 215.8
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation, amortization and depletion of property, plant and equipment	236.4	193.5	168.3
Depreciation and amortization of other assets	52.0	54.0	49.7
Other expenses	34.5	78.7	
Deferred income taxes	(13.1)	(7.4)	37.5
Jointly-owned companies	24.6	13.9	(4.8)
Gain on sale of business	(44.1)		(23.1)
Current income taxes on gain	14.2		5.8
Loss from discontinued operations	10.0	74.8	31.5
Extraordinary item, gain on retirement of debt		(6.9)	
Cumulative effect of change in accounting principle	58.7		
Other	(12.0)	(24.8)	(22.2)
Change in assets and liabilities, excluding effects of acquisitions and dispositions:			
Accounts receivable	6.0	6.1	(3.1)
Inventories	(53.7)	(13.7)	(29.2)
Prepaid expenses	1.3	4.9	(8.7)
Accounts payable and accrued liabilities	(27.6)	36.9	50.6
Net cash provided by operating activities	294.1	448.5	468.1
Cash flows from financing activities:			
Additional borrowings	148.4	299.7	63.0
Payments on borrowings	(108.1)	(24.0)	(63.1)
Notes payable	45.0		
Cash dividends paid	(58.3)	(60.3)	(53.7)
Common shares issued	1.5	1.1	4.8
Common shares purchased		(135.7)	(.2)
Net cash provided by (used in) financing activities	28.5	80.0	(49.2)
Cash flows from investing activities:			
Funds restricted for construction	3.1	28.3	248.8
Capital expenditures	(265.5)	(454.5)	(595.4)
Payment for acquired business	(7.4)	(4.6)	
Proceeds from sale of business			36.3
Investments in and advances to jointly-owned companies	(1.5)	(1.2)	(3.8)
Other	(21.0)	(8.5)	(15.8)
Net cash (used in) investing activities	(292.3)	(440.5)	(329.9)
Net cash provided by continuing operations	30.3	88.8	89.0
Cash (used in) discontinued operations	(26.8)	(88.8)	(102.0)
Increase (decrease) in cash and cash equivalents	3.5	—	(13.0)
Cash and cash equivalents at beginning of year	21.1	21.1	34.1
Cash and cash equivalents at end of year	$ 24.6	$ 21.1	$ 21.1

NOTES TO FINANCIAL STATEMENTS

A (In Part): Accounting Policies

Cash and Cash Equivalents. The company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

S—Additional Information on Cash Flows

(All dollar amounts in millions) *Year Ended December 31*	1991	1990	1989
Cash paid during the year for:			
Interest (net of amount capitalized)	$112.5	$93.2	$81.9
Income taxes	$ 41.9	$43.3	$47.4

The company's non-cash activities are summarized as follows:

(All dollar amounts in millions) *Year Ended December 31*	1991	1990
Sale of business (proceeds received in January 1992)	$45.0	
Capital lease obligations	$ 8.9	$35.1
Debt securities issued in retirement of previously outstanding borrowings (face value $100.0 million and $104.5 million in 1991 and 1990, respectively)	$99.8	$92.3

In addition, during 1990 the company exchanged its shares of Dataline, carried at $6.5 million, for stock in Star Data Systems, Inc., a provider of stock quotes.

SUN COMPANY, INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31 *(Millions of Dollars)*	1991	1990	1989
Increase (Decrease) in Cash and Cash Equivalents Cash Flows from Operating Activities:			
Net income (loss)	$(387)	$ 229	$ 98
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
(Income) loss from discontinued operations	255	26	(26)
Cumulative effect of change in accounting principle	—	(30)	—
Provision for write-down of assets and other matters	75	—	209
Accrual for environmental remediation	118	—	—
Depreciation, depletion and amortization	475	468	388
Dry hole costs and leasehold impairment	53	59	33
Deferred income taxes	(92)	(25)	(14)
Changes in working capital pertaining to operating activities:			
Accounts and notes receivable	377	(243)	(152)
Inventories	68	1	(99)
Accounts payable and accrued liabilities	(251)	211	301
Taxes payable	(48)	54	(45)
Other	106	37	54
Net cash provided by operating activities	749	787	747
Cash Flows from Investing Activities:			
Capital expenditures	(674)	(714)	(647)
Investments in leases and secured loans	(16)	(67)	(71)
Cash provided (used) by discontinued operations	(22)	(44)	19
Proceeds from divestments	232	146	82
Other	34	49	(2)
Net cash used in investing activities	(446)	(630)	(619)
Cash Flows from Financing Activities:			
Net proceeds from (repayments of) short-term borrowings	(69)	12	136
Proceeds from issuance of long-term debt	163	88	1
Repayments of long-term debt	(114)	(163)	(508)
Cash dividend payments	(191)	(192)	(192)
Other	(5)	(17)	3
Net cash used in financing activities	(216)	(272)	(560)
Net increase (decrease) in cash and cash equivalents	87	(115)	(432)
Cash and cash equivalents at beginning of year	279	394	826
Cash and cash equivalents at end of year	$ 366	$ 279	$ 394

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash Equivalents and Investments

Sun considers all highly liquid investments with a remaining maturity of three months or less at the time of purchase to be cash equivalents. Sun's cash equivalents consist principally of time deposits and certificates of deposit. Investments with maturities from greater than three months to one year are classified as short-term investments while those with maturities in excess of one year are classified as long-term investments. Sun's short-term investments consist of marketable securities. Cash equivalents and investments are stated at cost which approximates market value.

16. Supplemental Cash Flow Information

The consolidated statement of cash flows for 1991 excludes the effects of certain noncash investing activities relating to the sale of ECC (Note 4). The following is a summary of the noncash effects of this transaction (in millions of dollars):

Decrease in:	
Accounts and notes receivable	$ 16
Long-term receivables and investments	107
Other noncurrent assets	7
Increase (decrease) in:	
Accounts payable and accrued liabilities	1
Taxes payable	(2)
Earnings employed in the business	(5)
Net increase in cash and cash equivalents	$124

Cash payments for income taxes were $137, $202 and $197 million in 1991, 1990 and 1989, respectively. Cash payments for interest, net of amounts capitalized, were $91, $105 and $133 million in 1991, 1990 and 1989, respectively.

Extraordinary Items

SAFEWAY INC.

Consolidated Statements of Cash Flows

(in millions)	1991	1990	1989
Cash Flow from Operations:			
Net income	$ 54.9	$ 87.1	$ 2.5
Reconciliation of net cash flow from operations:			
Extraordinary loss related to early retirement of debt, before income tax benefit	39.0	—	—
Depreciation and amortization	295.9	276.2	257.8
AppleTree Charge	115.0	—	—
Amortization of deferred finance costs	15.5	13.5	13.2
Deferred income taxes	(12.9)	(35.6)	11.5
LIFO expense	8.1	15.1	15.2
Equity in undistributed (earnings) losses of unconsolidated affiliates	(45.8)	(25.5)	4.0
Gain on common stock offering by unconsolidated affiliate	(27.4)	—	—
Net pension expense (income)	1.9	(0.9)	(6.5)
(Decrease) increase in accrued claims and other liabilities	(19.3)	3.6	49.1
Loss (gain) on property retirements	26.4	24.7	(1.2)
Changes in working capital items:			
Receivables	(7.0)	0.2	32.8
Inventories at FIFO cost	(41.3)	(55.2)	(65.6)
Prepaid expenses and other current assets	(17.7)	(1.4)	(13.8)
Payables and accruals	10.6	74.4	114.6
Income taxes	(58.3)	(40.0)	19.4
Net cash flows from operations	337.6	336.2	433.0
Cash Flow from Investing Activities:			
Cash paid for property additions	(589.9)	(422.1)	(365.3)
Proceeds from sale of property	13.2	45.9	19.7
Purchase of common stock of unconsolidated affiliate	(40.5)	—	(21.0)
Other	(12.3)	(13.5)	26.4
Net cash flow used by investing activities	(629.5)	(389.7)	(340.2)
Cash Flow from Financing Activities:			
Additions to short-term borrowings	$ 59.8	$ 5.3	$ 133.7
Payments on short-term borrowings	—	(383.9)	(227.2)
Additions to long-term borrowings	1,004.9	450.3	219.1
Payments on long-term borrowings	(1,147.9)	(108.8)	(195.2)
Net proceeds from sale of common stock	343.0	120.5	0.9
Premiums paid on early retirement of debt	(34.8)	—	—
Other	(30.0)	(0.9)	—
Net cash flow from (used by) financing activities	195.0	82.5	(68.7)
Effect of changes in exchanges rates on cash	0.5	(1.6)	2.1
(Decrease) increase in cash and equivalents	(96.4)	27.4	26.2
Cash and Equivalents:			
Beginning of year	150.6	123.2	97.0
End of year	$ 54.2	$ 150.6	$ 123.2
Other Cash Flow Information:			
Cash payments during the year for:			
Interest	$ 390.5	$ 374.5	$ 376.8
Income taxes (net of refunds)	143.9	183.2	61.4
Noncash Investing and Financing Activities:			
Mortgage notes assumed in property acquisitions	8.6	0.8	14.7
Capital leases obligations entered into	11.2	3.3	12.6
Capital lease assets retired, net of accumulated amortization	2.8	5.5	1.9
Capital lease obligations retired	8.4	4.8	9.4
Proceeds from mortgage borrowings held in trust	48.2	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (In Part): Significant Accounting Policies

Statement of Cash Flows

Short-term investments with original maturities of less than three months are considered to be cash equivalents.

UNC INCORPORATED

Consolidated Statements of Cash Flows

(Dollars in thousands)	*Year Ended December 31,* 1991	1990	1989
Cash flows from operating activities:			
Net earnings	$ 6,915	$ 5,091	$ 11
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:			
Depreciation and amortization	10,196	12,345	15,089
Provision for losses on accounts receivable	7,340	1,544	918
Provision for loss on disposal of discontinued operations	15,700	—	—
Provision for plant consolidation	—	—	4,422
Provision for deferred income taxes (benefit)	(4,091)	389	(1,336)
Gain on litigation settlement, net	(63,300)	—	—
Gain on disposition of assets and other	(317)	(283)	(672)
Non-recurring operating expense, including goodwill write-down	10,400	—	—
Inventory write-down	7,000	—	—
Extraordinary loss on retirement of debt	1,900	—	—
Changes in assets and liabilities net of effect of acquisitions and divestitures:			
(Increase) in accounts receivable	(11,871)	(5,001)	(12,924)
(Increase) decrease in unbilled costs and accrued profits on contracts in progress	(6,172)	5,322	20,427
(Increase) in inventories	(7,471)	(5,366)	(9,981)
(Increase) decrease in other current assets	23	(3,179)	(241)
(Increase) decrease in other noncurrent assets	174	(4,384)	(1,898)
Increase (decrease) in accounts payable	15,677	5,588	(5,212)
Increase (decrease) in accruals and other current liabilities	2,463	(1,781)	171
Increase (decrease) in income taxes payable	17,824	497	(501)
Increase (decrease) in other noncurrent liabilities	1,286	(1,012)	(158)
(Decrease) in discontinued operations liabilities	(4,427)	(3,451)	(7,120)
Total adjustments	(7,666)	1,228	984
Net cash and short-term investments provided (used) by operating activities	(751)	6,319	995
Cash flows from investing activities:			
Net proceeds from sale of assets	2,021	3,495	5,745
Additions to property, plant and equipment	(7,280)	(24,235)	(49,092)
Acquisition of subsidiaries, net of cash acquired	(5,218)	(16,179)	(24,785)
Cash received from sale of subsidiaries	712	25,285	3,370
Naval Products phase out	20,378	53,072	—
Other transactions, net	(1,617)	(552)	(2,300)
Net cash and short-term investments provided (used) by investing activities	8,996	40,886	(67,062)
Cash flows from financing activities:			
Additions to debt	190,000	175,000	183,000
Reductions in debt	(200,538)	(221,102)	(112,274)
Payment to selling stockholder in connection with private placement and secondary offering of common stock	—	—	(3,699)
Other transactions, net	89	—	845
Net cash and short-term investments provided (used) by financing activities	(10,449)	(46,102)	60,872
Net increase (decrease) in cash and short-term investments	(2,204)	1,103	(5,195)
Cash and short-term investments at beginning of year	3,444	2,341	7,536
Cash and short-term investments at end of year	$ 1,240	$ 3,444	$ 2,341

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(b) Short-Term Investments. Short-term investments, consisting principally of Eurodollar deposits and bank certificates of deposit, are carried at cost, which approximates market. The Company considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

16. Cash Flows

Cash payments for income taxes were $1.8 million, $1.1 million and $2.7 million in 1991, 1990 and 1989, respectively. In these periods interest payments were $18.1 million, $22.0 million and $20.7 million, respectively.

In connection with the acquisition of companies, the Company assumed liabilities of $0.3 million in 1990 and $6.0 million in 1989 (see Note 2).

Cumulative Effect Of Accounting Changes

DIXIE YARNS, INC.

Consolidated Statements of Cash Flows

	Year Ended		
	Dec 28, 1991	Dec 29, 1990	Dec 30, 1989
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$(26,417,089)	$ 7,528,817	$ 11,715,842
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	21,692,216	19,008,942	16,169,284
Provision (benefit) for deferred income taxes	(6,876,000)	655,000	7,257,000
Restructuring and plant closing costs and (gain) loss from sale of assets	23,960,590	1,779,756	(3,191,992)
Extraordinary gain from debt retirement	(451,706)	(699,093)	—
Cumulative effect of accounting change	1,497,195	—	—
Changes in operating assets and liabilities:			
Accounts receivable	7,532,675	(384,477)	4,283,120
Inventories	934,448	(2,475,705)	2,222,561
Other current assets	1,696,554	509,491	216,294
Other assets	3,109,202	622,527	701,222
Accounts payable and accrued expenses	(12,052,815)	5,405,384	(11,903,012)
Other liabilities	276,793	(587,784)	(230,271)
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,902,063	31,362,858	27,240,048
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets—net of expenditures related to the sale of plants	2,578,782	724,194	(9,706,255)
Purchase of property, plant and equipment	(38,306,024)	(30,983,341)	(32,990,550)
NET CASH USED IN INVESTING ACTIVITIES	(35,727,242)	(30,259,147)	(42,696,805)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in credit line borrowings	36,900,000	(31,000,000)	48,400,000
Proceeds from issuance of subordinated notes	—	50,000,000	—
Repayment of senior debt and repurchase of convertible subordinated debentures	(8,947,575)	(3,456,000)	(1,750,900)
Capital stock acquired	(3,217,191)	(11,372,836)	(24,224,283)
Dividends paid	(3,690,585)	(6,499,467)	(6,939,430)
Other	155,804	(193,055)	242,965
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	21,200,453	(2,521,358)	15,728,352
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	375,274	(1,417,647)	271,595
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,961,405	3,379,052	3,107,457
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,336,679	$ 1,961,405	$ 3,379,052

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.

AMERICAN STORES COMPANY

Consolidated Statements of Cash Flows

Fiscal years ended February 1, 1992, February 2, 1991 and February 3, 1990

(In thousands of dollars)	52 Weeks 1991	52 Weeks 1990	53 Weeks 1989
Cash flows from operating activities			
Net earnings	$ 199,434	$ 182,387	$ 118,129
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Cumulative effect of a change in accounting principle	67,890		
Depreciation and amortization	359,727	380,320	360,548
Net (gain) on disposal of owned property	(103,646)	(9,398)	(44,069)
Deferred income taxes	38,271	(7,419)	(13,814)
Self-insurance accruals and other	4,668	66,846	14,880
(Increase) decrease in current assets:			
Receivables	(49,966)	20,788	(21,134)
Inventories	7,436	(29,423)	(13,730)
Prepaid expenses	(3,709)	(5,994)	13,260
Increase (decrease) in current liabilities:			
Trade accounts payable	6,410	(8,402)	39,752
Other accrued liabilities	61,323	(50,258)	10,214
Accrued payroll and benefits	(4,283)	(8,872)	25,120
Federal and state income taxes	(105,446)	21,853	45,933
Total adjustments	278,675	370,041	416,960
Net cash provided by operating activities	478,109	552,428	535,089
Cash flows from investing activities			
Expended for property, plant and equipment	(354,940)	(326,191)	(545,641)
Proceeds from disposition of divisions and subsidiary, net of cash sold	286,287	174,944	
Proceeds from disposal of properties	11,458	21,386	136,139
Net cash (used in) investing activities	$ (57,195)	$(129,861)	$(409,502)
Cash flows from financing activities			
Proceeds from long-term borrowings	$ 239,528	$ 76,203	$ 715,820
Reductions of long-term debt	(607,448)	(455,192)	(697,464)
Principal payments for obligations under capital leases	(20,962)	(19,015)	(25,852)
Proceeds from exercise of stock options	5,588	3,927	6,569
Conversion and redemption of Series A Preferred Stock			(5,251)
Purchase of treasury stock	(28)	(21)	(557)
Cash dividends	(43,592)	(38,655)	(40,832)
Net cash (used in) financing activities	(426,914)	(432,753)	(47,567)
Net increase (decrease) in cash and cash equivalents	(6,000)	(10,186)	78,020
Cash and cash equivalents			
Beginning of year	77,292	87,478	9,458
End of year	$ 71,292	$ 77,292	$ 87,478

Amounts reflected are net of effects of the disposition of Alpha Beta Company and the 59 drug stores in 1991, and Buttrey Food and Drug division in 1990.

Supplementary Information—Consolidated Statements of Cash Flows:			
Cash paid during the year for:			
Interest (net of amounts capitalized)	$251,221	$340,837	$349,092
Income taxes, net of refunds	$250,896	$159,611	$100,090
Additions to obligations under capital leases	$ 185	$ 4,139	$ 6,707

The Company sold 100% of the stock of its Alpha Beta Company subsidiary and sold the assets, primarily property, equipment, fixtures and inventories of 59 drug stores in 1991. In 1990, the Company sold the assets, consisting primarily of inventories, property, plant and equipment, of its Buttrey Food and Drug division. The proceeds and net book value of assets and stock sold are as follows:

(In thousands of dollars)	1991	1990
Proceeds from dispositions—less liabilities assumed by buyers	$288,659	$175,312
Basis in assets sold	153,707	169,730
Net	$134,952	$ 5,582

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Cash and Cash Equivalents

The Company considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents. There were less than $1.0 million of cash equivalents on February 1, 1992, February 2, 1991 and February 3, 1990.

GENERAL ELECTRIC COMPANY

Statement of Cash Flows

For the years ended December 31 *(In millions)*	1991	1990	1989
Cash flows from operating activities			
Net earnings	$ 2,636	$ 4,303	$ 3,939
Adjustments to reconcile net earnings to cash provided from operating activities			
Cumulative effect of change in accounting principle	1,799	—	—
Depreciation, depletion and amortization	2,832	2,508	2,256
Earnings retained by GEFS	—	—	—
Deferred income taxes	866	183	281
Decrease (increase) in GE current receivables	(350)	(781)	(100)
Decrease (increase) in GE inventories	404	26	(167)
Increase (decrease) in accounts payable	1,162	284	503
Increase in insurance reserves	725	534	486
Allowance for losses on financing receivables	1,102	688	527
Net change in certain broker-dealer accounts	(1,548)	1,200	(872)
All other operating activities	(2,131)	(1,077)	(194)
Cash provided from operating activities	7,497	7,868	6,659
Cash flows from investing activities			
Property, plant and equipment (including equipment leased to others)			
Additions	(5,000)	(4,523)	(5,474)
Dispositions	1,092	1,587	1,294
Net increase in GEFS financing receivables	(7,254)	(5,577)	(6,649)
Payments for principal businesses purchased, net of cash acquired	(3,769)	(4,595)	(1,860)
Proceeds from principal business dispositions	604	603	—
All other investing activities	(2,034)	(2,236)	(436)
Cash used for investing activities	(16,361)	(14,741)	(13,125)
Cash flows from financing activities			
Net change in borrowings (maturities 90 days or less)	6,126	5,407	7,360
Debt having maturities more than 90 days			
Newly issued	15,374	12,065	8,078
Repayments and other reductions	(10,158)	(7,427)	(7,710)
Sale of preferred stock by GE Capital	—	275	—
Disposition of GE shares from treasury (mainly for employee plans)	410	433	509
Purchase of GE shares for treasury	(1,112)	(2,485)	(490)
Dividends paid to share owners	(1,780)	(1,678)	(1,479)
Cash provided from (used for) financing activities	8,860	6,590	6,268
Increase (decrease) in cash and equivalents during year	(4)	(283)	(198)
Cash and equivalents at beginning of year	1,975	2,258	2,456
Cash and equivalents at end of year	$ 1,971	$ 1,975	$ 2,258
Supplemental disclosure of cash flows information			
Cash paid during the year for interest	$ (7,145)	$ (7,072)	$ (6,669)
Cash paid during the year for income taxes	(1,244)	(1,528)	(1,331)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash equivalents. Marketable securities with original maturities of three months or less are included in cash equivalents unless held for trading or investment.

Sale Of Accounts Receivable

TANDY CORPORATION

Consolidated Statements of Cash Flows

(In thousands)	Year Ended June 30, 1991	1990	1989
Cash flows from operating activities:			
Net income	$195,444	$290,347	$323,504
Adjustments to reconcile net income to net cash provided by operating activities;			
Cumulative effect on prior years of change in accounting for extended warranty and service contracts, net of taxes of $5,471,000	10,619	—	—
Depreciation and amortization	99,698	92,115	75,429
Deferred income taxes and other items	(29,633)	(3,206)	277
Provision for credit losses and bad debts	60,643	33,073	22,929
Changes in operating assets and liabilities, excluding the effect of businesses acquired:			
Sale of customer receivables	350,000	—	—
Receivables	(256,445)	(273,921)	(90,362)
Inventories	151,339	(110,336)	14,320
Other current assets	(2,028)	(15,110)	(8,504)
Accounts payable, accrued expenses and income taxes	37,716	45,445	15,326
Net cash provided by operating activities	617,353	58,407	352,919
Investing activities:			
Additions to property, plant and equipment, net of retirements	(139,453)	(112,515)	(122,497)
Acquisition of Victor Technologies	—	(112,856)	—
Payment received on InterTAN note	—	35,906	—
Other investing activities	(1,046)	7,853	(130)
Net cash used by investing activities	(140,499)	(181,612)	(122,627)
Financing activities:			
Purchases of treasury stock	(83,086)	(369,982)	(198,823)
Sales of treasury stock to employee stock purchase program	50,383	52,019	49,449
Issuance of preferred stock to TESOP	100,000	—	—
Dividends paid, net of taxes	(51,478)	(49,760)	(53,458)
Changes in short-term borrowings—net	(598,763)	479,325	(11,612)
Additions to long-term borrowings	210,167	133,751	10,188
Repayments of long-term borrowings	(52,981)	(45,349)	(155,862)
Net cash provided (used) by financing activities	(425,758)	200,004	(360,118)
Increase (decrease) in cash and short-term investments	51,096	76,799	(129,826)
Cash and short-term investments at the beginning of the year	135,197	58,398	188,224
Cash and short-term investments at the end of the year	$186,293	$135,197	$ 58,398

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Summary of Significant Accounting Policies

Cash and Short-term Investments: Cash on hand in stores, deposits in banks and short-term investments with maturities of three months or less are considered cash and cash equivalents.

Short-term investments are carried at cost, which approximates market value.

Note 6 (In Part): Accounts and Notes Receivable

Accounts and notes receivable decreased $157.4 million between the end of fiscal 1990 and the end of fiscal 1991. As shown above, the receivables generated through the credit operations increased significantly during fiscal 1991. However, these receivables were reduced by approximately $350 million through the securitization of receivables discussed below. The receivable from InterTAN is for merchandise purchases (see Note 4). The increased provision for credit losses and write-off of receivables in fiscal 1991 reflects the growth of the credit programs during the year and the impact of the economic recession.

Effective May 1, 1991, the Company transferred $573.5 million of its customer receivables to a trust which, in turn, on June 18, 1991, sold $350 million of certificates representing undivided interests in the trust in a public offering. Net proceeds from the sale of receivables approximated $346 million and the Company recognized a gain of approximately $3.9 million related to the transaction. As of June 30, 1991, all $350 million of the certificates were outstanding and accordingly, were not reflected in the Company's accounts receivable balance. In addition, the balance of the receivables in the trust approximated $538 million at June 30, 1991. The Company owns the remaining undivided interest in the trust not represented by the certificates and will continue to service the receivables for the trust.

In order to maintain the outstanding balance of receivables sold at $350 million during the reinvestment period, which terminates October 1, 1994 or earlier if a defined liquidation event has occurred, the Company transfers participating interest in new receivables as existing receivables are collected.

Cash flows generated from the receivables in the trust are dedicated to the payment of interest on the certificates which have an annual fixed interest rate of 8.25%, absorption of defaulted accounts in the trust and payment of servicing fees to the Company with any remaining cash flows remitted to the Company. Upon the event that such excess cash flows are not sufficient to absorb defaulted accounts, the Company is contingently liable up to a maximum amount of $99 million; however, management believes that its allowance of $12.1 million at June 30, 1991 for future purchases of defaulted accounts under this agreement is adequate.

Under this agreement the trust may issue additional series of certificates from time to time. Terms of any future series will be determined at the time of issuance.

Cash Surrender Value

JOHNSON PRODUCTS CO., INC.

Consolidated Statements of Cash Flows

(Dollars in thousands)	Years Ended August 31, 1991	1990	1989
Cash flows from operating activities:			
Net income	$ 3,188	$ 2,125	$ 2,009
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation and amortization	763	639	516
Write down of other assets	—	30	54
Imputed interest on note	134	78	—
Gain on sale of land	—	—	(2,200)
Gain on sale of investment	—	(369)	—
Gain on note recovery	—	(130)	—
Increase in cash surrender value of life insurance, net of loans	(251)	(20)	(85)
Change in assets and liabilities:			
(Increase) decrease in trade receivables	909	(1,011)	(1,277)
(Increase) decrease in other receivables	(102)	67	(95)
(Increase) decrease in inventories	853	(811)	263
(Increase) decrease in prepaid expenses	47	(6)	(138)
(Increase) decrease in accounts payable	(1,724)	568	1,673
(Increase) decrease in accrued expenses	31	(1)	(237)
Decrease in other non-current liabilities	—	(189)	—
Total adjustments	$ 660	$(1,155)	$(1,526)
Net cash provided by operating activities	$ 3,848	$ 970	$ 483
Cash flows from investing activities:			
Acquisition of business	—	(2,076)	—
Proceeds received from sale of land	—	—	2,261
Increase in intangibles	(49)	—	—
Purchases of property, plant and equipment, net	(614)	(395)	(281)
Proceeds received from sale of investment	—	369	—
Proceeds received from note recovery	—	130	—
Net cash provided by (used for) investing activities	(663)	(1,972)	1,980
Cash flows from financing activities:			
Proceeds from issuance of debt	—	1,500	—
(Increase) decrease in short-term debt, net	(1,595)	1,419	475
Payment of long-term debt	(200)	(1,313)	(2,054)
Payment of acquisition debt	(1,185)	(1,451)	—
Net cash provided by (used for) financing activities	(2,980)	155	(1,579)
Effect of exchange rates on cash	72	(101)	—
Net increase (decrease) in cash	277	(948)	884
Cash at beginning of year	149	1,097	213
Cash at end of year	$ 426	$ 149	$ 1,097
Supplemental investing activity			
Fair market value of assets acquired:			
Intangibles	$ —	$ 3,724	$ —
Inventory	—	1,454	—
	—	5,178	—
Cash paid for acquisition	—	2,076	—
Liabilities incurred	$ —	$ 3,102	$ —
Supplemental cash flow data			
Cash paid during the year for:			
Interest	$ 656	$ 748	$ 794
Taxes paid	51	80	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary Of Significant Accounting Policies

Cash Flows: Cash includes money market accounts, which have a maturity of 90 days or less, and cash on hand.

Bank Overdraft

MCCORMICK & COMPANY, INCORPORATED

Consolidated Cash Flows

	Year ended November 30 1991	1990	1989
	(dollars in thousands)		
Cash flows from operating activities			
Net income	$ 80,924	$ 69,366	$135,525
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	40,476	36,592	34,818
Provision for deferred income taxes	6,062	433	2,787
Gain on sales of assets	(940)	(4,577)	(4,360)
Gain on sale of discontinued real estate operations			(83,000)
Deferred taxes on sale of discontinued real estate operations			11,000
Share of income from unconsolidated operations	(8,776)	(3,655)	(3,479)
Other items not requiring or providing cash	2,526	5,783	2,114
Changes in operating assets and liabilities net of effects from businesses acquired or sold			
Receivables (increase)/decrease	(7,537)	(20,068)	10,087
Inventories (increase)	(33,049)	(13,192)	(2,802)
Prepaid allowances (increase)	(20,672)	(34,961)	(28,842)
Prepaid expenses (increase)/decrease	(71)	525	989
Accounts payable increase	1,266	15,079	507
Bank overdrafts increase	2,335	1,685	530
Income taxes payable increase/(decrease)	(6,284)	6,215	(16,044)
Other accrued liabilities increase	15,130	12,525	4,357
Other assets (increase)	(182)	(1,209)	(668)
Dividend received from unconsolidated subsidiary	3,182	1,623	2,454
Net cash provided by operating activities	74,390	72,164	65,973
Cash flows from investing activities			
Acquisitions of businesses	(246)	(18,469)	(8,260)
Purchases of property, plant and equipment	(72,978)	(58,380)	(53,427)
Proceeds from sale of assets	14,583	12,150	23,459
Proceeds from sale of discontinued real estate operations			139,230
Other investments	(2,861)	445	(2,452)
Net cash provided by/(used in) investing activities	(61,502)	(64,254)	98,550
Cash flows from financing activities			
Notes payable increase/(decrease)	18,259	5,629	(26,381)
Long-term debt			
Borrowings	76,873	7,703	8,054
Repayments	(51,476)	(6,561)	(29,292)
Stocks			
Issued	24,858	16,414	14,983
Acquired by purchase	(57,691)	(59,969)	(77,208)
Dividends paid	(22,433)	(18,677)	(14,562)
Net cash used in financing activities	(11,610)	(55,461)	(124,406)
Effect of exchange rate changes on cash and cash equivalents	(601)	1,318	198
Increase/(decrease) in cash and cash equivalents	677	(46,233)	40,315
Cash and cash equivalents at beginning of year	5,347	51,580	11,265
Cash and cash equivalents at end of year	$ 6,024	$ 5,347	$ 51,580

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies:

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

The Company's central cash management system is designed to maintain zero balances at certain banks. Accounting records classify checks written but not presented to these banks as bank overdrafts.

Settlement Of Tax Assessment

THE UNITED STATES SHOE CORPORATION

Consolidated Statements of Cash Flows
(thousands)

	52 Weeks Ended Feb. 1, 1992	52 Weeks Ended Feb. 2, 1991	53 Weeks Ended Feb. 3, 1990
CASH PROVIDED BY OPERATIONS:			
Net earnings (loss)	$ 31,203	$ (31,283)	$ 49,187
Adjustments to reconcile net earnings (loss) to cash provided by operating activities—			
Provision for depreciation and amortization	83,186	80,140	73,572
Provision for restructuring costs	—	90,000	—
Cumulative effect of accounting changes, net of taxes	8,771	3,621	—
Net loss from disposal of property, plant and equipment	4,061	7,397	6,568
Deferred income taxes	1,049	(27,779)	1,074
Gain on sale of operating assets	—	(9,801)	—
Settlements (payments) of tax assessments	8,602	—	(8,800)
Other, net	(5,188)	5,661	6,074
Sources (uses) of cash from changes in components of working capital, net of effects from disposition of shoe operation in 1990 and restructuring—			
Receivables	8,084	20,729	9,703
Inventories	51,207	(31,287)	(52,522)
Future income tax benefits	9,257	(16,364)	(2,629)
Prepaid expenses	(3,456)	(2,054)	(10,744)
Accounts payable	10,760	(24,607)	28,729
Accrued expenses	19,282	8,671	27,484
Accrued restructuring costs	(17,062)	—	—
Cash provided by operating activities	209,756	73,044	127,696
INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(59,832)	(108,851)	(70,186)
Net proceeds from sale of operating assets	5,820	21,517	2,303
Cash used by investing activities	(54,012)	(87,334)	(67,883)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings	(14,649)	14,649	—
Increase in long-term debt	—	80,000	—
Retirements and repurchases of long-term debt	(91,536)	(20,403)	(30,529)
Payments on capital lease obligations	(2,031)	(381)	(310)
Sale of common shares under stock option plans	78	1,423	2,772
Dividend payments	(23,516)	(22,728)	(20,597)
Cash provided (used) by financing activities	(131,654)	52,560	(48,664)
Increase in cash and cash equivalents	24,090	38,270	11,149
Cash and cash equivalents, beginning of year	59,536	21,266	10,117
Cash and cash equivalents, end of year	$ 83,626	$ 59,536	$ 21,266
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year for—			
Interest	$ 19,830	$ 23,816	$ 27,907
Income taxes	$ 20,844	$ 36,437	$ 31,091

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments with a maturity of three months or less.

Nonhomogeneous Operations

QUAKER STATE CORPORATION

Consolidated Statement of Cash Flows

Years ended December 31	1991	1990	1989
(in thousands)			
Cash flows from operating activities			
Net income	$ 22,709	$ 19,557	$ 11,842
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and depletion	35,251	35,706	36,401
Deferred income taxes and investment tax credit	(7,725)	(10,500)	800
Unusual items—noncurrent	—	(3,643)	—
Cumulative effect of change in accounting principle	(7,170)	—	—
Increase (decrease) from changes in:			
Receivables	11,958	(298)	3,250
Inventories	(9,934)	5,898	4,995
Other current assets	4,314	1,433	9,926
Accounts payable	(9,326)	9,786	(5,698)
Accrued liabilities	4,264	2,008	4,214
Other	(9,716)	(3,767)	5,778
Increase (decrease) from changes in insurance operations:			
Deferred policy acquisition costs	5,786	(5,189)	(9,876)
Unearned premiums	5,435	17,574	22,261
Other	(2,452)	5,592	1,184
Net cash provided by operating activities	43,394	74,157	85,077
Cash flows from investing activities			
Proceeds from disposal of property and equipment	7,207	21,778	1,845
Capital expenditures, including acquisitions	(32,037)	(40,178)	(40,789)
Proceeds from sale of bonds and securities	61,855	67,093	21,138
Purchase of bonds and securities	(72,473)	(85,387)	(34,679)
Net cash used in investing activities	(35,448)	(36,694)	(52,485)
Cash flows from financing activities			
Dividends paid	(21,704)	(21,700)	(21,550)
Proceeds from long-term debt	27,528	11,739	10,628
Payments on long-term debt	(10,750)	(41,799)	(7,808)
Net cash used in financing activities	(4,926)	(51,760)	(18,730)
Net increase (decrease) in cash and cash equivalents	3,020	(14,297)	13,862
Cash and cash equivalents at beginning of year:			
Other than insurance	6,132	22,889	11,818
Insurance	5,945	3,485	694
Total cash and cash equivalents at beginning of year	12,077	26,374	12,512
Cash and cash equivalents at end of year:			
Other than insurance	9,305	6,132	22,889
Insurance	5,792	5,945	3,485
Total cash and cash equivalents at end of year	$ 15,097	$ 12,077	$ 26,374

Supplemental disclosure of cash flow information: Cash paid during the year for	1991	1990	1989
Interest, net of amounts capitalized	$ 6,775	$ 8,229	$ 10,393
Income taxes	11,671	14,480	5,171
Noncash investing activities:			
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.

HILLENBRAND INDUSTRIES, INC.

Statement of Consolidated Cash Flows

(Dollars in thousands) Year Ended	Nov. 30, 1991	Dec. 1, 1990	Dec. 2, 1989
INDUSTRIAL CASH FLOWS:			
Cash Flow From Operating Activities:			
Net income	$ 87,644	$ 76,548	$ 74,407
Adjustments to reconcile net income to net cash flow from operating activities:			
Depreciation and amortization	95,032	93,990	80,959
Change in noncurrent deferred income taxes	(14,153)	11,685	9,890
Interest imputed on earn-out accruals	1,900	4,291	5,283
Change in: (excluding the effects of acquisitions and earn-out payments)			
Trade accounts receivable	(2,076)	(9,986)	(27,701)
Inventories	8,305	(13,322)	(17,763)
Other current assets	(603)	(2,753)	(1,070)
Trade accounts payable	5,168	122	435
Accrued expenses	20,503	10,517	4,164
Other, net	12,194	6,207	4,729
Net Cash Flow From Operating Activities	213,914	177,299	133,333
Cash Flow From Investing Activities:			
Capital expenditures			
Additions to equipment, property and intangibles	(55,294)	(74,458)	(121,326)
Retirements, net	2,970	2,568	1,332
Capitalized earn-out accruals	—	14,776	50,403
Net capital expenditures	(52,324)	(57,114)	(69,591)
Contingent earn-out payments	(57,834)	(32,740)	(31,842)
Acquisition of businesses, net of cash acquired	(80,097)	—	—
Net Cash Flow From Investing Activities	(190,255)	(89,854)	(101,433)
Cash Flow From Financing Activities:			
Additions to short-term debt	5,635	—	225
Reductions of short-term debt	—	(1,920)	(270)
Additions to long-term debt	—	—	1,051
Reductions of long-term debt	(8,688)	(5,433)	(10,382)
Payment of cash dividends	(21,134)	(20,335)	(18,592)
Treasury stock acquired	(14,747)	(19,103)	(6,762)
Treasury stock reissued	1,453	324	711
Unearned restricted stock compensation	282	454	904
Sale of certain accounts receivable	—	6,000	31,000
Net Cash Flow From Financing Activities	(37,199)	(40,013)	(2,115)
Total Industrial Cash Flows	(13,540)	47,432	29,785
INSURANCE CASH FLOWS:			
Net income (loss)	1,543	(870)	(3,089)
Change in benefit reserves, net	151,293	140,044	100,071
Change in unearned revenue	49,726	35,273	30,018
Change in deferred acquisition costs	(38,799)	(35,767)	(28,400)
Change in investments, net	(170,258)	(149,810)	(99,860)
Change in noncurrent deferred income taxes	(8,454)	(454)	574
Other, net	(3,396)	1,953	(8,340)
Total Insurance Cash Flows	(18,345)	(9,631)	(9,026)
Consolidated Cash Flows	(31,885)	37,801	20,759
Cash and Cash Equivalents			
At Beginning of Year	86,785	48,984	28,225
At End of Year	$ 54,900	$ 86,785	$ 48,984

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

1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers investments in marketable securities and other highly liquid instruments with a maturity of three months or less to be cash equivalents.

7 (In Part): Supplementary Information

The table below provides supplemental cash flow information.

	1991	1990	1989
Cash paid for:			
Income taxes	$67,297	$43,631	$47,000
Interest	$17,512	$14,256	$16,023
Noncash investing and financing activities:			
Liabilities assumed from/ incurred for the acquisition of business	$49,348	$ —	$ —

CASH FLOWS FROM INVESTING ACTIVITIES

Paragraphs 15-17 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

ALLIED-SIGNAL INC.

Consolidated Statement of Cash Flows
(Dollars in millions)

	Years ended December 31		
	1991	1990	1989
Cash flows from operating activities			
Net income (loss)	$(273)	$ 462	$ 528
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Streamlining and restructuring (includes affiliated company)	852	—	—
Depreciation and amortization (includes goodwill)	504	460	424
Undistributed earnings of equity affiliates (includes Union Texas)	(144)	(65)	(49)
Deferred taxes	(196)	17	69
Liabilities extinguished by the use of common stock	85	85	83
Decrease in accounts and notes receivable	17	101	37
Decrease (increase) in inventories	153	(53)	(14)
Decrease (increase) in other current assets	(136)	7	(132)
Increase (decrease) in accounts payable	(168)	96	41
(Decrease) in accrued liabilities	(62)	(238)	(88)
Gain on sales of businesses	—	—	(10)
Other	118	130	142
Net cash flow provided by operating activities	750	1,002	1,031
Cash flows from investing activities			
Expenditures for property, plant and equipment	(668)	(675)	(541)
Proceeds from disposals of property, plant and equipment	15	13	55
Decrease in investments and long-term receivables	27	—	—
(Increase) in investments	(17)	(66)	(70)
Cash paid for acquisitions	(83)	—	(31)
Proceeds from sales of businesses	4	—	64
Net cash flow (used for) investing activities	(722)	(728)	(523)
Cash flows from financing activities			
Net increase in commercial paper	181	82	—
Net increase (decrease) in short-term borrowings	(12)	184	37
Proceeds from issuance of common stock	30	12	14
Proceeds of long-term debt	120	359	107
Repurchases of long-term debt (including current maturities)	(273)	(345)	(62)
Repurchases of common stock	—	(461)	(208)
Cash dividends on common stock	(218)	(248)	(268)
Net cash flow (used for) financing activities	(172)	(417)	(380)
Net increase (decrease) in cash and cash equivalents	(144)	(143)	128
Cash and cash equivalents at beginning of year	382	525	397
Cash and cash equivalents at end of year	$ 238	$ 382	$ 525

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

Note 18. Supplemental Cash Flow Information

Cash and cash equivalents includes cash on hand and on deposit and highly liquid debt instruments with maturities generally of three months or less. Cash payments during the year 1991, 1990 and 1989 included interest of $233, $251 and $245 million and income taxes of $118, $184 and $198 million, respectively.

In July 1990, the Company contributed its high-density polyethylene business and its partner, Exxon, contributed cash to a newly formed, equally owned joint venture. The transaction had the following non-cash impact on the Company's 1990 balance sheet:

	Amount
Current assets	$(29)
Property, plant and equipment—net	(77)
Investments and long-term receivables	60
Current liabilities	46

Investments

ARMCO INC.

Statement of Consolidated Cash Flows

For the years ended December 31, 1991, 1990 and 1989 *(Dollars in millions)*	1991	1990	1989
Cash flows from operating activities:			
Net income (loss)	$(336.5)	$ (89.5)	$ 165.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and lease-right amortization	45.2	40.2	57.4
Net losses of AFSG companies	14.4	30.0	45.0
Writeoff of advances to AFSG	170.3	—	—
Gain on sales of investments and facilities	(38.6)	(24.6)	(109.4)
Loss on retirement of debt	—	4.3	—
Equity in losses and undistributed earnings of associated companies	146.4	44.4	(30.1)
Special charges—net	48.7	—	28.7
Other	3.8	(7.2)	31.9
Change in assets and liabilities, net of effects of acquisitions and dispositions of subsidiaries:			
Accounts receivable	5.2	(95.4)	(64.8)
Inventory	47.0	(15.3)	38.3
Payables and accrued expenses	(42.5)	59.2	35.1
Income taxes payable	9.8	(2.2)	(34.6)
Other assets and liabilities—net	(27.9)	(69.9)	(59.1)
Net cash provided by (used in) operating activities	45.3	(126.0)	103.4
Cash flows from investing activities:			
Proceeds from the sale of businesses and assets	2.8	17.2	35.4
Proceeds from the sale of marketable securities	336.2	442.0	95.9
Proceeds from the sale of investments	41.7	3.2	419.4
Purchase of marketable securities	(92.0)	(435.1)	(286.2)
Purchase of investments	(15.7)	(38.6)	(41.2)
Contributions to equity investees	(38.1)	(15.0)	—
Capital expenditures	(43.2)	(69.6)	(129.9)
Cost of acquisitions, net of cash acquired	(66.6)	(1.5)	(5.8)
Contributions to AFSG	—	(25.3)	(63.5)
Other	(0.5)	(0.1)	9.1
Net cash provided by (used in) investing activities	124.6	(122.8)	33.2
Cash flows from financing activities:			
Proceeds from issuing debt	36.6	103.0	104.6
Principal payments on debt	(19.6)	(170.1)	(103.6)
Change in notes payable	(5.2)	108.1	9.7
Proceeds from issuance of common stock	—	0.1	3.3
Dividends paid	(16.9)	(34.6)	(34.5)
Other	(0.1)	(4.3)	2.5
Net cash provided by (used in) financing activities	(5.2)	2.2	(18.0)
Effect of exchange rate changes on cash	(5.0)	(14.9)	(26.2)
Net change in cash and cash equivalents	159.7	(261.5)	92.4
Cash and cash equivalents: Beginning of year	169.2	430.7	338.3
End of year	$ 328.9	$ 169.2	$ 430.7
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 51.6	$ 54.2	$ 57.2
Income taxes	3.2	30.2	58.7
Supplemental schedule of noncash investing and financing activities:			
Capital lease obligations	—	0.6	—
Debt incurred directly for property	1.0	16.2	39.8
Issuance of restricted stock	—	0.3	3.8
Acquisition of a business:			
Fair value of assets acquired	80.7	2.9	5.8
Cash paid	(67.0)	(1.5)	(5.8)
Liabilities assumed	(13.7)	(1.4)	—
Net assets transferred for liability reduction:			
Net assets transferred	—	5.2	—
Liability reduction	—	9.6	—
Contribution of investment to AFSG	—	4.7	—

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

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.

BAKER HUGHES INCORPORATED

Consolidated Statements of Cash Flows

Years ended September 30, (In thousands of dollars)	1991	1990	1989
Cash flows from operating activities:			
Net income	$ 173,458	$ 142,177	$ 85,023
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization of:			
Property	110,996	98,086	92,951
Other assets and debt discount	42,289	27,063	17,393
Unusual charges—net	62,946	66,846	
Gain on sale of subsidiary stock	(56,103)	(65,721)	
Gain on disposal of assets	(9,151)	(3,742)	(8,559)
Change in receivables	(45,765)	(55,906)	(18,880)
Change in inventories	(36,660)	(19,335)	7,486
Change in accounts payable—trade	(12,509)	40,510	15,007
Changes in other current assets and liabilities	(86,860)	(71,173)	(29,694)
Changes in other noncurrent assets and liabilities	(21,312)	(20,560)	27
Foreign currency translation loss—net	2,402	5,776	17,442
Net cash flows from operating activities	123,731	144,021	178,196
Cash flows from investing activities:			
Property additions	(161,203)	(132,784)	(92,702)
Proceeds from disposal of assets	40,642	35,274	44,200
Proceeds from sale of subsidiary stock	94,975	198,797	
Proceeds from disposition of businesses	20,000	14,000	114,905
Acquisition of equity securities	(4,000)		
Acquisitions of businesses, net of cash acquired	(136,103)	(674,562)	(95,159)
Net cash flows from investing activities	(145,689)	(559,275)	(28,756)
Cash flows from financing activities:			
Proceeds from issuance of common stock		264,386	
Proceeds from borrowings	95,305	325,241	44,888
Reduction of borrowings	(101,238)	(143,090)	(99,302)
Proceeds from exercise of stock options and stock purchase grants	16,153	32,871	22,401
Cash dividends	(63,405)	(64,620)	(61,784)
Net cash flows from financing activities	(53,185)	414,788	(93,797)
Effect of exchange rate changes on cash	2,267	9,365	(7,780)
(Decrease) increase in cash and short-term investments	(72,876)	8,899	47,863
Cash and short-term investments, beginning of year	124,585	115,686	67,823
Cash and short-term investments, end of year	$ 51,709	$ 124,585	$ 115,686

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Statement of cash flows: The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Note 2 (In Part): Acquisitions and Dispositions

In July 1990, BJ Services Company ("BJ Services"), a wholly owned subsidiary of the Company, completed an initial public offering of its common stock, after which the Company's investment in BJ Services decreased to approximately 29%. BJ Services participates in the pumping services segment of the oilfield service market and is primarily involved in the cementing, fracturing and acidizing of oil and gas wells. The Company received $198,797,000 in cash and recognized a gain of $65,721,000 with no provision for income taxes due to the Company's capital loss and U.S. operating loss carryforwards. On March 7, 1991, the Company sold its remaining 29% interest in BJ Services in an underwritten public offering of common stock. Net cash proceeds from the March sale were $94,975,000, resulting in a gain of $56,103,000 also with no provision for income taxes due to the Company's capital loss and U.S. operating loss carryforwards. As a result of these sales, the Company is no longer a stockholder of BJ Services. The Company accounted for its investment in BJ Services using the equity method of accounting from the date of the initial public offering until the sale of its remaining shares of BJ Services' common stock was completed.

Note 11 (In Part): Stockholder Rights Agreement and Other Matters

Supplemental statement of operations information is as follows (in thousands):

	1991	1990	1989
Maintenance and repairs	$108,680	$91,462	$60,410
Operating leases (generally transportation equipment and warehouse facilities)	42,368	38,885	39,077
Research and development	51,074	38,492	30,140
Taxes other than payroll and income tax	23,446	28,454	26,549
Income taxes paid	31,694	43,091	36,522
Interest paid	75,892	54,605	54,961
Net foreign exchange translation losses	2,402	5,776	17,442

BALL CORPORATION

Consolidated Statement of Cash Flows

(dollars in millions)	Year ended December 31, 1991	1990	1989
Cash flows from operating activities			
Net income	$ 66.2	$ 50.2	$ 35.8
Reconciliation of net income to cash provided by operating activities			
Depreciation and amortization	108.0	58.2	54.1
Deferred income taxes	(8.7)	1.8	—
Minority interests	2.7	—	—
Equity in losses (earnings) of affiliates	.8	(6.6)	(9.2)
Unusual item	—	9.1	—
Other	(9.0)	(4.6)	.6
Changes in working capital components excluding effects of acquisitions			
Accounts receivable	34.6	1.2	(42.3)
Inventories	(.1)	(9.3)	(9.8)
Prepaid expenses	(8.0)	1.9	4.5
Accounts payable	(35.6)	3.9	13.8
Other	13.5	(3.2)	1.1
Net cash provided by operating activities	164.4	102.6	48.6
Cash flows from financing activities			
Net proceeds from public offering of common stock	104.2	—	—
Proceeds from issuance of common stock under various employee and shareholder plans	14.0	12.1	12.6
Proceeds from issuance of preferred stock	—	—	70.0
Acquisitions of treasury stock	(.1)	(10.9)	(59.4)
Common and preferred dividends	(37.6)	(30.3)	(27.7)
Long-term borrowings	—	5.0	5.0
Principal payments of long-term debt	(75.8)	(6.5)	(6.8)
Net change in short-term borrowings	52.1	11.1	16.4
Other	(6.9)	.3	(5.9)
Net cash provided by (used in) financing activities	49.9	(19.2)	4.2
Cash flows from investing activities			
Additions to property, plant and equipment	(95,8)	(33.7)	(55.7)
Acquisition of lenders' interests in Ball Canada	(111.2)	—	—
Acquisition of remaining 50% interest in Ball-InCon, net of cash acquired	—	(7.9)	—
Investment in company owned life insurance	(18.2)	(15.6)	—
Other	1.7	(6.6)	(2.4)
Net cash used in investment activities	(223.5)	(63.8)	(58.1)
Net (decrease) increase in cash	(9.2)	19.6	(5.3)
Cash and temporary investments at beginning of year	30.0	10.4	15.7
Cash and temporary investments at end of year	$ 20.8	$ 30.0	$ 10.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Temporary Investments

Temporary investments are considered cash equivalents if original maturities are three months or less.

Other Assets

Other assets at December 31, 1991 and 1990 consisted of the following:

(dollars in millions)	1991	1990
Net cash surrender value of company owned life insurance	$ 65.7	$ 37.8
Goodwill, net	40.8	13.1
Deferred pension expense and pension intangibles	21.2	29.1
Investments in packaging affiliates	8.4	42.4
Other	28.0	32.9
Total other assets	$164.1	$155.3

In order to fund certain employee benefit programs, the company has purchased insurance on the lives of certain groups of employees. The company's net investment was $18.2 million and $15.6 million for 1991 and 1990, respectively, and is reflected in the increase in net cash surrender value for the respective years. The policies have been issued by Great-West Life Assurance Company and the Hartford Life Insurance Company.

RHONE-POULENC RORER INC.

Consolidated Statements of Cash Flows
(Dollars in millions)

For the year ended December 31,	1991	1990	1989
Cash flows from operating activities:			
Net income	$326.5	$ 1.0	$ 86.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	189.6	144.7	63.8
Imputed interest on HPB debt	—	12.8	—
(Increase) decrease in accounts receivable, trade, net	(68.6)	41.2	(70.3)
(Increase) decrease in inventories	67.2	(39.0)	(22.6)
Increase (decrease) in accounts payable	29.2	(48.1)	(5.9)
(Gain) loss on sale of non-strategic assets	(95.7)	(78.8)	(30.9)
Restructuring charges and other items, net	(4.6)	39.2	20.7
Net cash provided by operating activities	443.6	73.0	41.3
Cash flows from investing activities:			
Cash balances obtained from HPB	—	104.5	—
Capital expenditures	(283.7)	(216.9)	(111.4)
Purchase of investments	(67.1)	(44.9)	(304.8)
Proceeds from sale of investments	44.7	234.6	113.4
Proceeds from sale of non-strategic assets	218.0	93.0	32.6
Net cash (used in) provided by investing activities	(88.1)	170.3	(270.2)
Cash flows from financing activities:			
Proceeds from issuance of preferred stock	295.9	—	72.0
Proceeds from issuance of long-term debt	634.4	124.3	262.7
Repayment of long-term debt	(944.2)	(565.6)	(32.6)
Short-term borrowings, net	(337.2)	294.7	23.8
Issuances of common stock	3.7	—	—
Purchase of treasury stock	—	(33.8)	(26.0)
Dividends paid	(61.3)	(45.1)	(27.3)
Redemption of share purchase rights	—	(7.2)	—
Other financing activities, net	24.0	4.7	2.4
Net cash (used in) provided by financing activities	(384.7)	(228.0)	275.0
Effect of exchange rate changes on cash	(1.4)	9.7	1.4
Net (decrease) increase in cash and cash equivalents	(30.6)	25.0	47.5
Cash and cash equivalents at beginning of year	166.4	141.4	93.9
Cash and cash equivalents at end of year	$135.8	$166.4	$141.4
Noncash investing and financing activities:			
Issuance of common stock under employee benefit plans	$ 9.2	$ 4.6	$ 12.6
Issuance of shares to RP	—	19.2	—
Debt converted to equity	—	388.0	—
Assumption of debt in exchange for CVRs	—	265.0	—
Distribution of CVRs to shareholders	—	(265.0)	—
Guarantee of ESOP debt	—	71.9	(71.9)
Recognition of imputed interest on HPB debt	—	12.8	—
Reduction of exercise price of stock options	—	26.7	—
Issuance of shares for minority interest in Laboratoire Roger Bellon	—	103.1	—
Cash paid during year for:			
Interest, net of amounts capitalized	$202.7	$154.0	$ 46.1
Income taxes	73.4	91.6	34.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note One (In Part): Accounting Policies

Cash Flows

For purposes of reporting cash flows, the Company considers cash and cash equivalents to be cash on hand, cash in banks, certificates of deposit, time deposits and U.S. government and other short-term securities with maturities of three months or less when purchased. Investments with a maturity period of greater than three months but less than one year are classified as short-term investments. Cash flows resulting from hedging contracts are classified in the same category as the cash flows from the items being hedged.

TOKHEIM CORPORATION

Consolidated Statement of Cash Flows

for the years ended November 30, 1991, 1990, and 1989

(Dollars in thousands)

	1991	1990	1989
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings (loss)	$(21,746)	$ 166	$ 5,988
Adjustments to reconcile net earnings to net cash provided from operations:			
Depreciation and amortization	8,978	9,145	8,122
Gain on property, plant, and equipment transactions, net	(803)	(234)	(940)
Deferred income taxes	(42)	(2,809)	(450)
Receivables, net	7,380	6,928	(2,795)
Inventories	2,673	2,698	824
Prepaid expenses	913	(469)	(556)
Accounts payable	2,827	(805)	(6,845)
Accrued expenses	(773)	956	1,099
United States and foreign income taxes	(1,548)	(1,027)	(213)
Other	1,517	2,089	2,192
Total cash provided from (used in) operations	(624)	16,638	6,426
CASH FLOWS FROM INVESTING AND OTHER ACTIVITIES:			
Property, plant, and equipment additions	(6,910)	(8,057)	(13,144)
Proceeds from sale of property, plant, and equipment	643	1,346	3,430
Advances to an unconsolidated affiliate	(754)	(1,305)	(3,964)
Net cash used in investing and other activities	(7,021)	(8,016)	(13,678)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from term borrowing	20	84	2,244
Payment on term borrowing	(1,524)	(1,410)	(2,542)
Proceeds from issuance of preferred stock	—	—	24,000
Increase (decrease) in notes payable to banks	19,916	1,890	(11,840)
Treasury stock purchased	(530)	(1,593)	(105)
Treasury stock issued	16	315	190
Cash dividends paid	(4,480)	(5,359)	(4,284)
Net cash provided from (used in) financing activities	13,418	(6,073)	7,663
EFFECT OF TRANSLATION ADJUSTMENTS ON CASH	(420)	355	3
CASH AND SHORT-TERM INVESTMENTS:			
Increase in cash	5,353	2,904	414
Beginning of year	9,511	6,607	6,193
End of year	$ 14,864	$ 9,511	$ 6,607

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

1 (In Part): Summary of Significant Accounting Policies

Cash Flows—For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of 30 days or less to be cash equivalents.

Supplemental disclosure of cash flow information:

Cash paid during the year for:

	1991	1990	1989
Interest	$3,455	$4,025	$6,550
Income taxes	4,018	3,986	3,941

In 1991, the Company recorded a noncash gain of $850 in connection with the settlement of a dispute with an equipment manufacturer.

Loans Receivable

AMPCO-PITTSBURGH CORPORATION

Consolidated Statements of Cash Flows

	For The Year Ended December 31, 1991	1990	1989
Cash flows from operating activities:			
Net income (loss)	$(13,667,788)	$ 505,152	$ 13,231,494
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	8,832,598	8,358,312	9,090,023
Provision for loss (gain) on discontinued operations	8,000,000	—	(925,522)
Equity in net (income) loss of affiliates	11,161,543	(2,089,493)	(3,686,406)
Loss on investment in Midway Airlines, Inc. common stock	1,292,276	15,000,000	—
Gain on sale of United States Biochemical Corporation common stock	—	(1,755,425)	—
Other—net	308,688	(664,419)	(155,572)
(Increase) decrease in assets:			
Receivables	(4,110,626)	5,283,944	(4,876,681)
Inventories	5,252,103	873,225	(2,824,794)
Other assets	32,757	2,474,149	(2,308,515)
Proceeds from pension reversion	—	3,524,109	—
Increase (decrease) in liabilities:			
Accounts payable	(2,637,865)	2,903,088	(2,454,770)
Accrued payrolls and employee benefits	(345,962)	(875,771)	(1,782,877)
Other liabilities	(5,935,379)	(5,111,794)	1,231,718
Net cash flows from operating activities	8,182,345	28,425,077	4,538,098
Cash flows from investing activities:			
Proceeds from sales of discontinued operations	—	6,084,000	16,659,362
Collection of receivables resulting from sale of discontinued operations	1,593,887	8,448,062	6,596,396
Purchase of investments	(120,000)	(3,788,049)	(18,490,958)
Proceeds from sale of investments	3,541,589	5,287,974	10,132,337
Purchases of property, plant and equipment	(7,047,116)	(7,485,889)	(5,823,168)
Proceeds from sales of property, plant and equipment	220,998	1,307,937	227,605
Net cash flows from investing activities	(1,810,642)	9,854,035	9,301,574
Cash flows from financing activities:			
Repayments of notes payable to bank	—	(7,000,000)	(7,000,000)
Repayments of long-term debt	(1,251,114)	(28,894,110)	(6,521,627)
Dividends paid	(2,874,770)	(2,874,768)	(2,874,399)
Net cash flows from financing activities	(4,125,884)	(38,768,878)	(16,396,026)
Effect of exchange rate changes on cash	(8,331)	51,539	(77,684)
Net increase (decrease) in cash	2,237,488	(438,227)	(2,634,038)
Cash at beginning of year	2,350,305	2,788,532	5,422,570
Cash at end of year	$ 4,587,793	$ 2,350,305	$ 2,788,532
Supplemental information:			
Interest payments	$ 4,171,286	$ 6,983,101	$ 9,142,581
Income tax payments	2,270,047	1,578,918	5,810,055
Note received from disposal of business	—	—	1,500,000

BERGEN BRUNSWIG CORPORATION

Statement of Cash Flows

(Dollars in thousands) Years ended August 31,	1991	1990	1989
Operating Activities			
Net earnings	$ 64,137	$ 66,063	$ 47,617
Adjustments to reconcile net earnings including extraordinary gain to net cash flows from operating activities:			
Provision for doubtful accounts	7,165	6,132	6,564
Depreciation and amortization of property	11,031	9,142	8,596
Deferred compensation	284	2,245	1,999
Amortization of customer lists	2,102	2,102	2,102
Amortization of excess of cost over net assets of acquired companies	1,694	1,694	1,691
Deferred income taxes	(590)	1,160	(2,690)
Extraordinary gain from early extinguishment of debt, net of taxes on income	—	(3,497)	—
Interest accretion on convertible zero coupon-subordinated notes	12,603	9,424	—
Minority interest in net earnings of subsidiary	1,606	1,855	1,581
Loss (gain) on dispositions of property	342	(2,202)	(1,634)
Effects of changes in:			
Receivables	(81,935)	(58,266)	(82,280)
Inventories	(21,312)	(4,757)	(14,293)
Prepaid expenses and other assets	(1,924)	(7,520)	(1,969)
Accounts payable and accrued liabilities	61,955	26,047	72,304
Income taxes payable	(1,362)	(2,455)	4,524
Net cash flows from operating activities	55,796	47,167	44,112
Investing Activities			
Short-term investments	(94,650)	—	—
Proceeds from sale of notes receivable with recourse	30,036	6,360	9,444
Property acquisitions	(22,432)	(30,109)	(17,839)
Proceeds from dispositions of property	159	4,003	2,627
Net cash flows from investing activities	(86,887)	(19,746)	(5,768)
Financing activities			
Proceeds from issuance of convertible zero coupon-subordinated notes	—	174,186	—
Early extinguishment of exchangeable subordinated debentures	—	(25,801)	—
Repayment of other long-term obligations	(338)	(340)	(538)
Shareowners' equity transactions:			
Exercise of stock options	3,777	1,280	1,290
Acquisition of treasury shares	(41,620)	—	(33)
Acquisition and retirement of Class B Common Stock	(2,527)	—	—
Conversion of convertible subordinated debentures	—	—	(926)
Recapitalization costs	—	—	(2,944)
Cash dividends on Common Stock	(13,727)	(11,565)	(6,143)
Net cash flows from financing activities	(54,435)	137,760	(9,294)
Net increase (decrease) in cash and cash equivalents	(85,526)	165,181	29,050
Cash and cash equivalents at beginning of year	294,852	129,671	100,621
Cash and cash equivalents at end of year	$ 209,326	$ 294,852	$ 129,671

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

The Corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Short-term investments include only debt instruments, primarily tax exempt variable rate demand notes and commercial paper, having a maturity of more than three months, and are stated at cost and accrued interest which approximates market.

9. Supplemental Cash Flow Disclosures

During 1989, the Corporation charged $1.2 million to Paid-In Capital ($2.3 million of unamortized issuance costs offset by a credit of $1.1 million of accrued interest expense) in connection with the conversion of $134,995,000 of 7⅝% Convertible Subordinated Debentures.

(Dollars in thousands) Years ended August 31,	1991	1990	1989
Cash paid during the year for:			
Interest, net of amounts capitalized ($67,000 in 1991, $557,000 in 1990 and $161,000 in 1989)	$ 1,345	$ 2,918	$14,483
Income taxes	38,533	38,726	27,215

DEERE & COMPANY

Statement of Consolidated Cash Flows

(in millions of dollars)	Year Ended October 31 1991	1990	1989
Cash Flows from Operating Activities			
Net income (loss)	$ (20.2)	$ 411.1	$ 380.2
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Provision for doubtful receivables	69.6	56.6	27.1
Provision for depreciation	209.2	203.8	192.9
Provision for restructuring costs	181.9		
Undistributed earnings of unconsolidated subsidiaries and affiliates	(2.7)	2.8	(6.9)
Provision (credit) for deferred income taxes	(100.1)	57.7	91.8
Changes in assets and liabilities:			
Receivables	87.9	(486.3)	(315.9)
Inventories	134.8	67.6	4.2
Accounts payable and accrued expenses	(65.0)	(38.7)	41.4
Insurance and health care claims and reserves	34.7	52.5	32.0
Other	82.9	70.0	(28.1)
Net cash provided by operating activities	613.0	397.1	418.7
Cash Flows from Investing Activities			
Collections of credit receivables	2,623.9	2,217.1	2,160.7
Proceeds from sales of credit receivables	6.0	590.3	293.4
Proceeds from sales of marketable securities	136.3	118.9	259.7
Proceeds from sales of equipment on operating leases	32.4	36.8	27.8
Cost of credit receivables acquired	(3,537.3)	(3,367.9)	(2,793.4)
Purchases of marketable securities	(200.6)	(192.9)	(319.9)
Purchases of property and equipment	(298.0)	(292.1)	(181.1)
Cost of operating leases acquired	(53.9)	(83.4)	(91.3)
Acquisition of businesses	(87.4)		(86.8)
Other	(.4)	5.0	(1.3)
Net cash used for investing activities	(1,379.0)	(968.2)	(732.2)
Cash Flows from Financing Activities			
Increase (decrease) in short-term borrowings	453.2	578.9	(127.3)
Change in intercompany receivables/payables			
Proceeds from issuance of long-term borrowings	776.5	492.1	746.0
Principal payments on long-term borrowings	(204.8)	(381.2)	(287.5)
Dividends paid	(152.3)	(140.3)	(86.2)
Other	(12.0)	2.8	7.0
Net cash provided by (used for) financing activities	860.6	552.3	252.0
Effect of Exchange Rate Changes on Cash	(1.5)	.4	(.7)
Net Increase (Decrease) in Cash and Cash Equivalents	93.1	(18.4)	(62.2)
Cash and Cash Equivalents at Beginning of Year	185.4	203.8	266.0
Cash and Cash Equivalents at End of Year	$ 278.5	$ 185.4	$ 203.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash Flow Information

For purposes of the statement of consolidated cash flows, the company considers investments with original maturities of three months or less to be cash equivalents.

Cash payments for interest and income taxes consisted of the following in millions of dollars:

	1991	1990	1989
Interest:			
Equipment Operations	$191	$193	$179
Financial Services	250	235	215
Intercompany eliminations	(3)	(3)	(3)
Consolidated	$438	$425	$391
Income taxes:			
Equipment Operations	$ 11	$136	$ 65
Financial Services	74	85	74
Intercompany eliminations	(56)	(63)	(54)
Consolidated	$ 29	$158	$ 85

Non-cash investing and financing activities which are not included in the cash flow statement for 1991, 1990 and 1989 included additions to property and equipment from increases in capital lease obligations of $6 million, $1 million and $23 million, respectively. Deere & Company assumed liabilities in 1991 of $22 million from the purchase of SABO and $14 million from the acquisition of the business of Integral Insurance Company. The additional investment in Re Capital Corporation in 1991, which increased the insurance subsidiaries' ownership to 25 percent, resulted in a reclassification of $10 million from "Marketable securities carried at cost" to "Investments in unconsolidated subsidiaries and affiliates." In conjunction with the purchase of Funk Manufacturing Company in 1989, Deere & Company assumed liabilities of $13 million.

SUPER VALU STORES, INC.

Consolidated Statements of Cash Flows

(In thousands)	Fiscal Year Ended (52 Weeks) Feb. 23, 1991	Feb. 24, 1990	Feb. 25, 1989
Cash flows from operating activities			
Net earnings	$155,136	$147,746	$137,468
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	144,856	130,848	117,830
Provision for losses on receivables	10,390	11,070	11,540
Gain on sale of property, plant and equipment	(2,081)	(1,241)	(4,724)
Deferred income taxes	(1,791)	4,415	(62)
Change in assets and liabilities, net of effects of acquired companies:			
Increase in receivables	(17,761)	(6,840)	(24,147)
Increase in inventories	(68,206)	(54,213)	(50,775)
Increase in other current assets	(900)	(3,574)	(73)
Decrease in long-term investment in direct financing leases	1,835	2,558	5,691
Increase in accounts payable	10,537	51,034	23,742
Increase in property, payroll and sales taxes	795	2,925	4,853
Increase in other current and non-current liabilities	11,758	6,994	22,814
Net cash provided from operating activities	244,568	291,722	244,157
Cash flow from investing activities			
Additions to long-term notes receivable	(45,787)	(37,960)	(38,455)
Payments on long-term notes receivable	52,461	41,196	28,996
Proceeds from sale of property, plant and equipment	15,844	20,459	31,544
Purchase of property, plant and equipment	(234,187)	(210,925)	(221,288)
Disposal of leased assets	3,308	3,081	5,005
Net assets of acquired companies, net of cash acquired			(57,954)
Increase in other non-current assets	(23,400)	(24,224)	(9,548)
Net cash used in investing activities	(231,761)	(208,373)	(261,700)
Cash flows from financing activities			
Net issuance (reduction) of short-term notes payable	46,689	(22,556)	67,366
Proceeds from issuance of long-term debt	34,769	1,359	3,982
Repayment of long-term debt	(40,444)	(12,725)	(5,808)
Reduction of obligations under capital leases	(8,139)	(9,735)	(14,630)
Proceeds from sale of common stock under option plans and ESOP	2,146	2,316	1,802
Cash dividends paid	(47,346)	(41,974)	(35,144)
Net cash provided from (used in) financing activities	(12,325)	(83,315)	17,568
Net increase in cash	482	34	25
Cash at beginning of year	2,229	2,195	2,170
Cash at end of year	$ 2,711	$ 2,229	$ 2,195
Supplemental cash flow information:			
Noncash investing and financing activities:			
Leased asset additions	$ 27,462	$ 11,847	$ 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)	76,746	78,908	69,383
Income taxes	98,900	84,384	75,455

Purchase Method Business Combinations

HASBRO, INC.

Consolidated Statements of Cash Flows

Fiscal Years Ended in December *(Thousands of Dollars)*	1991	1990	1989
Cash flows from operating activities			
Net earnings	$ 81,654	89,182	92,194
Adjustments to reconcile net earnings to net cash provided (utilized) by operating activities:			
Depreciation and amortization of plant and equipment	52,524	39,734	42,856
Other amortization	29,330	20,523	17,063
Deferred income taxes	(20,148)	(13,376)	(5,090)
Change in current assets and liabilities (other than cash and cash equivalents):			
(Increase) decrease in accounts receivable	(53,564)	(9,673)	22,869
(Increase) decrease in inventories	23,773	14,870	(25,900)
(Increase) in prepaid expenses and other current assets	(8,135)	(2,029)	(16,433)
Increase in trade payables and accrued liabilities	6,042	22,264	57,442
Other	8,578	141	(22)
Net cash provided by operating activities	120,054	161,636	184,979
Cash flows from investing activities			
Additions to property, plant and equipment	(56,004)	(36,168)	(42,268)
Purchase of Tonka, net of cash acquired (note 2)	(343,392)	—	—
Purchase of equity investment	—	(8,554)	—
Purchase of product rights and licenses	—	—	(75,986)
Other	(5,004)	3,092	2,020
Net cash utilized by investing activities	(404,400)	(41,630)	(116,234)
Cash flows from financing activities			
Net (payments) proceeds of short-term borrowings	(67,609)	1,720	(20,346)
Proceeds from long-term debt	300,000	—	—
Repayment of long-term debt	(112,513)	(68,996)	(488)
Purchase of common stock	—	(35,830)	—
Issuance of common stock	17,458	1,008	10,880
Dividends paid	(13,104)	(10,995)	(10,419)
Other	(2,646)	662	(869)
Net cash provided (utilized) by financing activities	121,586	(112,431)	(21,242)
Effect of exchange rate changes on cash	(5,923)	3,551	(1,093)
Increase (decrease) in cash and cash equivalents	(168,683)	11,126	46,410
Cash and cash equivalents at beginning of year	289,297	278,171	231,761
Cash and cash equivalents at end of year	$120,614	289,297	278,171
Supplemental information			
Cash paid during the year for			
Interest	$ 43,743	17,111	25,701
Income taxes	$ 91,562	51,228	84,000

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

1 (In Part): Summary of Significant Accounting Policies

Cash Equivalents

The Company's policy is to invest cash in excess of operating requirements, which is generally available from late in the fourth quarter of each year through a portion of the subsequent year, in short-term investments. These liquid investments, purchased with a maturity to the Company of three months or less, are considered to be cash equivalents. While there were no such investments at December 29, 1991, cash equivalents, recorded at cost which approximated market, at December 30, 1990 were $216,136 and consisted primarily of tax exempt municipal bonds, bank repurchase agreements and certificates of deposit.

2 (In Part): Acquisitions

Pursuant to tender offers, subsidiaries of the Company acquired in excess of 90% of each of the outstanding 16¼% Series A Subordinated Debentures and 17¼% Series B Subordinated Debentures of Tonka Corporation ("Tonka") on May 6, 1991 and approximately 86% of the outstanding shares of Tonka common stock on May 7, 1991. As a result of the merger of a wholly owned subsidiary of the Company into Tonka on August 2, 1991, Tonka became a wholly owned subsidiary of the Company and each untendered share of Tonka was converted into the right to receive $5.00 in cash.

Components of the payment for the purchase of Tonka securities on May 6 and May 7, 1991 were:

Purchases of Series A and Series B debentures	$283,261
Purchase of common shares	64,360
Cash paid	347,621
Less: Cash acquired	(4,229)
Purchase of Tonka, net of cash acquired	$343,392

The funds used for the purchase of common shares were obtained from available cash and cash equivalents, and those used for the purchase of the debentures were obtained from cash equivalents, bank borrowings and the issuance of commercial paper. Subsequently, a portion of this was refinanced on a long-term basis (note 6).

The acquisition was accounted for using the purchase method. The purchase price was allocated to assets and liabilities, adjusted from earlier estimates primarily relating to tax impacting the basis difference on intellectual property rights, based on the following fair values at the date of acquisition:

Intellectual property rights	$ 91,127
Net tangible liabilities assumed	(97,932)
Cost in excess of net assets acquired	350,197
	$343,392

The intellectual property rights are being amortized over twenty years and the cost in excess of net assets acquired is being amortized over forty years, both using the straight-line method. The Consolidated Statement of Earnings include the results of Tonka from the acquisition date, May 7, 1991.

Since the acquisition, the Company has substantially integrated the Tonka operations through the restructuring and consolidation of certain operations. The cost of this restructuring, including facility costs, severance and other related items, was recorded as a nonrecurring charge of $59,000 during the second quarter of 1991.

INGERSOLL-RAND COMPANY

Consolidated Statement of Cash Flows
In thousands

For the years ended December 31	1991	1990	1989
Cash flows from operating activities:			
Net earnings	$ 150,589	$ 185,343	$ 210,751
Adjustments to arrive at net cash provided by operating activities:			
Restructure of operations	(7,090)	—	—
Depreciation and amortization	108,693	97,317	80,558
(Gain) loss on sale of assets	2,468	2,083	(3,282)
Equity earnings/losses, net of dividends	(54,659)	(32,236)	(27,436)
Deferred income taxes	6,640	683	9,112
Extraordinary tax benefit	—	—	(8,526)
Other noncash items	(3,428)	(5,523)	8,842
Changes in assets and liabilities			
(Increase) decrease in:			
Accounts and notes receivable	1,432	(6,570)	(36,330)
Inventories	62,743	3,338	(6,706)
Other current and noncurrent assets	(25,268)	(45,933)	(45,976)
Increase (decrease) in:			
Accounts payable and accruals	4,151	18,097	19,013
Other current and noncurrent liabilities	(15,145)	5,554	14,030
Net cash provided by operating activities	231,126	222,153	214,050
Cash flows from investing activities:			
Capital expenditures	(140,900)	(149,180)	(110,412)
Proceeds from sales of property, plant and equipment	4,623	4,698	8,914
Proceeds from business dispositions	58,500	—	10,132
Acquisitions, net of cash*	(2,140)	(189,162)	(9,550)
Decrease in marketable securities	566	1,203	13,921
Distribution from Dresser-Rand	74,000	—	—
Cash invested in or advances (to) from equity companies	(12,629)	26,593	(3,738)
Net cash used in investing activities	(17,980)	(305,848)	(90,733)
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings	(160,064)	169,786	(51,895)
Repayment to Dresser-Rand	—	—	(100,000)
Proceeds from long-term debt	126,749	1,077	16,635
Payments of long-term debt	(27,320)	(21,244)	(27,915)
Net change in debt	(60,635)	149,619	(163,175)
Treasury stock acquired	—	—	(386)
Proceeds from exercise of stock options	1,897	6,144	4,533
Dividends paid	(68,404)	(66,958)	(67,157)
Redemption of preference stock	—	(100,000)	—
Net cash used in financing activities	(127,142)	(11,195)	(226,185)
Effect of exchange rate changes on cash and cash equivalents	658	8,740	3,637
Net increase (decrease) in cash and cash equivalents	86,662	(86,150)	(99,231)
Cash and cash equivalents—beginning of year	50,258	136,408	235,639
Cash and cash equivalents—end of year	$ 136,920	50,258	136,408
*Acquisitions of businesses:			
Working capital, other than cash	$ (225)	$ (51,837)	$ 12,818
Property, plant and equipment	(551)	(81,047)	(15,934)
Other assets	(1,425)	(86,835)	(8,996)
Long-term debt	61	4,872	2,562
Noncurrent liabilities	—	25,685	—
Net cash used to acquire businesses	$ (2,140)	$(189,162)	$ (9,550)
Noncash activity:			
Notes receivable from asset disposals	$ —	$ —	$ 2,325
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 56,604	$ 72,283	$ 37,150
Income taxes	99,719	110,957	102,944

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash Equivalents: The company considers all highly liquid investments consisting primarily of treasury bills and notes, time deposits and commercial paper with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents, at cost, which approximates market, were $98,377,000 and $14,384,000 at December 31, 1991, and December 31, 1990, respectively.

Restricted Funds

THE LAMSON & SESSIONS CO.

Consolidated Statement of Cash Flows

	Years Ended December 31		
(In thousands)	1991	1990	1989
Operating Activities			
Net (loss) earnings	$(13,897)	$ 1,325	$ 8,158
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation and amortization	11,551	11,301	9,717
Increase (decrease) in deferred taxes	(1,065)	(1,067)	2,301
Gain on sale of business	(4,362)		
Non-recurring charges	6,994		
Decrease (increase) in accounts receivable	131	(302)	3,201
Decrease (increase) in inventories	1,049	(3,864)	10,793
(Increase) decrease in other assets	(3,461)	1,425	(672)
Increase (decrease) in accounts payable	2,193	(3,598)	(3,515)
Increase (decrease) in accrued expenses and other liabilities	154	(832)	(7,455)
Increase (decrease) in taxes	615	(1,187)	(2,869)
Net change in other long-term items	(1,652)	(1,411)	(2,461)
Working capital effect of divestiture	1,592		
Cash (Used) Provided by Operating Activities	(158)	1,790	17,198
Investing Activities			
Purchases of property, plant and equipment	(8,253)	(11,406)	(18,007)
Payments received from sale of business	6,879		
Decrease (increase) in unexpended construction funds	2,233	(2,091)	201
Cash Provided (Used) by Investing Activities	859	(13,497)	(17,806)
Financing Activities			
Net change in bank credit agreements		1,498	1,643
Net change in notes payable	4,320	13,520	(1,921)
Long-term borrowings		13,169	1,184
Payments on long-term borrowings and capital lease obligations	(4,101)	(17,385)	(936)
Preferred and preference dividends paid			(248)
Exercise of stock options and warrants	93	127	838
Cash Provided by Financing Activities	312	10,929	560
Increase (Decrease) in Cash	1,013	(778)	(48)
Cash at beginning of year	994	1,772	1,820
Cash at End of Year	$ 2,007	$ 994	$ 1,772
Supplemental Cash Flow Information			
Interest expense paid	$ 5,980	$ 5,907	$ 6,558
Interest capitalized	133	41	272
Income taxes paid (refunded)	(396)	228	2,914

QUANEX CORPORATION

Consolidated Cash Flow Statements

Years Ended October 31,	1991	1990	1989
		(In thousands)	
Operating activities:			
Net income	$ 12,440	$ 28,020	$ 29,250
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	25,741	22,920	17,442
Deferred income taxes	1,028	(632)	11,103
Pension costs and other	3,238	3,153	2,308
Working capital provided by operations	42,447	53,461	60,103
Changes in assets and liabilities net of effects from acquisitions and dispositions:			
Decrease (increase) in accounts receivable	12,620	(6,564)	13,996
Decrease (increase) in inventory	(481)	1,378	3,268
Increase (decrease) in accounts payable	(7,091)	8,962	(12,292)
Increase (decrease) in accrued expenses	(2,819)	(2,133)	666
Other, net	(4,461)	408	(285)
Cash provided by operating activities	40,215	55,512	65,456
Investment activities:			
Capital expenditures, net of retirements	(47,190)	(29,796)	(13,445)
Designated cash and equivalents used (designated) for plant expansion	32,000	(49,000)	—
Proceeds from the sale of Nichols and Gulf Wire assets	7,081	—	—
Payment for purchase of Aluminum Mills Corporation net of cash acquired	(6,863)	—	—
Payment for purchase of Nichols-Homeshield, Inc., net of cash acquired	—	—	(88,605)
Other, net	(2,116)	3,040	771
	(17,088)	(75,756)	(101,279)
Cash provided (used) by operating and investment activities	23,127	(20,244)	(35,823)
Financing activities:			
Proceeds of long-term debt	—	143,810	115,000
Repayments of long-term debt	(2,395)	(105,541)	(60,170)
Dividends paid	(6,391)	(8,049)	(6,866)
Purchase of treasury stock	(3,167)	(7,455)	(2,541)
Purchase of senior mortgage bonds	—	—	(30,012)
Other, net	(4,111)	(3,314)	(2,325)
Cash provided (used) by financing activities	(16,064)	19,451	13,086
Increase (decrease) in cash and equivalents	7,063	(793)	(22,737)
Cash and equivalents at beginning of period	24,053	24,846	47,583
Cash and equivalents at end of period	$ 31,116	$ 24,053	$ 24,846

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Statement of Cash Flows

The Company generally considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. For fiscal years 1991, 1990 and 1989 cash paid for income taxes was $12,254,000, $16,802,000, and $5,839,000, respectively; cash paid for interest was $17,453,000, $8,050,000, and $7,032,000, respectively.

Lessor Leases

THE PITTSTON COMPANY

Consolidated Statements of Cash Flows

Years Ended December 31, 1991, 1990 and 1989 *(In thousands)*	1991	1990	1989
Cash flows from operating activities:			
Net income (loss)	$(151,852)	61,068	3,795
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect of accounting changes	123,017	—	—
Noncash write-offs	14,297	3,496	1,989
Depreciation, depletion and amortization	59,817	53,817	47,504
Provision (credit) for deferred income taxes	(26,158)	3,128	(901)
Credit for pensions, noncurrent	(16,168)	(17,355)	(15,818)
Provision for uncollectible accounts receivable	4,015	7,296	7,980
Equity in earnings of unconsolidated affiliates, net of dividends received	(6,186)	(2,184)	(2,399)
Gain on sale of a leveraged lease	(11,102)	—	—
Gain on sale of property, plant and equipment	(1,234)	(17,219)	(3,718)
Other operating, net	718	495	1,341
Change in operating assets and liabilities, net of effects of acquisitions:			
Decrease (increase) in accounts receivable	(1,554)	(28,366)	10,554
Decrease (increase) in inventories	4,243	(11,217)	6,134
Decrease (increase) in prepaid expenses	4,135	(7,456)	2,779
Increase in accounts payable and accrued liabilities	27,589	26,660	3,094
Increase in other assets	(3,646)	(5,256)	(2,831)
Increase (decrease) in workers' compensation and other claims, noncurrent	40,726	(829)	(4,409)
Increase (decrease) in other liabilities	47,331	(155)	(4,554)
Other, net	(2,095)	1,470	(857)
Net cash provided by operating activities	105,893	67,393	49,683
Cash flows from investing activities:			
Additions to property, plant and equipment	(77,209)	(78,482)	(51,056)
Proceeds from disposals of property, plant and equipment	9,782	23,586	8,015
Acquisitions, net of cash acquired, and related contingency payments	(1,914)	(11,150)	(1,892)
Proceeds from leveraged leases	24,340	1,286	3,475
Other, net	686	(11,397)	(927)
Net cash used by investing activities	(44,315)	(76,157)	(42,385)
Cash flows from financing activities:			
Additions to debt	3,931	25,417	27,929
Reductions of debt	(40,267)	(6,764)	(7,934)
Repurchase of common stock of the Company	(1,546)	(4,388)	(22,587)
Proceeds from exercise of stock options	1,546	1,137	2,024
Dividends paid	(7,456)	(7,460)	(5,625)
Net cash provided (used) by financing activities	(43,792)	7,942	(6,193)
Net increase (decrease) in cash and cash equivalents	17,786	(822)	1,105
Cash and cash equivalents at beginning of year	23,268	24,090	22,985
Cash and cash equivalents at end of year	$ 41,054	23,268	24,090

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and investments with original maturities of three months or less.

Sale/Leaseback

WAL-MART STORES, INC.

Consolidated Statements of Cash Flows

(Amounts in thousands)	Fiscal year ended January 31,		
	1992	1991	1990
Cash flows from operating activities:			
Net income	$1,608,476	$1,291,024	$1,075,900
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	475,352	346,614	269,406
(Gain) loss from sale of assets	(8,490)	3,378	5,039
Increase in accounts receivable	(113,603)	(58,324)	(29,173)
Increase in inventories	(1,459,649)	(1,087,520)	(1,076,706)
(Increase) decrease in prepaid expenses	(10,686)	11,823	(11,439)
Increase in accounts payable	709,757	689,435	436,990
Increase in accrued liabilities	117,078	84,739	174,112
Increase in deferred income tax	38,478	14,716	22,688
Net cash provided by operating activities	1,356,713	1,295,885	866,817
Cash flows from investing activities:			
Payments for property, plant and equipment	(1,805,303)	(1,388,298)	(954,602)
Recoverable sale/leaseback expenditures	(705,697)	(235,894)	(131,464)
Sale/leaseback arrangements and other property sales	369,226	91,000	184,900
(Increase) decrease in other assets	(8,107)	7,058	7,375
Net cash used in investing activities	(2,149,881)	(1,526,134)	(893,791)
Cash flows from financing activities:			
Increase in commercial paper	58,452	30,405	165,774
Proceeds from issuance of long-term debt	1,009,822	500,306	4,763
Proceeds from Walton Enterprises, Inc. stock exchange	—	14,000	—
Exercise of stock options	12,556	4,958	6,243
Payments for purchase of common stock	—	(25,826)	—
Dividends paid	(195,048)	(158,889)	(124,491)
Payment of long-term debt	(33,292)	(109,304)	(4,159)
Payment of capital lease obligations	(41,687)	(25,177)	(20,919)
Net cash provided by financing activities	810,803	230,473	27,211
Net increase in cash and cash equivalents	17,635	224	237
Cash and cash equivalents at beginning of year	13,014	12,790	12,553
Cash and cash equivalents at end of year	$ 30,649	$ 13,014	$ 12,790
Supplemental disclosure of cash flow information:			
Income tax paid	$ 861,853	$ 721,036	$ 551,021
Interest paid	235,954	116,134	136,762
Capital lease obligations incurred	433,858	100,972	104,122
Liabilities assumed in acquisitions	176,479	513,000	—

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 with a maturity of three months or less when purchased, to be "cash equivalents."

Guaranteed Investment Contract

DOW JONES & COMPANY, INC.

Consolidated Statements of Cash Flows

For the years ended December 31, 1991, 1990 and 1989

(In thousands)	1991	1990	1989
OPERATING ACTIVITIES:			
Net income	$ 72,189	$106,923	$316,980
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	142,358	145,340	130,920
Amortization of excess of cost over net assets of businesses acquired	40,868	40,881	27,356
Amortization of deferred costs	4,718	5,661	
Gain on disposition of investment			(269,182)
Gain on disposition of plant and property	(316)	(240)	(1,355)
Write-down of plant and property		4,888	
Write-down of assets	45,006		
Equity in (earnings) losses of associated companies, net of distributions	2,009	2,212	50,691
Minority interest in earnings, net of dividends paid			10,485
Changes in assets and liabilities:			
Accounts receivable—trade	(5,856)	3,142	(20,498)
Unearned revenue	6,660	(2,599)	21,689
Inventories	1,994	8,914	2,586
Other current assets	2,210	(3,658)	10,991
Accounts payable and accrued liabilities	20,313	(15,054)	22,964
Federal and state income taxes	28,392	(4,775)	(29,917)
Deferred taxes	(25,060)	(22,999)	(8,798)
Deferred compensation	5,600	5,068	1,768
Other, net	4,125	4,538	(1,243)
Net cash provided by operating activities	345,210	278,242	265,437
INVESTING ACTIVITIES:			
Additions to plant and property	(105,961)	(123,384)	(174,811)
Disposition of plant and property	8,797	12,340	12,753
Businesses and investments acquired, net of cash received	(2,739)	(175,253)	(610,845)
Disposition of investment			298,563
Proceeds from guaranteed investment contract	5,318		
Repayment of loan by investee	2,500		
Other, net		798	(1,735)
Net cash used in investing activities	(92,085)	(285,499)	(476,075)
FINANCING ACTIVITIES:			
Cash dividends	(76,765)	(76,628)	(72,543)
Increase in long-term debt	99,550	152,368	395,485
Reduction of long-term debt	(259,778)	(97,590)	(127,695)
Proceeds from sale under stock purchase plans	4,757	3,794	7,161
Purchase of treasury stock		(3,863)	(8,317)
Stock issued by consolidated subsidiary			3,220
Net cash (used in) provided by financing activities	(232,236)	(21,919)	197,311
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(3,172)	1,284	(1,267)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,717	(27,892)	(14,594)
Cash and cash equivalents at beginning of year	18,305	46,197	60,791
Cash and cash equivalents at end of year	$ 36,022	$ 18,305	$ 46,197

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary Of Significant Accounting Policies
Cash Equivalents are highly liquid investments with a maturity of three months or less when purchased.

Note 7 (In Part): Long-Term Debt
Long-term debt at December 31 was as follows:

(in thousands)	1991	1990
Commercial paper, 4.49% to 5.76% at December 31, 1991	$ 86,428	$340,888
Notes payable, 9.25%, 7.7% and 8.4% due November 1, 1992, February 1 and December 1, 1994	299,198	199,235
Notes payable, Associated Press, 7.75%	53,182	58,500
Floating rate demand industrial development revenue bonds, 5.05% at December 31, 1991, maturing 2012 and 2022	14,500	14,500
	453,308	613,123
Less: current portion	5,318	5,318
Total long-term debt	$447,990	$607,805

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The notes payable to the Associated Press are owed by the company in equal annual principal payments of $5,318,000 which commenced in 1991. The company purchased a Guaranteed Investment Contract from an insurance company which is supported by an irrevocable stand-by letter of credit. The contract, which is included in Other Investments, provides for payments to the company of interest and principal that match the payments owed the Associated Press.

Landlord Contributions

PHILLIPS-VAN HEUSEN CORPORATION

Consolidated Statements of Cash Flows

(In thousands)	1991	1990	1989
OPERATING ACTIVITIES:			
Net income	$31,137	$26,384	$24,192
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation and amortization	12,116	9,806	7,254
Deferred income taxes	346	(1,564)	1,096
Gain on sale of investment	(5,885)	—	—
Other—net	(1,021)	(57)	927
	36,693	34,569	33,469
Changes in operating assets and liabilities:			
Accounts receivable	(3,284)	8,360	(5,736)
Inventories	(9,578)	(23,060)	(17,463)
Accounts payable and accrued expenses	14,168	(5,364)	(1,603)
Other—net	(2,167)	406	(1,187)
Net Cash Provided By Operating Activities	35,832	14,911	7,480
INVESTING ACTIVITIES:			
Acquisition of Windsor Shirt	—	(2,965)	—
Sale of business	—	—	10,100
Plant and equipment acquired	(21,108)	(22,193)	(12,832)
Contributions from landlords	4,637	—	—
Sale of investment	7,085	—	—
Other—net	2,279	565	(246)
Net Cash Used By Investing Activities	(7,107)	(24,593)	(2,978)
FINANCING ACTIVITIES:			
Proceeds from revolving line of credit and long-term borrowings	67,200	74,758	63,900
Payments on revolving line of credit and long-term borrowings	(86,239)	(55,683)	(61,149)
Exercise of stock options	2,270	600	144
Payment of dividends	(10,828)	(10,745)	(10,727)
Net Cash (Used) Provided By Financing Activities	(27,597)	8,930	(7,832)
Increase (decrease) in cash	1,128	(752)	(3,330)
Cash at beginning of period	5,825	6,577	9,907
Cash at end of period	$ 6,953	$ 5,825	$ 6,577

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

Summary of Significant Accounting Policies (In Part)

Cash and Cash Equivalents—The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions from Landlords—The Company receives contributions from landlords for fixturing new retail stores which the Company leases. Such amounts are amortized as a reduction of rent expense over the life of the related lease. Unamortized contributions are included in Accrued expenses and Other Liabilities and amounted to $4,200 at February 2, 1992.

Nonhomogeneous Operations

ALCO STANDARD CORPORATION

Consolidated Statements of Cash Flows

(in thousands)	Fiscal Year Ended September 30 1991	1990	1989
Operating Activities			
Net income	$ 117,581	$ 93,532	$ 166,624
Additions (deductions) to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	68,549	63,935	57,608
Provision for losses on accounts receivable	20,078	9,369	12,642
(Benefit) provision for deferred income taxes	(15,605)	5,479	5,760
Change in deferred liabilities	10,187	7,193	391
Gain on sale of			
Alco Food Systems	(74,046)		(2,129)
Alco Health Services Corporation			(95,330)
Investment and other		(3,599)	(3,302)
Changes in operating assets and liabilities, net of effects from acquisitions and divestitures:			
Decrease (increase) in			
Accounts receivable	2,963	(24,529)	(16,264)
Inventories	5,120	(2,524)	(7,235)
Prepaid expenses	8,991	1,929	(4,633)
(Decrease) increase in accounts payable, deferred revenues and accrued expenses	(58,700)	52,223	(3,277)
Miscellaneous	2,141	(7,494)	(14,616)
Net cash provided	87,259	195,514	96,239
Investing Activities			
Proceeds from sale of			
Alco Food Systems	185,315		41,775
Alco Health Services Corporation			180,981
Investment and other		20,518	20,114
Proceeds from sale of property and equipment	22,011	12,670	11,565
Payments received on long-term receivables	10,556	7,902	7,023
Cost of companies acquired, net of cash acquired	(94,097)	(127,705)	(122,515)
Expenditures for property and equipment	(55,285)	(73,248)	(79,716)
Purchases of miscellaneous assets	(7,881)	(6,595)	(5,882)
Finance subsidiaries receivables			
Additions	(172,406)	(133,936)	(83,884)
Collections	78,876	49,902	31,068
Net cash (used) provided	(32,911)	(250,492)	529
Financing Activities			
Proceeds from			
Issuance of long-term debt	159,423	86,391	34,733
Option exercises and sale of treasury shares	41,929	38,238	19,127
Proceeds from short-term borrowings, net		3,000	73,000
Long-term debt repayments	(140,322)	(70,096)	(16,830)
Finance subsidiaries debt			
Issuance	108,724	68,161	53,253
Repayments	(47,642)	(3,042)	(10,987)
Dividends paid	(43,041)	(34,482)	(32,268)
Purchase of treasury shares	(44,731)	(25,920)	(231,013)
Net cash provided (used)	34,340	62,250	(110,985)
Net Increase (Decrease) in Cash and Cash Equivalents	88,688	7,272	(14,217)
Cash and Cash Equivalents at Beginning of Year	31,431	24,159	38,376
Cash and Cash Equivalents at End of Year	$ 120,119	$ 31,431	$ 24,159

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Cash Equivalents

The Company classifies investments with a maturity of three months or less when purchased as cash equivalents.

TRINITY INDUSTRIES, INC.

Consolidated Statements of Cash Flows

(in millions)	Year Ended March 31 1991	1990	1989
Cash flows from operating activities:			
Net income	$ 30.1	$ 38.2	$ 30.3
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation:			
Excluding Leasing Subsidiaries	26.9	21.6	17.8
Leasing Subsidiaries	18.3	12.4	13.1
Deferred provision for income taxes	2.6	15.0	14.9
(Gain) loss on sale of property, plant and equipment	(0.8)	(1.9)	0.4
Accretion of discount on long-term debt	—	6.2	6.1
Other	(2.7)	1.4	(0.6)
Change in assets and liabilities:			
(Increase) decrease in receivables	14.5	(17.1)	(30.1)
(Increase) decrease in inventories	(0.1)	37.4	(68.5)
(Increase) decrease in other assets	5.0	(1.9)	0.6
Increase (decrease) in accounts payable and accrued liabilities	2.0	(7.6)	10.8
Increase (decrease) in other liabilities	3.8	(9.7)	16.7
Total adjustments	69.5	55.8	(18.8)
Net cash provided by operating activities	99.6	94.0	11.5
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	3.6	4.8	9.0
Capital expenditures:			
Excluding Leasing Subsidiaries	(36.3)	(28.1)	(21.9)
Leasing Subsidiaries	(41.7)	(10.0)	(18.0)
Payment for purchase of acquisitions, net of cash acquired	(36.1)	(16.8)	(36.0)
Net cash required by investing activities	(110.5)	(50.1)	(66.9)
Cash flows from financing activities:			
Issuance (retirement) of common stock	(1.9)	2.0	1.8
Net borrowings under short-term debt	16.5	(2.5)	17.0
Proceeds from issuance of long-term debt	35.3	0.2	62.7
Payments to retire long-term debt	(23.6)	(30.8)	(18.4)
Dividends paid	(16.9)	(11.8)	(8.9)
Net cash provided (required) by financing activities	9.4	(42.9)	54.2
Net increase (decrease) in cash and cash equivalents	(1.5)	1.0	(1.2)
Cash and cash equivalents at beginning of period	7.4	6.4	7.6
Cash and cash equivalents at end of period	$ 5.9	$ 7.4	$ 6.4

Excluding Leasing Subsidiaries, interest paid in fiscal 1991, 1990, and 1989 was $9.3, $11.4, and $7.6, respectively. Leasing Subsidiaries' interest paid in fiscal 1991, 1990, and 1989 was $25.1, $25.6, and $22.0, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

For purposes of the Consolidated Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Financial instruments which potentially subject the Company to concentrations of credit risk are primarily cash investments and receivables. The Company places its cash investments in investment grade, short-term debt instruments and limits the amount of credit exposure to any one commercial issuer. Concentrations of credit risk with respect to receivables are limited due to the large number of customers in the Company's customer base, and their dispersion across different industries and geographic areas. The Company maintains an allowance for losses based upon the expected collectibility of all receivables.

Income Taxes (in millions)

The provision for federal income taxes is determined on a consolidated return basis. Deferred income tax is provided in the financial statements for timing differences between financial and taxable income. The Company, TILC and TRLC file a consolidated federal income tax return. In fiscal 1991, 1990, and 1989, income taxes of $11.9, $8.8 and $2.2, respectively, were paid.

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

CROWN CORK & SEAL COMPANY, INC.

Consolidated Statements of Cash Flows

(in millions)

	1991	1990	1989
Cash flows from operating activities			
Net income	$128.1	$107.1	$ 94.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	128.4	102.0	61.8
Deferred income taxes	(12.5)	(3.0)	9.4
Equity in earnings of joint ventures, net of dividends	(2.9)	—	—
Other, net	3.8	7.0	9.6
Changes in assets and liabilities, net of businesses acquired:			
Accounts receivable	(79.6)	43.5	(51.5)
Inventories	26.8	28.5	7.7
Accounts payable and accrued liabilities	(38.4)	(16.8)	(.8)
Other	21.9	4.8	(1.7)
Net cash provided by operating activities	175.6	273.1	128.7
Cash flows from investing activities			
Capital Expenditures	(92.2)	(128.0)	(88.6)
Acquisition of businesses, net of cash acquired	(209.3)	(204.0)	(205.5)
Proceeds from sale of fixed assets	1.0	10.5	4.8
Other, net	6.2	5.4	1.5
Net cash used for investing activities	(294.3)	(316.1)	(287.8)
Cash flows from financing activities			
Proceeds from long-term debt	465.1	214.7	93.3
Payments of long-term debt	(292.0)	(120.1)	—
Net change in short-term debt	(52.0)	(29.2)	138.0
Common stock:			
Repurchase for treasury	(69.1)	(5.1)	(66.7)
Issued under various employee benefit plans	9.6	6.2	8.1
Proceeds from public offering	66.0	—	—
Net cash provided by financing activities	127.6	66.5	172.7
Effect of exchange rate changes on cash and cash equivalents	(10.5)	(16.1)	(17.2)
Net change in cash and cash equivalents	(1.6)	7.4	(3.6)
Cash and cash equivalents at January 1	21.8	14.4	18.0
Cash and cash equivalents at December 31	$ 20.2	$ 21.8	$ 14.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Cash Equivalents

Cash equivalents include all highly liquid debt instruments purchased with an original maturity of less than three months.

HARTMARX CORPORATION

Consolidated Statement of Cash Flows

(In Thousands/Years ended November 30)	1991	1990	1989
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from operating activities:			
Net earnings (loss)	$(38,365)	$(61,545)	$17,410
Reconciling items to adjust net earnings to net cash provided by operating activities:			
Depreciation and amortization	33,809	35,219	31,038
Changes in:			
Accounts receivable:			
Sale of receivables	(2,000)	60,000	—
Other changes	(29)	16,030	543
Inventories	4,604	60,407	(60,892)
Prepaid expenses	431	1,586	(740)
Other assets	243	3,733	(936)
Accounts payable and accrued expenses	(6,907)	30,579	1,005
Taxes on earnings	(7,305)	(41,127)	(1,692)
Adjustment of properties to net realizable value	4,493	5,476	595
Net cash provided by (used in) operating activities	(11,026)	110,358	(13,669)
Cash Flows from investing activities:			
Capital expenditures	(15,488)	(21,621)	(52,880)
Cash (paid) received re acquisitions/disposition, net of subsidiary cash	—	11,142	(76,449)
Net cash used in investing activities	(15,488)	(10,479)	(129,329)
Cash Flows from financing activities:			
Increase (decrease) in notes payable to banks	(3,850)	(123,250)	151,000
Proceeds from notes payable to insurance companies	—	45,000	—
Increase (decrease) in other long term debt	2,014	(9,238)	(8,843)
Proceeds from public offering of common stock	38,550	—	—
Proceeds from exercise of stock options	—	147	277
Proceeds from disposition of treasury shares	7,283	5,224	21,344
Payment of dividends	(13,643)	(17,895)	(22,924)
Net cash provided by (used in) financing activities	30,354	(100,012)	140,854
Net increase (decrease) in cash and cash equivalents	3,840	(133)	(2,144)
Cash and cash equivalents at beginning of year	2,731	2,864	5,008
Cash and cash equivalents at end of year	$ 6,571	$ 2,731	$ 2,864
Supplemental cash flow information:			
Net cash paid (received) during the year for:			
Interest expense	$ 24,300	$ 27,200	$ 27,700
Income taxes	(14,300)	8,300	12,100

Non-cash financing activities:

The December 1, 1988 loan of $15 million by a financial institution to The Hartmarx Employee Stock Ownership (ESOP) is guaranteed by the Company and the $13.2 million outstanding at November 30, 1991 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 (In Part)

Cash and Cash Equivalents—The Company considers as cash equivalents all highly liquid investments with an original maturity of three months or less.

MINNTECH CORPORATION

Consolidated Statements of Cash Flows

Years Ended March 31	1991	1990	1989
Cash Flows from Operating Activities			
Net earnings	$2,936,112	$2,045,401	$ 892,687
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,355,730	1,084,247	766,715
Provision for losses on accounts receivable	29,060	27,698	18,889
Deferred income taxes	22,000	519,000	—
Cumulative effect of accounting change	—	(164,063)	—
Changes in assets and liabilities:			
Accounts receivable	(904,317)	(446,749)	(866,892)
Inventories	(1,183,979)	31,449	(189,636)
Prepaid expenses	(26,564)	25,867	(40,931)
Accounts payable	598,780	88,373	(342,604)
Accrued expenses	502,151	224,063	197,944
Income taxes payable	(438,982)	399,982	45,000
Total adjustments	(46,121)	1,789,867	(411,515)
Net cash provided by operating activities	2,889,991	3,835,268	481,172
Cash Flows from Investing Activities:			
Purchases of property and equipment	(4,459,721)	(1,044,410)	(1,375,972)
Patent application costs	(101,793)	(128,027)	—
Other	741	(23,405)	(1,409)
Net cash used in investing activities	(4,560,773)	(1,195,842)	(1,377,381)
Cash Flows from Financing Activities			
Payments of long-term debt	(287,769)	(279,763)	(157,812)
Proceeds from long-term debt, net of issuance costs	1,956,126	—	600,000
Proceeds from exercise of stock options and warrants	372,278	184,637	—
Tax benefit from stock option exercises	905,068	9,600	—
Repurchase of common stock	(699,416)	(304,478)	—
Collections on notes receivable, stockholders	—	20,225	—
Net cash provided by (used in) financing activities	2,246,287	(369,779)	442,188
Net increase (decrease) in cash and cash equivalents	575,505	2,269,647	(454,021)
Cash and cash equivalents at beginning of year	3,293,531	1,023,884	1,477,905
Cash and cash equivalents at end of year	$3,869,036	$3,293,531	$1,023,884

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents

The Company considers its highly liquid temporary investments with maturities of three months or less to be cash equivalents for purposes of presenting the Statement of Cash Flows.

STANDEX INTERNATIONAL CORPORATION

Statements of Consolidated Cash Flows

Year Ended June 30	1991	1990	1989
Cash Flows from Operating Activities			
Net income	$20,175,991	$22,723,094	$22,283,531
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,016,700	11,334,668	10,777,729
Profit improvement incentive plan	151,392	2,283,606	3,448,344
Deferred income taxes	1,049,000	288,000	(1,122,000)
Net pension credit	(877,000)	(809,109)	(1,530,000)
Gain on sale of investments, real estate and equipment	(635,800)	(192,291)	(654,261)
Loss (Gain) on disposition of businesses	336,611	(1,988,756)	—
Increase (decrease) in cash from changes in assets and liabilities, net of effect of acquisitions and dispositions:			
Receivables, net	(1,722,332)	(1,706,014)	106,837
Inventories	5,229,325	(5,690,687)	(1,138,505)
Noncurrent receivables and other assets	(1,338,438)	(1,147,494)	4,297,655
Accounts payable	(1,392,161)	(547,334)	842,311
Accrued payroll, employee benefits and other liabilities	1,745,627	1,496,718	(4,312,549)
Income taxes	555,306	(772,775)	4,044,388
Net cash provided by operating activities	35,294,221	25,271,626	37,043,480
Cash Flows from Investing Activities:			
Expenditures for property and equipment	(13,799,626)	(12,729,941)	(12,694,743)
Expenditures for acquisitions, net of cash acquired	(1,934,212)	(5,046,943)	(10,668,093)
Proceeds from sale of investments, real estate and equipment	1,966,679	602,048	3,860,178
Proceeds from disposition of businesses	1,357,986	788,444	—
Net cash used for investing activities	(12,409,173)	(16,386,392)	(19,502,658)
Cash Flows from Financing Activities			
Increase (decrease) in notes payable	(1,616,989)	(1,260,698)	(1,284,814)
Proceeds from long-term debt	4,100,000	14,500,000	19,707,500
Payments of long-term debt	(2,105,228)	(859,348)	(3,514,572)
Stock issued under employee stock option and stock purchase plans	2,757,840	2,627,306	5,122,878
Cash dividends paid	(6,772,856)	(6,747,375)	(6,528,937)
Purchase of treasury stock	(20,627,616)	(18,290,586)	(31,661,705)
Loan to Employees' Stock Ownership Trust	—	—	(3,307,500)
Payments on Employees' Stock Ownership Trust loan	678,413	643,493	474,361
Net cash used for financing activities	(23,586,436)	(9,387,208)	(20,992,789)
Effect of Exchange Rate Changes on Cash	44,798	534,122	(809,144)
Net Changes in Cash and Cash Equivalents	(656,590)	32,148	(4,261,111)
Cash and Cash Equivalents at Beginning of Year	7,969,904	7,937,756	12,198,867
Cash and Cash Equivalents at End of Year	$ 7,313,314	$ 7,969,904	$ 7,937,756
Supplemental Disclosure of Cash Flow Information			
Cash paid during the year for			
Interest	$ 7,887,749	$ 7,484,328	$ 6,719,924
Income taxes	10,806,784	12,586,659	11,836,639

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part):

Cash and Cash Equivalents—Includes highly liquid investments purchased with a remaining maturity of three months or less.

Debt Proceeds/Repayments

SMITHFIELD FOODS, INC.

Consolidated Statements of Cash Flows

(Dollars in thousands)	52 Weeks Ended April 28, 1991	52 Weeks Ended April 29, 1990	52 Weeks Ended April 30, 1989
Cash flows from operating activities:			
Net income	$28,658	$7,060	$9,814
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,648	10,157	8,815
Gain on sale of property and equipment	(11)	(145)	(1,407)
(Increase) decrease in accounts receivable	(4,584)	(9,587)	1,498
(Increase) decrease in inventories	(11,012)	(12,408)	4,465
(Increase) decrease in prepaid expense and other current assets	(5,957)	(754)	90
(Increase) decrease in other assets	1,585	(392)	2,088
Increase (decrease) in deferred income taxes	(1,522)	1,413	(169)
Increase (decrease) in accounts payable and accrued expenses	2,959	5,355	(4,916)
Other	118	45	35
Net cash provided by operating activities	21,882	744	20,313
Cash flows from investing activities:			
Purchase of property, plant and equipment	(26,518)	(19,555)	(16,034)
Proceeds from sale of property, plant and equipment	471	2,467	1,615
Increase in partnership investment	—	—	(4,000)
(Increase) decrease in advances under joint hog production arrangements	—	17,074	(15,478)
Net cash (used in) investing activities	(26,047)	(14)	(33,897)
Cash flows from financing activities:			
Net borrowings on notes payable to banks	(462)	7,083	8,455
Proceeds from issuance of long-term debt	15,000	5,000	15,000
Principal payments on long-term debt	(5,861)	(5,925)	(3,482)
Proceeds from exercise of stock options	296	155	766
Purchase of treasury stock	(3,232)	(7,072)	(7,222)
Net cash provided by (used in) financing activities	5,741	(759)	13,517
Net increase (decrease) in cash	1,576	(29)	(67)
Cash at beginning of year	1,074	1,103	1,170
Cash at end of year	$2,650	$1,074	$1,103
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest net of amount capitalized	$7,256	$6,202	$3,438
Income taxes	14,122	3,262	5,391

SYNTEX CORPORATION

Consolidated Statements of Cash Flows
($ in millions)

	For The Years Ended July 31		
	1991	1990	1989
Cash Provided from Operating Activities:			
Net income	$423.8	$341.5	$303.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	80.9	65.8	53.5
Net effect of changes in:			
Trade receivables	(18.7)	(29.2)	(1.3)
Inventories	(57.9)	(38.5)	(16.9)
Accounts payable	15.7	3.1	5.7
Accrued liabilities (including noncurrent)	110.0	48.5	13.7
Other	(12.0)	(19.4)	(6.9)
Net Cash Provided from Operating Activities	541.8	371.8	351.0
Cash Provided (Used) in Investing Activities:			
Capital expenditures	(247.7)	(144.0)	(143.1)
Purchase of short-term investments	(343.2)	(483.8)	(313.3)
Proceeds from short-term investments	267.6	399.4	227.8
Purchase of long-term investments	(112.8	—	—
Other investing activities	(16.7)	7.5	.9
Net Cash Used in Investing Activities	(452.8)	(220.9)	(227.7)
Cash Provided (Used) in Financing Activities:			
Net change in short-term debt	52.5	104.6	22.4
Proceeds from issuance of long-term debt	67.0	4.5	120.5
Repayment of long-term debt	(20.9)	(1.9)	(31.4)
Payment of dividends	(186.4)	(170.6)	(154.4)
Common shares repurchased	—	—	(279.3)
Other financing activities	6.7	5.3	5.0
Net Cash Used in Financing Activities	(81.1)	(58.1)	(317.2)
Effect of exchange rate changes on cash	2.9	(.2)	(.3)
Net Change in Cash and Cash Equivalents	10.8	92.6	(194.2)
Cash and Cash Equivalents at Beginning of Year	282.3	189.7	383.9
Cash and Cash Equivalents at Year-End	$293.1	$282.3	$189.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Statements of Cash Flows

All investments purchased with a maturity of three months or less are cash equivalents. Investments with a maturity period of greater than three months but less than one year are classified as short-term investments.

In fiscal 1991, 1990 and 1989, the change in short-term debt in the Consolidated Statement of Cash Flows includes commercial paper repayments with a maturity period of greater than three months. Commercial paper repayments were $6.4 million, $57.2 million and $58.3 million in fiscal 1991, 1990 and 1989, respectively.

Additional information regarding cash payments of interest and income taxes follows:

	For The Years Ended July 31		
($ IN MILLIONS)	1991	1990	1989
Interest	$41.3	$42.8	$35.6
Income taxes	17.5	22.2	26.5

TRANSTECHNOLOGY CORPORATION

Statements of Cash Flows

	For the years ended March 31,		
	1991	1990	1989
Cash Flows from Operating Activities:			
Net income (loss)	$ (4,009,000)	$ (8,442,000)	$ 9,244,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,582,000	8,571,000	7,954,000
Provision for losses on accounts receivable	270,000	681,000	488,000
(Gain) loss on sale or disposal of fixed assets	1,136,000	(553,000)	26,000
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	15,914,000	12,547,000	(4,762,000)
Decrease in inventories	7,797,000	3,958,000	1,559,000
(Increase) decrease in net assets of discontinued operations	3,113,000	351,000	(1,845,000)
(Increase) in other assets	(817,000)	(97,000)	(1,117,000)
(Increase) decrease in income tax receivable	4,663,000	(5,170,000)	—
Increase (decrease) in accounts payable	(3,197,000)	(2,770,000)	1,720,000
Increase (decrease) in accrued compensation	(920,000)	(727,000)	43,000
Increase (decrease) in other liabilities	2,067,000	2,120,000	(1,961,000)
(Decrease) in income tax payable	—	(540,000)	(257,000)
(Decrease) in deferred income taxes	(1,253,000)	(1,374,000)	(1,928,000)
Net cash provided by operating activities	31,346,000	8,555,000	9,164,000
Cash Flows from Investing Activities:			
Capital expenditures	(5,713,000)	(7,394,000)	(9,691,000)
Proceeds from sale of fixed assets	1,135,000	6,279,000	416,000
Notes receivable	611,000	(683,000)	137,000
Net cash used in investing activities	(3,967,000)	(1,798,000)	(9,138,000)
Cash Flows from Financing Activities:			
Proceeds from short-term borrowings	10,000,000	55,732,000	18,000,000
Payments on short-term debt	(10,246,000)	(49,986,000)	(15,000,000)
Proceeds from long-term borrowings	51,500,000	80,163,000	83,500,000
Payments on long-term debt	(71,679,000)	(88,270,000)	(85,495,000)
Proceeds from issuance of stock under stock option plan	—	191,000	108,000
Stock repurchases	(448,000)	(263,000)	(195,000)
Dividends paid	(1,233,000)	(4,938,000)	(4,621,000)
Net cash used in financing activities	(22,106,000)	(7,371,000)	(3,703,000)
Net Increase (Decrease) in Cash and Cash Equivalents	5,273,000	(614,000)	(3,677,000)
Cash and Cash Equivalents at Beginning of Year	2,827,000	3,441,000	7,118,000
Cash and Cash Equivalents at End of Year	$ 8,100,000	$ 2,827,000	$ 3,441,000
Supplemental Information:			
Interest payments	$ 6,317,000	$ 7,470,000	$ 6,169,000
Income tax payments	345,000	427,000	7,428,000

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Principles

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Company considers all highly liquid investments with maturity of three months or less to be cash equivalents.

Sale Of Subsidiary's Stock

MAXXAM INC.

Consolidated Statement of Cash Flows

(In millions of dollars)	Years Ended December 31, 1991	1990	1989
Cash flows from operating activities:			
Net income	$ 57.5	$ 161.9	$ 116.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and depletion	106.1	100.0	91.5
Amortization of deferred financing costs and discounts on long-term debt	20.3	20.3	63.2
Loss (income) from investments in unconsolidated affiliates	19.5	14.6	(12.1)
Minority interests	7.9	7.9	6.6
Loss (gain) on repurchase of debt	1.5	(17.8)	—
Net losses (gains) on marketable securities	.7	4.0	(21.3)
Recognition of previously deferred income from a forward alumina sale	(42.0)	(95.1)	(16.4)
Incurrence of financing costs	(12.3)	(1.8)	(50.3)
Proceeds from a forward alumina sale	—	—	179.9
Increase in accrued and deferred income taxes	(5.8)	(30.9)	27.4
Decrease in receivables	4.7	43.3	78.5
(Increase) decrease in accrued interest	1.8	.9	(13.3)
Decrease in accounts payable, payable to affiliates and other liabilities	(25.7)	(37.1)	(126.7)
Increase in inventories, prepaid expenses and other assets	(10.5)	(63.4)	(46.0)
Other	1.9	(7.0)	(1.6)
Net cash provided by operating activities	137.2	161.6	276.2
Cash flows from investing activities:			
Net proceeds from sale of assets	16.1	17.3	421.5
Capital expenditures	(130.9)	(135.0)	(130.5)
Net sales (purchases) of marketable securities	(24.5)	161.8	144.0
Acquisition of real estate properties and mortgages	(16.4)	—	—
Investment in and advances to Alumina Partners of Jamaica	—	—	(54.9)
Other	(6.8)	3.8	(5.7)
Net cash provided by (used for) investing activities	(162.5)	47.9	374.4
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	218.4	40.2	737.4
Proceeds from initial public offering of Kaiser Aluminum Corporation common stock	93.2	—	—
Net borrowings under revolving credit agreements and short-term borrowings	39.7	16.1	20.0
Proceeds from issuance of common stock	2.3	.3	10.3
Redemptions, repurchase of and principal payments on long-term debt	(268.4)	(256.1)	(1,524.4)
Redemption of preference stock	(20.4)	(35.4)	(15.5)
Other	(.7)	(.5)	(3.1)
Net cash provided by (used for) financing activities	64.1	(235.4)	(775.3)
Net increase (decrease) in cash and cash equivalents	38.8	(25.9)	(124.7)
Cash and cash equivalents at beginning of year	66.3	92.2	216.9
Cash and cash equivalents at end of year	$ 105.1	$ 66.3	$ 92.2
Supplementary schedule of non-cash investing and financing activities:			
Acquisition of real estate properties and mortgages:			
Assets acquired	$ 135.9		
Issuance of long-term debt	108.3		
Notes receivable exchanged	34.2		
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalized interest	$ 188.8	$ 200.9	$ 291.5
Income taxes paid	23.8	39.1	76.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In millions of dollars, except share amounts)

Note 1 (In Part): 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.

9 (In Part): Stockholders' Equity

Sale of Subsidiary Stock

On July 18, 1991, Kaiser consummated its initial public offering of 7.25 million shares of its common stock at a price of $14.00 per share. The 7.25 million shares represent approximately a 12.7% interest in Kaiser. Kaiser received approximately $93.2, net of related offering costs, from the sale. Seventy-five percent of the net proceeds were used to prepay certain notes together with accrued interest thereon to MGI, and the remaining 25% was used to prepay a portion of the bank indebtedness of KACC. As a result of the sale of Kaiser's common stock, the Company's equity in Kaiser's net assets immediately after the sale was approximately $28.5 higher than its historical cost. The Company has accounted for this difference as an increase in additional capital.

Overdraft

SUPREME EQUIPMENT & SYSTEMS CORP.

Statements of Cash Flows

	Years Ended July 31,		
	1991	1990	1989
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(1,838,896)	$(2,240,445)	$(2,950,668)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	829,175	1,075,435	1,173,483
Gain on sale of property, equipment and real estate	(511,728)	—	(8,700)
Decrease in accounts receivable, net	705,968	329,939	1,803,288
Decrease in inventories	1,611,838	2,127,831	1,317,025
Decrease (increase) in prepaid expense and sundry receivables	(68,149)	106,016	377,861
Decrease in deposits and other assets	20,908	51,604	11,461
Decrease in deferred compensation	(5,082)	(5,105)	(29,098)
Decrease in accounts payable, accrued liabilities and long-term liabilities to vendors	(440,275)	(78,848)	(983,365)
Total adjustments	2,142,655	3,606,872	3,661,955
Net Cash provided by Operating Activities	303,759	1,366,427	711,287
CASH FLOWS FROM INVESTING ACTIVITIES:			
Collection of mortgages receivable	127,351	—	—
Collections of loans to officers	6,322	8,330	8,690
Collection of note receivable on sale of subsidiary	—	9,977	19,953
Capital expenditures	(64,260)	(730,648)	(497,663)
Proceeds of sale of property and equipment	20,625	—	8,700
Net Cash Provided (Used) by Investing Activities	90,038	(712,341)	(460,320)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Short-term bank borrowings	$ 334,990	$ 380,814	$ —
Payments of debt	(1,285,041)	(765,288)	(789,081)
Long-term debt borrowings	—	—	300,000
Cash overdraft	265,366	—	—
Net Cash Used by Financing Activities	(684,685)	(384,474)	(489,081)
NET INCREASE (DECREASE) IN CASH	(290,888)	269,612	(238,114)
CASH AT BEGINNING OF YEAR	420,552	150,940	389,054
CASH AT END OF YEAR	$ 129,664	$ 420,552	$ 150,940
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 875,936	$ 866,178	$ 874,261
Income taxes	$ 5,097	$ 10,475	$ 23,025
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Mortgages receivable from the sale of real estate	$ 2,813,000	$ —	$ —

Transactions With ESOP

HERSHEY FOODS CORPORATION

Consolidated Statements of Cash Flows
(in thousands of dollars)

For the years ended December 31,	1991	1990	1989
Cash Flows Provided from (Used by) Operating Activities			
Net income	$ 219,528	$ 215,882	$ 171,054
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	85,413	73,889	65,729
Deferred income taxes	20,654	(8,257)	3,369
Gain on business restructuring, net	—	(35,540)	—
Changes in assets and liabilities, net of effects from business acquisitions:			
Accounts receivable—trade	(6,404)	(21,028)	44,846
Inventories	(43,949)	(61,447)	(1,082)
Accounts payable	4,070	23,300	(26,546)
Other assets and liabilities	94,270	(5,398)	3,080
Other, net	(26,242)	5,105	5,195
Net Cash Provided from Operating Activities	347,340	186,506	265,645
Cash Flows Provided from (Used by) Investing Activities			
Capital additions	(226,071)	(179,408)	(162,032)
Business acquisitions	(44,108)	(78,153)	—
Sale of equity interest	—	78,041	—
Other, net	(1,510)	(4,501)	(2,316)
Net Cash (Used by) Investing Activities	(271,689)	(184,021)	(164,348)
Cash Flows Provided from (Used by) Financing Activities			
Net increase in short-term debt	56,489	1,131	—
Long-term borrowings	23,620	77,117	1,794
Repayment of long-term debt	(27,861)	(18,567)	(55,105)
Repayment of assumed debt	—	(250)	—
Loan to ESOP	(47,902)	—	—
Proceeds from sale of Common Stock to ESOP	47,902	—	—
Cash dividends paid	(83,401)	(87,757)	(65,592)
Net Cash (Used by) Financing Activities	(31,153)	(28,326)	(118,903)
Increase (Decrease) in Cash and Cash Equivalents	44,498	(25,841)	(17,606)
Cash and Cash Equivalents as of January 1	26,626	52,467	70,073
Cash and Cash Equivalents as of December 31	$ 71,124	$ 26,626	$ 52,467
Interest Paid	$ 24,468	$ 26,085	$ 21,329
Income Taxes Paid	$ 119,038	$ 147,099	$ 106,218

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash Equivalents

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

STANDARD MOTOR PRODUCTS, INC.

Statements of Consolidated Cash Flows

Years Ended December 31,	1991	1990	1989
	(Dollars in Thousands)		
Cash Flows From Operating Activities:			
Net Income	$ 6,667	$ 7,734	$ 13,143
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,867	8,038	7,344
Loss on disposal of property, plant & equipment	439	216	466
(Gain) loss on sale of marketable securities	373	1,049	(179)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	2,859	2,519	(17,009)
Sale of accounts receivable		25,000	
(Increase) decrease in inventories	35,775	(31,581)	(20,940)
(Increase) decrease in prepaid taxes based on earnings	(1,136)	1,283	2,568
(Increase) decrease in other assets	2,458	(929)	(5,563)
Increase (decrease) in accounts payable	1,216	7,165	(92)
Increase (decrease) in taxes based on earnings	(68)	174	(431)
(Decrease) in deferred income taxes	(1,849)	(2,185)	(2,384)
Increase (decrease) in other current assets and liabilities	(2,885)	354	(3,095)
Increase (decrease) in sundry payables and accrued expenses	(2,268)	8,077	(260)
Total adjustments	43,781	19,180	(39,575)
Net cash provided by (used in) operating activities	50,448	26,914	(26,432)
Cash Flows From Investing Activities:			
Proceeds from sales of marketable securities	7,903	34,025	63,418
Purchases of marketable securities	(3,169)	(30,415)	(56,876)
Sale of fixed assets	189	700	
Capital expenditures	(12,049)	(16,171)	(23,239)
Net cash (used in) investing activities	(7,126)	(11,861)	(16,697)
Cash Flows From Financing Activities:			
Net borrowings (repayments) under line-of-credit agreements	(12,800)	(2,900)	(13,600)
Proceeds from issuance of long-term debt		1,800	49,229
Principal payments of long-term debt	(14,800)	(4,885)	(4,436)
Reduction of loan to E.S.O.P.	1,679	1,679	1,676
Proceeds from exercise of employee stock options	20	12	567
Tax benefits applicable to E.S.O.P.	125	126	82
Loan to E.S.O.P.			(16,779)
Dividends paid	(4,198)	(4,198)	(4,191)
Net cash (used in) provided by financing activities	(29,974)	(8,366)	39,748
Net increase (decrease) in cash	13,348	6,687	(3,381)
Cash and cash equivalents at beginning of year	10,694	4,007	7,388
Cash and cash equivalents at end of year	$ 24,042	$ 10,694	$ 4,007
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 17,911	$ 18,791	$ 16,639
Income taxes	$ 4,230	$ 2,603	$ 4,700

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Minority Interest

BORDEN, INC.

Consolidated Statements of Cash Flows
(In millions)

Year Ended December 31,	1991	1990	1989
Cash Flows From Operating Activities			
Net income (loss)	$ 294.9	$ 363.6	$ (60.6)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation and amortization	216.9	197.3	186.0
Reorganization and reconfiguration	(65.0)	(286.5)	401.4
Net change in trade receivables	19.9	47.9	(55.1)
Net change in inventories	7.6	1.5	(3.6)
Net change in trade payables	(15.1)	(20.4)	(4.3)
Net change in current and deferred taxes	63.4	131.2	(81.6)
Net change in other assets	(99.0)	(91.7)	(95.2)
Other, net	(74.8)	(47.8)	(75.1)
	348.8	295.1	211.9
Cash Flows From Investing Activities			
Purchase of businesses	(29.5)	(157.1)	(264.3)
Capital expenditures	(376.0)	(331.1)	(244.0)
Purchase of investments		(98.1)	
Divestiture of businesses	94.1	176.4	124.3
	(311.4)	(409.9)	(384.0)
Cash Flows From Financing Activities			
Minority interest	500.0		
(Decrease) increase in short-term debt	(310.4)	439.2	25.1
Reduction in long-term debt	(244.2)	(102.4)	(94.4)
Long-term debt financing	223.1	12.8	365.3
Dividends paid	(165.0)	(152.8)	(133.0)
Issuance of stock under stock options and benefits and awards plans	7.2	5.3	18.4
Acquisition of treasury stock	(1.6)	(29.4)	(18.1)
	9.1	172.7	163.3
Increase (decrease) in cash and equivalents	46.5	57.9	(8.8)
Cash and equivalents at beginning of year	161.8	103.9	112.7
Cash and equivalents at end of year	$ 208.3	$ 161.8	$ 103.9
Supplemental Disclosures of Cash Flow Information:			
Interest paid	$ 177.5	$ 170.1	$ 125.7
Taxes paid	102.6	80.8	144.7

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

1 (In Part): Summary of Significant Accounting Policies

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.

6. Minority Interest

In December 1991 three wholly owned subsidiaries of the Company contributed an aggregate of $1,700.5 in assets to T.M.I. Associates, L.P., a Delaware limited partnership (the Partnership), in exchange for an aggregate 77.28% general partner interest in the Partnership. The contributed assets consisted of selected trademarks which are licensed to the Company pursuant to exclusive long-term license agreements, a long-term note guaranteed by the Company and cash. Additionally, an outside investor contributed $500.0 in cash to the Partnership in exchange for a 22.72% limited partner interest. The Partnership is a separate and distinct legal entity from the Company whose purpose is to invest in and manage a portfolio of assets. For financial reporting purposes the Partnership's assets and liabilities are consolidated with those of the Company and the outside investor's 22.72% interest in the Partnership is included in the Company's financial statements as minority interest.

IMO INDUSTRIES INC.

Consolidated Statements of Cash Flows
(Dollars in thousands)

Year Ended December 31,	1991	1990	1989
Operating Activities			
Net income	$ 11,411	$ 21,172	$ 33,942
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	32,828	28,511	24,009
Amortization	9,990	8,668	6,911
Provision for losses on accounts receivable	1,235	1,037	844
Provision for deferred income taxes	853	2,970	3,209
Dividends received in excess of (less than) equity in earnings of unconsolidated companies	1,885	(2,442)	(1,540)
Minority interest in net income	1,111	5,757	2,701
Gain on sale of property, plant and equipment	(629)	(85)	(1,427)
Changes in operating assets and liabilities net of effects from acquisitions:			
Decrease (increase) in accounts and notes receivable	17,688	19,759	(16,830)
Decrease (increase) in inventories	31,361	(39,724)	(24,428)
(Increase) decrease in recoverable income taxes	(2,047)	2,626	(336)
Decrease in accounts payable and accrued expenses	(32,562)	(6,493)	(9,207)
Other operating assets and liabilities	1,271	(1,148)	(383)
Net Cash Provided by Operating Activities	74,395	40,608	17,465
Investing Activities			
Purchases of property, plant and equipment	(28,830)	(34,029)	(47,493)
Acquisitions, net of treasury stock issued and cash acquired	(12,550)	(64,316)	(38,526)
Proceeds from sale of property, plant and equipment	983	1,088	4,629
Other	1,693	(1,467)	988
Net Cash Used In Investing Activities	(38,704)	(98,724)	(80,402)
Financing Activities			
(Decrease) increase in notes payable	(13,676)	32,473	(5,967)
Proceeds from long-term borrowings	4,240	4,022	234,233
Principal payments on revolving line of credit and long-term debt	(10,521)	(5,742)	(96,261)
Proceeds from stock options exercised	469	789	1,841
Dividends paid	(8,415)	(8,545)	(7,440)
Purchase of treasury stock	—	(17,475)	—
(Distributions to) capital contributions from minority interests	(2,104)	(5,931)	588
Payment of debt issuance costs	—	—	(5,050)
Other	(43)	737	—
Net Cash (Used In) Provided By Financing Activities	(30,050)	328	121,944
Effect of exchange rate changes on cash	(133)	1,189	1,012
Increase (Decrease) in Cash and Cash Equivalents	5,508	(56,599)	60,019
Cash and cash equivalents at beginning of year	8,219	64,818	4,799
Cash and Cash Equivalents at End of Year	$ 13,727	$ 8,219	$ 64,818

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Cash Equivalents: Cash equivalents include investments in government securities funds and certificates of deposit. Investment periods are generally less than one month.

Sale Of Currency Exchange Agreements

THE GOODYEAR TIRE & RUBBER COMPANY

Consolidated Statement of Cash Flows
(Dollars in millions)

Year Ended December 31,	1991	1990	1989
Cash Flows from Operating Activities:			
Net Income (loss)	$ 96.6	$ (38.3)	$ 206.8
Adjustments to reconcile net income to net cash:			
Depreciation	441.5	415.0	383.5
Restructuring	(13.9)	51.7	109.7
Deferred income tax	(38.5)	(56.6)	38.2
Accounts and notes receivable	169.4	(196.8)	259.0
Inventories	5.9	340.8	(120.1)
Prepaid expenses	(53.7)	(32.3)	(74.1)
Other assets	44.4	(151.7)	27.4
Accounts payable—trade	(136.2)	27.2	169.5
Other liabilities	56.9	215.3	(182.1)
Total adjustments	475.8	612.6	611.0
Net cash provided by operating activities	572.4	574.3	817.8
Cash Flows from Investing Activities:			
Capital expenditures	(345.1)	(574.5)	(775.7)
Asset dispositions	117.6	18.4	164.2
Short term securities acquired	(118.2)	(75.4)	(126.3)
Short term securities redeemed	101.5	110.3	44.3
Other transactions	(4.8)	(3.9)	(9.1)
Net cash used in investing activities	(249.0)	(525.1)	(702.6)
Cash Flows from Financing Activities:			
Proceeds from sale of foreign currency exchange agreements	51.7	—	75.4
Short term debt incurred	1,069.3	1,519.9	2,359.8
Short term debt paid	(1,911.3)	(1,707.4)	(2,083.5)
Long term debt incurred	4.7	485.2	237.9
Long term debt and capital leases paid	(149.6)	(160.4)	(708.1)
Common stock issued	586.2	19.3	17.6
Dividends paid	(23.5)	(104.7)	(103.8)
Net cash provided by (used in) financing activities	(372.5)	51.9	(204.7)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(7.8)	(3.3)	(22.1)
Net Increase (Decrease) in Cash and Cash Equivalents	(56.9)	97.8	(111.6)
Cash and Cash Equivalents at Beginning of the Period	220.3	122.5	234.1
Cash and Cash Equivalents at End of the Period	$ 163.4	$ 220.3	$ 122.5

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Consolidated Statement of Cash Flows

Cash and cash equivalents include cash on hand and in the bank as well as all short term securities held for the primary purpose of general liquidity. Such securities normally mature within three months from the date of acquisition. Cash flows associated with items intended as hedges of identifiable transactions or events are classified in the same category as the cash flows from the items being hedged.

Note 8 (In Part): Credit Arrangements

In December 1991, a foreign currency exchange agreement, covering 12.5 billion Yen in place to hedge an equivalent portion of the outstanding Yen bonds due 1995, was sold generating cash proceeds of $51.7 million. The resulting 12.5 billion Yen exposure was rehedged.

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 follows.

CTS CORPORATION

Consolidated Statements of Cash Flows
(In thousands of dollars)

	Year Ended		
	Dec. 31 1991	Dec. 31 1990	Dec. 31 1989
Cash flows from operating activities:			
Net earnings	$ 4,214	$ 7,340	$ 14,253
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	13,102	13,052	13,396
Deferred taxes	741	343	(628)
(Gain) loss on sale of property, plant and equipment	(3,652)	130	(156)
Translation loss (gain)	130	273	(730)
Deferred compensation	85	79	33
Provision for disposition of operations	366	796	
Changes in:			
Accounts receivable	(2,272)	4,616	1,471
Inventories	4,534	1,119	(122)
Prepaid pension expense	(4,915)	(4,789)	(4,357)
Other	2,910	2,900	(836)
Accounts payable and accrued liabilities	(242)	(4,778)	(5,183)
Income taxes payable	1,071	(125)	(1,195)
Total adjustments	11,858	13,616	1,693
Net cash provided by operating activities	16,072	20,956	15,946
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	6,963	475	1,728
Capital expenditures	(15,967)	(11,821)	(10,843)
Cash (used in) discontinued operations	(1,252)	(151)	(993)
Net cash used in investing activities	(10,256)	(11,497)	(10,108)
Cash flows from financing activities:			
Proceeds from issuance of long-term obligations	7,872	5,180	
Payments of long-term obligations	(5,042)	(8,851)	(10,725)
Increase (decrease) in notes payable	40	5,964	(1,486)
Stock options exercised	34	139	130
Purchases of treasury stock		(7,656)	(1,200)
Dividends declared	(3,842)	(3,859)	(3,410)
Net cash used in financing activities	(938)	(9,083)	(16,691)
Effect of exchange rate changes on cash	(130)	(273)	730
Net increase (decrease) in cash	4,748	103	(10,123)
Cash at beginning of year	13,383	13,280	23,403
Cash at end of year	$ 18,131	$ 13,383	$ 13,280
Supplemental cash flow information			
Cash paid during the year for:			
Interest	$ 1,526	$ 1,446	$ 1,762
Income—net	557	2,152	4,298

PIONEER HI-BRED INTERNATIONAL, INC.

Consolidated Statements of Cash Flows
(In thousands)

Years Ended August 31,	1991	1990	1989
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 104,177	$ 72,652	$ 98,164
Non-cash items included in net income:			
Depreciation	49,082	49,195	45,636
Amortization	7,224	3,746	3,554
Provision for doubtful accounts	19,271	1,559	497
Loss on disposal of property and equipment	1,161	1,632	3,730
Gain on sale of subsidiaries and AGRION, net	—	—	(43,267)
Foreign currency exchange losses	3,441	2,507	4,145
Other non-cash items	(8,915)	3,038	3,335
Change in assets and liabilities, net:			
Receivables	(30,310)	(57,279)	1,048
Inventories	(25,341)	(29,436)	(31,852)
Accounts payable and accrued expenses	52,577	10,527	(86)
Income taxes payable	12,306	3,834	(89,656)
Other assets and liabilities	2,207	7,020	(705)
Net cash provided by operating activities	$ 186,880	$ 68,995	$ 74,543
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	$ (51,229)	$(73,667)	$(95,952)
Proceeds from sale of subsidiaries and AGRION	—	—	80,423
Proceeds from sale of property and equipment	6,817	4,953	3,124
Purchase of subsidiaries, net of cash and cash equivalents acquired	(26,052)	(6,042)	—
Disbursements for notes receivable	(14,592)	(16,893)	(16,854)
Payments received on notes receivable	13,404	22,885	3,691
Other	(11,001)	(7,848)	(8,248)
Net cash (used in) investing activities	$ (82,653)	$(76,612)	$(33,816)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	$ (35,197)	$(36,139)	$(34,070)
Net short-term borrowings (payments)	(71,002)	59,943	27,102
Proceeds from long-term borrowings	56,058	4,542	590
Principal payments on long-term borrowings	(8,026)	(2,951)	(7,224)
Purchase of common stock	(26,514)	(29,174)	(13,414)
Net cash (used in) financing activities	$ (84,681)	$ (3,779)	$(27,016)
Effect of foreign currency exchange rate changes on cash and cash equivalents	$ (5,592)	$ 5,299	$ (2,496)
Net increase (decrease) in cash and cash equivalents	$ 13,954	$ (6,097)	$ 11,215
Cash and cash equivalents, beginning	48,425	54,522	43,307
CASH AND CASH EQUIVALENTS, ENDING	$ 62,379	$ 48,425	$ 54,522

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash equivalents: The Company considers all liquid investments with a maturity at purchase of three months or less to be cash equivalents.

Note 11 (In Part): Supplemental Cash Flow Information

Certain financial information concerning the Consolidated Statements of Cash Flows is as follows:

	Years Ended August 31,		
(In thousands)	1991	1990	1989
Cash payments:			
Interest	$21,141	$16,722	$11,277
Income taxes	$61,949	$45,214	$64,792

NONCASH ACTIVITIES

Paragraph 32 of *SFAS No. 95* requires the disclosure of information about noncash investing and financing activities. Examples of the disclosure of noncash activities follow.

COOPER INDUSTRIES, INC.

Statement of Consolidated Cash Flows
(in millions)

	Year Ended December 31,		
	1991	1990	1989
Cash flows from operating activities:			
Net income	$ 393.2	$ 361.4	$ 267.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	175.2	163.3	140.6
Amortization	82.8	75.2	48.3
Increase (decrease) in deferred income taxes	49.5	(44.4)	29.0
Employee savings plan expense funded by issuance of Common stock	—	1.7	15.6
Changes in assets and liabilities, net of effects of acquisitions, divestitures and translation:			
Receivables	(12.9)	19.4	(83.3)
Inventories	25.8	—	17.5
Accounts payable and accrued liabilities	(104.6)	(57.3)	8.5
Accrued income taxes	(8.1)	46.0	(50.0)
Other assets and liabilities, net	(46.6)	(38.1)	(96.6)
Net cash provided by operating activities	554.3	527.2	297.4
Cash flows from investing activities:			
Cash paid for acquired businesses	(15.0)	(67.4)	(702.7)
Cash of acquired businesses	—	—	63.2
Capital expenditures	(266.3)	(273.6)	(190.6)
Proceeds from sale of plant and equipment	22.4	26.3	12.2
Proceeds from disposition of businesses held for sale	15.0	34.8	155.9
Other	(0.8)	(0.4)	(4.5)
Net cash used for investing activities	(244.7)	(280.3)	(666.5)
Cash flows from financing activities:			
Additions to debt	341.7	18.6	756.4
Reductions of debt	(499.6)	(147.8)	(457.6)
Dividends	(179.9)	(160.2)	(105.2)
Purchase of $1.60 Convertible Exchangeable Preferred stock from the Robinson Trust	—	(15.0)	—
Sale of Common stock to employee stock ownership plan	—	—	175.0
Activity under stock option and other plans	36.3	38.8	23.5
Net cash provided by (used for) financing activities	(301.5)	(265.6)	392.1
Effect of translation on cash and cash equivalents	(2.2)	3.7	(1.5)
Increase (decrease) in cash and cash equivalents	5.9	(15.0)	21.5
Cash and cash equivalents, beginning of year	13.5	28.5	7.0
Cash and cash equivalents, end of year	$ 19.4	$ 13.5	$ 28.5

See Note 5 for information on noncash investing and financing activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary Of Major Accounting Policies

Other

For purposes of the statement of Consolidated Cash Flows, the Company considers all investments purchased with original maturities of three months or less to be cash equivalents.

Note 5: Summary Of Noncash Investing And Financing Activities

	Year Ended December 31,		
(millions)	1991	1990	1989
Increase (decrease) in net assets:			
Employee stock ownership plan (ESOP):			
Principal payments and difference between Company expense and cash contributions	$27.5	$19.8	$ 5.3
Unearned ESOP compensation	(26.8)	—	(175.0)
Common stock issued for:			
Employee savings plan	—	1.8	16.8
Executive restricted stock incentive plan	—	5.5	—
Clopay acquisition	—	—	14.1
Employee stock purchase plan	34.8	—	20.7
Employee stock ownership plan	26.8	—	—
$1.60 Preferred stock issued for:			
Cameron acquisition	—	—	702.2
Conversions of debentures	34.6	9.4	10.0
Dividend-in-kind—shares of Aerovox Holding Co.	—	—	(15.0)

The above information supplements the disclosures required by Statement of Financial Accounting Standards No. 95—Statement of Cash Flows.

AIR PRODUCTS AND CHEMICALS, INC.

Statement of Consolidated Cash Flows
(in millions)

Year Ended 30 September	1991	1990	1989
Operating Activities			
Net income	$248.9	$229.9	$222.1
Adjustments to reconcile income to cash provided by operating activities:			
Depreciation	319.1	303.2	281.2
Deferred income taxes	24.3	19.7	15.0
(Gain) on settlement of certain pension obligations	(11.0)	—	—
(Gain) on sale of assets and investments	(17.9)	(22.7)	(24.3)
Other	(5.8)	(.2)	18.9
Working capital changes that provided (used) cash, net of effects of acquisitions:			
Trade receivables	7.7	(60.0)	(33.2)
Inventories and contracts in progress	(37.0)	21.8	(67.2)
Payables, trade and other	36.9	20.4	32.3
Accrued liabilities	43.1	11.4	(6.6)
Other	(1.9)	7.8	(1.9)
Other	12.9	(3.8)	10.7
Cash Provided by Operating Activities	619.3	527.5	447.0
Investing Activities			
Additions to plant and equipment*	(506.4)	(467.5)	(413.7)
Investment in and advances to unconsolidated affiliates	(64.9)	(148.5)	(75.0)
Acquisitions, less cash acquired**	(70.8)	—	(42.9)
Proceeds from sale of assets and investments	24.9	77.1	55.5
Other	(6.0)	(10.9)	3.3
Cash Used for Investing Activities	(623.2)	(549.8)	(472.8)
Financing Activities			
Long-term debt proceeds*	190.5	190.9	235.5
Payments on long-term debt	(228.0)	(74.4)	(27.8)
Net increase (decrease) in commercial paper	147.6	—	(104.5)
Net increase (decrease) in other short-term borrowings	(2.2)	(5.5)	3.1
Purchase of Treasury Stock	—	—	(2.5)
Dividends paid to shareholders	(84.0)	(76.7)	(69.3)
Other	12.4	7.6	5.0
Cash Provided by Financing Activities	36.3	41.9	39.5
Effect of Exchange Rate Changes on Cash	(2.4)	5.3	(.4)
Increase in Cash and Cash Items	30.0	24.9	13.3
Cash and Cash Items—Beginning of Year	74.4	49.5	36.2
Cash and Cash Items—End of Year (Note 1)	$104.4	$74.4	$49.5

* Excludes capital leases of $6.0 million, $4.5 million and $30.4 million in 1991, 1990 and 1989, respectively.

** Excludes $8.6 million liability associated with the purchase of Permea, Inc. in 1991.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Cash and Cash Items—For purposes of the Statement of Consolidated Cash Flows, cash and cash items include cash, time deposits and certificates of deposit acquired with an original maturity of three months or less.

14 (In Part):

Additional Cash Flow Information—Cash paid for interest and taxes was as follows:

(in millions)

	1991	1990	1989
Interest (net of amounts capitalized)	$87.8	$87.2	$73.3
Taxes (net of refunds)	74.5	52.1	72.9

Significant noncash transactions were as follows:

(in millions)

	1991	1990	1989
Liabilities assumed in acquisitions	$30.1	$ —	$ 4.3
Capital lease additions	6.0	4.5	30.4
Receivable from sales of a 50% equity interest in affiliates	11.5	10.4	—
Liability associated with the purchase of Permea, Inc.	8.6	—	—

JOHNSTON INDUSTRIES, INC.

Consolidated Statements of Cash Flows

	For the years ended June 30, 1991, 1990 and 1989		
	1991	1990	1989
Operating Activities:			
Net Income (loss)	$ (1,028,000)	$ 1,868,000	$ 7,847,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	8,081,000	6,392,000	5,187,000
Undistributed (income) loss of associated company	896,000	1,231,000	(395,000)
Changes in assets and liabilities:			
Accounts and notes receivable	(112,000)	(2,757,000)	(2,071,000)
Inventories	(1,177,000)	369,000	2,287,000
Deferred income taxes	179,000	(174,000)	350,000
Prepaid expenses and other assets	(439,000)	(2,233,000)	746,000
Accounts payable	2,719,000	811,000	(2,557,000)
Accrued expenses	(1,047,000)	789,000	806,000
Income taxes payable	(648,000)	459,000	(1,124,000)
Other liabilities	(440,000)	(222,000)	1,593,000
Other, net	19,000	20,000	152,000
Total adjustments	8,031,000	4,685,000	4,974,000
Net cash provided by operating activities	7,003,000	6,553,000	12,821,000
Investing Activities:			
Additions to property, plant and equipment	(18,030,000)	(11,875,000)	(13,839,000)
Investment in associated company	(307,000)	(120,000)	(232,000)
Collection of note receivable			1,540,000
Collection of stockholder receivable			675,000
Net cash used in investing activities	(18,337,000)	(11,995,000)	(11,856,000)
Financing Activities:			
Principal payments of debt	$ (2,626,000)	$ (1,554,000)	$ (3,490,000)
Proceeds from issuance of long-term debt	16,000,000		
Net proceeds from short-term borrowings		6,000,000	
Purchase of treasury stock	(256,000)	(2,177,000)	(547,000)
Proceeds from issuance of common stock	11,000	82,000	102,000
Dividends paid	(2,374,000)	(2,521,000)	(1,694,000)
Net cash provided by (used in) financing activities	10,755,000	(170,000)	(5,629,000)
Net Decrease in Cash and Cash Equivalents	(579,000)	(5,612,000)	(4,664,000)
Cash and Cash Equivalents, Beginning of Year	5,053,000	10,665,000	15,329,000
Cash and Cash Equivalents, End of Year	$ 4,474,000	$ 5,053,000	$ 10,665,000
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest	$ 2,589,000	$ 1,130,000	$ 1,734,000
Income taxes	$ 507,000	$ 465,000	$ 3,838,000

Supplemental Schedule of Noncash Investing and Financing Activities:

During 1991, the Company acquired certain machinery in exchange for $2,103,000 of advances to Industrial Development Boards in Alabama (see Note 4).

In connection with the purchase of a building, the Company entered into a note payable with a present value of approximately $680,000 during 1990. (See Note 8).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Statements of Consolidated Cash Flows—The Company considers time deposits with a maturity of three months or less to be cash equivalents.

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 included $2,103,000 relating to advances made to the IDBs for machinery purchases in connection with the proposed bond financing. During 1991, titles to machinery were transferred to the Company in exchange for the advances made to the IDBs.

LEGGETT & PLATT, INCORPORATED

Consolidated Statements Of Cash Flows

(Dollar amounts in thousands) *Year ended December 31*	1991	1990	1989
Operating Activities			
Net earnings	$ 39,392	$ 29,423	$ 45,904
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	36,395	34,369	28,370
LIFO effect	(61)	(2,384)	428
Deferred income taxes	3,341	(5,503)	2,747
Net pension income from defined benefit plans	(1,105)	(1,574)	(1,314)
Equity in earnings of associated companies	(2,665)	(2,167)	(920)
Distributions from associated companies	345	2,421	1,485
(Gain) loss on sale of operating assets	58	258	(359)
Restructuring charge	—	20,273	—
Other	185	201	1,019
Other changes, net of effect from acquisitions of companies			
(Increase) decrease in accounts receivable, net	17,301	11,152	(10,325)
(Increase) decrease in inventories at FIFO cost	16,751	657	(9,128)
(Increase) decrease in other current assets	2,460	(1,517)	(1,608)
Decrease in accounts payable, accrued expenses and other current liabilities	(24,933)	(19,751)	(1,147)
Net Cash Provided by Operating Activities	87,464	65,858	55,152
Investing Activities			
Repayments from (advances to) associated companies	(159)	1,274	(5,162)
Additions to property, plant and equipment	(33,394)	(42,738)	(28,732)
Proceeds from sales of property, plant and equipment	9,187	2,998	1,737
Acquisitions of companies, net of cash acquired	(9,506)	(43,619)	(33,622)
(Increase) decrease in other assets	(394)	346	1,847
Net Cash Used for Investing Activities	(34,266)	(81,739)	(63,932)
Financing Activities			
Additions to debt	1,823	71,416	66,949
Payments on debt	(36,256)	(35,030)	(44,582)
Dividends paid	(14,907)	(14,312)	(12,172)
Sales of common stock	375	2,862	5,939
Repurchases of common stock	—	(7,933)	(11,155)
Other	(2,253)	(746)	(296)
Net Cash (Used for) Provided by Financing Activities	(51,218)	16,257	4,683
Increase (Decrease) in Cash and Cash Equivalents	1,980	376	(4,097)
Cash and Cash Equivalents—Beginning of Year	3,303	2,927	7,024
Cash and Cash Equivalents—End of Year	$ 5,283	$ 3,303	$ 2,927

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Cash equivalents: Cash equivalents include cash in excess of daily requirements which is invested in various financial instruments with a maturity of three months or less.

L-Cash Flow Information

Supplemental information on cash flows and noncash transactions is as follows:

Year ended December 31 (000's)	1991	1990	1989
Supplemental Cash Flow Information			
Interest paid during the year	$13,257	$ 15,510	$14,095
Income taxes paid during the year	22,199	27,403	28,617
Schedule of Noncash Investing and Financing Activities			
Long-term notes receivable received from sales of assets	$10,237	—	—
Acquisitions of companies			
Fair value of assets acquired	$10,221	$ 107,614	$69,666
Liabilities assumed	(715)	(57,095)	(28,285)
Stock issued	—	(6,900)	(7,759)
Total cash paid for the net assets acquired	$ 9,506	$ 43,619	$33,622

LOWE'S COMPANIES, INC.

Consolidated Statements of Cash Flows
Dollars in Thousands

Fiscal Years End on January 31 of Following Year	Fiscal 1991	Fiscal 1990	Fiscal 1989
Cash Flows from Operating Activities:			
Net Earnings	$ 6,487	$ 71,087	$ 74,912
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:			
Depreciation	58,298	51,431	46,134
Store Restructuring	69,219	—	—
Increase (Decrease) in Deferred Income Taxes	(25,258)	178	2,403
(Gain) Loss on Disposition of Fixed and Other Assets	1,073	771	(1,758)
Cash Flow from Operations	$ 109,819	$ 123,467	$ 121,691
Changes in Operating Assets and Liabilities:			
Decrease (Increase) in Operating Assets:			
Accounts Receivable—Net	$ (19,385)	$ 25,543	$ 5,841
Merchandise Inventory	(141,991)	(53,127)	(28,294)
Other Operating Assets	(5,098)	683	(144)
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	120,954	(23,337)	6,241
Employee Retirement Plans	7,790	3,780	20,594
Other Operating Liabilities	21,366	2,165	1,317
Net Cash Provided by Operating Activities	$ 93,455	$ 79,174	$ 127,246
Cash Flows from Investing Activities:			
Decrease (Increase) in Investment Assets:			
Short-Term Investments	$ 30,384	$ (35,110)	—
Long-Term Investments	(11,350)	—	—
Other Long-Term Assets	(70)	(3,267)	880
Fixed Assets Acquired	(133,846)	(91,024)	(91,673)
Proceeds from the Sale of Fixed and Other Long-Term Assets	3,914	11,424	3,216
Net Cash Used in Investing Activities	$(110,968)	(117,977)	$ (87,577)
Cash Flows from Financing Acitivities:			
Long-Term Debt Borrowings	$ —	$ —	$ 6,000
Net Increase in Short-Term Debt Borrowings	89,919	51,920	1,738
Stock Options Exercised	1,223	6,004	2,023
Repayment of Long-Term Debt	$ (40,686)	$ (13,823)	$ (29,893)
Cash Dividend Payments	(20,020)	(19,334)	(18,228)
Common Stock Purchased for Retirement	(1,869)	(21,660)	—
Common Stock Purchased for ESOP Contribution	—	(4,836)	(6,000)
Net Cash Provided by (Used) in Financing Activities	$ 28,567	$ (1,729)	(44,360)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 11,054	$ (40,532)	$ (4,691)
Cash and Cash Equivalents, Beginning of Year	15,034	55,566	60,257
Cash and Cash Equivalents, End of Year	$ 26,088	$ 15,034	$ 55,566

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, demand deposits, and short-term investments that are readily convertible to cash within three months of purchase.

Note 13 (In Part): Other Information

Supplemental disclosures of cash flow information:

Years Ended January 31,	1992	1991	1990
Cash Paid for Interest (Net of Amount Capitalized)	$22,162	$23,236	$23,944
Cash Paid for Income Taxes	$21,028	$25,629	$34,061
Non-cash investing and financing activities:			
Fixed Assets Acquired Under Capital Leases	$ 2,595	$ 3,537	—
Fixed Assets Acquired by Like Kind Exchange	3,290	—	—
Stock Purchased Then Contributed to ESOP	—	4,836	$ 6,000
Common Stock Received for Exercise of Stock Options	75	10	$ 71
Notes Received in Exchange for Property	$ 2,478	$ 4,071	—

OPTICAL COATING LABORATORY, INC.

Consolidated Statements Of Cash Flows

Years ended October 31, 1991, 1990 and 1989

(Amounts in thousands)	1991	1990	1989
Cash flows from operating activities:			
Cash received from customers	$108,744	$ 92,143	$ 90,734
Interest received	410	470	1,059
Cash paid to suppliers and employees	(94,531)	(81,984)	(73,335)
Cash paid to ESOP+	(716)	(538)	(1,233)
Interest paid	(1,991)	(1,656)	(2,482)
Income taxes paid, net of refunds	(3,554)	(1,625)	(6,774)
Environmental contingency expenditures	(175)	(1,399)	(1,312)
Net cash provided by operating activities	8,187	5,411	6,657
Cash flows from investing activities:			
Purchase of plant and equipment	(4,892)	(7,119)	(4,208)
Amounts received in joint venture transaction			3,500
Other			203
Net cash used for investing activities	(4,892)	(7,119)	(505)
Cash flows from financing activities:			
Proceeds from bank term loan	6,000		
Proceeds from exercise of stock options	1,624	164	646
Repurchase of portion of preferred stock		(313)	(2,218)
Repayment of long-term debt	(863)	(530)	(5,721)
Repurchase of common stock on open market	(6,242)	(47)	
Payment of dividend on common stock	(491)		
Payment of dividend on preferred stock	(284)	(575)	(716)
Payments received on officer loans	50	25	133
Net cash used for financing activities	(206)	(1,276)	(7,876)
Effect of exchange rate changes on cash	(174)	374	(73)
Net increase (decrease) in cash and cash equivalents	2,915	(2,610)	(1,797)
Cash and cash equivalents at beginning of year	2,627	5,237	7,034
Cash and short-term investments, comprised of cash equivalents, at end of year	$ 5,542	$ 2,627	$ 5,237
Reconciliation of net earnings to cash flows from operating activities:			
Net earnings	$ 701	$ 3,747	$ 4,198
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	6,903	6,102	6,407
Deferred income taxes	(994)	481	(1,527)
Gain on joint venture transaction			(350)
Accrued postretirement health benefits	1,254		
Loss on disposal of equipment	447	325	328
Other non-cash adjustments to net income	417	(144)	(142)
(Increase) decrease in accounts receivable	1,450	(2,449)	(680)
(Increase) decrease in inventories	1,911	(2,309)	605
(Increase) decrease in other assets	(1,940)	(170)	(451)
Increase (decrease) in accounts payable and accrued expenses and accrued compensation expenses	(2)	377	(491)
Increase (decrease) in deferred revenue	303	(1,303)	1,303
Increase (decrease) in income taxes payable	(2,317)	754	(2,543)
Total adjustments	7,486	1,664	2,459
Net cash provided by operating activities	$ 8,187	$ 5,411	$ 6,657

Supplemental Schedule of Non-Cash Investing and Financing Activities:

During 1991, in connection with a management succession, options to purchase 688,092 shares of common stock were exercised through surrender of 350,065 shares by the Company's former Chairman, President and Chief Executive Officer and its Executive Vice President. The Company, in turn, purchased and retired 742,672 shares from those individuals.

During 1991, holders of the Series B Cumulative Convertible Preferred Stock converted their preferred stock with an aggregate carrying value of $6,418,000 to 1,148,000 shares of common stock.

During 1991, $1,069,000 of notes receivable from officer stockholders was repaid by delivery of 115,000 shares of common stock and options to purchase 258,288 shares were exercised through surrender of 146,475 shares of common stock by officer loan plan participants.

During 1991 and 1990, notes receivable from officer stockholders of $133,000 each period was forgiven and common stock with an aggregate fair market value of $23,000 and $15,000 was awarded to the Company's outside directors as remuneration.

PRATT & LAMBERT, INC.

Statements of Consolidated Cash Flows
(Thousands of dollars)

For the year ended December 31	1991	1990	1989
Cash Flows from Operating Activities:			
Net income	$ 4,756	$ 5,619	$ 6,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,602	4,257	3,956
Deferred income taxes	(35)	(274)	238
Provision for losses on accounts receivable	303	240	745
Loss (gain) on disposition of property	16	(17)	(43)
Changes in operating assets and liabilities:			
(Increase) decrease in current assets:			
Receivables	(1,260)	606	(2,310)
Inventories	(2,954)	(303)	(8)
Prepaid expenses	(913)	(528)	(75)
Increase (decrease) in current liabilities:			
Accounts payable	(729)	(299)	(278)
United States and Canadian income taxes	(75)	532	429
Accrued salaries, wages and commissions	131	(65)	41
Accrued other taxes and expenses	2,600	(690)	41
(Increase) decrease in other assets	779	(198)	(246)
Net cash provided by operating activities	7,221	8,880	8,935
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(4,174)	(3,657)	(4,667)
Proceeds from disposition of property	455	342	672
Increase in other assets	—	(8)	(28)
Net cash used for investing activities	(3,719)	(3,323)	(4,023)
Cash Flows from Financing Activities:			
Dividends paid	(2,925)	(2,984)	(2,784)
Borrowings of short-term debt	1,900	1,900	1,200
Borrowings of long-term debt	—	2,100	5,044
Payments on long-term debt	(2,416)	(2,446)	(3,516)
Proceeds from exercise of stock options	199	46	150
Purchase of treasury stock	—	(4,025)	(4,962)
Purchase of treasury stock from related parties	(54)	—	(72)
Net cash used for financing activities	(3,296)	(5,409)	(4,940)
Effect of Exchange Rate Changes on Cash	(1)	13	23
Net Increase (Decrease) in Cash	205	161	(5)
Cash, Beginning of Period (Note A)	2,176	2,015	2,020
Cash, End of Period (Note A)	$ 2,381	$ 2,176	$ 2,015
Supplemental Cash Flow Data:			
Cash paid during the year for:			
Interest, net of the portion capitalized	$ 2,759	$ 3,658	$ 3,803
Income taxes	4,177	4,330	2,780
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Leases capitalized	$ 709	$ 900	$ 875

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. (In Part): Accounting Policies

Cash Equivalents—The company defines cash equivalents as highly liquid, short-term investments with an original maturity of three months or less. The company does not consider that any of its assets meet this definition of a cash equivalent.

SONOCO PRODUCTS COMPANY

Consolidated Statements of Cash Flows

(Dollars in thousands)	Years ended December 31 1991	1990	1989
Cash Flows from Operating Acitivites			
Net income	$ 94,805	$ 50,368	$ 103,561
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization	76,561	72,152	67,263
Restructuring costs		64,237	
Loss on assets retired	5,987	1,213	3,160
Equity in earnings of affiliates, net of dividends	(2,532)	(5,553)	(5,518)
Deferred taxes	(328)	(15,121)	9,798
Gain on sale of investment in affiliate	(8,525)		
Changes in assets and liabilities, net of effects from acquisitions, dispositions and foreign currency adjustments			
Accounts receivable	(8,917)	(6,350)	(11,674)
Inventories	5,555	5,138	10,175
Prepaid expenses	2,675	4,026	(22,600)
Payables and taxes	(3,644)	26,406	18,324
Other assets and liabilities	(5,155)	(8,602)	(4,694)
Net cash provided by operating activities	156,482	187,914	167,795
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	(90,557)	(117,618)	(109,465)
Cost of acquisitions, exclusive of cash	(11,413)	(31,738)	(23,935)
Distribution from affiliate			100,000
Proceeds from the sale of assets	21,735	3,439	718
Net cash used by investing activities	(80,235)	(145,917)	(32,682)
Cash Flows from Financing Activities			
Proceeds from issuance of debt	199,256	208,331	212,606
Principal repayment of debt	(241,882)	(177,718)	(294,892)
Cash dividends	(39,703)	(39,216)	(35,583)
Treasury shares acquired, net of shares issued	259	(20,720)	(8,237)
Net cash used by financing activities	(82,070)	(29,323)	(126,106)
Effects of Exchange Rate Changes on Cash	(5,482)	1,521	(3,650)
(Decrease) Increase in Cash and Cash Equivalents	(11,205)	14,195	5,357
Cash and cash equivalents at beginning of year	39,927	25,732	20,375
Cash and cash equivalents at end of year	$ 28,622	$ 39,927	$ 25,732
Supplemental Cash Flow Disclosures			
Interest paid	$ 23,431	$ 28,650	29,291
Income taxes paid	$ 61,798	$ 48,435	$ 51,033

Excluded from the consolidated statements of cash flows was the effect of certain non-cash investing and financing activities of which $33,672 related to a note received from the sale of the Company's interest in the Sonoco Graham Company in 1991. The Company assumed $16,268 and $15,149 of debt obligations in 1991 and 1990, respectively, in conjunction with acquisitions. The Company also received notes totaling $4,255 in exchange for the sale of certain assets in 1990.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Cash and Cash Equivalents

Cash and cash equivalents include short-term interest-bearing investments, generally maturing within 30 days.

STONE CONTAINER CORPORATION

Consolidated Statements of Cash Flows
(in millions)

Year ended December 31,	1991	1990	1989
Cash flows from operating activities			
Net income (loss)	$ (49.1)	$ 95.4	$ 285.8
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	273.5	257.0	237.1
Deferred taxes	21.6	58.6	45.3
Foreign currency transaction gains	(4.9)	(1.0)	(28.5)
Other–net	12.3	(7.6)	(60.4)
Changes in current assets and liabilities–net of adjustments for acquisitions and divestitures:			
Decrease (increase) in accounts and notes receivable–net	33.5	31.0	(13.2)
Decrease (increase) in inventories	(60.4)	25.6	(102.4)
Decrease (increase) in other current assets	(75.2)	3.2	(10.9)
Increase (decrease) in accounts payable and other current liabilities	59.2	(10.7)	(37.6)
Net cash provided by operating activities	210.5	451.5	315.2
Cash flows from financing activities			
Long-term debt incurred in connection with acquisitions	-	-	2,323.7
Non-recourse borrowings of consolidated affiliates	155.5	235.0	15.0
Payments by consolidated affiliates on non-recourse debt	(34.4)	(42.4)	(2.4)
Other borrowings	753.0	280.2	474.1
Payments made on debt	(795.9)	(311.5)	(546.5)
Issuance of common stock	176.0	.1	.2
Cash dividends	(44.7)	(43.0)	(42.9)
Net cash provided by financing activities	209.5	118.4	2,221.2
Cash flows from investing activities			
Payments made for businesses acquired	(18.8)	(44.8)	(2,372.4)
Capital expenditures:			
Funded by project financings	(219.8)	(245.2)	(36.8)
Other	(210.3)	(306.8)	(464.9)
Total capital expenditures	(430.1)	(552.0)	(501.7)
Proceeds from sales of assets	22.1	120.3	373.5
Other–net	13.7	(62.6)	(21.8)
Net cash used in investing activities	(413.1)	(539.1)	(2,522.4)
Effect of exchange rate changes on cash	3.3	.2	.4
Net cash flows			
Net increase in cash and cash equivalents	10.2	31.0	14.4
Cash and cash equivalents, beginning of period	53.9	22.9	8.5
Cash and cash equivalents, end of period	$ 64.1	$ 53.9	$ 22.9

See Note 5 regarding non-cash financing and investing activities and supplemental cash flow information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Cash and Cash Equivalents:

The Company considers all highly liquid short-term investments with maturities of three months or less to be cash equivalents and, therefore, includes such investments as cash and cash equivalents in its financial statements.

Note 5—Additional Cash Flow Statement Information

The Company's non-cash investing and financing activities and cash payments for interest and income taxes were as follows:

(in millions) Year ended Dec. 31,	1991	1990	1989
Exchange of non-recourse debt of consolidated affiliate	$ 12.5	$ -	$ -
Accrued liability converted to subordinated debt	9.8	-	-
Preferred stock dividends paid by consolidated affiliate	4.4	3.8	.9
Assumption of debt in connection with acquisitions	-	20.1	587.1
Consolidation of non-recourse debt of affiliates	-	-	254.1
Common stock received from the sale of a business	-	-	75.1
Long-term notes receivable received from the sales of businesses	-	5.8	28.2
Reacquisition/elimination of common shares held by a subsidiary	-	-	2.0
Cash paid during the year for:			
Interest (net of capitalization)	$370.3	$403.3	$301.8
Income taxes	36.1	39.2	178.9

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

	1991	1990	1989	1988
Cash and cash equivalents	412	391	381	331
Cash and equivalents	35	37	24	21
Cash	77	90	102	90
Cash and short-term investments	39	46	51	50
Cash and short-term cash investments	4	4	5	—
Cash and temporary cash investments	11	10	11	17
Cash and temporary investments	6	9	8	7
Cash and marketable securities	7	9	13	16
Other descriptive captions	9	4	5	10
Total Companies	**600**	**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*, seventy-one 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

	1991	1990	1989	1988
Follows financial statements and notes	384	386	378	396
Precedes financial statements and notes	195	189	193	170
Between financial statements and notes	11	14	14	17
Other	10	11	15	17
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 595 survey companies included the words *independent* and *report*. 303 titles identified the auditors as auditors, 163 as accountants, 101 as public accountants, and 28 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

	1991	1990	1989	1988
Board of Directors and Stockholders	476	475	478	463
Stockholders	59	62	61	67
Board of Directors	46	48	47	43
Company	16	13	12	16
Other or no addressee	3	2	2	11
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 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

Board of Directors and Shareholders
Archer Daniels Midland Company
Decatur, Illinois

We have audited the accompanying consolidated balance sheets of Archer Daniels Midland Company and subsidiaries as of June 30, 1991 and 1990, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended June 30, 1991. 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 Archer Daniels Midland Company and its subsidiaries at June 30, 1991 and 1990, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 1991, 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 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.

TABLE 6-3: REFERENCES TO OTHER AUDITORS

	1991	1990	1989	1988
Examination by Other Auditors Covers:				
Statements for consolidated subsidiary	10	10	8	12
Statements of investee only	7	8	7	5
Statements for prior years only	3	6	5	6
Total Companies	**20**	**24**	**20**	**23**

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of 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.

REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Belding Heminway Company, Inc.

We have audited the accompanying consolidated balance sheets of Belding Heminway Company, Inc. and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1991. 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 certain partnerships in which the Company is a limited partner, used as the basis for recording the Company's equity in net income of the partnerships, have been audited by other auditors whose reports have been furnished to us; insofar as our opinion on the consolidated financial statements relates to data included for such partnerships, it is based solely on their reports. In the consolidated financial statements, the Company's investment in these partnerships is stated at $5,563,000 and $3,454,000, respectively, at December 31, 1991 and 1990, and the Company's equity in the net income is stated at $3,000, $357,000 and $1,787,000, for each of the three years in the period ended December 31, 1991.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Belding Heminway Company, Inc. and subsidiaries at December 31, 1991 and 1990, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
General Cinema Corporation
Chestnut Hill, Massachusetts

We have audited the accompanying consolidated balance sheet of General Cinema Corporation and its subsidiaries as of October 31, 1991 and the related consolidated statements of operations, 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 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, such consolidated financial statements present fairly, in all material respects, the financial position of General Cinema Corporation and its subsidiaries as of October 31, 1991 and the 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 as of October 31, 1990 and the related consolidated statements of operations, shareholders' equity and cash flows of General Cinema Corporation and its subsidiaries for the years ended October 31, 1990 and 1989, prior to their restatement for the 1991 pooling of interests with Harcourt Brace Jovanovich, Inc. The contribution of General Cinema Corporation and its subsidiaries to consolidated assets as of October 31, 1990, represented $3,068,395,000 or 49 percent, and to consolidated revenues for the years ended October 31, 1990 and 1989, represented $2,149,530,000 or 60 percent, and $1,913,804,000 or 59 percent, of the respective restated amounts. Separate financial statements of Harcourt Brace Jovanovich, Inc. included in the consolidated balance sheet as of October 31, 1990 and the consolidated statements of operations, shareholders' equity and cash flows for the years ended October 31, 1990 and 1989, were audited and reported on separately by other auditors. We also audited the combination of the accompanying consolidated balance sheet as of October 31, 1990 and the consolidated statements of operations, shareholders' equity and cash flows for the years ended October 31, 1990 and 1989. After restatement for the 1991 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.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors,
Molex Incorporated, Lisle, Illinois

We have audited the accompanying consolidated balance sheets of Molex Incorporated and its subsidiaries as of June 30, 1991 and 1990, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 1991. These consolidated 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 components of Molex Incorporated, which statements reflect net revenues of approximately 32% in 1991, 36% in 1990 and 31% in 1989, and total assets of approximately 34% in 1991 and 1990 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those components, is based solely on the reports 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 provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of Molex Incorporated and its subsidiaries as of June 30, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1991 in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Intergroup, Inc.
Carrollton, Texas

We have audited the accompanying consolidated balance sheets of National Intergroup, Inc. and consolidated subsidiaries as of March 31, 1991 and 1990, and the related statements of consolidated operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1991. 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 cost method. National Steel Corporation was accounted for by use of the equity method until March 1, 1991. The Corporation's equity of $137,343,000 and $364,396,000 in National Steel Corporation's net assets at March 31, 1991 and 1990, respectively, and of $(2,710,000), $34,596,000 and $42,213,000 in that Corporation's net income (loss) for each of the three years in the period ended March 31, 1991, 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, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1991, in conformity with generally accepted accounting principles.

As discussed in Note K to the consolidated financial statements, the Corporation elected early adoption of Statement of Financial Accounting Standards Number 106 during the year ended March 31, 1991.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Univar Corporation:

We have audited the accompanying consolidated balance sheets of Univar Corporation and subsidiaries as of February 28, 1991 and 1990, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended February 28, 1991. 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 the Corporation's wholly owned Canadian subsidiary, which statements reflect assets and revenues constituting approximately 15% and 14%, respectively, of the consolidated totals. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the subsidiary, 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 financial position of Univar Corporation and subsidiaries as of February 28, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 1991, in conformity with generally accepted accounting principles.

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*, discuss uncertainties. Examples of uncertainty disclosures follow.

TABLE 6-4: UNCERTAINTIES

	1991	1990	1989	1988
Going concern	17	18	12	8
Litigation	16	20	18	11
Other	6	8	12	7
Total Uncertainties	**39**	**46**	**42**	**26**
Total Companies	**32**	**34**	**32**	**23**

Going Concern

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
DSC Communications Corporation:

We have audited the accompanying consolidated balance sheets of DSC Communications Corporation and subsidiaries (the Company) as of December 31, 1991 and 1990 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, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 1991 and 1990, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

The accompanying Consolidated Financial Statements have been prepared assuming the Company will continue as a going concern, As discussed in "Debt" in Notes to Consolidated Financial Statements, the Company is not in compliance with its senior debt agreements and, to date, has not arranged a long-term refinancing of the senior debt obligations. This condition raises substantial doubt about the Company's ability to continue as a going concern. Management's plans as to this matter are also described in this note. The 1991 Consolidated Financial Statements do not include any adjustment that might result from the outcome of this uncertainty.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Debt (In Part)

Senior Debt

At December 31, 1990, the Company has short-term bank credit agreements under which it could obtain unsecured short-term borrowings in an aggregate amount of $70,000,000. Outstanding short-term borrowings at December 31, 1990 were $56,750,000 with a weighted average interest rate of 9.7%.

In May 1991, the Company entered into an unsecured revolving credit agreement with several banks under which the Company could borrow up to $120,000,000. The revolving credit agreement, which expires on June 30, 1992, replaced $75,000,000 of previously existing credit agreements. Borrowings under the credit agreement, which became due during the second half of 1991, were $93,000,000 at December 31, 1991 and bear interest at 8.5%. The Company pays fees under the agreement in the amounts of one-eighth of one percent per annum on the unused borrowings and one-quarter of one percent per annum on total available borrowings.

Primarily as a result of net losses experienced in 1991, the Company has been in noncompliance with certain financial covenants under substantially all of the senior loan agreements and has been unable to borrow additional amounts under the $120,000,000 revolving credit agreement during the last half of 1991. The Company has worked with its senior lenders for several months to restructure the existing senior debt, however, an agreement satisfactory to the Company has not been reached.

A total of $169,676,000 of senior debt is subject to accelerated maturity and, as such, has been classified as a current liability on the Consolidated Balance Sheets at December 31, 1991. This includes the 13.35% note for $5,000,000 which matured on December 31, 1991 but was not paid because of the ongoing restructuring discussions. In addition, the interest rates charged on the revolving credit agreement and the $5,000,000 note payable, as shown in the table above, reflect the contractual higher rates resulting from the Company's noncompliance.

Semiannual interest payments are required on the Company's subordinated convertible debentures ("Debentures"). The next scheduled interest payments are due on May 15, 1992, for the oustanding 8% Debentures and on August 1, 1992, for the 7¾% Debentures. When the Company is in noncompliance with certain terms of the senior debt agreements, waivers from the senior lenders are required before interest payments can be made on the subordinated debt. The Debenture agreements allow a 30-day grace period to make interest payments. The senior lenders have previously provided the waivers necessary for the Company to make three scheduled interest payments on the Debentures, subsequent to the Company's noncompliance under its senior debt agreements. Should future interest payments not be made by the end of the grace period, either the trustee or the holders of 25 percent of the outstanding balance of debentures may accelerate maturity of the Debentures.

The Company is continuing discussions with its senior lenders in an effort to finalize a satisfactory restructuring of the senior debt, including maturity extension and increased borrowing availability. In addition, the Company continues to pursue alternative financing arrangements, including equity funding and other long-term financing, which would retire all or a portion of the outstanding senior debt. The Company believes that, until a refinancing of the senior debt is finalized, existing cash balances and anticipated cash receipts should be adequate to cover operating cash disbursements and non-discretionary capital expenditures. However if the senior lenders were to accelerate maturity, the Company would not have sufficient funds to repay the $169,676,000 of senior debt. Additionally should the senior lenders cause the Company to be in default of its Debentures and the Debenture

holders then demand payment, the Company would not have funds sufficient to pay the $108,119,000 of outstanding Debentures.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Insilco Corporation:

We have audited the accompanying consolidated balance sheets of Insilco Corporation (a debtor-in-possession) and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of operations, shareholders' deficit and cash flows for the years then ended. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Insilco Corporation and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for the years ended in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that Insilco Corporation and subsidiaries will continue as a going concern. As discussed in note 1 to the consolidated financial statements, Insilco Corporation and certain of its subsidiaries have filed separate voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Continuation of the Company as a going concern and realization of its assets and liquidation of its liabilities are dependent upon, among other things, the confirmation of a plan of reorganization and the Company's ability to generate sufficient cash from operations and obtain financing sources to meet its obligations. Further, as more fully described in notes 6, 9 and 13 to the consolidated financial statements, significant claims beyond those reflected as liabilities in the consolidated financial statements at December 31, 1991 have been or may be asserted against the Company as a result of the reorganization proceedings. The validity of these claims, as well as the amount and manner of payment of all valid claims, will ultimately be determined by the Bankruptcy Court. The final outcome of these matters is not presently determinable and no provision for any additional liability that may result has been reflected in the accompanying consolidated financial statements. These matters raise substantial doubt about the Company's ability to continue as a going concern. As a result of the reorganization proceedings, the Company may sell or otherwise realize assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements. Further, the confirmation of a plan of reorganization could materially change the amounts currently recorded in the consolidated financial statements. If no reorganization plan is approved, it is possible that the Company's assets could be liquidated. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Proceedings under Chapter 11 and Going Concern Presentation

On January 13, 1991 ("Petition Date"), Insilco Corporation ("Company") and certain of its subsidiaries (together with the Company, the "Debtors") filed separate voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Western District of Texas (the "Chapter 11 proceedings"). The Chapter 11 proceedings are being jointly administered for procedural purposes by the Court, while the Debtors are operating these businesses as debtors-in-possession, subject to the approval of the Court for certain of their proposed actions. The Chapter 11 proceedings do not include the Company's subsidiaries Stewart Connector Systems, Inc., Valentec International Corporation or Taylor Publishing Company, among others (collectively, the "Nondebtors"). Combined condensed unaudited financial statements of the Debtors are presented in Note 16.

As of the Petition Date, actions to collect prepetition indebtedness were stayed and other contractual obligations may not be enforced against the Debtors. In addition, the Debtors may reject executory contracts and lease obligations during pendency of the Chapter 11 proceedings, and parties affected by these rejections may file claims with the Bankruptcy Court in accordance with the reorganization process. Substantially all unsecured liabilities of the Debtors as of the Petition Date are subject to compromise under a plan of reorganization to be voted upon by all impaired classes of creditors and equity security holders and approved by the Bankruptcy Court. (See Note 6 for a description of the liabilities subject to compromise.)

On December 17, 1991, the Company and the Official Joint Committee of Unsecured Creditors filed their Plan of Reorganization (the "Plan") with the Bankruptcy Court. The Plan provides for the reorganization and continuation of the Debtors through the elimination of the majority of the Debtors' prepetition unsecured debt, the extension of the initial payment term on exisiting bank debt and the stretching out of payments under various other claims over a period of years. Although the Company and the Official Joint Committee of Unsecured Creditors are both proponents of the Plan, there are no assurances that the Plan will receive the requisite approval of the creditors or ultimately the Bankruptcy Court. The timetable and ultimate structure for the reorganization process, if any, remains uncertain.

The Company has accounted for all transactions related to the reorganization proceedings in accordance with Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," issued by the American Institute of Certified Public Accountants in November 1990, Accordingly, all prepetition liabilities of the Debtors that are expected to be impaired

under the plan of reorganization ultimately approved by the Bankruptcy Court are reported separately in the Company's consolidated balance sheet as liabilities subject to compromise (See Note 6 for a description of such liabilities). Interest income and expenses, primarily professional fees, resulting from the reorganization proceedings, are reported separately in the consolidated statement of operations as reorganization items. Contractual interest obligations which are relieved from payment as a result of the Chapter 11 proceedings are not accrued.

The 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 proceedings, such realization of assets and liquidation of liabilities are subject to significant uncertainty. While under the protection of Chapter 11, 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 currently recorded in the consolidated financial statements. The appropriateness of using the going concern basis is also dependent upon, among other things, confirmation of a plan of reorganization, future successful operations and the ability to generate sufficient cash from operations and financing sources to meet obligations.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Supreme Equipment & Systems Corp.:

We have audited the accompanying balance sheets of Supreme Equipment & Systems Corp. as of July 31, 1991 and 1990, and the related statements of operations and retained earnings (deficit) and cash flows for each of the three years in the period ended July 31, 1991. 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 Supreme Equipment & Systems Corp. at July 31, 1991 and 1990, and the results of its operations and its cash flows for each of the three years in the period ended July 31, 1991 in conformity with generally accepted accounting principles.

In connection with the audits of the financial statements, we have also audited the schedules for each of the three years in the period ended July 31, 1991, listed in the accompanying index. In our opinion, such schedules fairly present the information required to be shown in them.

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As discussed in Note 16 to the financial statements, the company has incurred recurring losses from operations and has experienced cash flow problems that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTES TO FINANCIAL STATEMENTS

Note 16—Going Concern:

As shown in the accompanying financial statements, the Company has incurred recurring losses from operations and the resulting cash flow problems. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Management has instituted a cost reduction program which included a reduction in labor and fringe costs. Additionally, the Company has redesigned certain product lines, selectively increased sales prices, obtained more favorable material costs and has instituted more efficient manufacturing techniques. Management feels these factors will contribute towards achieving profitability. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Litigation

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Harmon Industries, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Harmon Industries, Inc. and subsidiaries as of December 31, 1991 and 1990, 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, 1991. 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 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 Harmon Industries, Inc., and

subsidiaries at December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 1991, in conformity with generally accepted accounting principles.

As discussed in note 11 to the financial statements, the United States Environmental Protection Agency issued a Complaint against the Company on September 30, 1991 alleging violations of the Resource Conservation and Recovery Act (RCRA) and RCRA regulations. The Complaint proposes certain compliance actions and seeks substantial penalties relating to the alleged violations. The Company has filed a Motion to dismiss the Complaint, which remains pending. The Company intends to vigorously contest the Complaint, but the ultimate resolution of the Complaint cannot presently be determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. (In Part) Litigation:

Environmental matter

On September 30, 1991, the United States Environmental Protection Agency (EPA) issued a complaint against the Company alleging violations of the Resource Conservation and Recovery Act (RCRA) and RCRA regulations in the disposal of solvents at the Company's Grain Valley, Missouri, plant. The complaint seeks penalties in the amount of $2,777,000 and proposes certain compliance actions.

The Company began disposing of small amounts of the solvents in question at its Grain Valley plant approximately 15 years ago when the solvents were not considered hazardous waste. Upon learning of the situation in 1987, the Company immediately ceased disposing of the solvents in the previous manner and contacted the Missouri Department of Natural Resources (MDNR). The Company and MDNR have been working in a cooperative effort to resolve the situation since that time. Management believes that there is no health risk to Company employees or the surrounding community.

The Company is vigorously defending the EPA complaint and related proposed penalties under RCRA. Management believes that all of the allegations are technical violations. Legal counsel has advised that the penalties sought by the EPA in this case are consistent with its current penalty guidelines, which were adopted by the ERA in October, 1990. Based on the Company's cooperation with the MDNR (which had the original jurisdiction of the matters complained by the EPA) in voluntarily disclosing the alleged violations and in promptly undertaking all remedial actions specified by the MDNR, the penalties appear to the Company's legal counsel to be excessive. However, because so few cases have been disposed of by settlement, or by administrative or judicial proceedings since the new penalty guidelines were adopted, legal counsel cannot express an opinion as to the ultimate amount, if any, of the Company's liability.

The Company has recorded a liability for its best estimates of the cost to be incurred relative to the compliance actions. Since the amount of the penalty cannot be reasonably determined at this time, no estimate is included for it in the financial statements.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
The Lamson & Sessions Co.
Cleveland, Ohio

We have audited the accompanying consolidated statements of financial position of The Lamson & Sessions Co. and subsidiaries as of December 31, 1991 and 1990 and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1991. 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 acounting 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 Lamson & Sessions Co. and subsidiaries at December 31, 1991 and 1990 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

As discussed in the first paragraph of Note E to the financial statements, the Company is a defendant in a legal matter, the ultimate outcome of which cannot presently be determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E—Litigation and Contingencies

The Company has been named in two class actions by the United Auto Workers Union and certain of its members. These actions allege that the termination of substantially all members of a particular bargaining unit denied class members certain benefits in violation of the Employee Retirement Income Security Act, and seek restoration of these benefits to certain members of the class, damages and other relief. A trial is expected during 1992. The Company believes that its actions were justified and intends to continue its vigorous defense of these actions. However, the ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for liability, if any, that may result has been made in the financial statements.

In 1989, the Company received notice of an environmental claim related to property it sold in 1978. The present owner of the property implemented remedial action on the site and has made demand upon the Company for certain costs related to its actions. Settlement discussions have thus far proved unsuccessful and suit was filed by the present owner in 1992. The Company believes that there is no

justification for the lawsuit and intends to vigorously defend against this action.

During 1991, the Company entered into an agreement with the owner of another property previously sold to settle the costs of certain environmental remediation and share in additional costs presently under study.

The Company is a party to various claims and matters of litigation incidental to the normal course of its business. Management believes that the final resolution of these matters, including the matters described in the preceding two paragraphs, will not have a material adverse effect on the Company's financial position.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Tesoro Petroleum Corporation

We have audited the accompanying consolidated balance sheets of Tesoro Petroleum Corporation and subsidiaries ("Company") as of September 30, 1991 and 1990, and the related statements of operations, common stock and other stockholders' equity and cash flows for each of the three years in the period ended September 30, 1991. 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 Tesoro Petroleum Corporation and subsidiaries at September 30, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1991 in conformity with generally accepted accounting principles.

As discussed in Note H to the financial statements, the Company has contracted with the State of Alaska ("State") for the purchase of State royalty crude oil for its refining operations. Under the contract terms, the Company may be required to pay the State additional amounts for the crude oil if the State prevails in continuing litigation (to which the Company is not a party) between the State and producers of the crude oil. The Company is unable to predict the ultimate outcome of its contractual dispute with the State.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H—(In Part): Commitments And Contingencies

State of Alaska

In order to assure the availability of crude oil to the Company's refinery, Tesoro Alaska Petroleum Company ("Tesoro Alaska"), a wholly-owned subsidiary of the Company, has a contract with the State of Alaska ("State"). The contract, which expires in January 1995, provides for the purchase of certain quantities of the State's Prudhoe Bay North Slope royalty crude oil, based on a percentage of all Prudhoe Bay North Slope royalty crude oil produced. At current levels of Prudhoe Bay production, this contract provides for the purchase of approximately 43,000 barrels per day at the weighted average net-back price of all North Slope producers at Pump Station No. 1.

Tesoro Alaska's present and certain past contracts with the State contain provisions which could require Tesoro Alaska to pay the State additional retroactive amounts if the State prevails in the current *ANS Royalty Litigation* against the producers of North Slope crude oil ("Producers"). Tesoro Alaska is not a party to this litigation, but as a result of it, the State claims that the oil it sold to Tesoro Alaska and others was undervalued to the extent that the Producers undervalued their oil. The Company disputes the claim asserted by the State.

In September 1990, Arco Alaska, Inc. ("Arco"), one of the larger Producers in the *ANS Royalty Litigation*, settled with the State. In addition to settlement of the State's claims for past royalty values, the settlement with Arco provides for a new method of calculating the royalty value for Arco's production after February 1990. Subsequent to the settlement with Arco, certain other smaller Producers also settled with the State using the new method adopted by Arco for calculating the royalty value of their production. The new method for calculating the royal value for North Slope production included in these settlements has caused the Company to pay a higher price for that portion of the State's royalty crude oil attributable to production of these companies.

Based upon information furnished by the State, Tesoro Alaska estimates that the State's claim against Tesoro Alaska exceeds $100 million, excluding any claim for interest. This claim would be reduced by approximately $30 million for amounts reimbursable to Tesoro Alaska under a crude oil exchange agreement with another company. The Company has accrued an amount which it estimates represents the minimum liability under the contractual dispute with the State.

The Company is unable to predict the ultimate outcome of the *ANS Royalty Litigation* or its contractual dispute with the State; however, if the State substantially prevails against the Company on its claims, this could have a material adverse effect on the Company.

Going Concern and Litigation

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Eagle-Picher Industries, Inc.:

We have the accompanying consolidated balance sheet of Eagle-Picher Industries, Inc. and subsidiaries (debtor-in-possession, as of January 7, 1991) as of November 30, 1991 and 1990, 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, 1991. 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, 1991 and 1990, and the results of their operations and their cash flows for each of the years in the three-year period ended November 30, 1991, 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 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 liabilities that might be necessary should the Company or its subsidiaries be unable to continue as going concerns. The 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 is 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 are not presently determinable.

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

	1991	1990	1989	1988
Income taxes	41	72	94	96
Postretirement benefits	38	5	5	3
Inventories:				
Capitalization of costs formerly expensed	4	9	17	17
LIFO adopted	1	2	2	3
LIFO discontinued	2	1	—	4
Other	6	4	1	—
Pension plans:				
Minimum liability	3	6	—	—
Costs	1	4	14	66
Other	—	2	—	—
Depreciation method	1	2	4	3
Reporting entity	1	2	16	44
Statement of cash flows	—	5	10	10
Other—described	11	11	11	20
Total References/ Qualifications	**109**	**125**	**174**	**266**
Total Companies	**90**	**113**	**158**	**198**

Postretirement Benefits

INDEPENDENT AUDITORS' REPORT

To Share Owners and Board of Directors of
General Electric Company

We have audited the accompanying statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1991 and 1990, and the related statements of earnings and cash flows for each of the years in the three-year period ended December 31, 1991. 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 aforementioned financial statements appearing on pages 26–31 and 46–64 present fairly, in all material respects, the financial position of General Electric Company and consolidated affiliates at December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1991, in conformity with generally accepted accounting principles.

As discussed in note 6 to the consolidated financial statements, the Company changed its method of accounting for postretirement benefits other than pensions in 1991.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Pension and Retiree Insurance Benefits

GE and its affiliates sponsor a number of pension and retiree health and life insurance plans. Principal plans are discussed below; other plans are not significant individually or in the aggregate.

1991 accounting change. Statement of Financial Accounting Standards (SFAS) No. 106—"Employers' Accounting for Postretirement Benefits Other Than Pensions" was implemented using the immediate recognition transition option, effective as of January 1, 1991.

SFAS No. 106 requires recognition, during employees' service with the Company, of the cost of their retiree health and life insurance benefits. At January 1, 1991, the accumulated postretirement benefit obligation was $4,287 million; however, $1,577 million of this obligation had been provided through the fair market value of related trust assets ($1,037 million) and recorded liabilities ($540 million), thus resulting in a pretax adjustment (i.e., transition obligation) of $2,710 million. The effect on net earnings and share owners' equity was $1,799 million ($2.07 per share) after deferred tax benefit of $911 million. Aside from the one-time effect of the adjustment, adoption of SFAS No. 106 was not material to 1991 financial results.

Prior to 1991, GE health benefits for eligible retirees under age 65 and eligible dependents were generally included in costs as covered expenses were actually incurred. For eligible retirees and spouses over age 65, the present value of future health benefits was included in costs in the year the retiree became eligible for benefits. The present value of future life insurance benefits for each eligible retiree was included in costs in the year of retirement.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of
Joslyn Corporation:

We have audited the accompanying consolidated balance sheets of Joslyn Corporation and Subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three fiscal years in the period ended December 31, 1991. 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 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 Joslyn Corporation and Subsidiaries as of December 31, 1991 and 1990, and the results of its operations and its cash flows for each of the three fiscal years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As explained in Note 2 to the consolidated financial statements, effective January 1, 1991, the Corporation changed its method of accounting for postretirement benefits other than pensions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. (In Part): Change in Accounting—Postretirement Medical Benefits

The Corporation and its participating domestic subsidiaries provide optional health care benefits for retired employees under a contributory plan. Employees may become eligible for these benefits if they were employed by the Corporation at the defined retirement age, were employed at least ten years and were hired prior to January 1, 1989. The benefits are subject to deductibles, co-payment provisions and other limitations, which are amended periodically. These benefits are discretionary and are not a commitment to long-term benefit payments. In 1990 and 1989, the cost of these post-retirement benefits was recognized as claims were paid and were $460,000 and $420,000, respectively.

In 1991, Joslyn Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 106—"Employers' Accounting for Postretirement Benefits Other Than Pensions" on the immediate recognition basis. As a result of the adoption of SFAS No. 106, the Corporation recorded charges of $10,963,000 for optional postretirement medical benefits. The after-tax charge of $6,763,000, or $1.43 per share, has two components: $6,268,000, or $1.33 per share, is a one-time cumulative non-operating adjustment to January 1, 1991 and $495,000, or $.10 per share, is a charge for the current year in addition to normal claims paid. The adoption of SFAS No. 106 should not affect cash flow. The plan is funded as claims are paid.

The net periodic postretirement medical benefit cost for the year-end December 31, 1991 was as follows:

	(in thousands)
	1991
Service Cost	$ 514
Interest cost	868
Net Medical Benefit Cost	$1,382

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of
Pennzoil Company:

We have audited the accompanying consolidated balance sheet of Pennzoil Company and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1991. 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 Pennzoil Company and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As discussed in Note 5 to the Consolidated Financial Statements, as of January 1, 1991, the Company changed its method of accounting for postretirement benefit costs other than pensions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Benefit Plans

Postretirement Health Care and Life Insurance Benefits—

Pennzoil and Purolator sponsor several unfunded defined benefit postretirement plans covering most salaried and hourly employees. The plans provide medical and life insurance benefits and are, depending on the type of plan, either contributory or non-contributory. The accounting for the health care plans anticipates future cost-sharing changes that are consistent with Pennzoil's expressed intent to increase, where possible, contributions from future retirees to a minimum of 30% of the total annual cost. Furthermore, Pennzoil's future contributions for both current and future retirees have been limited, where possible, to 200% of the average 1992 benefit cost.

In December 1991, Pennzoil announced its decision to change its method of accounting for postretirement costs other than pensions by adopting the new requirements of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective as of January 1, 1991. Previous 1991 interim period results were restated as a result of the adoption. Pennzoil recorded a charge of $49.0 million ($74.2 million before tax), or $1.21 per share, as of the first quarter of 1991 to reflect the cumulative effect of the change in accounting principle for periods prior to 1991. In addition to the cumulative effect, Pennzoil's 1991 postretirement health care and life insurance costs increased $1.7 million ($2.6 million before tax), or $.04 per share, as a result of adopting the new standard.

Net periodic postretirement benefit cost for 1991 included the following components:

	Expressed in Thousands
Service cost—benefits attributed to service during the period	$ 1,176
Interest cost on accumulated postretirement benefit obligation	10,578
Net periodic postretirement benefit cost	$11,754

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and
Shareholders of Snap-on Tools Corporation:

We have audited the accompanying consolidated balance sheets of Snap-On Tools Corporation and Subsidiaries as of December 28, 1991 and December 29, 1990, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 28, 1991. 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. These 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 Snap-on Tools Corporation and Subsidiaries as of December 28, 1991 and December 29, 1990, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 28, 1991, in conformity with generally accepted accounting principles.

As explained in Note 1c to the financial statements, effective the beginning of 1991 the Company changed its method of accounting for postretirement health benefits other than pensions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Accounting Policies

c. Adoption of new accounting principle

The Company elected early adoption of the accounting provisions of the Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." This new standard requires that the expected cost of retiree health benefits be charged to expense during the years that the employees render service rather than the Company's past practice of recognizing these costs on a cash basis. As part of adopting the new standard, the Company recorded in the first quarter, a one-time, non-cash charge against earnings of $62.8 million before taxes and $38.9 million after taxes, or $.93 per share. This cumulative catchup adjustment as of January 1, 1991 represents the discounted present value of expected future retiree health benefits attributed to employees' service rendered prior to that date. Also, the new standard results in additional annual expense, which in 1991 totaled $4.0 million before taxes and $2.5 million after taxes, or $.06 per share.

REPORT OF INDEPENDENT AUDITORS

The Stockholders
The Stanley Works

We have audited the accompanying consolidated balance sheets of The Stanley Works and subsidiaries as of December 28, 1991 and December 29, 1990, and the related consolidated statements of earnings, changes in stockholders' equity and cash flows for each of the three fiscal years in the period ended December 28, 1991. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statments 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 Stanley Works and subsidiaries at December 28, 1991 and December 29, 1990, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended December 28, 1991, in conformity with generally accepted accounting principles.

As discussed in Note J to the consolidated financial statements, in 1991 the company changed its method of accounting for postretirement benefits other than pensions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (In Part): Employee Benefit Plans

Postretirement Health Care and Life Insurance Benefits

The company provides certain medical and dental benefits for substantially all retired employees in the United States. In addition, domestic employees who retire from active service are eligible for life insurance benefits.

In 1991, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The standard requires companies to recognize the estimated future cost of providing health and other postretirement benefits on an accrual basis. These benefits have previously been recognized as expense when paid.

The cumulative effect of this accounting change reduced 1991 net earnings by $12.5 million ($20.6 million less related deferred income taxes of $8.1 million) or $.29 per share. The effect of the change on 1991 operations was not material.

The status of the company's plans at December 28, 1991, in millions of dollars, was as follows:

Accumulated postretirement benefit obligation:	
Retirees	$13.3
Fully eligible active plan participants	1.4
Other active plan participants	4.1
Accumulated postretirement benefit obligations accrued	$18.8

In 1991, periodic postretirement benefit expense of $2.2 million included service cost of $0.6 million and interest cost of $1.6 million.

Postretirement benefit expense of $3.7 million for 1990 and 1989 was recorded on the cash basis.

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to be 18.5% reducing to 9.5% over 5 years and 6.5% over 20 years. A one percentage point increase in the assumed health care cost trend rate would have increased the accumulated benefit obligation by $1.2 million at December 28, 1991.

A weighted average discount rate of 8.0% was used in determining the accumulated benefit obligation.

Income Taxes

REPORT OF INDEPENDENT AUDITORS

Stockholders and Board of Directors
Brown Group, Inc.
St. Louis, Missouri

We have audited the accompanying consolidated balance sheets of Brown Group, Inc. as of February 1, 1992 and February 2, 1991, and the related statements of consolidated earnings, stockholders' equity, and cash flows for each of the three years in the period ended February 1, 1992. 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 Brown Group, Inc. at February 1, 1992 and February 2, 1991, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 1, 1992 in conformity with generally accepted accounting principles.

As discussed in Notes 2 and 3 to the consolidated financial statements, in 1991 the company changed its method of accounting for other postretirement benefits and income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Retirement and Other Benefit Plans

In fiscal 1991, the corporation adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." In applying this pronouncement, the corporation immediately recognized the Accumulated Postretirement Benefit Obligation as of the beginning of fiscal 1991 of $17,320,000 in the First Quarter of 1991 as a change in accounting principle. On an aftertax basis, this charge was $11,431,000 or $.67 per share. Previously reported First Quarter 1991 results have been restated to reflect adoption of SFAS No. 106. The impact on the Second and Third Quarters of 1991 was immaterial. The pro forma effect of retroactive application of the change on the financial statements for the years prior to 1991 has not been presented because the new method did not have a material effect on the earnings reported for those years.

Note 3 (In Part): Income Taxes

In fiscal 1991, the corporation adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109 requires the adjustment of previously deferred taxes for changes in tax rates under the liability method. The corporation chose to reflect the cumulative effect of adopting this pronouncement as a change in accounting principle at the beginning of fiscal 1991 with a charge to earnings of $500,000. Prior years' financial statements were not restated. This charge represents the writedown of net deferred tax assets and liabilities from tax rates in effect when they arose to current statutory tax rates. As required, previously reported First Quarter 1991 results have been restated to reflect this adjustment. The adoption of the new standard had no effect on the tax provision for 1991.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Crystal Brands, Inc.:

We have audited the consolidated balance sheets of Crystal Brands, Inc. and subsidiaries as of December 28, 1991 and December 29, 1990, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three-year period ended December 28, 1991. 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 Crystal Brands, Inc. and subsidiaries at December 28, 1991 and December 29, 1990, and the results of their operations and their cash flows for each of the years in the three-year period ended December 28, 1991, in conformity with generally accepted accounting principles.

As discussed in Note 10 to the consolidated financial statements, the Company changed its method of accounting for income taxes in 1991.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of Dollars Except Share Data)

Note 10 (In Part): Income Taxes

As discussed in Note 1, Summary of Significant Accounting Policies, the Company adopted SFAS No. 109 as of the beginning of fiscal year 1991. The cumulative effect on prior years of this change in accounting principle increased 1991 net loss by $39,219, or $4.31 per share, and is reported separately in the consolidated statement of operations for the year ended December 28, 1991. In addition to the impact of the cumulative effect on prior years, the effect of adoption of SFAS No. 109 increased the net loss in 1991 by $672, or $0.07 per share. Prior years' financial statements have not been restated to apply the provisions of SFAS No. 109.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
The Pittston Company

We have audited the accompanying consolidated balance sheets of The Pittston Company and subsidiaries as of December 31, 1991 and 1990 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three year period ended December 31, 1991. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Pittston Company and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 1991, in conformity with generally accepted accounting principles.

As discussed in notes 4, 11 and 14 to the consolidated financial statements, the Company changed its methods of accounting for postretirement benefits other than pensions and accounting for income taxes in 1991.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Income Taxes

Effective January 1, 1991, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. As of January 1, 1991, the Company recorded a tax credit of approximately $10,061,000 or $.27 per share, which amount represents the net decrease to the deferred tax liability as of that date. Such amount has been reflected in the consolidated statement of operations as the cumulative effect of an accounting change.

For the year 1991, income (loss) before extraordinary credit and cumulative effect of accounting changes includes an additional income tax credit of approximately $27,075,000 or $.73 per share resulting from the adoption of SFAS 109.

11 (In Part): Employee Benefit Plans

The Company and its subsidiaries also provide certain postretirement health care and life insurance benefits for eligible active and retired employees in the United States and Canada. Effective January 1, 1991, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"). SFAS 106 requires the accrual method of accounting for postretirement health care and life insurance benefits based on actuarially determined costs to be recognized over the period from the date of hire to the full eligibility date of employees who are expected to qualify for such benefits. As of January 1, 1991, the Company recognized the full amount of its estimated accumulated postretirement benefit obligation on that date, 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 1991 earnings was $201,810,000, with a net earnings effect of $133,078,000 or $3.57 per share. The latter amounts have been reflected in the statement of operations as the cumulative effect of an accounting change.

14. Accounting Changes
During 1991, the Company adopted two changes in accounting principle in connection with the issuance of two accounting standards by the Financial Accounting Standards Board. The effect of these changes on the statement of operations as of January 1, 1991, the date of adoption, has been recognized as the cumulative effect of accounting changes as follows:

	(In thousands)
Accrual method of recognizing postretirement benefits other than pensions, net of income taxes (see Note 11)	$(133,078)
Asset/liability method of recognizing income taxes (see Note 4)	10,061
Net expense	$(123,017)

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Shareholders
Quaker State Corporation:
We have audited the accompanying consolidated balance sheets of Quaker State Corporation and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1991. 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 Quaker State Corporation and Subsidiaries as of December 31, 1991 and 1990, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

As discussed in Note 11 of Notes to Consolidated Financial Statements, effective January 1, 1991, the company adopted Statement of Accounting Standards No. 96, "Accounting for Income Taxes."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Income Taxes
Effective January 1, 1991, the company adopted Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS 96). SFAS 96 requires a liability approach for measuring deferred taxes based on temporary differences between the financial statement and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for years in which taxes are expected to be paid or recovered. Prior years' financial statements have not been restated for this accounting change. The cumulative effect of this accounting change on years prior to 1991 resulted in an increase in net income of $7,170,000 or $.26 per share. The effect of this change on 1991 income before the cumulative effect of the change in accounting was not significant. In February, 1992, the Financial Accounting Standards Board issued Standard No. 109 which supercedes Standard No. 96. The effect of this new standard is not expected to be material.

Inventories

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and the Board of Directors of
Georgia-Pacific Corporation:
We have audited the accompanying balance sheets of Georgia-Pacific Corporation and subsidiaries as of December 31, 1991 and 1990 and the related statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of the Coorporation'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 Georgia-Pacific Corporation and subsidiaries as of December 31, 1991 and 1990 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As explained in Notes 1 and 8 to the financial statements, effective January 1, 1991, the Corporation changed its methods of accounting for certain manufacturing supplies and for postretirement health care and life insurance benefits.

NOTES TO FINANCIAL STATEMENTS

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

Inventory Valuation—Inventories are valued at the lower of average cost or market. The last-in, first-out (LIFO) dollar value pool method is used to value approximately 54% and 61%, respectively, of inventories at December 31, 1991 and 1990.

Effective January 1, 1991, the Corporation changed its accounting policy at certain manufacturing facilities to include in inventory certain supplies that were previously expensed. The Corporation believes this method is preferable because it provides a better matching of costs and related revenues and is more consistent with the Corporation's tax reporting method. The cumulative effect of this change for years prior to 1991 was to increase net income by $56 million in 1991 after related income tax expense of $35 million. This change had no effect on 1991 operating results after recording the cumulative effect for years prior to 1991. The pro forma effect of the change on years prior to 1991 was not determinable.

Note 8 (In Part): Retirement Plans

Retiree Health Care and Life Insurance Benefits—The Corporation provides certain health care and life insurance benefits to eligible retired employees. Salaried participants generally become eligible for retiree health care benefits after reaching age 55 with 10 years of service or after reaching age 65. Benefits, eligibility and cost-sharing provisions for hourly employees vary by location and/or bargaining unit. Generally, the medical plans pay a stated percentage of most medical expenses reduced for any deductible and payments made by government programs and other group coverage. The plans are unfunded.

The cost of providing most of these benefits has been shared with retirees. The Corporation began transferring its share of the cost of post-age 65 health care benefits to future salaried retirees in 1991. The Corporation will continue to reduce the percentage of the cost of post-age 65 benefits that it will pay on behalf of salaried employees who retire in each of the years 1992 through 1999. The Corporation will continue to share the pre-age 65 cost with future salaried retirees, but will no longer pay any of the post-age 65 cost for salaried employees who retire after 1999.

The Corporation adopted Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," as of January 1, 1991. This statement requires the accrual of the cost of providing postretirement benefits, including medical and life insurance coverage, during the active service period of the employee. The Corporation elected to immediately recognize the accumulated liability, measured as of January 1, 1991. This resulted in a one-time, after-tax charge of $119 million (after reduction for income taxes of $73 million) which does not include amounts accrued in prior years for business acquisitions. The effect of this change on 1991 operating results, after recording the cumulative effect for years prior to 1991, was to recognize additional pretax expense of $23 million. The pro forma effect of the change on years prior to 1991 was not determinable. Prior to 1991, the Corporation recognized expense in the year the benefits were provided. Postretirement health care and life insurance costs charged to expense in 1990 and 1989 were not material.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and
The Board of Directors of Hercules Incorporated
Wilmington, Delaware

We have audited the accompanying consolidated balance sheets of Hercules Incorporated and subsidiary companies as of December 31, 1991 and 1990, and the related consolidated statements of income, shareholders' equity and cash flow for each of the three years in the period ended December 31, 1991. 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 Hercules Incorporated and subsidiary companies as of December 31, 1991 and 1990, and the consolidated results of their operations and their cash flow for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

As discussed in the Summary of Significant Accounting Policies, in 1989 the company changed its methods of accounting for spare maintenance parts and determining the cost of inventory.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Dollars in thousands, except per share)

Inventories

Inventories are stated at the lower of cost or market. In order to provide for a better match of costs and revenues, domestic inventories are valued predominantly on the last-in, first-out (LIFO) method. Foreign inventories and certain domestic inventories, which in the aggregate represent approximately 44% of total inventories, are valued principally on the average cost method. Inventoried costs relating to long-term contracts are stated at actual production cost, including general and administrative costs.

Effective January 1, 1989, accounting practices were changed to include substantially all spare maintenance parts and certain manufacturing overhead costs in inventory. Among the more significant of the overhead costs now included in inventory are the salaries and other benefits of plant supervision. These costs were previously charged directly to expense. These changes are preferable because they provide for a better matching of costs with related revenues. The cumulative effect of the changes, which was included in net of income for 1989, was a favorable $15,039 or $.33 per share (net of income taxes of $7,748). The effect of the changes on 1989 net income, exclusive of the cumulative effect of prior periods, was not material. Included in 1991 net income is a credit of approximately $2,100 related to the initial recording of spare parts inventory by a subsidiary.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors
of J.C. Penney Company, Inc.

We have audited the accompanying consolidated balance sheets of J.C. Penney Company, Inc. and Subsidiaries as of January 25, 1992, January 26, 1991, and January 27, 1990, and the related consolidated statements of income, reinvested earnings, and cash flows, appearing on pages 14 through 16 and pages 20 through 31, for the years 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 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 J.C. Penney Company, Inc. and Subsidiaries as of January 25, 1992, January 26, 1991, and January 27, 1990, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed on page 28, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, in 1991. Also, as discussed on page 22, the Company changed its method of determining retail price indices used in the valuation of LIFO inventories in 1991.

NOTES TO FINANCIAL STATEMENTS

Merchandise Inventories
(In millions)

	1991	1990	1989
Merchandise inventories, at lower of cost (FIFO) or market	$3,211	$3,062	$2,969
LIFO reserve	(314)	(405)	(356)
Merchandise inventories, at LIFO cost	$2,897	$2,657	$2,613

Substantially all of the Company's inventories are measured using the last-in, first-out (LIFO) method of inventory valuation. Since the adoption of this method in 1974, the Company has used the Bureau of Labor Statistics price indices applied against inventory selling values to arrive at an inventory valuation. In 1991, the Company applied internally developed indices that more accurately measure inflation or deflation in its own retail prices. The impact on the individual prior years presented and the cumulative effect of this change on reinvested earnings at the beginning of 1991 is not determinable. However, the effect of using the internal indices instead of the Bureau of Labor Statistics price indices at the end of 1991 was to increase net income by approximately $100 million, or 78 cents per share, in 1991.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors,
Sun Company, Inc.:

We have audited the accompanying consolidated balance sheets of Sun Company, Inc. and its subsidiaries as of December 31, 1991 and 1990, 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, 1991. 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 (pages 24 to 41) present fairly, in all material respects, the consolidated financial position of Sun Company, Inc. and its subsidiaries as of December 31, 1991 and 1990 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for the cost of crude oil and refined product inventories at Suncor Inc., the Company's Canadian subsidiary, in 1991 and its method of accounting for refinery turnaround costs in 1990.

NOTES TO FINANCIAL STATEMENTS

6. Changes in Accounting Principles

Effective January 1, 1991, Sun changed its method of accounting for the cost of crude oil and refined product inventories at Suncor from the FIFO method to the LIFO method. Sun believes that the use of the LIFO method better matches current costs with current revenues. The cumulative effect of this accounting change for years prior to 1991 is not determinable, nor are the pro forma effects of retroactive application of the LIFO method to prior years. This change decreased the 1991 net loss and net loss per share of common stock by $3 million and $.03, respectively.

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 current 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 techiques) 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 following pro forma amounts reflect the net income and net income per share of common stock of Sun as if the accounting change had been retroactively applied:

	1990	1989
As reported:		
Net income (in millions of dollars)	$229	$98
Net income per share of common stock	$2.14	$.92
Pro forma amounts:		
Net income (in millions of dollars)	$199	$113
Net income per share of common stock	$1.86	$1.06

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of Zenith Electronics Corporation:

We have audited the accompanying consolidated balance sheets of Zenith Electronics Corporation and subsidiaries as of December 31, 1991 and 1990, and the related statements of consolidated income and retained earnings and cash flows for each of the three years in the period ended December 31, 1991. 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 Zenith Electronics Corporation and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As explained in Note 2 to the Consolidated Financial Statements, Zenith Electronics Corporation has given retroactive effect to the change in accounting for certain inventories.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2–Accounting change:

As of December 31, 1991, the company changed its inventory costing method for its remaining electronic components and finished goods inventories from LIFO to FIFO. The company believes that the FIFO method is preferable as it will prevent the inventories from potentially being valued in excess of replacement cost, provide a more appropriate and consistent matching of costs against revenues and improve comparability with other electronics manufacturing companies.

The effect of the change in accounting principle was to reduce the net loss reported for 1991 by $1.5 million, or $.05 per share. The change has been applied to prior years by retroactively restating the financial statements. The effect of this restatement was to increase retained earnings as of January 1, 1989 by $4.3 million. The restatement decreased 1990 net income by $1.9 million, or $.07 per share, and increased 1989 net income by $2.0 million, or $.08 per share.

Pension Plans

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of
Johnston Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Johnston Industries, Inc. and subsidiaries as of June 30, 1991 and 1990, and the related consolidated statements of income, cash flows, and stockholders' equity for each of the three years in the period ended June, 30, 1991. 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 Johnston Industries, Inc. and subsidiaries at June 30, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1991 in conformity with generally accepted accounting principles.

As discussed in Note 14 to the financial statements, in 1990 the Company recognized in the balance sheet its additional unfunded accumulated pension benefit obligation as required by Statement of Financial Accounting Standards No. 87.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Employee Benefit Plans

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 fiscal year ended June 30, 1990, 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, 1991 and 1990 of an additional liability of $2,876,000 and $2,892,000, respectively, and an intangible asset of equal amount; there was no effect on earnings, stockholders' equity, or cash requirements to fund the pension plan.

INDEPENDENT AUDITORS' REPORT

To The Board Of Directors And Stockholders Of Laclede Steel Company:

We have audited the accompanying consolidated balance sheets of Laclede Steel Company and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of operations and retained earnings and of cash flows for each of the three years in the period ended December 31, 1991. 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 Laclede Steel Company and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

As discussed in Note 5 to the Consolidated Financial Statements the Company changed its method of computing net periodic pension costs in 1990.

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 periodic pension costs by $1,863,000, which increased net earnings by $840,000 or $.20 per share.

Costs Of Rebuilding Glass Facilities

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
PPG Industries, Inc.:

We have audited the accompanying balance sheet of PPG Industries, Inc. and consolidated subsidiaries as of December 31, 1991 and 1990, and the related statements of earnings and of cash flows for each of the three years in the period ended December 31, 1991. 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 PPG Industries, Inc. and consolidated subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for the costs of rebuilding glass and fiber glass melting facilities as of January 1, 1991.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Change in Method of Accounting

Effective Jan. 1, 1991, the Company adopted the capital method of accounting for the cost of rebuilding glass and fiber glass melting facilities. Under this method, costs are capitalized when incurred and depreciated over the estimated useful lives of the rebuilt facilities. In the past, the Company established a liability for the estimated cost of major repairs to its glass and fiber glass melting facilities through charges against earnings prior to the major repairs. It has become increasingly more difficult to estimate the costs of future repairs due to greater variability in the nature of and in the period between each major repair as a result of our continual efforts to modify and enhance our glass and fiber glass making processes. The change to the capital method for these costs was made because it does not require estimating the cost of, nor the period over which future repairs should be accrued and, as a result, provides for a better matching of expenses with revenue. The change in method also achieves an accounting treatment consistent with that of most of our major competitors.

The cumulative effect on retained earnings, net of tax, at Jan. 1, 1991, of changing to the capital method was $75 million and has been included in 1991 net earnings. The effect of the accounting change on 1991 net earnings, exclusive of the cumulative effect on retained earnings, was not material.

Patent Application Costs

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders
Minntech Corporation and Subsidiary

We have audited the accompanying consolidated balance sheets of Minntech Corporation and Subsidiary as of March 31, 1991 and 1990 and the related consolidated statements of earnings, stockholders' equity and cash flows for the years ended March 31, 1991, 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.

We conducted our audits in accordance with generally accepted auditing standards. These 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 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 Minntech Corporation and Subsidiary as of March 31, 1991 and 1990, and the consolidated results of their operations and their consolidated cash flows for the years ended March 31, 1991, 1990 and 1989, in conformity with generally accepted accounting principles.

As described in Note L, the Company changed its method of accounting for patent application costs.

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).

On a proforma basis the effect on net earnings for fiscal year 1989, assuming the new method was applied retroactively, was not material.

EMPHASIS OF A MATTER

Paragraph 37 of *Statement on Auditing Standards No. 58* states:

> In some circumstances, the auditor may wish to emphasize a matter regarding the financial statements, but nevertheless intends to express an unqualified opinion. For example, he may wish to emphasize that the entity is a component of a larger business enterprise or that it has had significant transactions with related parties, or he may wish to emphasize an unusually important subsequent event or an accounting matter affecting the comparability of the financial statements with those of the preceding period. Such explanatory information should be presented in a separate paragraph of the auditor's report. Phrases such as "with the foregoing explanation" should not be used in the opinion paragraph in situations of this type.

Examples of explanatory information follow.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Designcraft Industries, Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of Designcraft Industries, Inc. and subsidiaries as of February 28, 1991 and 1990 and the related consolidated statements of discontinued operations, stockholders' equity and cash flows for each of the three years in the period ended February 28, 1991. 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 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in the Summary of Accounting Policies, the Company has sold or is planning to sell the assets of its jewelry business which comprised substantially all of its operations for the three year period ended February 28, 1991.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Designcraft Industries, Inc. and subsidiaries as of February 28, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 1991 in conformity with generally accepted accounting principles.

SUMMARY OF ACCOUNTING POLICIES

Business

Designcraft's operations have historically consisted of the manufacture of cast component parts for the fine jewelry industry.

As a result of the sales and planned sales of the assets of its remaining jewelry businesses subsequent to year end (see Note 8) Designcraft will no longer be operating in the fine jewelry manufacturing business. Accordingly, the statements of operations for the three years ending February 28, 1991 represent discontinued operations. Management intends to use the net proceeds of the sales of assets to finance part of the cost of future acquisitions.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Munsingwear, Inc.

We have audited the accompanying balance sheets of Munsingwear, Inc. as of January 4, 1992 and January 5, 1991, and the related statements of operations and cash flows for the two months ended January 4, 1992, the ten months ended October 29, 1991 and for each of the two years in the period ended January 5, 1991 and the related statement of changes in stockholders' equity for the two months ended January 4, 1992. 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.

On October 29, 1991, the Company emerged from bankruptcy. As discussed in the notes to the financial statements, the Company accounted for the reorganization using "Fresh Start Reporting" and, as a result, the post-reorganization financial statements are not comparable to the pre-reorganization financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Munsingwear, Inc. at January 4, 1992 and January 5, 1991, and the results of its operations and its cash flows for the two months ended January 4, 1992, the ten months ended October 29, 1991 and for each of the two years in the period ended January 5, 1991, in conformity with generally accepted accounting principles.

As discussed in the notes to the financial statements, on October 29, 1991, the effective date of the reorganization, the Company changed its method of accounting for income taxes and post-employment medical benefits.

NOTES TO FINANCIAL STATEMENTS

2. Fresh Start Reporting

In accounting for the effects of the reorganization, the Company has implemented Statement of Position 90-7 (SOP 90-7), "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," issued by the American Institute of Certified Public Accountants in November 1990. SOP 90-7 is applicable because pre-reorganization shareholders will receive less than 50% of the Company's New Common Stock and the reorganization value of the assets of the reorganized Company is less than the total of all post-petition liabilities and allowed claims.

After extensive negotiations between the Company and the Creditors' Committee, the Company's reorganization value was determined to be $15,000,000. The reorganization value was based on, among other things, discounted projected cash flows for the reorganized Company over a five-year period. The projected cash flows included assumptions as to anticipated sales and margins, new product introductions, marketing plans, operating expense levels, and capital expenditure programs. A discount rate of 16% was used, which reflects the uncertainty of the cash flows, the general inherent risk of the apparel industry, and general business conditions. In addition, the Company projected a terminal value of the business at the end of the five-year period based on appropriate discount factors and various assumptions as to the utilization of the Company's preconfirmation net operating loss carryforward (NOL).

SOP 90-7 requires an allocation of the reorganization value in conformity with the procedures specified by Accounting Principles Board Opinion No. 16, "Business Combinations," for transactions reported on the basis of the purchase method. In applying SOP 90-7, the Company allocated $5,445,000 to trademarks in recognition of the value of trademarks, tradenames, and license agreements. Except as discussed in the following paragraph, no significant adjustments were made to the Company's other assets and liabilities, as their fair values approximated recorded amounts at the reorganization date.

As permitted by SOP 90-7, the Company adopted FASB Statement No. 109, "Accounting for Income Taxes," and FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," as of October 29, 1991, the reorganization date. As a result, the Company allocated $3,000,000 of the reorganization value to deferred income taxes, representing the expected benefit from the future realization of the surviving preconfirmation NOL of approximately $36,000,000 (see Note 8) and recorded a liability of $424,000 for postretirement medical benefits (see Note 12).

The net effect of all "Fresh Start Reporting" adjustments resulted in income of $8,021,000, which is reflected in the statement of operations for the ten months ended October 29, 1991 in accordance with SOP 90-7.

The effect of the Plan of Reorganization and the application of SOP 90-7 on the Company's October 29, 1991 preconfirmation balance sheet is as follows:

(Amounts in thousands)	October 29, 1991 Preconfirmation Balance Sheet	Confirmation of Plan Debt Discharge	Fresh Start	Reorganized Balance Sheet
Assets				
Current assets:				
Cash	$ 1,048	$ —	$ —	$ 1,048
Receivables	5,695	—	—	5,695
Inventories	4,448	—	—	4,448
Prepaid expenses	518	—	—	518
Total current assets	11,709	—	—	11,709
Property, plant and equipment	1,559	—	—	1,559
Deferred taxes	—	—	3,000[7]	3,000
Trademarks	—	—	5,445[6]	5,445
Other	1,105	(1,009)[1]	—	96
Other—discontinued operations	900	(900)[2]	—	—
	$ 15,273	$ (1,909)	$8,445	$ 21,809
Liabilities and stockholders' equity (deficit)				
Current liabilities:				
Short-term debt	$ 472	$ —	$ —	$ 472
Current maturities of long-term debt	145	179[3]	—	324
Accounts payable	1,407	—	—	1,407
Accrued payroll and employee benefits	1,268	—	24[7]	1,292
Other accrued expenses	1,793	28[4]	—	1,821
Total current liabilities	5,085	207	24	5,316
Long-term debt	305	163[3]	—	468
Deferred items	625	—	400[7]	1,025
Liabilities subject to compromise	53,518	(53,518)[5]	—	—
Stockholders' equity (deficit)	(44,260)	51,239	8,021	15,000
	$ 15,273	$ (1,909)	$8,445	$ 21,809

[1] Write-off of unamortized bond issuance costs.
[2] Disposal of Alabama and Louisiana idle manufacturing facilities.
[3] Notes issued to the PBGC.
[4] Cash to be paid on Class E claims.
[5] Discharge of debt.
[6] Fair value of trademarks.
[7] Adoption of FASB Statements 106 and 109.

REPORT OF INDEPENDENT ACCOUNTANTS

The Shareholders and Board of Directors
SPS Technologies, Inc.:

We have audited the accompanying consolidated balance sheets of SPS Technologies, Inc. and subsidiaries as of December 31, 1991 and 1990, and the related statements of consolidated operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1991. 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.

The consolidated balance sheet at December 31, 1991 includes $54,341,000 of net assets intended to be sold in connection with the restructuring program described in Note 2. Included in that amount are the net deferred operating losses subsequent to May 3, 1991 relating to those assets. These operating results have been excluded from the 1991 statement of consolidated operations and are deferred at December 31, 1991 since management expects net proceeds from dispositions to exceed the assets' carrying value in an amount sufficient to recover such costs.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SPS Technologies, Inc. and subsidiaries as of December 31, 1991 and 1990, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Restructure Of Operations

On May 3, 1991, the Company announced a restructuring program to divest certain real estate assets, all industrial fastener operations in Europe and the Far East, and the Cleveland, Ohio, automotive fastener business. On February 6, 1992, the plan was modified to retain the Cleveland, Ohio, automotive fastener business and to consolidate part of the Company's Unbrako socket head cap screw manufacturing operations into the Cleveland plant. The Unbrako product is currently produced at the Company's Puerto Rico manufacturing facility which will be closed and sold. The restructuring program is a result of the Company's continued evaluation of opportunities to enhance shareholder value, improve profitability, and focus the Company on markets in which it enjoys a strong leadership position. The Company has prepared estimates of the net realizable value of related assets to be sold and other costs directly associated with the decision to dispose of such assets along with expected operating results during the wind-down period. The restructure program, on a net basis, is not expected to result in a loss. Accordingly, no restructuring charge to operations has been provided during 1991. The statement of consolidated operations for 1991 does not include operating results after May 3, 1991, of businesses to be divested under the restructuring plan.

Net assets held for sale consist of the following at December 31, 1991:

Accounts receivable, net	$13,275,000
Inventory	17,448,000
Property, plant and equipment, net	25,055,000
Other assets and deferred charges	7,249,000
	63,027,000
Less liabilities	8,686,000
	$54,341,000

At December 31, 1991, a net loss of $3,400,000, related to the 1991 restructuring activities, is deferred and included with net assets held for sale.

Sales and net earnings (loss) of businesses to be divested included in the statements of consolidated operations for all periods presented are as follows:

	1991	1990	1989
Sales	$24,510,000	$71,890,000	$54,750,000
Net earnings (loss)	(480,000)	(290,000)	4,578,000

The Company recorded a restructuring charge of $5,850,000 during the fourth quarter of 1990 for costs associated with the consolidation and reorganization of certain manufacturing activities and related reductions in work force. The charge included provisions for the write-down of assets, relocation of equipment and employee severance costs. This restructuring was completed in 1991 and excess accruals of $1,346,000 were credited to operating earnings in 1991.

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. None of the auditors' reports for the survey companies expressed an opinion on prior year financial statements different from the opinion previously expressed. Seventeen 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 CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Acclaim Entertainment, Inc.

We have audited the accompanying consolidated balance sheet of Acclaim Entertainment, Inc. and Subsidiaries as of August 31, 1991 and the related consolidated statement of operations, 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.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Acclaim Entertainment, Inc. and Subsidiaries as of August 31, 1991 and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Acclaim Entertainment, Inc.

We have audited the accompanying consolidated balance sheet of Acclaim Entertainment, Inc. and Subsidiaries as of August 31, 1990 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended August 31, 1990 and 1989 and the schedules listed in the index at item 14(a)2. 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 Acclaim Entertainment, Inc. and Subsidiaries as of August 31, 1990, and the results of their consolidated operations and their cash flows for the years ended August 31, 1990 and 1989 in conformity with generally accepted accounting principles, and the schedules referred to above present fairly in all material respects, when read in conjunction with the related financial statements, the information therein set forth.

Predecessor Auditors' Report Not Presented

REPORT OF INDEPENDENT AUDITORS

To The Board of Directors and
Shareholders of GenCorp Inc.

We have audited the accompanying consolidated balance sheet of GenCorp Inc. as of November 30, 1991 and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, appearing on pages 13, 23, 25, 27, and 29 through 37. 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 GenCorp Inc. for the years ended November 30, 1990 and 1989, were audited by other auditors whose report dated January 30, 1991, on those statements included an explanatory paragraph that described the environmental litigation discussed in Note L to the 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of GenCorp Inc. at November 30, 1991, 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 Note L to the consolidated financial statements, Aerojet-General Corporation, a wholly owned subsidiary of GenCorp Inc., and Cordova Chemical Company, a wholly owned subsidiary of Aerojet, have been subject to environmental litigation arising from discharges of chemicals in past years at Aerojet's Sacramento, California facility. Eventual liabilities of Aerojet relating to this matter cannot be reasonably estimated at this time.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Simpson Industries, Inc.

We have audited the accompanying consolidated balance sheet of Simpson Industries, Inc. and subsidiaries as of December 31, 1991 and the related consolidated statements of operations, shareholders' equity and cash flows for the 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. The consolidated financial statements of Simpson Industries, Inc. for each of the years in the two year period ended December 31, 1990 were audited by other auditors whose report thereon dated February 12, 1991 expressed an unqualified opinion on those statements.

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

In our opinion, the 1991 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Simpson Industries, Inc. and subsidiaries as of December 31, 1991, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

OPINION 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.

TABLE 6-6: OPINION EXPRESSED ON SUPPLEMENTARY FINANCIAL INFORMATION

	Number of Companies			
	1991	1990	1989	1988
Financial statement schedules....	30	27	22	13
Financial statements of subsidiaries..................	—	—	2	1
Other........................	2	2	2	4

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Holnam Inc.:

We have audited the accompanying consolidated balance sheets of Holnam Inc. and Subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of Holnam's management. Our responsibility is to express an opinion on these financial statements based on our audits. With respect to 1991 and 1990, we did not audit the financial statements of St. Lawrence Cement Inc., which statements reflect assets constituting 42% and 40% of the consolidated totals as of December 31, 1991 and 1990, respectively, and revenues constituting 47% and 52% of the consolidated totals for the years ended December 31, 1991 and 1990, respectively; with respect to 1989, we did not audit the financial statements of Ideal Basic Industries, Inc. and St. Lawrence Cement Inc., which statements reflect revenues constituting 82% of the consolidated total for the year ended December 31, 1989. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for those entities, is based solely upon the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Holnam Inc. and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As explained in Note 3 to the consolidated financial statements, Holnam has given retroactive effect to the change in accounting for inventories from a mixture of an average cost method and the Last-In, First-Out method to the exclusive use of an average cost method.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the accompanying index are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, based on our audits and the reports of other auditors, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Hyde Athletic Industries, Inc.

We have audited the accompanying consolidated balance sheets of Hyde Athletic Industries, Inc. and Subsidiaries as of January 3, 1992 and December 31, 1990, and the related consolidated statements of income, shareholders' equity, and cash flows and the financial statement schedules listed in Item 14(A) for the years then ended. These financial statements and financial statement schedules 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 audits 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 January 3, 1992 and December 31, 1990, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To ICOT Corporation:

We have audited the accompanying consolidated balance sheets of ICOT Corporation and subsidiary as of July 27, 1991 and July 28, 1990, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 27, 1991. These financial statements and the 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 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 ICOT Corporation and subsidiary as of July 27, 1991 and July 28, 1990, and the results of their operations and their cash flows for each of the three years in the period ended July 27, 1991, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed under 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 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

The Board of Directors and Stockholders of Safeway Inc.:

We have audited the accompanying consolidated balance sheets of Safeway Inc. and subsidiaries as of December 28, 1991 and December 29, 1990, and the related consolidated statements of income, stockholders' equity (deficit) and cash flows for each of the three fiscal years in the period ended December 28, 1991. Our audits also included the consolidated financial statement schedules appearing on pages 40 through 43. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Safeway Inc. and subsidiaries at December 28, 1991 and December 29, 1990, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 28, 1991 in conformity with generally accepted accounting principles. Also, in our opinion, such consolidated 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 shown therein.

REPORTS OF AUDIT COMMITTEES AND MANAGEMENT

Fourteen survey companies presented a Report of An Audit Committee and 331 survey companies presented a Report of Management. Examples of such reports follow.

Reports Of Audit Committee

ABBOTT LABORATORIES

AUDIT COMMITTEE CHAIRMAN'S REPORT

The Audit Committee of the Board of Directors is composed of six non-employee directors. The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Committee held two meetings during 1991. In fulfilling its responsibility, the Committee recommended to the Board of Directors, subject to shareholder approval, the selection of the Company's independent public accountants. The Audit Committee discussed with the internal auditors and the independent public accountants the overall scope and specific plans for their respective audits. The Committee also discussed the Company's consolidated financial statements and the adequacy of the Company's internal controls. During the Audit Committee meetings the Committee met with the internal auditors and independent public accountants, without management present, to discuss the results of their audits, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The meetings also were designed to facilitate any private communication with the Committee desired by the internal auditors or independent public accountants.

Chairman, Audit Committee

LOWE'S COMPANIES, INC.

AUDIT COMMITTEE CHAIRMAN'S LETTER

The Audit Committee of the Board of Directors is composed of the following four independent directors: William A. Andres, John M. Belk, Robert G. Schwartz, and Gordon E. Cadwgan, Chairman. The committee held five meetings during fiscal 1991.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, the committee recommended to the Board of Directors, subject to shareholder approval, the engagement of Deloitte & Touche as the Company's independent public accountants. The committee discussed with the internal auditors and the independent public accountants the overall scope and results of their respective audits, their evaluation of the Company's internal controls, and the overall quality of the Company's financial reporting. The committee also reviewed the Company's consolidated financial statements and the adequacy of the Company's internal controls with management. The meetings were designed to facilitate any private communication with the committee desired by the internal auditors or independent public accountants.

Chairman, Audit Committee

PFIZER, INC.

AUDIT COMMITTEE'S REPORT

The Board of Directors reviews the audit function, internal controls and the financial statements largely through its Audit Committee, which consists solely of directors who are not Company employees. The Audit Committee meets at least quarterly with management, the independent auditors and internal auditors concerning their respective responsibilities. Among its various duties, the Audit Committee recommends the appointment of the Company's independent auditors. Both KPMG Peat Marwick and the internal auditors have full access to the Audit Committee and meet with it, without management present, to discuss the scope and results of their examinations including internal control, audit and financial reporting matters.

Chair, Audit Committee

Reports Of Management

BORDEN, INC.

REPORT OF MANAGEMENT

The management of Borden, Inc. is responsible for the preparation of all information, including the financial statements and related notes, included in this Annual Report to Shareholders. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and include amounts based on the best judgment of management. Financial information included elsewhere in this Annual Report is consistent with these financial statements.

In recognition of its responsibility for the integrity and objectivity of data in the financial statements, management maintains a system of internal accounting controls. This system includes an organizational structure with clearly defined lines of responsibility and delegation of authority. To assure the effective administration of internal controls, employees are carefully selected and trained, written policies and procedures are developed and disseminated, and appropriate communication channels are provided to foster an environment conducive to the effective functioning of controls.

The system is supported by an internal auditing function that operates worldwide and reports its findings to management throughout the year. The Company's independent accountants are engaged to express an opinion on the year-end financial statements. They objectively and independently review the performance of management in carrying out its responsibility for reporting operating results and financial condition. With the coordinated support of the internal auditors, they review and test the system of internal accounting controls and the data contained in the financial statements.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets regularly with independent accountants, management and internal auditors to review the work performed and to ensure that each is properly discharging its responsibilities. The independent accountants and the internal auditors independently have full and free access to the Committee, without the presence of management, to discuss the results of their examinations, the adequacy of internal accounting controls and the quality of financial reporting.

President and Chief Executive Officer
Senior Vice President and Chief Financial Officer

EMERSON ELECTRIC CO.

REPORT OF MANAGEMENT

The Company's management is responsible for the integrity and accuracy of the financial statements. Management believes that the financial statements for the three years ended September 30, 1991 have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances. In preparing the financial statements, management makes informed judgments and estimates where necessary to reflect the expected effects of events and transactions that have not been completed.

In meeting its responsibility for the reliability of the financial statements, management relies on a system of internal accounting control. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The design of this system recognizes that errors or irregularities may occur and that estimates and judgments are required to assess the relative cost and expected benefits of the controls. Management believes that the Company's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period.

The Audit Committee of the Board of Directors, which is comprised solely of Directors who are not employees of the Company, is responsible for monitoring the Company's accounting and reporting practices. The Audit Committee meets with management and the internal auditors periodically to review the work of each and to monitor the discharge by each of its responsibilities. The Audit Committee also meets periodically with the independent auditors who have free access to the Audit Committee and the Board of Directors to discuss internal accounting control, auditing and financial reporting matters, as well as management advisory services.

The independent auditors are engaged to express an opinion on the Company's financial statements. Their opinion is based on procedures which they believe to be sufficient to provide reasonable assurance that the financial statements contain no material errors.

INTERNATIONAL PAPER COMPANY

REPORT OF MANAGEMENT ON FINANCIAL STATEMENTS

The management of International Paper Company is responsible for the fair presentation of the information contained in the financial statements in this Annual Report. The statements are prepared in accordance with generally accepted accounting principles and reflect management's best judgment as to the Company's financial position, results of operations and cash flows.

The Company maintains a system of internal accounting controls designed to provide reasonable assurance that transactions are properly recorded and summarized so that reliable financial records and reports can be prepared and assets safeguarded.

An important part of the internal controls system is the Company's Policy on Ethical Business Conduct, which requires employees to maintain the highest ethical and legal standards in their conduct of Company business. The internal controls system further includes careful selection and training of supervisory and management personnel, appropriate delegation of authority and division of responsibility, dissemination of accounting and business policies throughout the Company, and an extensive program of internal audits with management follow-up.

The independent public accountants provide an objective, independent review of management's discharge of its responsibility for the fairness of the Company's financial statements. They review the Company's internal accounting controls and conduct tests of procedures and accounting records to enable them to form the opinion set forth in their report.

The Board of Directors monitors management's administration of the Company's financial and accounting policies and practices, and the preparation of these financial statements. The Audit Committee, which consists of five nonemployee directors, meets regularly with representatives of management, the independent public accountants and the Internal Auditor to review their activities. At the Annual Meeting, the Audit Committee presents a summary of its findings to the shareholders and recommends that the shareholders approve the appointment of the independent public accountants to conduct the annual audit.

The independent public accountants and the Internal Auditor both have free access to the Audit Committee and meet regularly with the Audit Committee, with or without management representatives in attendance.

Senior Vice President and Chief Financial Officer

OGDEN CORPORATION

Report of Management

Ogden's management is responsible for the information and representations contained in this annual report. Management believes that the financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances to reflect in all material respects the substance of events and transactions that should be included and that the other information in the annual report is consistent with those statements. In preparing the financial statements, management makes informed judgments and estimates of the expected effects of events and transactions currently being accounted for.

In meeting its responsibility for the reliability of the financial statements, management depends on the Corporation's internal control structure. This structure is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. In designing control procedures, management recognizes that errors or irregularities may nevertheless occur. Also, estimates and judgments are required to assess and balance the relative cost and expected benefits of such controls. Management believes that the Corporation's internal control structure provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.

The Board of Directors pursues its oversight role for these financial statements through the Audit Committee, which is composed solely of nonaffiliated Directors. The Audit Committee, in this oversight role, meets periodically with management to monitor their responsibilities. The Audit Committee also meet periodically with the independent auditors and the internal auditors, both of whom have free access to the Audit Committee without management present.

The independent auditors elected by the shareholders express an opinion on our financial statements. Their opinion is based on procedures they consider to be sufficient to enable them to reach a conclusion as to the fairness of the presentation of the financial statements.

President and Chief Executive Officer
Senior Vice President and Chief Financial Officer

STONE CONTAINER CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of Stone Container Corporation is responsible for the preparation and integrity of the accompanying financial statements (including notes), and is also responsible for the other sections of the Annual Report. The financial statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and, in the belief of Management, present fairly the Company's results of operations, financial position, cash flows and stockholders' equity for the periods under review. In preparing the financial statements, Management made informed judgments and estimates in accounting for transactions and events.

Management maintains a system of internal controls and procedures designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that transactions are properly recorded to permit the preparation of reliable financial records and reports, that assets are safeguarded and that accountability for assets is maintained. In designing and implementing internal controls and procedures, Management recognizes that errors or irregularities may nevertheless occur. Further, estimates and judgments are necessary to evaluate the relative cost/benefit of such controls and procedures. Internal controls and procedures are regularly reviewed and revised, when appropriate, due to changing circumstances and requirements.

To assure the maintenance of effective internal controls and procedures, and to provide the climate in which such controls and procedures can be effective, Management establishes and communicates appropriate written policies and procedures; carefully selects, trains and develops qualified personnel; creates and maintains organizational arrangements that provide appropriate delegation of authority and segregation of responsibility; and maintains an on-going program of internal audits and appropriate managerial follow-up.

The independent public accountants provide an objective, independent review of Management's discharge of its responsibilities as to the fairness of the Company's financial statements. In accordance with generally accepted auditing standards, they obtain a sufficient understanding of the Company's internal controls to plan their audit and to determine the nature, timing and extent of tests to be performed. Additionally, they examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assess the accounting principles used and significant estimates made by management, and evaluate the overall financial statement presentation.

The Audit Committee, comprised solely of outside directors who are not current or former officers or employees of the Company, meet regularly with the independent public accountants and with Management, including the Chief Executive Officer, the Chief Financial Officer and the Principal Accounting Officer. In addition, the Audit Committee and the independent public accountants meet regularly without management representatives in attendance, thus permitting a free discussion of the results and findings of the audit work, the evaluation of the adequacy of internal controls and the quality of financial reporting. The internal auditors, as well as all financial and other personnel of the Company, are available to the Audit Committee and to the independent public accountants. Reports of the internal auditors are, as a matter of regular procedure, available to the independent public accountants and to the Audit Committee.

President and Chief Executive Officer
Executive Vice President
Senior Vice President and Corporate Controller

UNITED TECHNOLOGIES CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of United Technologies Corporation and subsidiaries, and all other information presented in this Annual Report, are the responsibility of the management of the Corporation. The financial statements have been prepared in accordance with generally accepted accounting principles.

Management is responsible for the integrity and objectivity of the financial statements, including estimates and judgments reflected in them. It fulfills this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. These controls include the selection and training of management and supervisory personnel; maintenance of an organizational structure providing for delegation of authority and establishment of responsibilities; communication of requirements for compliance with approved accounting, control and business practices throughout the organization; business planning and review; and a program of internal audit. Management believes the internal accounting controls in use provide reasonable assurance that the Corporation's assets are safeguarded, that transactions are executed in accordance with management's authorizations, and that the financial records are reliable for the purpose of preparing financial statements.

Independent auditors are elected annually by the Corporation's shareowners to audit the financial statements in accordance with generally accepted auditing standards. Their report appears in this Annual Report. Their audits, as well as those of the Corporation's internal audit department, include a review of internal accounting controls and selective test of transactions.

The Audit Review Committee of the Board of Directors, consisting of five directors who are not officers or employees of the Corporation, meets regularly with management, the independent accountants and the internal auditors, to review matters relating to financial reporting, internal accounting controls and auditing.

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-fifth (1991) edition. Thirteen companies in the 1991 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 796 to 805, 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
2	AEL Industries, Inc.	2
4	AM International, Inc.	7
5	AMAX Inc.	12
6	AMETEK, Inc.	12
7	AMP Incorporated and Pamcor, Inc.	12
9	ASARCO Incorporated	12
10	Abbott Laboratories	12
	Acclaim Entertainment, Inc.—*see 736*	
11	Acme-Cleveland Corporation	9
	Acme Steel Company—*see 651*	
13	Action Industries, Inc.	6
	Advanced Micro Devices, Inc.—*see 652*	
	Affiliated Publications, Inc.—*see 653*	
16	Air Products and Chemicals, Inc.	9
	Alberto-Culver Company—*see 601*	
17	Albertson's, Inc.	1
18	Alco Standard Corporation	9
	Allegheny Ludlum Corporation—*see 776*	
	The Allen Group Inc.—*see 602*	
	Allergan, Inc.—*see 796*	
20	Allied-Signal Inc.	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	*FINA, Inc.*	12
40	The American Ship Building Company	9
42	American Stores Company	1
43	American Telephone and Telegraph Company	12
44	Ameron, Inc.	11
45	Amoco Corporation	12
46	Ampco-Pittsburgh Corporation	12
	Anacomp, Inc.—*see 696*	
48	Analogic Corporation	7
51	Anheuser-Busch Companies, Inc.	12
	Anthony Industries, Inc.—*see 737*	
52	Apple Computer, Inc.	9
53	Archer Daniels Midland Company	6
54	Arden Group, Inc.	12
55	Armada Corporation	12
56	Armco Inc.	12
57	Armstrong World Industries, Inc.	12
59	Arvin Industries, Inc.	12
60	Ashland Oil, Inc.	9
62	Astrosystems, Inc.	6
63	Athlone Industries, Inc.	12
64	Atlantic Richfield Company	12
	Ault Incorporated —*see 738*	
	Avery 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
	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	*Dole Food Company, 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
	Conner Peripherals, Inc.—*see 797*	

Co. No.		*Month in which fiscal year ends
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
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
	The Dexter Corporation—*see 798*	
	The Dial Corp.—*see 257*	
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*	
	Dole Food Company, Inc.—*see 112*	
	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
	Duracell International Inc.—*see 799*	
	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*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
194	Elcor Corporation	6
195	Emerson Electric Co.	9
196	Emerson Radio Corp.	12
198	Engelhard Corporation	12
199	Ethyl Corporation	12
202	Exxon Corporation	12
	FINA, Inc.—*see 39*	
203	FMC Corporation	12
	The Fairchild Corporation—*see 656*	
205	Fansteel Inc.	12
	Farr Company—*see 705*	
206	Fedders Corporation	8
208	Federal-Mogul Corporation	12
	Federal Paper Board Company, Inc.—*see 618*	
	Federal Screw Works—*see 747*	
	Ferro Corporation—*see 800*	
	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
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

Co. No.		*Month in which fiscal year ends
256	Greif Bros. Corporation	10
257	*The Dial Corp.*	12
258	Grumman Corporation	12
	Guardsman Products, Inc.—*see 749*	
259	Guilford Mills, Inc.	6
261	Gulf Resources & Chemical Corporation	12
263	HON INDUSTRIES Inc.	12
264	Halliburton Company	12
266	Hampton Industries, Inc.	12
267	Handy & Harman	12
	M.A. Hanna Company—*see 672*	
	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*	
	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*	
290	*Sterling Optical Corp.*	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*	
	Intergraph Corporation—*see 801*	
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
301	International Multifoods Corporation	2
302	International Paper Company	12
303	Interstate Bakeries Corporation	5
305	JLG Industries, Inc.	7
	Jacobs Engineering Group Inc.—*see 754*	
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
	Levi Strauss Associates Inc.—*see 802*	
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

Co. No.		*Month in which fiscal year ends
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*	
	NIKE, Inc.—*see 401*	
	Nalco Chemical Company—*see 803*	
	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Oryx Energy Company—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*	
	PORTEC, Inc.—see *444*	
418	PPG Industries, Inc.	12
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

Co. No.		*Month in which fiscal year ends
	Rohr Industries, Inc.—see *640*	
471	Rowe Furniture Corporation	11
472	Rubbermaid Incorporated	12
	Rykoff-Sexton, Inc.—see *719*	
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
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*	
	Sterling Optical Corp.—see *290*	
	Stewart & Stevenson Services, Inc.—see *768*	
517	Stone Container Corporation	12
	Storage Technology Corporation—see *804*	
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*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	TRINOVA Corporation—*see 338*	
526	TRW Inc.	12
527	Talley Industries, Inc.	12
	Tandem Computers Incorporated—*see 692*	
528	Tandy Corporation	6
529	Tasty Baking Company	12
530	Tecumseh Products Company	12
	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
	Thiokol Corporation—*see 805*	
	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*	
	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.	12
568	Unocal Corporation	12
569	The Upjohn Company	12
570	VF Corporation	12
	Valero Energy Corporation—*see 647*	
	Valhi, Inc.—*see 729*	
571	Varian Associates, Inc.	9
	Vishay Intertechnology, Inc.—*see 731*	
573	Vulcan Materials Company	12
	Wal-Mart Stores, Inc.—*see 648*	
574	Walbro Corporation	12
575	Walgreen Co.	8
577	Wang Laboratories, Inc.	6
579	Warner-Lambert Company	12
	The Washington Post Company—*see 649*	
580	Waste Management, Inc.	12
581	Wausau Paper Mills Company	8
	Waxman Industries, Inc.—*see 732*	
	Western Digital Corporation—*see 733*	
583	Westinghouse Electric Corporation	12
	Westmoreland Coal Company—*see 774*	
584	Westvaco Corporation	10
585	Wetterau Incorporated	3
586	Weyerhaeuser Company	12
587	Wheeling-Pittsburgh Corporation	12
588	Whirlpool Corporation	12
	Whitman Corporation—*see 288*	
589	Whittaker Corporation	10
590	Willamette Industries, Inc.	12
591	The Williams Companies, Inc.	12
593	Winn-Dixie Stores, Inc.	6
594	Winnebago Industries, Inc.	8
595	Witco Corporation	12
	Wolverine World Wide, Inc.—*see 734*	
596	Woolworth Corporation	1
	Worthington Industries, Inc.—*see 735*	
597	Wm. Wrigley Jr. Company	12
599	Xerox Corporation	12
	York International Corporation—*see 650*	
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
619	Fieldcrest Cannon, Inc.	12
621	H.B. Fuller Company	11
623	Hasbro, Inc.	12
624	Hillenbrand Industries, Inc.	11
625	Illinois Tool Works Inc.	12
627	International Flavors & Fragrances Inc.	12
629	Kaman Corporation	12
630	Loral Corporation	3
631	Media General, Inc.	12
633	Nucor Corporation	12
634	Phillips-Van Heusen Corporation	1
635	Premark International, Inc.	12
638	Raychem Corporation	6
640	Rohr Industries, Inc.	7
641	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
650	York International Corporation	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	The Fairchild Corporation	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
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
705	Farr Company	12
706	Figgie International Inc.	12
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
754	*Jacobs Engineering Group Inc.*	9
755	*LADD Furniture, Inc.*	12
756	*Loctite Corporation*	12
757	*Lyondell Petrochemical Company*	12
758	*MagneTek, Inc.*	6
759	*Mark IV Industries, Inc.*	2
760	*Maxxam Inc.*	12
761	*Nashua Corporation*	12
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.*	6
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
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 Company*	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

COMPANIES ADDED FOR 1992 EDITION

Co. No.		*Month in which fiscal year ends
796	*Allergan, Inc.*	12
797	*Conner Peripherals, Inc.*	12
798	*The Dexter Corporation*	12
799	*Duracell International Inc.*	6
800	*Ferro Corporation*	12
801	*Intergraph Corporation*	12
802	*Levi Strauss Associates Inc.*	11
803	*Nalco Chemical Company*	12
804	*Storage Technology Corporation*	12
805	*Thiokol Corporation*	6

Companies Included in Forty-Fifth Edition Not Included in this Edition of the Survey

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1	ADDSCO Industries, Inc.
22	Allis-Chalmers Corporation
236	General Instrument Corporation
392	NCR Corporation
473	Russ Togs, Inc.
503	Square D Company
543	Tonka Corporation
622	Harcourt Brace Jovanovich, Inc.
674	Hills Department Stores, Inc.
703	Cross & Trecker Corporation
710	INTERMEC Corporation
777	Alliant Techsystems Inc.
795	Vista Chemical Company

*Months numbered in sequence, January through December

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